

1. REPORT: DRAFT BUDGET 2023/2024 MTREF (MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK) / VERSLAG: KONSEP BEGROTING 2023/2024 MEDIUM TERMYN INKOMSTE EN UITGAWE RAAMWERK (MTIUR) / INGXELO: UYLO LOLWABIWO-MALI 2023/2024 MTREF (INGENISO YEXESHA ELIFUTSHANE KUNYE NENDLELA YENCITHO)

(6/18/7)

20 March 2023

REPORT FROM THE EXECUTIVE MAYOR (M BOOYSEN)

2 PURPOSE

To table the draft budget 2023/24 MTREF of Garden Route District Municipality for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

3. DELEGATED AUTHORITY

Council

4. EXECUTIVE SUMMARY

The draft budget 2023/24 MTREF of Garden Route District Municipality is hereby tabled for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

5. RECOMMENDATIONS

That Council take the following resolutions:

- 1) That the draft annual budget of Garden Route District Municipality for the financial year 2023/24 as set out in the schedules contained in Section 4 and Annexure A be noted:
 - (i) Table A1 Consolidated Budget Summary;
 - (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);

- (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
 - (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and
 - (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
 - (vi) Table A6 Consolidated Budget Financial Position;
 - (vii) Table A7 Consolidated Budget Cash Flows
 - (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
 - (ix) Table A9 Consolidated Asset Management
 - (x) Table A10 Consolidated basic service delivery measurement
- 2) That Council takes note of the Operating Revenue Budget of R 509,353,042.
 - 3) That Council takes note of the Operating Expenditure budget of R 513,695,501.
 - 4) That Council takes note of the Capital budget of R 157,500,075.
 - 5) That Council takes note that R 193,150,004 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.
 - 6) That Council takes note of the tariffs for all services. (Annexure B)
 - 7) That Council takes note of the amended budget related policies that have been reviewed and that have been amended, namely:
 - SCM Policy (Annexure H)
 - Preferential Procurement Policy (Annexure L)
 - 8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:
 - Tariff Policy (Annexure C)
 - Funding and Reserve Policy (Annexure G)
 - Longterm Financial Management Policy (AnnexureD)
 - Borrowing Policy (Annexure K)
 - Budget policy (Annexure E)
 - Asset Mangement Policy (Annexure F)
 - Credit Control and Debt Collection Policy and Bylaw (Annexure I)
 - Banking, Cash Management and Investment Policy (Annexure J)
 - Petty Cash Policy (Annexure M)

- Cost Containment Policy (Annexure M)
- 9) That Council takes note of the following Budget Circulars, namely:
- MFMA Circular No 122 (Annexure O)
 - MFMA Circular No 123 (Annexure P)

AANBEVELINGS

Dat die Raad die volgende aanbevelings aanvaar:

1. Dat die Raad kennis neem van die meerjarige konsepbegroting vir Garden Route Distrik Munisipaliteit vir die finansiële jaar 2023/2024 soos uiteengesit in seksie 4 van die begrotingsverslag en Aanhangsel A:
 - (i) Tabel A1 Gekonsolideerde begrotings opsomming;
 - (ii) Tabel A2 Gekonsolideerde Begrotings Finansiële prestasie (volgens standard klassifikasie);
 - (iii) Tabel A3 Gekonsolideerde Begrotings Finansiële Prestasie (volgens munisipale segment);
 - (iv) Tabel A4 Gekonsolideerde Begrotings Finansiële Prestasie (Inkomste en Uitgawes)
 - (v) Tabel A5 Gekonsolideerde Kapitale Begrotings uitgawes (volgens munisipale segment en befondsing bron)
 - (vi) Tabel A6 Gekonsolideerde Begroting Finansiële
 - (vii) Tabel A7 Gekonsolideerde Begroting Kontantvloei
 - (viii) Tabel A8 Gekonsolideerde kontant gerugsteunde reserwes/opgehoopte surplus
 - (ix) Tabel A9 Gekonsolideerde Bate Bestuur
 - (x) Tabel A10 Gekonsolideerde Basiese dienslewering bepaling
2. Dat die Raad kennis neem van die Bedryfsinkomste van R 509,353,042.
3. Dat die Raad kennis neem van die Bedryfsuitgawes van R 513,695,501.
4. Dat die Raad kennis neem van die Kapitale Begroting van R 157,500,075.
5. Dat die Raad kennis neem dat R 193,150,004.00 bedryfsinkomste en bedryfsuitgawes van Departement van Publieke Vervoer vir die paaië agentskapsfunksie ingesluit is by die totale bedryfsbegroting soos per aanbeveling 1 – 4.

6. Dat die Raad kennis neem van die tariewe vir alle dienste.
(Aanhangsel B)
7. Dat die Raad kennis neem van die aangepaste begrotingsverwante beleide wat hersien en verander is, naamlik:
 - Voorsienings Kanaal Beleid (Aanhangsel H)
 - Voorkeur Verkrygings Beleid (Aanhangsel L)
8. Dat die Raad kennis neem dat die volgende beleide hersien is en geen veranderinge is aangebring nie, naamlik:
 - Tariewe Beleid (Aanhangsel C)
 - Opgehoopde fondse en reserwe beleid (Aanhangsel G)
 - Lenings Beleid (Aanhangsel K)
 - Langtermyn Finansiële Bestuurs Beleid (Aanhangsel D)
 - Begrotings Beleid (Aanhangsel E)
 - Bate Bestuurs Beleid (Aanhangsel F)
 - Krediet Beheer en Skuld Invorderings Beleid (Aanhangsel I)
 - Bank, Kontantbestuur en beleggings Beleid (Aanhangsel J)
 - Kleinkas Beleid Regulasies (Aanhangsel M)
9. Dat die Raad kennis neem van die volgende begrotings omsendskrywes, naamlik:
 - MFMA Omsendskrywe No 122 (Aanhangsel O)
 - MFMA Omsendskrywe No 123 (Aanhangsel P)

ISINDULULO

(WILL BE INCLUDED BY THE TRANSLATOR)

6. DISCUSSION / CONTENTS

6.1. Background

Municipal Finance Management Act 56 of 2003

Section 16 (2) *The mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*

Section 16 of the MFMA states:

“(1) the council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year

(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”

Municipal Budget and Reporting Regulations dated April 2009

Regulation (9) of the Municipal Budget and Reporting Regulations dated April 2009 states:

The annual budget and supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

Regulation 14 (1) of the Municipal Budget and Reporting Regulations dated April 2009 states:

– an annual budget and supporting documentation tabled in a municipal council in terms of section 16(2) and 17(3) of the Act –

(a) Be in the format in which it will eventually be approved by council.

Be credible and realistic such that it is capable of being approved and implemented as tabled.

6.2 Discussion

The draft budget 2023/24 MTREF of Garden Route District Municipality is hereby tabled for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

6.3 Financial Implications

As set out in the tabled draft budget.

6.4 Legal Implications

Municipal Finance Management Act, No 56 of 2003
Municipal Budget and Reporting Regulations, 17 April 2009

6.5 Staff Implications

None

6.6 Previous / Relevant Council Resolutions:

There are no previous or relevant Council resolutions related to this matter.

6.7 Risk Implications

None.

6.8 Comments from Executive Management:

6.8.1 Executive Manager: Roads and Transport Planning Services

6.8.2 Executive Manager: Economic Development and Planning

6.8.3 Executive Manager: Community Services

6.8.4 Executive Manager: Corporate Services

6.8.5 Manager: Legal Services

ANNEXURES

Annexure A: Detailed Budget Report for financial year 2023/2024 MTREF.

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**GARDEN ROUTE DISTRICT
MUNICIPALITY
DRAFT ANNUAL BUDGET REPORT**

2023/2024- 2025/2026 MTREF

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Glossary

Annual budget – Prescribed in Chapter 4 of the MFMA.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – 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 is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable share – An unconditional grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

MBRR – Municipal budget and reporting regulations April 2009

MFMA – The Municipal Finance Management Act – No. 56 of 2003. The principle piece of legislation relating to municipal financial management.

mSCOA – Municipal Standard Chart of Accounts

MTREF – 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.

Operating expenditure – Spending on the day-to-day expenses of the Municipality such as salaries and wages.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spends without, or in excess of, an approved budget.

Virement – means transfer of funds between function / votes within a budget.

Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be endorsed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget, in Garden Route District Municipality's case this means the different GFS classification the budget is divided into.

Legislative Framework

This report has been prepared in terms of the following enabling legislation.

The Municipal Finance Management Act – No. 56 of 2003

Section 16 & 17 Annual Budgets

Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations, April 2009

A Schedule budget formats

PART 1 – BUDGET

SECTION 1 – MAYORAL SPEECH

Honourable Speaker, Deputy Mayor, Councillors, Municipal Manager, officials and members of the public, I want to welcome you at this stage of the agenda.

It is a privileged to be here and to table the 2023/2024 MTREF Draft Budget to council.

The Draft 2023/24 MTREF Budget per the municipality's IDP Strategic Objectives:

Strategic Objective	2023/2024	2024/2025	2025/2026
To engage in programmes that foster public participation interaction and partnership	20 500,00	21 013,00	21 538,00
Health and Socially Stable Communities	78 569 960,00	111 522 910,00	118 448 593,00
A Skilled Workforce and Communities	41 086 161,00	38 752 106,00	40 168 159,00
Bulk Infrastructure Co-ordination	197 742 159,00	208 424 691,00	218 738 113,00
Sustainable Environmental Management and Public Safety	39 719 154,00	42 022 793,00	44 475 882,00
Good Governance	120 940 873,00	126 828 331,00	136 958 415,00
Financial Viability and management	23 726 650,00	25 173 800,00	26 818 706,00
Inclusive District Economy	11 890 044,00	12 109 644,00	12 407 912,00
	513 695 501,00	564 855 288,00	598 037 318,00

It was a challenge to ensure a cash funded budget is tabled in view of the financial constraints. As a district municipality that is highly dependent on grants, the RSC replacement grant increases only with 3% (R5.6m) versus 7% increase in employee related cost (R6.3m), no vacant positions were included in the salary budget. It should be noted that salary negotiations were finalised, and collective agreement was signed in the 2020/21 financial year.

Various discussions are in place to address the revenue sources of council for long term financial sustainability. The municipal manager has established a property task team and various actions is in process by the Planning, and Economic Development Department to ensure maximum revenue is derived from our properties.

Other projects are being pursued for example the fresh produce market, student accommodation, water services authority and renewable energy for bulk electricity to name a few.

The council has recently taken a decision to alienate some of its properties, that are not needed for basic service deliver, to ensure that these properties generate the much-needed revenue.

The following 2023/24 Annual Budget is presented to Council for consideration:

1. HIGH LEVEL SUMMARY: BUDGET 2023/24

HIGH LEVEL SUMMARY: BUDGET 2023/2024			
High-level Summary	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Operational Revenue	509 353 042,00	557 491 312,00	589 739 022,00
Operational Expenditure	- 513 695 501,00	- 564 855 288,00	- 598 037 318,00
Surplus / (Deficit)	- 4 342 459,00	- 7 363 976,00	- 8 298 296,00
Capital Expenditure	- 157 500 075,00	- 96 446 650,00	- 900 000,00
Less funded from NT Grants	4 000 000,00	5 000 000,00	-
Less funded from PT Grants	4 481 000,00	500 000,00	500 000,00
Less funded from Borrowings	143 981 000,00	90 546 650,00	-
Less funded from Own funds	5 038 075,00	400 000,00	400 000,00
Surplus / (Deficit) after Capital	- 9 380 534,00	- 7 763 976,00	- 8 698 296,00

2. SUMMARY: TOTAL OPERATING EXPENDITURE

SUMMARY: TOTAL OPERATING EXPENDITURE			
Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Employee Related Cost	294 239 040,00	311 952 198,00	333 666 416,00
Remuneration of Councillors	14 215 993,00	15 211 112,00	16 275 888,00
Debt Impairment	1 599 000,00	1 638 975,00	1 679 949,00
Depreciation	5 106 451,00	5 234 112,00	5 364 967,00
Finance Charges	75 194,00	77 074,00	79 001,00
Inventory Consumed	54 052 567,00	55 390 519,00	56 772 420,00
Contracted Services	72 713 733,00	101 271 759,00	108 290 199,00
Transfers and Subsidies	1 968 305,00	2 000 833,00	2 034 171,00
Other expenditure	69 725 218,00	72 078 706,00	73 874 307,00
Total Operating Expenditure	513 695 501,00	564 855 288,00	598 037 318,00

3. SALARY/REMUNERATION RELATED EXPENDITURE (GRDM):

SALARY / REMUNERATION RELATED EXPENDITURE (GRDM)			
Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Remuneration of Councillors	14 215 993,00	15 211 112,00	16 275 888,00
Employee related cost - Senior Manage	9 587 437,00	10 162 683,00	10 772 445,00
Employee related cost - Municipal Staff	284 651 603,00	301 789 515,00	322 893 971,00
Total Salary Related expenditure	308 455 033,00	327 163 310,00	349 942 304,00

The MFMA Budget Circular No.123 (03 March 2023) stated the following – “The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for

employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank's Monetary Committee Statement for January 2023). The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI".

Employee Related costs were adjusted on average with 7% (6% plus the 1% notch increase, No new vacant positions have been budgeted for in view of the financial constraints and that the majority of the budget (59%) is allocated to employee related costs.

Overtime and standby have been cut with R1.m and only emergency staff will be considered when applying for standby and overtime, but operations will be revisited to ensure these standby and overtime is also reduced.

2. OTHER OPERATING EXPENDITURE

Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Operating Expenditure	320 545 497,00	361 995 271,00	385 082 512,00
Roads Agency Services	193 150 004,00	202 860 017,00	212 954 806,00
Total Operating Expenditure	513 695 501,00	564 855 288,00	598 037 318,00

Original allocation for the Roads Agency Function are expected to be R193m MTREF (2023/24 – 2025/26), the admin fee was also adjusted accordingly (12% of allocation).

Notes on the other operating expenditure items:

- Operational expenditure has been classified and budgeted for according to the mSCOA
- Non-cash items like bad debts, depreciation and amortisation were aligned to the 2021/22 audited financial figures.
- Other expenditure budgeted for was also increased with the projected CPI Inflation forecast of 3%.
- Refreshments, Catering and Entertainment has been drastically decreased.
- Training and bursaries were reduced from the previous year.
- Subsistence and Travel was also reduced.

4. OPERATING REVENUE:

Summary: Total Revenue	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Equitable Share	178 333 000,00	186 631 000,00	195 195 000,00
Roads allocation (including agency fee)	213 189 000,00	224 084 000,00	240 749 600,00
Safety Plan Implementation-Whole of Society Apprao	1 560 000,00	1 622 000,00	1 671 000,00
Local Government Financial Management Grant	1 000 000,00	1 000 000,00	1 100 000,00
Municipal Systems Improvement Grant	1 000 000,00	-	2 800 000,00
Expanded Public Works Programme Integrated Grant f	2 180 000,00	-	-
Rural Roads Asset Management Systems Grant Schedul	2 754 000,00	2 721 000,00	2 843 000,00
Disaster Management Internship Grant	4 481 000,00	500 000,00	500 000,00
Human Settlement	5 000 000,00	5 000 000,00	5 000 000,00
EEDSM - Capital (Energy Efficiency and Demand-side	4 000 000,00	5 000 000,00	-
Integrated Transport Planning		939 000,00	982 000,00
SETA funding (Skills Mecca)	15 000 000,00	15 000 000,00	15 000 000,00
SETA Admin Fee	1 125 000,00	1 125 000,00	1 125 000,00
Admin Fees: Skills Mecca	2 651 034,00	2 651 034,00	2 651 034,00
Interest earned - external investments	10 133 600,00	10 741 616,00	11 556 905,00
Health Certificates -RevLicences and permits	182 560,00	193 514,00	205 125,00
Landfill Site - Administration Fees	2 644 297,00	5 605 910,00	5 942 265,00
Service Charges Refuse Removal	26 442 974,00	56 059 103,00	59 422 650,00
Interst on outstanding Debtors	3 370 800,00	3 573 048,00	3 787 431,00
Rental of facilities and equipment	3 578 611,00	3 578 611,00	4 456 653,00
Other operational revenue	30 727 166,00	31 466 476,00	34 751 359,00
Total Revenue	509 353 042,00	557 491 312,00	589 739 022,00

4.1 RSC REPLACEMENT GRANT

The equitable share over the MTREF period grows very slowly. The RSC levy replacement grant only increases with about 3% per annum (R5.6m), which is not sufficient to ensure the financial sustainability of this municipality, as it is below the annual CPIX. Our limited revenue resources have compelled the municipality to pursue additional income sources in order to deliver the services in the region and this remains a challenge as we have limited own income sources. Turnaround strategies are compiled for properties and resorts and alternative revenue enhancement strategies are being explored - for example becoming a water services authority. A property task team was established by the Municipal Manager and the planning and economic development department is in process of compiling action plans for properties and resorts to ensure maximum revenue is generated from the resorts and properties in the long-term.

4.2 REGIONAL LANDFILL SITE

It is envisioned that the landfill site construction will commence during the third quarter of the 2023/2024 financial year. According to the Engineer's report, the landfill cell is designed with a capacity to be of service for 25 years. (4 cells of 25 hectares in size with a capacity to be filled 12 meters in height), at an all-inclusive price of R261 083 596.31.

The Garden Route District Municipality embarked on a procurement process to obtain borrowing to finance the facility's construction. After an intensive tender adjudication process and after a meeting with all the participating municipalities to analyse and determine the best and most appropriate tendered loan option, the meeting collectively decided unanimously that the

preferred option of the tenders offered would be clearly the 10-year loan with an all-in floating rate of 6.89% offered by Standard Bank.

GRDM has negotiated service level agreements with participation B Municipalities. It is imperative that the participating local municipalities provide a signed SLA , indicating the participation for 10 years. The tariffs will be included in the GRDM tariff structure to cater for the provision of this service.

A Regional Waste Management Facility Project Steering Committee has been established, consisting of various sections to provide inputs and assist the project manager that the project will commence and be completed as per timeframes set up.

There are four participating municipalities (Bitou, Knysna, George and Mossel Bay) who will be utilising the regional landfill site. Monthly accounts will be sent to the participating municipalities for the utilisation of the landfill site. The tariff policy and tariff listings included in the budget submission sets the tariff to be charged. This was established based on a financial model prepared by consultants based on a “best estimate” calculation for the construction and operating of the landfill site. This tariff will be revised annually to ensure the tariff covers the full cost of the service that GRDM will be providing to participating municipalities in this regard.

A separate rehabilitation reserve will be set up which must be cash-backed to ensure cash is available to rehabilitate the landfill space at the end of its useful life. Included in the monthly accounts to the participating municipalities, a contribution is included for the rehabilitation of the regional landfill site to ensure cash reserve will be sufficient to rehabilitate the landfill site at the end of its useful life.

4.3 RENTAL OF PROPERTIES/FACILITIES

It is envisioned with the turnaround strategy for properties and resorts, that additional funding can be generated if market related rental agreements are signed with current/new tenants

4.4 INTEREST EARNED

Interest earned was increased slightly over the MTREF period. Management reviewed the Investment Strategy to update the approach and alternatives – e.g., all cash not deposited in call accounts at banks for interest, but potentially invest in other assets (as allowed by the MFMA) for higher returns.

4.5 GOVERNMENT GRANTS

Budgeted as per DoRA (Division of Revenue Act).

4.6 INCOME FROM AGENCY SERVICES

Included under this item is the administration fee at 12% of the total allocation received for performing the roads function on behalf of the Department of Public Transport. (12% of R193m = R20m).

4.7 SALE OF GOODS AND SERVICES/OPERATIONAL REVENUE

Included under this item is the income from resorts and firefighting income.

4.8 TURNAROUND STRATEGY PROPERTIES:

The Municipality has embarked on aggressive marketing for the resorts as well as cost saving initiative. The cost saving initiative includes the installation of solar system and battery power storage at De Hoek Resort. This is expected to reduce the electricity consumption from the grid by 95%. This has already proved to be a success as the monitoring indicate a drastically reduced electricity consumption.

It is envisaged that the same approach will be used in various GRDM offices, including reviving the solar project in head office. The CFO is in discussion with the Project Management unit to replicate the De Hoek system in the head office.

A turn-around strategy for properties and resorts is currently being developed by the property manager to maximise potential for properties and revenue from properties were increased significantly as it is envisioned that revenue from properties will increase with the turnaround strategies, but will not be realised in the short term, this is a long-term planning process with envisioned additional revenue.

Negotiations are in advance stages with different spheres of Government regarding transfer of certain properties to GRDM.

4.9 ROADS AGENCY FUNCTION

As mentioned previously, R 193,150,004.00 of the Roads agency function has been included in the operating revenue budget.

4.10 OTHER ADMINISTRATION FEES RECEIVED:

Included under administration fee income, the following administration fees were included:

- SETA admin fee R3.7m (Total allocation R18.7m split in R15m expenditure and R3.7m admin fee payable to GRDM) This project is being driven by the Department of Corporate Services.
- Administration fee for the regional landfill site R2.6m (Total allocation R29m split in R2.6m admin fee)

5 CAPITAL BUDGET

In the 2023/24 financial year, the building of the regional landfill site is budgeted for. In compliance with the appropriate GRAP accounting standards, GRDM must capitalise this asset to its Statement of Financial Position as an addition. The funding source from borrowing and the asset will be offset with a liability of the same quantum (as per the GRAP requirements).

Refer to section 4.2 for more detail regarding the regional landfill site project.

Capital Budget	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Capital	- 157 500 075,00	- 96 446 650,00	- 900 000,00
Less funded from NT Grants	4 000 000,00	5 000 000,00	-
Less funded from PT Grants	4 481 000,00	500 000,00	500 000,00
Less funded from Borrowings	143 981 000,00	90 546 650,00	-
Less funded from Own funds	5 038 075,00	400 000,00	400 000,00
Surplus / (Deficit)	-	-	-

Notes on the above Capital Budget:

- Concern should be raised over the limited funding available for the capital budget.

The detailed capital budget for the 2023/24 MTREF are listed below:

CostCentre	OwnDescription	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
PMU	Upgrading of buildings - Retrofitting EEDS	4 000 000,00	5 000 000,00	-
Information technology	Replacing ICT Capital Equipment beyond economical	250 000,00	250 000,00	250 000,00
Executive Manager: Community Services	Firestation: George	4 638 075,00	-	-
Executive Manager: Community Services	Firestation: George	3 000 000,00	-	-
Executive Manager: Community Services	Firefighting Vehicle (bakkie)	981 000,00	-	-
Fire Fighting	Hazmat Rescue , Fire Equipment	150 000,00	150 000,00	150 000,00
Fire Fighting	Hazardous Materials Equipment	500 000,00	500 000,00	500 000,00
Waste Management Landfill Sites	Landfill Site: PPE	143 981 000,00	90 546 650,00	-
		157 500 075,00	96 446 650,00	900 000,00

I want to express my appreciation to the Budget Steering Committee, the Senior Managers and staff for their commitment and dedication.

Speaker, on this note, I would therefore like to recommend that council approve the following resolutions:

- 1) That the draft annual budget of Garden Route District Municipality for the financial year 2023/24 as set out in the schedules contained in Section 4 and Annexure A be noted:
 - (i) Table A1 Consolidated Budget Summary;
 - (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);
 - (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
 - (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and

- (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
- (vi) Table A6 Consolidated Budget Financial Position;
- (vii) Table A7 Consolidated Budget Cash Flows
- (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
- (ix) Table A9 Consolidated Asset Management
- (x) Table A10 Consolidated basic service delivery measurement
- 2) That Council takes note of the Operating Revenue Budget of R 509,353,042.
- 3) That Council takes note of the Operating Expenditure budget of R 513,695,501.
- 4) That Council takes note of the Capital budget of R157,500,075.
- 5) That Council takes note that R 193,150,004 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.
- 6) That Council takes note of the tariffs for all services. (Annexure B)
- 7) That Council takes note of the amended budget related policy that have been reviewed and that have been amended, namely:
 - SCM Policy (Annexure H)
 - Preferential Procurement Policy (Annexure L)
- 8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:
 - Tariff Policy (Annexure C)
 - Preferential Procurement Policy (Annexure L)
 - Funding and Reserve Policy(Annexure G)
 - Borrowing Policy (Annexure K)
 - Longterm Financial Managment Policy (Annexure D)
 - Budget policy (Annexure E)
 - Asset Mangement Policy (Annexure F)
 - Credit Control and Debt Collection Policy and Bylaw (Annexure I)
 - Banking, Cash Management and Investment Policy (Annexure J)
 - Petty Cash Policy (Annexure M)
 - Cost Containment Policy (Annexure N)
- 9) That Council takes note of the following Budget Circulars, namely:
 - MFMA Circular No 122 (Annexure O)
 - MFMA Circular No 123 (Annexure P)

SECTION 2 – RESOLUTIONS

Municipal Financial Management (Act, 56 of 2003) - SECTION 16 & 17 Municipal budgets.

These are the resolutions being presented to Council in terms of Municipal Finance Management Act, in respect of the annual budget and related information.

- 1) That the draft annual budget of Garden Route District Municipality for the financial year 2023/24 as set out in the schedules contained in Section 4 and Annexure A be noted:
 - (i) Table A1 Consolidated Budget Summary;

- (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);
- (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
- (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and
- (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
- (vi) Table A6 Consolidated Budget Financial Position;
- (vii) Table A7 Consolidated Budget Cash Flows
- (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
- (ix) Table A9 Consolidated Asset Management
- (x) Table A10 Consolidated basic service delivery measurement
- 2) That Council takes note of the Operating Revenue Budget of R 509,353,042.
- 3) That Council takes note of the Operating Expenditure budget of R 513,695,501.
- 4) That Council takes note of the Capital budget of R 157,500,075.
- 5) That Council takes note that R 193,150,004 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.
- 6) That Council takes note of the tariffs for all services. (Annexure B)
- 7) That Council takes note of the amended budget related policy that have been reviewed and that have been amended, namely:
 - SCM Policy (Annexure H)
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- 8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:
 - Tariff Policy (Annexure C)
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 - Borrowing Policy (Annexure K)
 - Longterm Financial Management Policy (Annexure D)
 - Budget policy (Annexure E)
 - Asset Management Policy (Annexure F)
 - Credit Control and Debt Collection Policy and Bylaw (Annexure I)
 - Banking, Cash Management and Investment Policy (Annexure J)
 - Petty Cash Policy (Annexure M)
 - Cost Containment Policy (Annexure N)
- 9) That Council takes note of the following Budget Circulars, namely:
 - MFMA Circular No 122 (Annexure O)
 - MFMA Circular No 123 (Annexure P)

SECTION 3 – EXECUTIVE SUMMARY

3.1 Introduction

This budget report is tabled in terms of the Municipal Finance Management Act, 56 of 2003 and the Municipal Budget and Reporting Regulations, dated 17 April 2009.

Municipal Finance Management Act, 56 of 2003

Article 16(1) *The council of a municipality must for each financial year approve an annual budget before the start of that financial year.*

Article 16(2) *The annual budget must be tabled at the council meeting at least 90 days before the start of the new financial year.*

Article 17(1) *An annual budget must be in a prescribed format.*

Municipal Budget and Reporting Regulations, 17 April 2009

14) Tabling of annual budgets in municipal councils

14(1) *An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17 (3) of the Act must-*

- (a) Be in a format in which it will eventually be approved by the council; and*
- (b) Be credible and realistic such that it is capable of being approved and implemented as tabled*

9) Tabling of annual budget

The annual budget and supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

3.2 Proposed Annual Budget 2023/24-2025/26 MTREF:

The annual operating budget for the financial year 2023/24 MTREF period are proposed:

ANNUAL MTREF BUDGET 2023/24

MTREF TOTAL BEFORE CAPITAL:

High-level Summary	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Operational Revenue	509 353 042,00	557 491 312,00	589 739 022,00
Operational Expenditure	- 513 695 501,00	- 564 855 288,00	- 598 037 318,00
Surplus / (Deficit)	- 4 342 459,00	- 7 363 976,00	- 8 298 296,00

Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Operating Expenditure	320 545 497,00	361 995 271,00	385 082 512,00
Roads Agency Services	193 150 004,00	202 860 017,00	212 954 806,00
Total Operating Expenditure	513 695 501,00	564 855 288,00	598 037 318,00

It should be noted in view of operation clean audit report (OPCAR), one of the prior audit queries raised was that the agency function performed by Garden Route DM for the roads agency function had to be included in the budget. Therefore, R 193,150,004 has been included in the operating revenue and operating expenditure thus increasing the total of the operating budget by these amounts, but the net effect on the budget is R0.

OPERATING SURPLUS / (DEFICIT):

High-level Summary	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Surplus / (Deficit)	- 4 342 459,00	- 7 363 976,00	- 8 298 296,00

It is imperative that the turnaround strategies be compiled urgently and submitted to Council for approval and implemented to ensure the additional revenues will be collected as well as other revenue generating projects/strategies being investigated be concluded and inputs provided for the next budget.

OPERATING EXPENDITURE:

SUMMARY: TOTAL OPERATING EXPENDITURE			
Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Employee Related Cost	294 239 040,00	311 952 198,00	333 666 416,00
Remuneration of Councillors	14 215 993,00	15 211 112,00	16 275 888,00
Debt Impairment	1 599 000,00	1 638 975,00	1 679 949,00
Depreciation	5 106 451,00	5 234 112,00	5 364 967,00
Finance Charges	75 194,00	77 074,00	79 001,00
Inventory Consumed	54 052 567,00	55 390 519,00	56 772 420,00
Contracted Services	72 713 733,00	101 271 759,00	108 290 199,00
Transfers and Subsidies	1 968 305,00	2 000 833,00	2 034 171,00
Other expenditure	69 725 218,00	72 078 706,00	73 874 307,00
Total Operating Expenditure	513 695 501,00	564 855 288,00	598 037 318,00

Employee related cost

The MFMA Budget Circular No.123 (03 March 2023) stated the following – “The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2023/24 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2023 and 01 July 2024 an increase based on the projected average CPI percentages for 2023 (5.4 per cent according to the Reserve Bank’s Monetary Committee Statement for January 2023) and 2024 (4.8 per cent according to the Reserve Bank’s Monetary Committee Statement for January 2023). The forecasts of the Reserve Bank, in terms of the January 2023 and January 2024, shall be used to determine the projected average CPI”.

Employee Related costs were adjusted on average with 7% (6% plus the 1% notch increase, No new vacant positions have been budgeted for in view of the financial constraints and that the majority of the budget (59%) is allocated to employee related costs.

Councillor Remuneration

Councillor remuneration was budgeted on a grade 5 and adjusted with the ordinary annual increase.

Bad Debts

Mainly due to firefighting accounts not being paid as debtors are disputing the origin of the fires and was reduced.

Depreciation:

Description	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Depreciation	5 106 451,00	5 234 112,00	5 364 967,00

This is a GRAP related expenditure which must be provided annually for in the financial statements as per the relevant GRAP accounting standards. The amount was aligned to the audited annual financial statements of 2021/2022.

Repairs and Maintenance

Maintenance for assets have been budgeted for to ensure that repairs and maintenance can be done timeously so that the useful life of the assets can be lengthen. The maintenance of Council equipment should be done regularly because replacement of the current assets with new purchases will be very costly for the municipality on the long term.

It should be noted that repairs and maintenance is below the norm and is an area of concern. Repairs and maintenance are now classified under the respective nature of expenditure according to GRAP and mSCOA requirements: Employee related costs, other materials, contracted services and other expenditure.

The user department is in the process of compiling maintenance plans per asset. This will guide council on what the amount is for the backlog in maintenance as well what should be budgeted annually for repairs and maintenance.

Interest Paid

It is envisioned that a new loans will be taken up in the 2022/23 financial year to fund the construction of the regional landfill site. Due process as per Section 46 of the MFMA has been followed in the taking up of the new loan.

Grant Allocations

Unbundled into the relevant expenditure classification votes as per Auditor General's recommendation in prior years (as per GRAP Standards). Refer to the income section of the report for detail of the grants.

Other Operating expenditure:

- Operational expenditure has been classified and budgeted for according to the mSCOA
- Non-cash items like bad debts, depreciation and amortisation were aligned to the 2021/22 audited financial figures.
- Other expenditure budgeted for was also increased with the projected CPI Inflation forecast of 3%.

- R193m is included under Operational cost, this is the expenditure for the Roads section provided by the Department of Public Transport. Garden Route District Municipality has a signed agreement in place to render the road services on behalf of the Department of Public Transport and receive an agency fee.
- Management resolved that the subsistence and travel (S&T) operational cost must be cut, given the current financial constraints, technology, video/teleconferencing should be considered.

Roads agency expenditure

Refer to the previous section where this item was discussed in detail.

OPERATING REVENUE

Summary: Total Revenue	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
Equitable Share	178 333 000,00	186 631 000,00	195 195 000,00
Roads allocation (including agency fee)	213 189 000,00	224 084 000,00	240 749 600,00
Safety Plan Implementation-Whole of Society Apprao	1 560 000,00	1 622 000,00	1 671 000,00
Local Government Financial Management Grant	1 000 000,00	1 000 000,00	1 100 000,00
Municipal Systems Improvement Grant	1 000 000,00	-	2 800 000,00
Expanded Public Works Programme Integrated Grant f	2 180 000,00	-	-
Rural Roads Asset Management Systems Grant Schedul	2 754 000,00	2 721 000,00	2 843 000,00
Disaster Management Internship Grant	4 481 000,00	500 000,00	500 000,00
Human Settlement	5 000 000,00	5 000 000,00	5 000 000,00
EEDSM - Capital (Energy Efficiency and Demand-side	4 000 000,00	5 000 000,00	-
Integrated Transport Planning		939 000,00	982 000,00
SETA funding (Skills Mecca)	15 000 000,00	15 000 000,00	15 000 000,00
SETA Admin Fee	1 125 000,00	1 125 000,00	1 125 000,00
Admin Fees: Skills Mecca	2 651 034,00	2 651 034,00	2 651 034,00
Interest earned - external investments	10 133 600,00	10 741 616,00	11 556 905,00
Health Certificates -RevLicences and permits	182 560,00	193 514,00	205 125,00
Landfill Site - Administration Fees	2 644 297,00	5 605 910,00	5 942 265,00
Service Charges Refuse Removal	26 442 974,00	56 059 103,00	59 422 650,00
Interst on outstanding Debtors	3 370 800,00	3 573 048,00	3 787 431,00
Rental of facilities and equipment	3 578 611,00	3 578 611,00	4 456 653,00
Other operational revenue	30 727 166,00	31 466 476,00	34 751 359,00
Total Revenue	509 353 042,00	557 491 312,00	589 739 022,00

RSC REPLACEMENT GRANT

The equitable share over the MTREF period grows very slowly. The RSC levy replacement grant only increases with about 3% per annum (R5.6m), which is not sufficient to ensure the financial sustainability of this municipality, as it is below the annual CPIX. Our limited revenue resources have compelled the municipality to pursue additional income sources in order to deliver the services in the region and this remains a challenge as we have limited own income sources. Turn around strategies are compiled for properties and resorts and alternative revenue enhancement strategies are being explored/ investigated for example becoming a water services authority. A property task team was established by the office of the Municipal Manager and the planning and economic development department is in process of compiling action plans

for properties and resorts to ensure maximum revenue is generated from the resorts and properties in the long-term.

REGIONAL LANDFILL SITE

It is envisioned that the landfill site construction will commence during the third quarter of the 2023/2024 financial year. According to the Engineer's report, the landfill cell is designed with a capacity to be of service for 25 years. (4 cells of 25 hectares in size with a capacity to be filled 12 meters in height), at an all-inclusive price of R261 083 596.31.

The Garden Route District Municipality embarked on a procurement process to obtain borrowing to finance the facility's construction. After an intensive tender adjudication process and after a meeting with all the participating municipalities to analyse and determine the best and most appropriate tendered loan option, the meeting collectively decided unanimously that the preferred option of the tenders offered would be clearly the 10-year loan with an all-in floating rate of 6.89% offered by Standard Bank.

GRDM has negotiated service level agreements with participation B Municipalities. It is imperative that the participating local municipalities provide a signed SLA, indicating the participation for 10 years. The tariffs will be included in the GRDM tariff structure to cater for the provision of this service.

A Regional Waste Management Facility Project Steering Committee has been established, consisting of various sections to provide inputs and assist the project manager that the project will commence and be completed as per timeframes set up.

There are four participating municipalities (Bitou, Knysna, George and Mossel Bay) who will be utilising the regional landfill site. Monthly accounts will be sent to the participating municipalities for the utilisation of the landfill site. The tariff policy and tariff listings included in the budget submission sets the tariff to be charged. This was established based on a financial model prepared by consultants based on a "best estimate" calculation for the construction and operating of the landfill site. This tariff will be revised annually to ensure the tariff covers the full cost of the service that GRDM will be providing to participating municipalities in this regard.

A separate rehabilitation reserve will be set up which must be cash-backed to ensure cash is available to rehabilitate the landfill space at the end of its useful life. Included in the monthly accounts to the participating municipalities, a contribution is included for the rehabilitation of the regional landfill site to ensure cash reserve will be sufficient to rehabilitate the landfill site at the end of its useful life.

RENTAL OF PROPERTIES/FACILITIES

It is envisioned with the turnaround strategy for properties and resorts, that additional funding can be generated if market related rental agreements are signed with current/new tenants. R1m has been added to the revenue from rental.

INTEREST EARNED

Interest earned was increased slightly over the MTREF period. Management reviewed the Investment Strategy to update the approach and alternatives – e.g. all cash not deposited in call accounts at banks for interest, but potentially invest in other assets (as allowed by the MFMA) for higher returns.

GOVERNMENT GRANTS

Budgeted as per DoRA (Division of Revenue Act).

INCOME FROM AGENCY SERVICES

Included under this item is the administration fee at 12% of the total allocation received for performing the roads function on behalf of the Department of Public Transport. (12% of R193m = R20m).

SALE OF GOODS AND SERVICES/OPERATIONAL REVENUE

Included under this item is the income from resorts and firefighting income.

TURNAROUND STRATEGY PROPERTIES:

The Municipality has embarked on aggressive marketing for the resorts as well as cost saving initiative. The cost saving initiative includes the installation of solar system and battery power storage at De Hoek Resort. This is expected to reduce the electricity consumption from the grid by 95%. This has already proved to be a success as the monitoring indicate a drastically reduced electricity consumption.

It is envisaged that the same approach will be used in various GRDM offices, including reviving the solar project in head office. The CFO is in discussion with the Project Management unit to replicate the De Hoek system in the head office.

A turn-around strategy for properties and resorts is currently being developed by the property manager to maximise potential for properties and revenue from properties were increased significantly as it is envisioned that revenue from properties will increase with the turnaround strategies, but will not be realised in the short term, this is a long-term planning process with envisioned additional revenue.

Negotiations are in advance stages with different spheres of Government regarding transfer of certain properties to GRDM.

ROADS AGENCY FUNCTION

As mentioned previously, R 193,150,004.00 of the Roads agency function has been included in the operating revenue budget.

OTHER ADMINISTRATION FEES RECEIVED:

Included under administration fee income, the following administration fees were included:

- SETA admin fee R3.7m (Total allocation R18.7m split in R15m expenditure and R3.7m admin fee payable to GRDM) This project is being driven by the Department of Corporate Services.
- Administration fee for the regional landfill site R2.6m (Total allocation R29m split in R2.6m admin fee).

Tariffs

Fire tariffs:

- Tariffs increased with 6% based on the 2022/23 tariffs

Resorts tariffs:

- Tariffs at Calitzdorp Spa was increased by 6%
- Tariffs at De Hoek was increased by 6%
- Tariffs at Swartvlei was increased by 6%
- Tariffs at Victoria Bay was increased by 6%

Regional Waste Management Facility tariffs (new):

Client	Utilisation of Regional Waste Management Facility	2023/24	2024/25	2025/26
		R (VAT incl)	R (VAT incl)	R (VAT incl)
Mossel Bay Municipality	Monthly tariff (all inclusive)	1 847 545	1 958 398	2 075 902
George Municipality		2 325 091	2 464 596	2 612 472
Knysna Municipality		806 228	854 602	905 878
Bitou Municipality		596 196	631 968	669 886
Other clients				
- General Waste	Price per one metric ton	654	693	734
- General Waste	Price per quarter metric ton	163	173	183
- Hazardous Waste	Price per one metric ton	953	1 010	1 071
- Hazardous Waste	Price per quarter metric ton	238	252	267

Other tariffs:

- Increased with 6% for example printing and copying costs

4 LIST OF POLICIES THAT WILL BE INCLUDED IN THE BUDGET:

- Supply Chain Mangement Policy
- Asset Management Policy
- Tariffs Policy
- Credit Control and Debt Collection Policy and By-law
- Long Term Financial Managemment Policy
- Budget policy

- g) Borrowing Policy
- h) Funding and Reserve Policy
- i) Petty Cash Policy
- j) Banking, Cash Management and Investment Policy
- k) Preferential Procurement Policy
- l) Cost Containment Policy

The only changes are proposed on the SCM policy and the Preferential Procurement Policy.

Capital Budget

The annual capital budget for the financial year 2023/24 MTREF period is as follow:

CostCentre	OwnDescription	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
PMU	Upgrading of buildings - Retrofitting EEDS	4 000 000,00	5 000 000,00	-
Information technology	Replacing ICT Capital Equipment beyond economical	250 000,00	250 000,00	250 000,00
Executive Manager: Community Services	Firestation: George	4 638 075,00	-	-
Executive Manager: Community Services	Firestation: George	3 000 000,00	-	-
Executive Manager: Community Services	Firefighting Vehicle (bakkie)	981 000,00	-	-
Fire Fighting	Hazmat Rescue , Fire Equipment	150 000,00	150 000,00	150 000,00
Fire Fighting	Hazardous Materials Equipment	500 000,00	500 000,00	500 000,00
Waste Management Landfill Sites	Landfill Site: PPE	143 981 000,00	90 546 650,00	-
		157 500 075,00	96 446 650,00	900 000,00

See comments included under the mayoral speech.

3.3 Provision of basic services

The municipality as a category C municipality does not deliver basic services in respect of the following:

- Provision of water services
- Provision of sanitation services
- Provision of refuse
- Provision of electricity

Service that is delivered by the municipality that is essential to the communities of the Garden Route region includes the following:

- GRDM plays a critical role in the delivery of Fire services in the area. This is supported by the fact that a number of mutual aid agreements are in place with different local municipalities to ensure delivery of fire services within their areas. After a 'cost vs benefit' analysis, the municipality are exploring the possibility to adjust the service delivery agreements to ensure a more mutual beneficial agreement for all parties involved. Other alternatives for the fire section operations are being investigated and will be reported to MMF and DCF in due course.
- GRDM has an Air Quality service level agreement with Hessequa Municipality.
- Disaster Management is also a key function performed by the municipality and strive to ensure that a collective effort is implemented in the region.

- Firefighting services are performed by the district municipality
- The provision of Environmental Health practitioners is another key function performed by the district. With the food scarcity crisis and the impact that drought has on the provision of food security the impact this function is performing is of critical importance, monitoring of water quality, is of equal importance given the current water issues experienced in the country..
- Regional Waste Management Facility

The municipal budget is to ensure the provision of these services can continue on an uninterrupted basis within the Garden Route District once the regional landfill site has been constructed and operational.

3.4 SDBIP and MTREF financial sustainability

The budget that's been tabled is a cash backed budget for the 2023/24 MTREF period and the municipality complies with the Municipal Management Finance Act (MFMA) 56, 2003. The financial sustainability for us as a district municipality is challenging due to the limited revenue sources but Council together with Provincial Government and other district municipalities in the Western Cape are investigating ways for extra revenue sources. After the abolishment of RSC levies, the main source of income for district municipalities are the RSC replacement grant which increases annually ±2-3%.

A district municipality task team for the Western Cape was established. One of the main challenges is the service level agreement with Department of Transport that needs to be revised to clearly define each party's roles and responsibilities as well as the type of service (agency service). Accounting treatment of transactions is another issue that is being addressed by the task team. The issue of responsibility for roads employees was referred during August 2016 for a technical opinion from National Treasury/ Provincial Treasury and the Auditor General by Eden DM, up to date no response has been received with regards to the technical opinion.

The Municipal Service Delivery and Budget Implementation Plan (SDBIP) is compiled to enhance council's ability to measure the impact of the budget on the municipal performance in terms of service delivery and to ensure that the municipality will deliver on its promise to ensure delivery of services to its communities.

Section 4 – Annual Budget Tables

PART 2 SUPPORTING DOCUMENTATION

Section 5 - Budget assumptions

The municipality implemented the following in the compilation of the annual budget in collaboration with circular 112 and 115, issued by National Treasury.

The salary related budget was increased with an increment of 7% for the 2023/24 MTREF period.

The percentage increases used for the 2023/24 and outer years for other expenditure budget items were between 0-6% and items were also adjusted downward based on actual expenditure and certain items removed in their entirety – refer to above section of report where adjustments are explained in detail.

Subsistence and travel was cut in view of utilizing alternative technology e.g. zoom teleconferencing.

Refer to section 3 and 4 for detail of budget assumptions for operating revenue, operating expenditure and capital budget.

Section 6 – Budget Funding

The draft budget is funded with realistically anticipated income/accumulated reserves/borrowings.

Section 7 – Expenditure on allocations and grant programmes

All grant allocations as promulgated in the Division of Revenue Bill, 2020, National – and Provincial gazettes was included in the budget for the MTREF period 2023/24 -2025/26.

Section 8 – Grants made by the municipality

The municipality (due to its financial position) made no grants.

Section 9 – Councillor Allowances and employee benefits

The remuneration of councillors was done in accordance with the gazetted limits and provisions have been set out in the Remuneration of Public Office Bearers, Act 20 of 1998. The councillors are remunerated on a Grade 5 municipality. Refer to previous section in report on employee related costs.

Section 10 – Service delivery and budget implementation plan

The draft service delivery plan are drawn up and will be submitted to council by the performance management unit.

Section 11 – Capital expenditure

Capital projects as per capital list in previous section.

Section 12- Municipal Manager's Quality Certificate



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OFFICE OF THE MUNICIPAL MANAGER

Enquiries:	T Loliwe
Reference:	6/18/7/2023-2024
Date:	22 March 2023

QUALITY CERTIFICATE

I **Monde Stratu**, municipal manager of **Garden Route District Municipality**, hereby certify that the **Draft Annual Budget 2023/2024 MTREF** and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name MONDE STRATU

Acting Accounting Officer of **GARDEN ROUTE DISTRICT MUNICIPALITY (DC4)**.

Signature [Signature]

Date 22 / 03 / 2023

