

Edition 73 JUNE 2024

MUNICIPAL BUDGET 2024/25

It is our vision to ensure that a well-run, forward thinking, caring, safe, inclusive and opportunity rich George City will be reflected and unfolded within our capital and operational budget. We strive to be a well-run city that delivers quality basic services to all of its residents on time and within budget.

George Municipality is respected for providing a high standard of service delivery with good response times for faults, which it strives to maintain and continuously improve on. These services include ensuring that we continue caring for the needs of our citizens through supporting soup kitchens, vegetable gardens, sporting activities, community safety, keeping our streets and verges clean, clearing illegal dumping sites, etc.

To achieve this, we have therefore adopted an approach to keep operational expense increases to a minimum as far as possible despite the poor current economic situation of the country, whilst ensuring that the municipal budget is realistic, funded, and sustainable, as endorsed by both Provincial and National Treasury for the 2024/25 Medium Term Revenue and Expenditure Framework (MTREF).

The preparation of the municipal budget for the 2024/25 period was a very challenging task. National Treasury issued MFMA Budget Circular No's. 126 & 128 to guide the municipal budget process. The total population residing within the boundaries of George Municipality, as determined by the Statistician General for the 2022 Census, in terms of section 14(7) of the Statistics Act, 1999 (Act No.6 of 1999) shows a 41.63% increase since 2016 from 208 238 to 294 929 citizens. This is a significant increase.

The budget was prepared in the context of a very weak global and national economy. Weak global economic growth affected by disruptions in the global supply chains, made worse by inflationary pressures. Locally, the continued power cuts and a deterioration in port and rail infrastructure, widespread criminal activity, compound the deterioration of the fiscal outlook.

Employment growth continues to lag in 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. 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.

Core inflation has remained near 5 per cent for most of 2023. 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. The increased prime lending rate along with the destructive financial consequences of Eskom's persistent load-shedding have pushed 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.

The 2024/25 MTREF budget was therefore drawn up in consideration of the above facts. Attention is drawn the following highlights:

Increased rebates for low income owners and pensioners

The Municipality has approved the following increased rebates for lower income owners and pensioners:

LOW-INCOME OWNERS/PENSIONERS

All owners of residential properties who inhabit and control such properties and are financially responsible for the payment of property rates on such properties are entitled to:

- ◆ A rebate of **40%** on the property rates on such properties, if their total income is less than **R156 000** per annum (R13 000 per month); or
- ◆ A rebate of **20%** on the property rates on such properties, if their total income is more than **R156 000** but less than **R174 000** per annum (R14 500 per month)
- ◆ A rebate of **30%** of property rates will be applicable to Pensioners earning up to **R330 000,00** per annum (R27 500 per month) on the first two-million-rand valuation of the property. This will apply to persons over the age of **65 years** for their single primary residence.

LAE-INKOMSTE EIENAARS/PENSIOENARISSE

Alle eienaars van residensiële eiendomme wat sodanige eiendomme bewoon en beheer en finansieel vir die betaling van eiendomsbelasting op sodanige eiendomme verantwoordelik is, is geregtig op:

- ◆ 'n korting van **40%** op die eiendomsbelasting op sodanige eiendomme, indien hul totale inkomste minder as **R156 000** per jaar is (R13 000 per maand); of
- ◆ 'n korting van **20%** op die eiendomsbelasting op sodanige eiendomme, indien hul totale inkomste meer as **R156 000** maar **minder as R174 000** per jaar (R14 500 per maand) is of
- ◆ 'n korting van **30%** van eiendomsbelasting sal van toepassing wees vir pensioenarisse met 'n inkomste van **R330 000** per jaar (R27 500 per maand) op die eerste twee miljoen rand waardasie van die eiendom. Hierdie is van toepassing slegs vir persone **ouer as 65 jaar** vir hul enkel primêre wooneenheid.

CAPITAL BUDGET / KAPITALE BEGROTING 2024/2025 to 2026/2027

Building infrastructure for our future

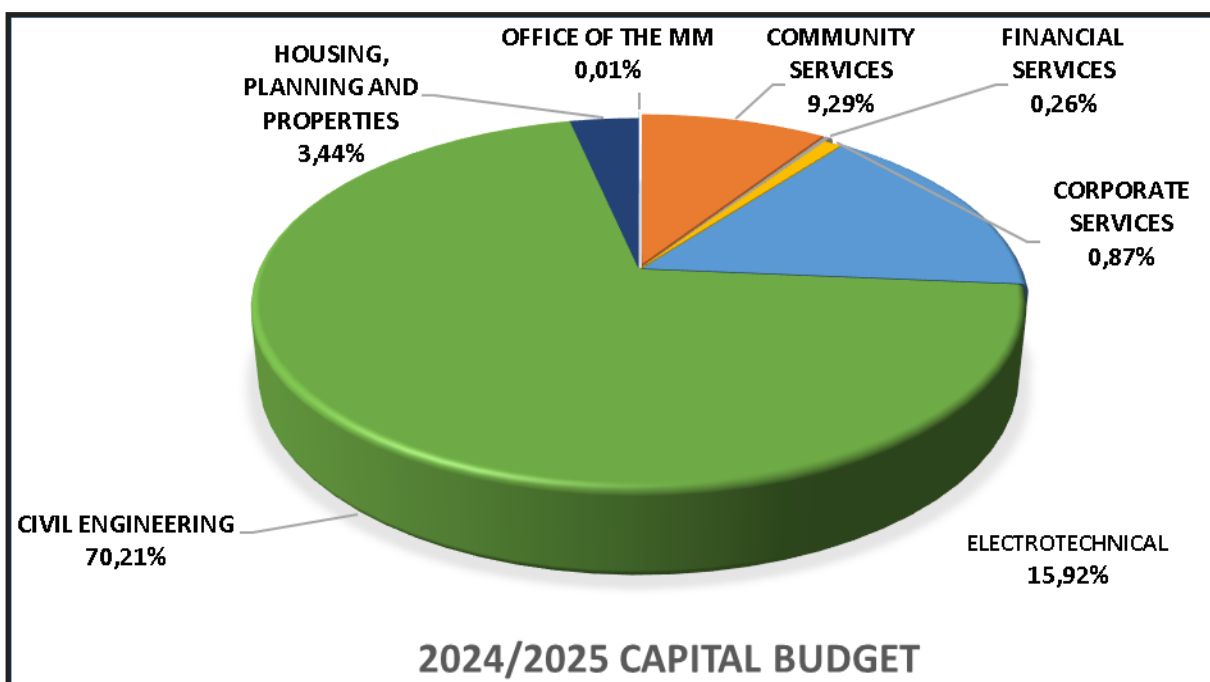
The 2024/25 MTREF budget continues from the 2023/24 budget to respond to the need to not only maintain, but also expand the existing infrastructure capacity in George. Besides the grant funding provided by Treasury, the municipality also borrows external funding and supplements this with its own cash reserves to fund capital projects.

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.

The Capital budget reflects the following budget allocation to the various departments and reflects the strategic priorities outlined in the Integrated Development Plan 2022 -2027.

DIRECTORATE	2024/25 R	2025/26 R	2026/27 R	MTREF R
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
TOTAL	1 224 723 645	1 114 730 460	774 569 458	3 114 023 563

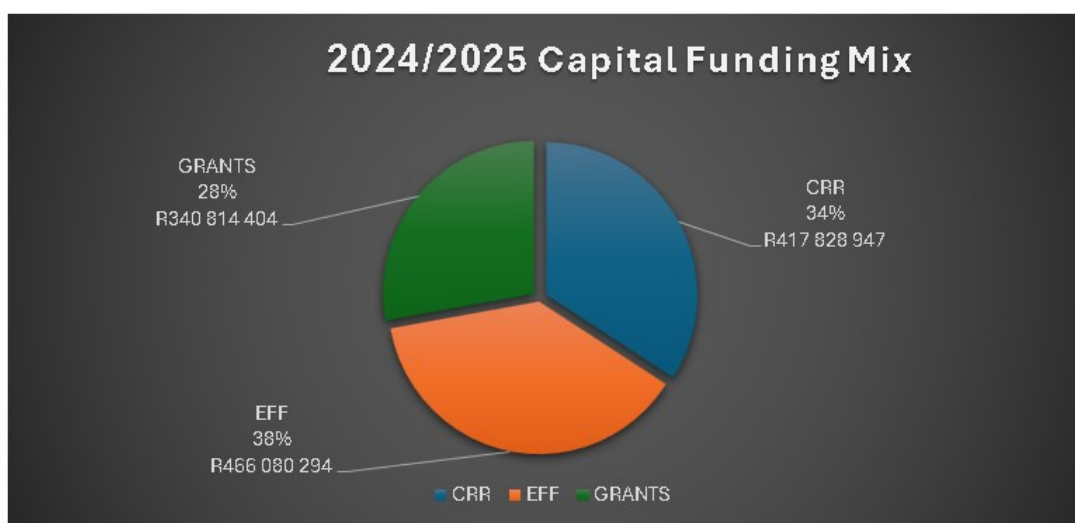
The pie chart below indicates the proposed capital budget per department.



The table below indicates the various funding sources to finance the capital expenditure and infrastructure development budget:

FUNDING SOURCE	2024/25 R	2025/26 R	2026/27 R	MTREF R
Capital Replacement	417 828 947	410 122 089	208 887 500	1 036 838 536
External Financing	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	0	1 500 000	0	1 500 000
Total	1 224 723 645	1 114 730 460	774 569 458	3 114 023 563

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



In maintaining our focus to address the growing population of George and the increased demand that it places on the municipal infrastructure, the following gives a depiction of the priority spending areas to ensure we provide infrastructure for our future:

Priority Area	Budget of the 3 year MTREF period
Waste water and sanitation network upgrades	R 236.9 million
Potable (drinking) water network upgrades	R 293.7 million
Streets and stormwater network upgrades	R 209.4 million
Public transport roadworks and upgrades	R 505 million
Electricity network upgrades	R 194.6 million
Renewable energy projects	R 110.4 million
Refuse removal projects	R 24.3 million
Sport, recreation and community asset projects	R 49.2 million
Public safety and security, licensing and fire brigade	R 33.5 million
New vehicles and fleet	R 46.5 million
Total	3 114 023 563

24.35% of the capital expenditure and infrastructure development budget is focused on our lower income households.

OPERATING REVENUE / BEDRYFSINKOMSTE 2024/25

Municipal Laws require that municipal tariffs must be reflective of the cost incurred to provide services. Therefore, The Budget Steering Committee decided on the following outer limits for the expenditure categories:

Salary increase	:	Budgeted for at 6.13% - awaiting increase as set by the Bargaining Council agreement that is currently in negotiations with trade unions.
Repairs & maintenance – infrastructure	:	5-6%
Repairs & maintenance – other	:	5-6%
Electricity Bulk Purchases	:	12.72% (NERSA)
General Expenses	:	2%
Contracted Services	:	2%

Operating expenditure was reduced where possible and limited in annual increase levels to keep the costs as low as possible, without unnecessarily lowering the levels of service delivery expected by our citizens.

Operating Income / Revenue Budget

Various tariff models are used to determine the required tariffs needed to establish a funded, realistic but affordable service delivery and operating expenditure budget.

The following average increases in municipal revenue from tariffs will come into effect from **1 July 2024** / Die volgende gemiddelde verhogings in munisipale inkomste uit tariewe sal vanaf **1 Julie 2024** in werking tree om sodoende 'n befondsde begroting te hê.

Category	Budget Year 2024/25
Property Rates	6.00%
Electricity (NERSA)	12.72%
Water	6.00%
Sanitation	6.00%
Refuse	6.00%
Other (general increase)	6.00%

The rising block tariffs for water consumption have been expanded by 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.

MUNICIPAL VALUATION THRESHOLD

The non-rateable threshold on qualifying residential properties remains on **R230 000**. This rebate is offered for residential property taxes and is aimed at providing relief to lower-income households and the poor.

MUNISIPALE WAARDASIE-DREMPEL

Die nie-belasbare drempel op kwalifiserende residensiële eiendomme bly onveranderd op **R230 000**. Dit is 'n korting wat ten opsigte van residensiële eiendomsbelasting aangebied word en is daarop gemik om verligting te bied aan laer inkomste huishoudings en die armes.

FINAL RESOLUTION LEVYING PROPERTY RATES FOR THE FINANCIAL YEAR 1 JULY 2024 TO 30 JUNE 2025

Notice is hereby given in terms of section 14(1) and (2) of the Local Government: Municipal Property Rates Act, 2004, that at its meeting of 31 May 2024, the Council resolved by way of Council resolution number 5.2, to levy the rates on properties reflected in the schedule below with effect from 1 July 2024.

FINALE BESLUIT VIR DIE HEF VAN EIENDOMSTARIEWE VIR DIE FINANSIËLE JAAR 1 JULIE 2024 TOT 30 JUNIE 2025

Kennis geskied hiermee ingevolge artikel 14(1) en (2) van die Wet op Plaaslike Regering: Munisipale Eiendomsbelasting, 2004, dat by die vergadering van 31 Mei 2024, die Raad by wyse van Raadsbesluit nommer 5.2 besluit het om die tariewe te hef op eiendomme wat in die skedule hieronder gereflekteer word met ingang van 1 Julie 2024.

Category of property	Cent amount in the Rand Rate determined for the property category
Residential property	1: 0.006197
Business and Commercial property	1: 0.012392
Industrial property	1: 0.012392
Mining property	1: 0.012392
Agricultural property	1: 0.001549
Public Service Infrastructure property (PSI)	1: 0.001549
Public Benefit Organisation property (PBO)	1: 0.001549
Public Service Purpose property	1: 0.012392
Residential Vacant properties	1: 0.012392

INDIGENT ASSISTANCE AND HOUSEHOLD BILLS / DEERNISHULP EN HUISHOUDELIKE REKENINGE

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):

Indigent Benefit	Increase (%)	2023/24 (R)	2024/25 (R)
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
Total		R1 234.29	R1 318.70
Increase in benefit:			6.84%

DEERNISHULP EN HUISHOUDELIKE REKENINGE

Die begroting is gefokus op die maatskaplike behoeftes van deernis huishoudings en om hierdie huishoudings te beskerm teen buitensporige kostestygings buite die beheer van die munisipaliteit soos deur NERSA se goedgekeurde verhogings wat aan Eskom toegestaan is.

R14,4 miljoen is omhein as 'n subsidie om deernis huishoudings in staat te stel om 'n hoër kapasiteit op hul voorafbetaalde elektrisiteitsmeter te kies. Dit sal die vastekoste-komponent van 'n seleksie op 30 Amp of hoër per deernis huishouding befonds. Die deernis huishouding sal egter die kapasiteitsheffing moet betaal vir keuses op 30 Amp of hoër, indien gekies.

Deernis huishoudings sal 'n reeks opsies beskikbaar hê om hul voorafbetaalde elektrisiteitskoste te bestuur, met 20 Amp wat vir hulle die mees bekostigbare opsie is. Deernis huishoudings wat 'n hoër vlak van ampere kies, sal nie hul deernisstatus verloor nie en sal bydra tot die koste van voorsiening teen 'n gesubsidieerde koers.

George Munisipaliteit bied 70 gratis basiese eenhede elektrisiteit (FBE) aan deernis huishoudings, wat 20 kWh meer is as die nasionale voorgeskrewe norm.

Deernis huishoudings met 'n eiendomswardasie minder as R230 000 word kwytgeskeid ten opsigte van eiendomsbelasting.

INDIGENT SUPPORT AND HOUSEHOLD BILLS

The budget is focused on the social needs of indigent households and the need to protect these households against exorbitant cost increases beyond the control of the municipality such as the NERSA-approved increases granted to Eskom.

R14.4m was ringfenced as a subsidy to allow indigent households to be able to select a higher capacity on their prepaid electricity meter. This will fund the fixed cost component of a selection of 30 Amp or above per indigent household. However, the indigent household will need to pay the capacity charge for selections of 30 Amp or above, if selected.

Indigent households will therefore have a range of options available to them for managing their pre-paid electricity cost, with 20 Amp being the most affordable option to them.

Indigents that choose a higher level of supply will not lose their indigent status and will contribute to the cost of supply at a subsidised rate.

George Municipality offers 70 Free Basic Units of electricity (FBE) to indigent households, which is 20 kWh more than the nationally prescribed norm.

Indigent households with a property value less than R230 000 are therefore exempted from paying property rates.