

## < **MULTI YEAR DRAFT BUDGET FOR 2026/27 TO 2028/29** >

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### **PURPOSE OF REPORT / DOEL VAN VERSLAG**

To table the draft Capital and Operating Budget for 2026/27–2028/29 in terms of Section 16(2) and 17(3) of the Municipal Finance Management Act, (Act 56 of 2003).

### **BACKGROUND AND DISCUSSION / AGTERGROND EN BESPREKING**

Section 16(2) and 17(3) of the Municipal Finance Management Act (MFMA)) require of the Mayor of George Municipality to table a draft Capital and Operating Budget for 2026/27–2028/29 at a council meeting at least 90 days before the start of the budget year.

Section 18(1-2) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17(2).

When considering realistically anticipated revenue projections the following must be considered:

- Projected revenue for the current year based on collection levels to date; and
- Actual revenue collected in previous financial years.

The budget and accounting formats demand that the budgeted Statement of Financial Performance (Income Statement), the Budgeted Statement of Financial Position (Balance Sheet) and the Budgeted Statement of Cash Flows must be considered simultaneously to ensure the effective financial management and sustainability of the municipal budget.

#### **1.1 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, draft 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. Five 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:

## 1.2 Economic and Fiscal Environment

South Africa's economy is expected to grow by 1.2 per cent in 2025/26, down from the 1.4 per cent estimated in the 2025/26 budget. Real GDP growth is forecast to strengthen, averaging 1.8 per cent over the medium-term, supported by a revival in investment as new infrastructure allocations take effect and reform implementation builds.

The following macro-economic forecasts must be considered when preparing the 2026/27 MTREF municipal budgets.

Fiscal year	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate	Forecast		
CPI Inflation	4.4%	3.3%	3.7%	3.3%	3.2%

Source: NT MFMA Budget Circular No. 132 as sourced from the National Treasury Budget Review 2025.

Headline inflation declined to 4.4 per cent in the fourth quarter of 2024/25, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 3.3 per cent in 2025/26 and 3.7 per cent in 2026/27. In the short term, reducing the inflation target to 3 per cent

will result in more cuts in interest rates than would be the case under a 4.5 per cent target. Over time, a lower target will decrease inflation and inflation expectations, creating the space for permanently lower interest rates, which will support household spending and investment – boosting economic growth and job creation.

The lower inflation will support higher levels of real economic growth. South Africa's inflation target will be more in line with its trading partners and peer economies, making the economy more competitive. Household spending and private investment will rise due to higher real disposable income and lower borrowing costs. Source: National Treasury MFMA Budget Circular No. 132 of 2025

- Although George Municipality received the budget facility for infrastructure grant (BFI) allocation of R1.1 billion rand in the previous MTREF 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 draft capital budget;
- The addressing of service delivery shortcomings as identified in the adjustments budget in February 2026 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 draft budget. The following was applied:

- The municipality needs to focus on its core functions. During the February 2026 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 2025/26 adjustments budget was the base for the 2026/27 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;
- 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 ensure an optimised credit control and debt collection process was also stressed to improve the debt collection ratio. A 95% ratio was assumed for this budget;
- A contribution of R112,9 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. George Municipality has applied for the IUDG grant and the necessary approval was given in the 2023/24 financial year. An amount of R63 916 521 was gazette for George Municipality for the IUDG for 2025/2026. The following is budgeted for the MTREF - R73 551 is gazetted for 2026/2027, R54 228 for 2027/2028 and R55 913 for 2028/29.

## **1.2 Legal Directives**

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

- National Treasury sent out MFMA Budget Circular No. 132 on 5 December 2025 as well as Budget Circular No. 134 on 20 March 2026 providing guidance to municipalities on their 2026/27 budget and Medium-Term Revenue and Expenditure Framework (MTREF).

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

The mSCOA Regulations apply to all municipalities from 1 July 2017. George Municipality early adopted mSCOA version 5.4 in July 2016. 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 and the upgrade of the system to SAMRAS Platinum is envisaged. The SCM and contract management modules for example will then seamlessly integrate. We are currently budgeting on mSCOA version 7.1 for the 2026/27 financial year.

## **1.4 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;
2. Customer Care, Credit Control and Debt Collection Policy;
3. Property Rates Policy;
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. Long Term Financial Plan (LTFP);
20. Information and Communications Technology (ICT) Policy;
21. Insurance Policy.

The draft policies are contained in the budget documentation and will be placed on the municipal website for public comment. The draft LTFP will be reworked to include the draft 2026/27 MTREF and will be tabled along with the final budget for Council approval.

## **1.5 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 of the Municipal Budget and Reporting

Regulations. This includes the main Tables A1 – A10 as well as the supporting tables SA 1 – SA 38.

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

The George Integrated Public Transport Network (GIPTN) continues the phased implementation of the GO GEORGE public transport system, which has expanded significantly since 2014 and now provides extensive coverage across George, including certain routes to Thembalethu through Phase 4A. The system supports affordable, reliable and accessible public transport, underpinned by an Automated Fare Collection system and annually approved municipal tariffs aligned with affordability and long-term financial sustainability principles

The following municipal processes are included within the GIPTN service, 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 (S79); Mayoral Planning, MAYCO and Council;
- Supply chain management processes for contracting (on-going);
- National grant funding requires milestones for coming years;
- Transfer of grant funds are contingent on reaching milestones;
- High-level milestones will be submitted to the National Department of Transport and National Treasury for the payment schedule;
- An Annual Operations Plan is submitted to NDOT.

The following key milestones of the GIPTN service have been set for the 2026/27 financial period:

### **Capital Budget**

#### **1. Bus Procurement**

The municipality transferred the Sprinter fleet to the VOC towards the end of December 2025 in line with the requirements of the Operator Contract and court order issued by the High Court on the 18<sup>th</sup> of November 2025. The court order stipulates that the remaining fleet should be transferred no later than 7 December 2026. An amount of R 32 million has been allocated for the 2026/27 financial year to procure additional fleet to support with system requirements as further phases of the project are rolled out. The sprinter fleet has reached the end of useful life and would need to be replaced.

## 2. Road Rehabilitation and Infrastructure

Due to limited available grant funding, the municipality will be utilising the Capital Replacement Reserve (CRR) to the value of R 21,8 million for the 2026/27 financial year towards the following capital projects:

- GIPTN Infrastructure

The Municipality has submitted an in-year Public Transport Network Grant (PTNG) adjustment funding application for the 2025/26 financial year in February 2026, jointly with the Western Cape Mobility Department, to address critical infrastructure needs. The application requests a total of R345.55 million, structured into two components:

Section	In-year request
Part I: Committed PTNG Projects	R 184 957 636
Part II: Additional Priority Projects	R 160 590 000
<b>Total in-year request</b>	<b>R 345 547 636</b>

The funding will enable the completion and continuation of essential road rehabilitation, bus stop and transfer location upgrades, and project management capacity, all of which are critical to maintaining service reliability, passenger safety, and protecting prior national government investments. The projects have been prioritised based on readiness, operational necessity, and the ability to be implemented within the adjustment funding timeframe.

Approval of the adjustment funding will support the long-term sustainability of the GIPTN, address the existing infrastructure backlog, and ensure the continued expansion and effective operation of the GO GEORGE public transport service, while complying with required municipal and national governance and funding conditions.

Should the adjustment funding application be unsuccessful, the municipality will reprioritise the R21,8m CRR to supplement the funding shortfall as an interim measure and forgo commencement of the projects listed above.

### **Operating Budget**

The system continues to operate, and July 2026 will mark the last financial year of the twelve (12) year contract period for the project. The main operating cost drivers for the project during the period under review are:

- **Vehicle maintenance** for the sixty-nine (69) municipal owned vehicles. The existing contract was extended through a Section 116 process until 7 December 2026, to align with the contract period of the IGA.
- **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 (NT), Provincial Treasury (PT) and the Transferring Officer (National Department of Transport, NDOT) in terms of Section 16 (3) of the Division of Revenue Bill.

- **Field monitoring services** to ensure adequate service standards are being maintained. The existing contract was extended through a Section 116 process until 7 December 2026.
- **Facilities management services** to ensure locations are adequately maintained, cleaned and secured. The existing contract was extended through a Section 116 process up until 7 December 2026.
- **Marketing and communications services** to support the on-going marketing activities of the GO GEORGE project. The existing tender is currently in the final year of a three-year contract, expiring on 26 November 2026.

In addition to the above, negotiations are in progress for a three year stopgap contract between the municipality and the current VOC through a deviation process.

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

As announced in the Medium-Term Budget Policy Statement on 12 November 2025 by National Treasury, the Public Transport Network Grant is being wound down. The PTNG base allocation to George decreased with R 66million from R250.3 million (2025/26) to R184.8 million (2026/27) however it is R45m more than what was published in the DORA of 2025 as the 2026/27 allocation.

The DORA of 2026 confirms that allocations for this grant are made to fund the finalisation of ongoing projects that will not expand spending under the grant. Only projects that have or are near to completing implementation and operations will continue to be supported.

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

The municipality received in-year funding of R 29 million during the 2025/26 financial year from the Western Cape Mobility Department. The Provincial baseline allocation to GIPTN increased by R37 million for the 2026/27 financial period which shows the commitment from WCMD for the continued success of the service.

The DORA of 2026 indicates the national 2026/27 three-year budget for public transport is as follows:

<b>Description</b>	<b>2026/27 (R)</b>	<b>2027/28 (R)</b>	<b>2028/29 (R)</b>
<b>National Grant:</b>			
- Capital	32 000 000	0	0
- Operations	152 884 000	177 668 000	180 361 000
<b>Provincial Grant:</b>			
- Operations	269 359 000	247 950 000	257 094 000
<b>Total Grants</b>	<b>R454 243 000</b>	<b>R425 618 000</b>	<b>R437 455 000</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.

## 2. 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 2025/26 adjustments budget in February 2026.

The budget committee prioritized the upgrading of the core services infrastructure. MFMA Circular No. 80 (Municipal Finance Management Act No. 56 of 2003), compel all municipalities to ground their capital expenditure as part of the annual IDP process. The IDP and Capital Project Prioritisation System (CP3) facilitates this process through the planning and inclusion of a longer-term capital project pipeline as part of the annual budget planning process currently followed within the municipality.

A framework was established to assess and rank proposed projects based on predefined criteria and an affordability envelope was compiled with the influence of the Long-Term Financial Plan (LTFP). This assisted in decision making in the allocation of funds effectively and balancing urgent needs with long-term strategic goals. The implementation of this system will enhance transparency, accountability and efficient service delivery.

Below are a few of the main focus areas:

- R30.8 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 2026/27 with R60.5 million over the MTREF.
- R266.2 million is allocated for the Upgrading of Sewerage Pumpstation with R32 million in 2026/27 for the completion of the Thembaletu Pumpstation 6.

- R72 million is allocated over the MTREF for groundwater exploration and Development and Equipping Alternative Water Sources to ensure Water Security for George in response to future droughts.
- R161.3 million is allocated over the MTREF for stormwater projects to ensure improved stormwater management during heavy rains for what George is renowned for.
- R32 million allocated on the 2026/27 budget for the replacement of the Sprinter Busses in GIPTN Fleet.
- R97.5 million will be spend over the MTREF on providing on a second transformer for the Schaapkop Electrical Substation. The aim is to ensure economic stability and growth through a stable electrical network.
- R30 million is allocated for electricity smart meters over the MTREF to improve the accurate of meter readings and to facilitate remote monitoring and quick detection of outages and faults.

This draft 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 draft Capital Budget for 2026/27 to 2028/29 is attached as annexure “A” to the agenda.

## **2.1 Capital Budget - 2026/2027 to 2028/2029**

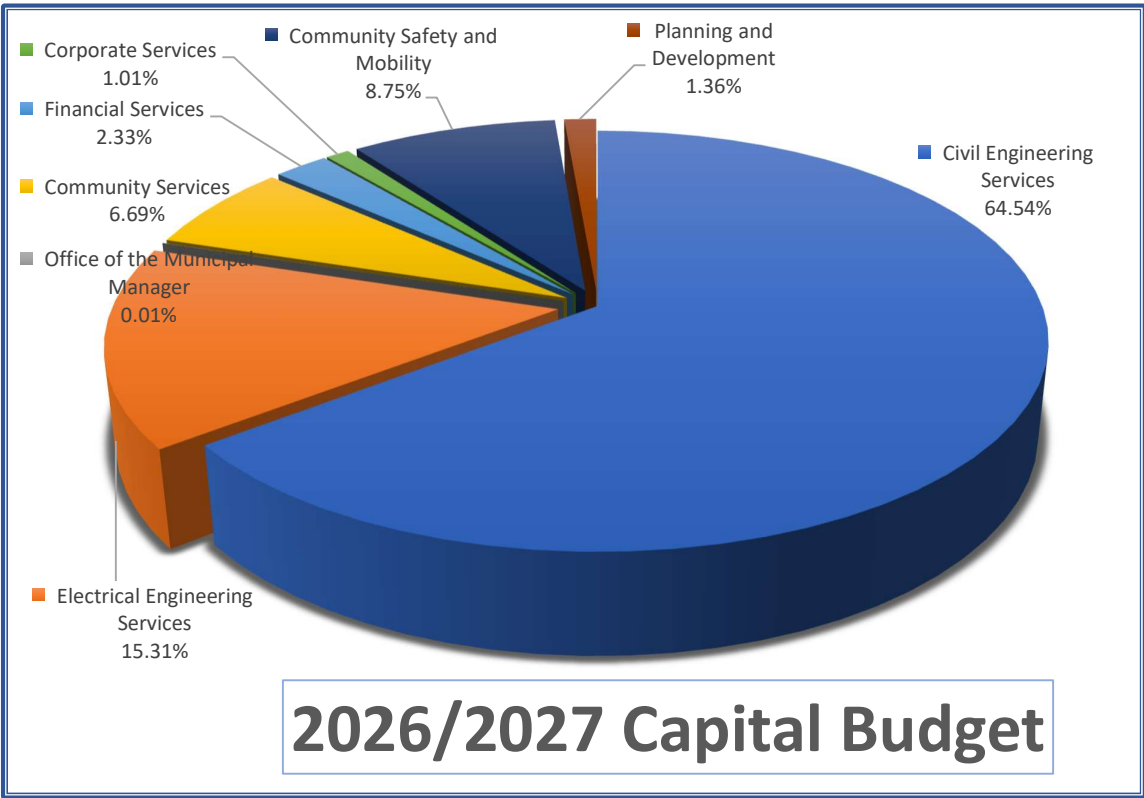
The projects to be funded from the Capital Replacement Reserve (CRR) for 2026/27 were capped at R202,1 million and R489,4 million for projects linked to external funding (EFF).

Full provision was made for grant funded projects as contained in the Division of Revenue Act. An amount of R105,7 million is budgeted for grants.

The draft Capital budget reflects the following budget allocation to the various departments and reflects the strategic priorities outlined in the IDP.

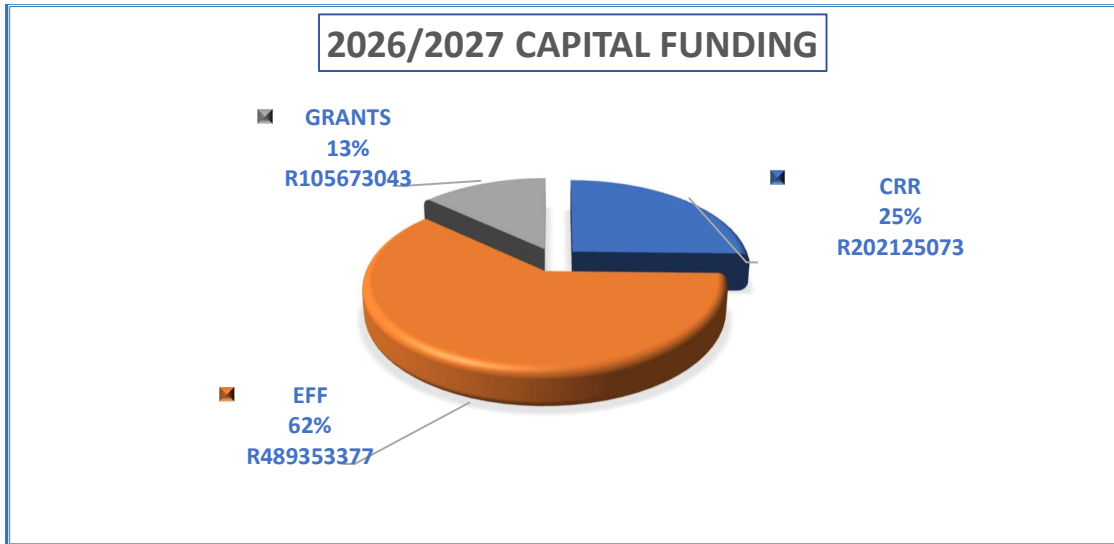
Capital Budget by Directorate	Draft Budget 2026/2027	Draft Budget 2027/2028	Draft Budget 2028/2029
Civil Engineering Services	514 449 681	594 948 838	529 270 000
Electrical Engineering Services	122 073 913	151 900 000	156 800 000
Office of the Municipal Manager	118 500	50 000	0
Community Services	53 290 000	18 060 000	14 100 000
Financial Services	18 588 753	10 789 347	11 058 983
Corporate Services	8 080 000	11 498 000	10 060 000
Community Safety and Mobility	69 720 304	29 004 000	25 704 000
Planning and Development	10 830 343	9 993 608	21 400 000
<b>Grand Total</b>	<b>797 151 494</b>	<b>826 243 793</b>	<b>768 392 983</b>

The pie chart below indicates the proposed capital budget per department.



The draft Capital budget reflects the following budget allocation to the various departments and reflects the strategic priorities outline in the IDP.

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



## 2.2 Internal funding of the Capital Program

CAPITAL BUDGET BY FUNDING SOURCE		Draft Budget 2026/2027	Draft Budget 2027/2028	Draft Budget 2028/2029
CAPITAL REPLACEMENT RESERVE	CRR	202 125 073	325 355 315	338 304 000
EXTERNAL FINANCING FUND	EFF	489 353 377	449 189 347	377 668 983
GRANTS AND SUBSIDIES	GRANTS	105 673 043	51 699 131	52 420 000
<b>TOTAL</b>		<b>797 151 493</b>	<b>826 243 793</b>	<b>768 392 983</b>

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 revenue base (sources) and exploring other revenue sources. The Budget Committee re-affirmed the need to broaden the revenue base and ensure a collection rate of at least 95%.

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

CRR FUNDING FOR 2026/27							
DESCRIPTION OF CAPITAL REPLACEMENT RESERVE (CRR)	PROJECTED BALANCE 30/06/2026	PROJECTED CAPITAL CONTRIBUTION S 2026/27	ADDITIONAL CONTRIBUTION TO CRR REQUIRED	PROJECTED VAT INCOME ON GRANTS 2026/27	TOTAL AMOUNT AVAILABLE FOR CAPITAL EXPENDITURE IN 2026/27	DRAFT CRR CAPITAL BUDGET 2026/27	TOTAL AMOUNT AVAILABLE FOR CAPITAL EXPENDITURE FOR NEXT YEAR
General	15 848 944	2 676 207			18 525 151	139 035 166	- 120 510 015
Electricity	3 312 014	15 837 923			19 149 937	38 480 000	- 19 330 063
Water	2 069 014	13 053 733			15 122 747	8 660 000	6 462 747
Sewerage	1 756 351	9 906 292			11 662 643	7 250 000	4 412 643
Sale of Property	30 843	5 154 244			5 185 087	2 809 908	2 375 179
Cleansing	1 091 428	57 166			1 148 594	5 890 000	- 4 741 406
Parking Facilities	-	-			-	-	-
Contribution from Working Capital			120 500 000	11 077 044	131 577 044		131 577 044
<b>TOTAL CRR</b>	<b>24 108 594</b>	<b>46 685 565</b>	<b>120 500 000</b>	<b>11 077 044</b>	<b>202 371 203</b>	<b>202 125 074</b>	<b>246 129</b>

Various projects have been launched to ensure that all properties are billed for services. Stricter credit control measures must be 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.

### 2.3 The external funding of the Capital Budget

Although the Long-Term Financial Plan indicates that George Municipality's gearing has increased. The magnitude of external funding required over the MTREF compelled the Budget Committee to further scrutinize the different planning scenarios before committing to taking up loans of R1 316 211 707 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 and the growth in George.

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

### **3. Revenue Budget – 2026/2027**

The Municipal Systems Act requires that George Municipality must set cost reflective tariffs. National Treasury encourages that tariffs be maintained 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 as follows (MFMA Budget Circular no. 134 of 2026):

- 2026/27 – 3.4%
- 2027/28 – 3.3%
- 2028/29 – 3.2%

Tariff increases for bulk electricity purchases of 9.01% was announced by ESKOM and approved by NERSA for municipalities. This increase is more than double the National Treasury projected inflation target for 2026/27. The persistent exorbitant price increases announced by ESKOM over the past decade has eroded the ability of municipalities to charge cost reflective tariffs for their own basic services.

The Budget Committee used tariff modelling to determine tariff increases within the guidelines set by National Treasury that will still generate the revenue required to fund the asset renewal programme, supplemented by additional external funding.

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

The current 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 billion.

Five (5) supplementary valuation rolls were compiled and advertised for public inspection and objections. The combined market value of the properties is currently R78,207 billion.

George Municipality is in the process of appointing a new tenderer to undertake the new general valuation roll to be implemented on 1 July 2027.

## **3.2 Rates**

### **3.2.1 Municipal Valuation Threshold**

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.

### **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 property rates increase by 3,7%.

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

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 R198 000 per annum (10% 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 R198 000 or more per annum but less than R217 800 per annum (10% increase in rebate); or
- A rebate of 40%, up from 35% of property rates will be applicable to Pensioners earning up to R429 000, up from R390 000 per annum, on the first two-million-four hundred and seventy-five-thousand-rand valuation (R 2 475 000) of the property (up from R2 250 000). 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**

The National Energy Regulator of South Africa (NERSA) on 10 March 2026 in a media statement announced that:

*“The National Energy Regulator of South Africa (NERSA) announced today that the Energy Regulator, at its meeting held on 5 March 2026, considered and approved the Eskom Retail Tariffs and Structural Adjustment (ERTSA) application, at an average tariff increase of 8.76% for Eskom direct customers and 9.01% for municipalities.*

*The approved standard tariff increase of 8.76% will be implemented from 1 April 2026 until 31 March 2027 for Eskom direct customers, and the 9.01% increase will be implemented from 1 July 2026 until 30 June 2027 for municipal customers, in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('MFMA'). This difference in percentages is brought about by the differences in implementation dates between Eskom direct customers and municipalities buying from Eskom”.*

The local authority tariff increase is effective from 1 July 2026 to 30 June 2027. During the April 2026 to June 2026 three-month period, the 2025/26 local authority tariffs are still applicable.

George Municipality has done a cost of supply study that has been submitted to NERSA for approval. Below are the tariffs taken from the modelling.



## TARIFF ADJUSTMENT – BELOW ESKOM APPROVED INCREASE OF 9,01%

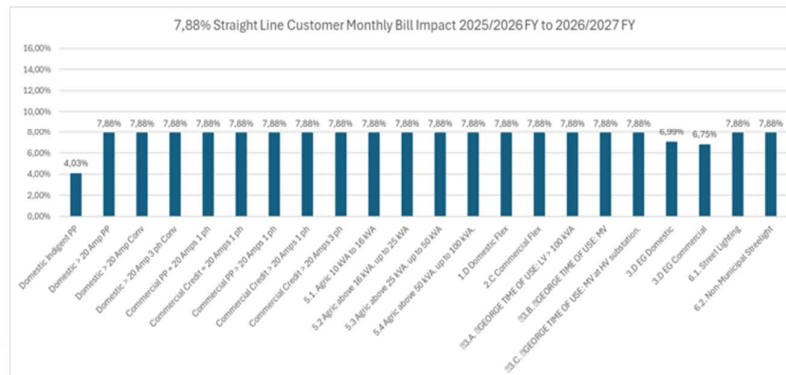
Slower move to COS Study Cost Reflective Tariffs

### Results of adjustments:

- Overall increase of 7,88% increase
- Indigent block 1 – R2,81/kWh for energy consumed below 400kWh
- Indigent block 2 – R3,71kWh for energy consumed above 400kWh
- Compared to COS Study expenditure below

Indigents	80kWh - FBE	70kWh - FBE
FBE – 14 997 indigents	14 397 120	12 597 480
FBE Cost	R40 413 257,17	R35 361 600,03
Remaining indigent kWh	7 712 281	9 511 921
Revenue Indigents	R30 972 131,29	R36 023 788,44

Rate Increase Option	Financial Year	COS Study Expenditure	Proposed rates revenue	Margin (ZAR)	% Profit Margin
Overall 7,88% Increase	2026/2027	R1 415 720 420,17	R1 426 827 675,83	R11 107 255,66	0,78%



Straight line 7,88% Increase:

1. Cross board increase in rates.
2. Overall increase of 7,88%.
3. Indigent customers continue to have two block, however, now the second block matches the non-domestic customer energy rate.
4. Indigent FBE increased to 80kWh/month (recovered via the equitable share).
5. SSEG tariff increased to R1,03/kWh (47% increase).



**TARIFF ADJUSTMENT – BELOW ESKOM APPROVED INCREASE OF 9,01%**

Slower move to COS Study Cost Reflective Tariffs

Proposed rate increases:

Existing	CoS Study	Proposed Rates 2026/2027				Energy Peak		Energy Off-Peak	Energy Standard		Energy Off-Peak	Reactive energy
		Basic Charge	Access Charge	Demand Charge	Energy	Block 1	Block 2	Energy Peak	Energy Standard	Energy Off-Peak		
		%	%	%	%	%	%	%	%	%	%	%
DOMI	Domestic Indigent PP	0,00%	0,00%	0,00%	0,00%	0,00%	7,88%	-1,40%	0,00%	0,00%	0,00%	0,00%
DOMI	Domestic Indigent Conv	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1503;1506;PCOM	Domestic 20 Amp PP	0,00%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1503;1506;PCOM	Domestic 20 Amp Conv	0,00%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1504;1506;1584;TOU20	Domestic > 20 Amp PP	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1504;1506;1584;TOU20	Domestic > 20 Amp Conv	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1504;1506;1584;TOU20	Domestic > 20 Amp 3 ph Conv	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1507;1508;1582;1583;PCOM	Commercial PP = 20 Amps 1 ph	0,00%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1507;1508;1582;1583;PCOM	Commercial Credit = 20 Amps 1 ph	0,00%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1509;1511;1512;1561;1591;PCOM	Commercial PP > 20 Amps 1 ph	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 1 ph	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1509;1511;1512;1561;1591;PCOM	Commercial PP > 20 Amps 3 ph	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1509;1511;1512;1561;1591;PCOM	Commercial Credit > 20 Amps 3 ph	7,88%	7,88%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1541;1542	S.1. Agric 10 kVA to 16 kVA	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	1543 S.2 Agric above 16 kVA, up to 25 kVA	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	1544 S.3 Agric above 25 kVA, up to 50 kVA	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	1545 S.4 Agric above 50 kVA, up to 100 kVA	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
TOUSP; TOUSS; TOUDD	1.D Domestic Flex (TOUP; TOUS; TOU) = 10k	7,88%	7,88%	0,00%	0,00%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%	0,00%
TOUCP; TOUCS; TOUCO	2.C Commercial Flex (TOUP; TOUS; TOU) <	7,88%	7,88%	0,00%	0,00%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%	0,00%
TOU1A; TOU1; TOU1P; TOU1; TOU01	3.A. GEORGE TIME OF USE: LV = 100 kVA	7,88%	7,88%	7,88%	0,00%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%
TOU0D; TOU0A; TOU0P; TOU0M; TOU0S	3.B. GEORGE TIME OF USE: MV	7,88%	7,88%	7,88%	0,00%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%
TOU2A; TOU2; TOU2P; TOU2; TOU02	3.C. GEORGE TIME OF USE: MV at HV subst	7,88%	7,88%	7,88%	0,00%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%	7,88%
TOU0P; TOU0M; TOU0S; TOU0M; TOU0S	SSEG Export Tariff	0,00%	0,00%	0,00%	0,00%	47,14%	47,14%	47,14%	47,14%	47,14%	47,14%	0,00%
1530; 1531; 1559	6.1. STREET LIGHTING (Tariff code : 1530, 15	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
1556;1556;1587;TOU56	6.2. NON MUNICIPAL STREETLIGHTS, SECUR	7,88%	0,00%	0,00%	7,88%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

**3.4 Proposed Tariff Adjustments for 2026/27 – 2028/29 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 3.7% inflation target forecasted in the National Treasury MFMA Budget Circular No. 132 of 2025 under paragraph 4.

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

Average Tariff Increase Applied in the 2025/26 Budget and 2026 to 2029 MTREF Budget				
Category	Base Budget 2025/26	Budget Year 2026/27	Budget Year 2027/28	Budget Year 2028/29
Property Rates	5.5%	3.7%	7%	7%
Electricity (NERSA)	11.32%	7.88%	7.88%	7.88%
Water	6%	3.7%	5%	5%
Sanitation	5.5%	3.7%	5%	5%
Refuse	6%	3.7%	5%	5%
Other (general increase)	5%	3.7%	5%	5%

### **3.5 Water Service**

Generally, the tariff for water reflects a 3,7% 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 Electricity 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, or 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.

George Municipality completed its updated cost of supply study in the 2024/2025 financial year. The study was approved by NERSA and Council in early 2025 and implementation thereof commenced on 1 July 2025.

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 study made provision for an inclining block tariff without a fixed charge. The study also includes a 20A tariff without fix charges to assist poor communities that can manage their demand to less than 20A. This tariff is therefore not available to the SSEG customers. Other clients (indigent or non-Indigent) who require a higher capacity (30A, 40A, 50A, 60A), are able to do so, but will have to pay for the capacity and basic charges, but with 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 2026/27 financial year NERSA approved a 9.01% tariff increase for the bulk purchase of electricity from Eskom.

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

Budget Statement - Financial Performance (revenue and expenditure)				
Description	2025/26 Adjustments Budget	Draft 2026/27 MTREF		
		2026/27	2027/28	2028/29
<b>Revenue</b>				
<b>Exchange Revenue</b>				
Service Charges - Electricity	1 257 050 671	1 426 827 676	1 540 973 890	1 664 251 801
Service Charges - Water	250 330 071	259 592 282	280 359 665	302 788 438
Management	203 900 452	206 632 613	223 163 222	241 016 280
Service Charges - Waste Management	185 272 977	186 414 660	201 327 833	217 434 059
Sale of Goods and Rendering of Services	104 478 371	138 252 897	147 865 380	158 226 380
Agency services	21 653 152	22 454 319	23 285 129	24 146 679
Interest	0	0	0	0
Interest earned from Receivables	31 038 204	32 186 617	33 377 523	34 612 491
Interest from Current and Non Current Assets	65 000 000	96 300 000	97 626 000	98 978 520
Dividends	0	0	0	0
Rent on Land	0	0	0	0
Rental from Fixed Assets	5 679 512	5 793 099	5 908 962	6 027 140
Licence and permits	847 040	863 981	881 263	898 887
Special rating levies	0	0	0	0
Development Charges	40 049 489	41 531 321	58 067 980	59 661 495
Operational Revenue	79 799 744	40 545 261	41 356 164	42 183 288
<b>Non-Exchange Revenue</b>				
Property rates	514 539 414	536 928 256	590 621 082	649 683 190
Surcharges and Taxes	0	0	0	0
Fines, penalties and forfeits	98 275 957	101 912 168	105 682 919	109 593 188
Licence and permits	4 565 287	4 656 593	4 749 724	4 844 719
Transfers and subsidies - Operational	800 856 191	745 972 000	745 403 999	754 033 000
Interest	5 721 580	5 933 279	6 152 811	6 380 465
Fuel Levy	0	0	0	0
Operational Revenue	27 911 481	29 830 764	29 342 243	29 929 087
Gains on disposal of Assets	0	0	0	0
Other Gains	247 394 166	0	0	0
Discontinued Operations	0	0	0	0
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3 944 363 759</b>	<b>3 882 627 786</b>	<b>4 136 145 788</b>	<b>4 404 689 107</b>

The table above gives the year-on-year decrease in revenue sources by 1,57% mainly due to reduced grant funding.

## 4. OPERATING EXPENDITURE BUDGET

### 4.1 Proposed accepted outer limits:

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

Salary and salary related items increase	: 4,75% + annual notch increases where applicable
Repairs & maintenance	: 1%
Electricity Bulk Purchases	: 9,01% (NERSA)
General Expenses	: 1% based on adjustments budget and adjusted per motivation by departments
Contracted Services	: 1% on the adjustment budget figures

### 4.2 Electricity Service: Eskom Bulk Tariff Increases

The National Energy Regulator of South Africa (NERSA) on 10 March 2026 in a media statement announced a bulk purchase increase of 9.01%.

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.

### 4.3 Expenditure by type -Table A4

Budget Statement - Financial Performance (revenue and expenditure)				
Description	2025/26 Adjustments Budget	Draft 2026/27 MTREF		
		2026/27	2027/28	2028/29
<b>Expenditure By Type</b>				
Employee related costs	871 507 704	894 678 884	948 359 617	1 005 261 194
Remuneration of councillors	32 675 643	34 309 427	36 024 899	37 826 144
Bulk purchases - electricity	946 966 118	1 032 287 765	1 083 902 153	1 138 097 261
Inventory consumed	338 240 343	197 857 419	221 911 194	231 410 738
Debt impairment	104 898 151	112 899 106	118 544 062	124 471 265
Depreciation and amortisation	316 128 414	377 560 638	385 127 171	456 177 660
Interest	90 197 979	155 856 859	193 050 249	223 944 401
Contracted services	936 474 596	864 064 236	853 773 428	861 229 110
Transfers and subsidies	118 408 019	106 273 274	110 447 353	115 504 266
Irrecoverable debts written off	11 854 229	12 446 941	13 069 289	13 722 754
Operational costs	199 421 184	210 745 878	212 385 229	214 683 024
Losses on Disposal of Assets	0	0	0	0
Other Losses	50 614 726	19 269 404	28 522 783	38 035 247
<b>Total Expenditure</b>	<b>4 017 387 106</b>	<b>4 018 249 831</b>	<b>4 205 117 428</b>	<b>4 460 363 064</b>

The operating expenditure has increased from R4,017 billion in 2025/26 (February adjustments budget) to R4,018 billion for 2026/27.

### 5. Employee related costs

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

The salary and wage collective agreement was signed by the parties of the South African Local Government Bargaining Council (SALGBC) on Friday, 6 September 2024 and stipulates as follows:

Financial Year 2026/2027

*“6.6. In respect of this financial year, all employees covered by this agreement shall receive, with effect from 1 July 2026, an increase based on the average CPI percentage for the period 1 February 2025 until 31 January 2026, plus zero comma seventy five percent (0.75%)”.*

According to Circular No. 04/2026 from SALGA the salary and wage increase shall be four comma seven five percent (4,75%) plus the annual notch increases where applicable.

## 6. INDIGENT SUPPORT AND HOUSEHOLD BILLS

### 6.1 Indigent support

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 25 February 2026 indicates that the equitable share allocation to municipalities country wide is being reduced. For George the allocations are:

<b>Equitable Share</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Previous DORA	247 778	263 142	275 041	-
Current DORA	-	263 324	278 637	282 551
Increase	-	182	3 596	-
Difference %	-	0,07	1,31	-

Funding for the indigent support programme is 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.

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.

Level 1 and Level 2 Indigent Support:

George Municipality has seen a consistent declining trend in the number of indigent households in recent years as the re-registration initiative was carried out. Therefore, and in addressing the plight of the poor, George Municipality recommends that the indigent subsidy be amended as follow:

- Increase the qualifying threshold for Level 1 indigent support from R6 000 to 4 x SASSA (R2 420 from 1 April 2026) = R9 680 which increases the qualifying threshold from the current R6 000 to R9 680.
- Increase in the 50% indigent subsidy for Level 2 indigents where the combined monthly household income is between R9 681 (4 x SASSA) and 6 x SASSA = R14 520.

The maximum amount as per SASSA old age grant (over 75) is used for the indigent subsidy benefit.

The Executive Mayor noted last year that, *"We have listened to our residents and taken action. This initiative is a testament to our commitment to social equity while ensuring the long-term sustainability of municipal services, therefore we have the two levels of support."*

Qualifying households on level 1 indigent support will receive the full (100% indigent) subsidy.

Households earning a combined monthly household income of between R9 680 and R14 450 can apply for the Level 2 indigent support programme and will receive 50% of the benefits allocated to Level 1 indigent households, except for the free basic electricity units.

To mitigate the exposure to financial viability risk brought on by the introduction of the Level 2 indigent support programme, the municipality will reserve the right to suspend/amend, or review levels of Level 2 indigent support provided for example by reducing or increasing the 50% subsidy ratio during the financial year. The municipality also reserves the right to not approve Level 2 Indigent support applications once the available Equitable Share funding becomes depleted. These potential amendments to the Level 2 indigent support will be made during the financial year upon evaluation of indicators such as social assessments and consumption/participation levels.

However, the Budget Committee is confident that the Level 2 indigent support will greatly assist struggling household by distributing the benefit to households that ordinarily would not be able to receive the full Level 1 indigent support.

The indicative proposed package of free basic services allocated to indigents households consists of the following:

<b>Service Subsidy</b>	<b>Indigent Level 1 Support (100%)</b>	<b>Indigent Level 2 Support (50%)</b>
<b>Criteria:</b>	Household Income: R0 – R9 680	Household Income: R9681 – R14 520
<b>Electricity:</b>	80 kWh free units	No free units + 50% of Basic Charge
<b>Water:</b>	6kl free + 100% of Basic Charge	6kl free + 50% of Basic Charge
<b>Refuse</b>	100% of Basic Charge	50% reduction in Basic Charge
<b>Sewerage</b>	100% of Basic Charge	50% reduction in Basic Charge
<b>Property Rates</b>	Rebate: R230 000 on valuation	Rebate: R230 000 on valuation
<b>Total subsidy:</b>	Value: R1 524.30 per month	Value: R776.95 per month

The proposed package of free basic services allocated to indigents households consists of the following: The comparison year-on-year is as follow:

<b>Indigent Benefit</b>	<b>Increase (%)</b>	<b>2025/26 Level 1  (R)</b>	<b>2025/26 Level 2  (R)</b>	<b>2026/27 Level 1  (R)</b>	<b>2026/27 Level 2 (50% discount)  (R)</b>
Water (Fixed cost)	3.7%	156.31	78.16	162.09	81.05
Water (6kl Free)	3.7%	132.36	132.36	137.28	137.28
Valuation Rebate (non-vatable)	3.7%	125.31	125.31	129.95	129.95
Sewerage	3.7%	331.41	165.71	343.67	171.84
Refuse Removal	3.7%	332.59	166.30	344.89	172.45
Electricity 70 kWh (2025/26)		182.17	-	-	-
Electricity 80 kWh (2026/27)	23.3%	-	-	224.55	-
<b>Sub Total</b>		<b>R1 260.15</b>	<b>R667.83</b>	<b>1 342.43</b>	<b>692.56</b>
VAT		R170.23	R81.38	181.87	84.39
<b>Total</b>		<b>R1 430.38</b>	<b>R749.22</b>	<b>1524.30</b>	<b>776.95</b>

## 6.2 Monthly Households Bills

The follow spreadsheets give an indication of 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 tables below.

Description Rand/cent	Ref	Actual 2024/25	Budget Year 2025/26 % incr.	2026/27 Medium Term Revenue & Expenditure Framework		
				Budget Year 2025/26	Budget Year 2026/27 % incr.	Budget Year 2026/27
<b>Monthly Account for Household - 'Middle Income Range'</b>	1					
<b>Rates and services charges:</b>						
Property rates (new val. R1 200 000)		500,92	5,5%	528,49	3,7%	548,05
Electricity: Basic levy (<30Amps)		96,61	10,9%	107,14	7,88%	115,58
Electricity: Amp. Charge(R7.14/Amp)		176,40	10,0%	194,10	7,88%	209,40
Electricity: Consumption		2 698,90	10,9%	2 993,00	7,88%	3 228,80
Water: Basic levy		147,46	6,0%	156,30	3,7%	162,09
Water: Consumption		636,64	6,0%	674,84	3,7%	699,82
sub-total for water		784,10	6,0%	831,14	3,7%	861,91
Sanitation		314,15	5,5%	331,43	3,7%	343,69
Refuse removal		313,76	6,0%	332,59	3,7%	344,89
Other						
<b>Sub-total</b>		<b>4 884,84</b>	<b>8,9%</b>	<b>5 317,89</b>	<b>6,3%</b>	<b>5 652,32</b>
VAT on Services		657,59		718,41		765,64
<b>Total large household bill:</b>		<b>5 542,43</b>	<b>8,9%</b>	<b>6 036,30</b>	<b>6,3%</b>	<b>6 417,96</b>
<b>Increase</b>			<b>493,87</b>		<b>381,66</b>	<b>6,3%</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 2024/25	Budget Year 2025/26 % incr.	2026/27 Medium Term Revenue & Expenditure Framework		
				Budget Year 2025/26	Budget Year 2026/27 % incr.	Budget Year 2026/27
Rand/cent						
<b>Monthly Account for Household - 'Affordable Range'</b>	2					
<b>Rates and services charges:</b>						
Property rates (new val. R850 000)		320,18	5,5%	337,80	3,7%	350,30
Electricity: Basic levy (<30Amps)		96,61	10,9%	107,14	7,88%	115,58
Charge(R7.14/Amp)		176,40	10,0%	194,10	7,88%	209,40
Electricity: Consumption		1 349,45	10,9%	1 496,50	7,88%	1 614,40
Water: Basic levy		147,46	6,0%	156,30	3,7%	162,09
Water: Consumption		473,09	6,0%	501,49	3,7%	520,07
sub-total for water		620,55	6,0%	657,79	3,7%	682,16
Sanitation		314,15	5,5%	331,41	3,7%	343,67
Refuse removal		313,76	6,0%	332,59	3,7%	344,89
Other						
<b>Sub-total</b>		<b>3 191,10</b>	<b>8,3%</b>	<b>3 457,32</b>	<b>5,9%</b>	<b>3 660,40</b>
VAT on Services		430,64		467,93		496,51
<b>Total small household bill:</b>		<b>3 621,74</b>	<b>8,4%</b>	<b>3 925,25</b>	<b>5,9%</b>	<b>4 156,91</b>
<b>Increase</b>			<b>303,52</b>		<b>231,66</b>	<b>5,9%</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 monthly account is based on a usage of 350 kWh and 25kl respectively. The indigent households receive 80kWh electricity units, 6kl water as well as the basic water charge for free.

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

Description	Ref	Actual 2024/25	Budget Year 2025/26 % incr.	2026/27 Medium Term Revenue & Expenditure Framework		
				Budget Year 2025/26	Budget Year 2026/27 % incr.	Budget Year 2026/27
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		821,31	10,88%	910,70	7,88%	982,42
less: free units (80kWh)		(164,26)	10,89%	(182,14)	23,29%	(224,55)
<b>Sub-total</b>		657,05	10,88%	728,56	4,03%	757,86
Water: Basic levy		147,46	6,0%	156,31	3,7%	162,09
Water: Consumption		382,89	6,0%	405,90	3,7%	420,96
less: equitable share		(147,46)	6,0%	(156,31)	3,7%	(162,09)
<b>Sub-total</b>		382,89	6,01%	405,90	3,71%	420,96
Sanitation		314,13	5,5%	331,41	3,7%	343,67
less: equitable share		(314,13)	5,5%	(331,41)	3,7%	(343,67)
<b>Sub-total</b>		-		-		-
Refuse removal		314,13	5,9%	332,59	3,7%	344,89
less: equitable share		(314,13)	5,9%	(332,59)	3,7%	(344,89)
<b>Sub-total</b>		-		-		-
<b>Sub-total</b>		<b>1 039,94</b>	9,1%	<b>1 134,46</b>	3,9%	<b>1 178,82</b>
VAT on Services		155,99	9,1%	170,17		176,82
<b>Total indigent household bill:</b>		<b>1 195,93</b>	9,1%	<b>1 304,63</b>	3,9%	<b>1 355,65</b>
<b>Increase</b>			<b>108,70</b>	9,1%	<b>51,02</b>	3,9%

**FINANCIAL IMPLICATIONS**

<N/A> |

**COMMENTS: MUNICIPAL MANAGER**

<N/A> |

**COMMENTS: DIRECTOR: FINANCIAL SERVICES**

<N/A> |

**COMMENTS: DIRECTOR: CORPORATE SERVICES**

<N/A> |

**COMMENTS: DIRECTOR: CIVIL ENGINEERING SERVICES**

<N/A> |

**COMMENTS: DIRECTOR: ELECTRO-TECHNICAL SERVICES**

<N/A> |

**COMMENTS: DIRECTOR: HUMAN SETTLEMENTS, PLANNING & DEVELOPMENT AND PROPERTIES**

<N/A> |

**COMMENTS: DIRECTOR: COMMUNITY SERVICES**

<N/A> |

**COMMENTS: LEGAL SERVICES**

<N/A> |

**COMMENTS: OTHER**

<N/A> |

## **SUMMARY/OPSOMMING**

The draft 2026/27 to 2028/29 MTREF budget was compiled after various one-on-one sessions with the directorates. It was clear during the budget process that backlogs exist in the basic service delivery infrastructure that has to be addressed in this budget. To fund the capital upgrading and renewal projects, the necessary revenue has to be secured. The budget will be tabled and open for comments from the George community.

## **RECOMMENDATION / AANBEVELING /**

- (a) that the following draft policies attached as annexure "C" be tabled for public comment:
- 1) Tariff Policy;
  - 2) Customer Care, Credit Control and Debt Collection Policy;
  - 3) Property Rates Policy;
  - 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) Long Term Financial Plan (LTFP);
  - 20) Information and Communications Technology (ICT) Policy;
  - 21) Insurance Policy.
- (b) that the draft annual budget for the financial year 2026/27 and indicative outer years 2027/28 and 2028/29 be tabled as set-out:
- 1) Capital expenditure by project as contained in annexure "A" to the agenda;
  - 2) Capital funding by source as contained in annexure "A" to the agenda;
  - 3) Operating revenue by source as contained in Table A4 in the report;
  - 4) Operating expenditure by type as contained in Table A4 in the report;

- (c) that the draft tariffs for property rates as reflected in the report be tabled for the budget year 2026/27;
- (d) that draft tariffs and services charges as reflected in the formal tariff list attached as annexure “B” be tabled for the budget year 2026/27;
- (e) that the draft annual budget documentation for 2026/27 to 2028/29 as outlined in the budget regulations be submitted to National and Provincial Treasury. |

**RECOMMENDATION/S IN XHOSA / ICEBO / AMACEBO:**

<text> |

**ATTACHMENTS / STAWENDE DOKUMENTE**

- Annexure “A” : Draft Capital Budget 2026/27 to 2028/29
- Annexure “B” : Tariff List
- Annexure “C” : Budget Related Policies >|