ANNEXURE A

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive II innovative II inspired

Draft
2026/2027 MTREF
Budget Report

(Sections 16, 17 and 21 of the MFMA)

ANNUAL STATE OF THE TOWN &
BUDGET ADDRESS 2026/2027

Annexure I

CLLR THANDO MATIKA
EXECUTIVE MAYOR

31 MARCH 2026

Quality Certificate

I, Dr **Richard Martin**, Municipal Manager of Knysna Municipality, hereby certify that the 2026/2027 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No. 56 of 2003, the regulations made under the Act, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of Knysna Municipality.

Print Name: **Richard Martin**

Municipal Manager of Knysna Municipality (WC048)

Signature..

Date 31\03 2026..

Acting Municipal Manager

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1. EXECUTIVE SUMMARY

1.1 The Draft 2026/2027 Medium Term Revenue and Expenditure Framework (MTREF) Budget Report addresses the operating budget and tariff proposals, as well as the capital budget and funding source proposals, to ensure that Knysna Municipality renders services to the local community in a financially sustainable manner.

1.2 The process of developing the Municipality's annual budget is mainly guided by the strategic thrusts and operational priorities of Knysna Municipality's Integrated Development Plan (IDP), as well as the MTREF that outlines the projected annual revenue and expenditure for the budget year under consideration and the two outer financial years.

1.3 The 2026/2027 MTREF Budget Report commences with a discussion on the legislative requirements to which the Municipality must comply with; the Budget Circulars containing directives published by the National and Provincial Treasury's; as well as the key budget projections for the next three financial years.

1.4 The 2026/2027 MTREF Budget report is based on these documents, as well as forecasted economic trends. A high level summary of the operating and capital budgets.

2. LEGISLATION

2.1 Sections 15 to 24 of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA), read in conjunction with Regulations 9 to 20 of the Municipal Budget and Reporting Regulations (MBRR) legislates the processes for the compilation and approval of the municipal budget. The MFMA determines that:

*"**15. Appropriation of funds for expenditure***

A municipality may, except where otherwise provided in this Act, incur expenditure only –

(a) In terms of an approved budget; and

(b) Within the limits of the amounts appropriated for the different votes in an approved budget.

16. Annual budgets

(1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that 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 **[31 March annually]** *before the start of the budget year.*

(3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

17. Contents of annual budgets and supporting documents

(1) *An annual budget of a municipality must be a schedule in the prescribed format –*

(a) *Setting out realistically anticipated revenue for the budget year from each revenue source;*

(b) *Appropriating expenditure for the budget year under the different votes of the municipality;*

(c) *Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;*

(d) *Setting out –*

(i) *Estimated revenue and expenditure by vote for the current year; and*

(ii) *Actual revenue and expenditure by vote for the financial year preceding the current year; and*

(e) *A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.*

(2) *An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.*

(3) *When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents –*

(a) *Draft resolutions –*

(i) *Approving the budget of the municipality;*

(ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*

(iii) *Approving any other matter that may be prescribed;*

(b) *Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*

(c) *A projection of cash flow for the budget year by revenue source, broken down per month;*

(d) *Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act* **[addressed in a separate item/report]***;*

(e) *Any proposed amendments to the budget-related policies of the municipality;*

(f) *Particulars of the municipality's investments;*

(g) *Any prescribed budget information on municipal entities under the sole or shared control of the municipality* **[not applicable to Knysna Municipality]***;*

(h) *Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate* **[not applicable to Knysna Municipality]***;*

(i) *Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements* **[not applicable to Knysna Municipality as no service providers render services (water, electricity, sanitation, refuse) on behalf of the Municipality]***;*

(j) *Particulars of any proposed allocations or grants by the municipality to –*
   - (i) *Other municipalities* **[not applicable]***;*
   - (ii) *Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers* **[not applicable]***;*
   - (iii) *Any other organs of state* **[not applicable]***;*
   - (iv) *Any organisations or bodies referred to in section 67(1)* **[not applicable]***;*

(k) *The proposed cost to the municipality for the budget year of the salary, allowances and benefits of –*
   - (i) *Each political office-bearer of the municipality;*
   - (ii) *Councillors of the municipality; and*
   - (iii) *The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*

(I) *The proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of* **[not applicable]** *–*
   - (i) *Each member of the entity's board of directors; and*
   - (ii) *The chief executive officer and each senior manager of the entity; and*

(m) *Any other supporting documentation as may be prescribed.*

22. Publication of annual budgets

Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must –

(a) *In accordance with Chapter 4 of the Municipal Systems Act –*
   - (i) *Make public the annual budget and the documents referred to in section 17(3); and*
   - (ii) *Invite the local community to submit representations in connection with the budget; and*

(b) *Submit the annual budget* **[to be executed immediately following the tabling of the annual budget and within 10 working days following Council approval of the annual budget]**–

(i) *In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*

(ii) *In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.*

2.2 Regulations 9 to 20 of the MBRR in essence confirm the contents of Sections 15 to 24 of the MFMA in detail with regards to the Budget process.

2.3 The compilation of the annual budget, in terms of legislation, must also take into consideration the Budget Circulars released by both National and Provincial Treasury.

3. BUDGET CIRCULARS

3.1 National Treasury published two budget circulars for the 2026/2027 MTREF. MFMA Municipal Budget Circular No 134 published on December 2025 as well as MFMA Municipal Budget Circular No 130 published on 20 March 2025 as **Annexure E**.

3.2 The National Treasury Circulars mainly address the South African economy and inflation targets; key focus areas for the 2026/2027 budget process; Local Government conditional grant allocations; Water Crisis in South Africa; latest released version 7.1 Municipal Standard Chart of Accounts (*m*SCOA); Criteria for the release of the Equitable Share the budget process and submissions for the 2026/2027 MTREF. Amongst various key focus areas from the Circulars emphasises for the municipalities is the preparing of Cost of Supply study in order to determine own tariff increases.

3.3 NERSA issued the Eskom Retail Tariff and Structural Adjustments Application ERSTA letter on March 2026 informing electricity distributors on the Eskom tariff increases.

Municipalities Electricity Tariff application process was challenged, and High court judgement was won in favour of the Afriforum that the Municipalities across the Country, to prepare Cost of Supply Study, thereafter do roadshows in involving the Public on study outcome before tabling the Draft Budget at Council.

Each distributor that does not have Cost of Supply Study will not be allowed to implement any increases as of the 2026-2027 Budget.

On the 5th of March 2026, NERSA approved a tariff increase of 9.01% for municipalities.

4. BUDGET PROJECTIONS

4.1 Table 1 below presents the actual amounts and percentage increases imposed for the 2026-2027 MTREF period. The draft 2026/2026 MTREF Budget has been compiled based on the financial framework, financial strategies and financial policies of Council.

4.2 Key assumptions relating to the draft MTREF Budget in Table 1 includes the Government grant allocations from 2026/2027 to 2028/2029 financial years, as published in the Division of Revenue Bill (DoRB) and Provincial Grants

Table 1: High level Summary of Total Grant Gazetted 2025/2026 MTREF Final Budget

				2026-2027 MTREF Draft Budget		
Row Number	Description	2025/2026 Tabled	Changes	2026/2027 Final	2027/2028 Final	2028/2029 Final
Column Reference	A	D	E	B	C	D
1	**GROWTH PARAMETERS**					
2	Growth (GDP)	1.8%		1.8%	1.8%	1.8%
3	Headline Inflation Rate	4.3%		3.7%	4.6%	4.4%
4	**REVENUE STREAMS**					
5	Property Rates	4.4%		5.0%	3.3%	3.2%
6	Service Charges : Electricity	11.3%		11.5%	11.5%	3.2%
7	Service Charges : Water	4.6%		12.0%	12.0%	3.2%
8	Service Charges : Saniatation	70% of Water Consumption for all Consumers. Maximum consumption will be limited to 35kl. Below Tariff basic charge will apply		12.0%	12.0%	3.2%
9	Service Charges : Refuse	20%		25.0%	20%	20%
10	**COST OF REMUNERATION**					
11	Estimated Cost of Living Increases	4.6%			4.6%	4.4%
12	Estimated Notch Increases	2.4%			2.4%	2.4%
13	**BULK PURCHASES**					
14	Electricity	11.3%			12.7%	4.4%
15	**GRANTS : NATIONAL DEPARTMENTS**	**203 034 000**	**0**	**195 831 000**	**195 151 000**	**200 549 000**
16	Equitable share	137 908 000		144 083 000	150 573 000	154 502 000
17	Equitable share % Growth	-5.6%			4.5%	2.6%
18	Financial Management Grant	1 900 000.00		2 000 000	2 100 000.00	2 200 000.00
19	Expanded Publick Works Programme Grant (EPWP)	1 461 000.00		1 350 000	0.00	0.00
20	Municipal Infrastructure Grant (MIG)	29 765 000		30 098 000	33 071 000	34 015 000
21	Intergrated National Electrification Programme Grant (INE	10 000 000		8 300 000	9 407 000	9 832 000
22	Neighbourhood DevelopmenT Partnership(NDPG)	15 000 000		10 000 000	-	-
23	Water Services Infrastructure Grant(WSIG)	7 000 000		-	-	
24	**GRANTS : PROVINCIAL DEPARTMENTS**	**48 864 000**	**2 289 000**	**38 358 000**	**30 076 000**	**37 314 000**
25	Financial Management Capacity	90 000		90 000	90 000	101 000
26	Human Settlement Development Grant	33 212 000		26 890 000	17 992 000	25 000 000
27	Informal Settlements Upgrading Partnership Grant	-		-	-	-
28	Maintanance and Construction of Transport Infrastructure	-		-	-	-
29	Community Library Services Grant	11 353 000		11 378 000	11 794 000	11 913 000
30	Community Development Worker Operational Support Gr	-		-	-	-
31	Municipal Interventions Grant	-		-	-	-
32	Title Deeds Restoration Grant(TRP)	637 000			200 000	300 000
33	Municipal Energy Resilience Grant	-		-	-	-
34	Municipal Water Resilience Grant	2 500 000			-	-
35	Municipal Fire Service Capacity Support Grant	1 072 000			-	-
36	CHIETA Grant	-	2 289 000			
37	**TOTAL**	**251 898 000**	**2 289 000**	**234 189 000**	**225 227 000**	**237 863 000**

4.2.1 As per MFMA Municipal Budget Circular No 134 issued March 2026, the actual headline inflation rate is presented:
7

Table 1: Macroeconomic performance and projections, 2025 - 2029

Fiscal year	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Estimate		Forecast	
CPI Inflation	4.4%	3.2%	3.4%	3.3%	3.2%

The GDP growth is expected to average 1.8 per cent from 2026 to 2028. Medium-term growth will be underpinned by household consumption on the back of rising purchasing power, moderate employment recovery and wealth gains.

CPI is kept at 3.7 per cent as projected with the 2025-26 forecast while the Cost of living and all other Tariffs are higher than the estimated percentage increase once more.
This puts a continued pressure on Municipality and its Consumers as cost of living is unaffordable.

4.2.2 Property Rates

The below table depicts total Property Rates per Category as per Municipal Systems Act for the Greater Knysna Municipality and the projected revenue to be raised from levies:

Row Labels	Grand Total
21-RATES BUSINESS	51 206 917.01
22-RATES INDUSTRIAL	6 424 724.17
23-RATES MUNICIPAL	35 295.85
24-RATES PVT OWNED	1 477.07
25-RATES PUBLIC BENEFIT	249 877.19
26-RATES PUB INFRASTRUCTURE	64 334.51
27-RATES RESIDENTIAL	283 816 054.98
28-RATES RESIDENTIAL VACANT	26 575 048.77
30-RATES PROV. GOV.	12 691 270.07
31-RATES RURAL	7 358 517.43
71-HO RATES BUSINESS	56 145.21
72-HO RATES INDUSTRIAL	11 739.24
73-HO RATES MUNICIPAL	2 172.13
74-HO RATES PVT OWNED	- 2 308.46
75-HO RATES PUBLIC BENEFIT	921.24
77-HO RATES RESIDENTIAL DEV	470 719.65
78-HO RATES RESIDENTIAL VACANT	79 483.65
79-HO RATES AGRICULTURE	46 322.97
81-HO RATES RURAL	29 608.02
Grand Total	**389 118 320.70**

Total revised property value in the Greater Knysna amounts to R41,167,535,170 and the total House Holds in the Municipal Valuation Register amounts to 23,666.

The Property Rates tariffs were increased by 5% in the current years' approved tariffs on the latest General Valuation including rebates that Council will still provide to its rate payers amount to R 389,118,320.

The rebates will continue as provided by Council in the current year as follows:

- Additional R35,000 of the valuation of domestic properties (excluding accommodation establishment and vacant land).
  All property valued above R500,000 will not receive the R35,000 rebate.

- Social rebate between income groups within the different tiers on properties valued at R700,000.
- The indigent threshold are kept at the Households income group limited to two pensioners salaries -per Households plus CPI.
- Business Accommodation establishment operating 3-8 rooms rebate kept at 10%.
- Accommodation Establishment where the number of lettable bedrooms are less than 3 will be classified as Residential.
- Historical buildings will be kept at a 10% rebate.
- New Business tariffs

New Business	2023-24	2024-25 Tabled	2024-25 Final
A vacant property with new improvements on it for usage as a new business in the municipal area: (i) Special rebate for Year 1	75% Rebate	75% Rebate	40.0%
(ii) Special rebate for Year 2	50% Rebate	50% Rebate	30.0%
(iii) Special rebate for Year 3	25% Rebate	25% Rebate	20.0%
(iv) Special rebate for Year 4	0% Rebate	0% Rebate	0.0%

- New business special rebates adjusted downwards 1st year 3rd year as per above table. It should be noted that all businesses qualifying for this rebate registered will be scaled downward on annual basis.
- Public Service purpose rebate still remain at 10%.

4.2.3 **Water**:

Water distribution losses		
Mega litres purified	5,484	5,807
Mega litres lost during distribution	2,631	1,956
	47.98 %	33.68 %
Water losses during the year (in Rand)	19,589,476	13,822,936

The above information is an extract from the 2024-25 audited outcome where it reflects a continued spike increase in the water losses from 33.68% to 47.98%.

When considering all the secondary support service function not included in the total cost to produce water, this service is further running at a loss.

Water loses continued to be high year-on as reported with the audited outcome of 2024 and 2025; and these loses continued in the 2025-26 due to free flow, illegal connections and by-passing of meters.

The municipality acquired 1000 conventional water meters that are being installed as a pilot project to properties with faulty meters, who used to buy and currently not buying. Before continuation of rolling the project to some 8,000 faulty meters, report will serve at Council on progress and highlighting any areas of concerns to be addressed before final roll-over.

Cost reflective tariff was performed for the Water Service and the outcome was that the Water was running at a lot and to be cost reflective water tariffs needed to increase by 72%. Phase approach on the increase was introduced and some expenditure were reduced in order to reduce the increases to affordability and 2026-2027 projected to increase by 12%.

Council will

4.2.4 Electricity

Though Electricity tariffs are regulated by NERSA, previously Municipality were strictly guided in what they increase their tariffs they charge their customers, this has however changed for the first time during 2024-25 Budget process where it was expected of the Municipalities to complete and submit the Revenue Requirement Tool designed by NERSA that will guide the projected increases on tariffs.
AfriForum launched a court case against NERSA that they won in June 2024 and that resulted in the Revenue Requirement Tool being null and void, and was expected of all the Municipalities to submit a Cost of Supply Study.

Consultants were appointed to do Cost of Supply Study for all Services including Electricity and came all 11.5% increase for the Electricity tariffs to be cost reflective.

Council considered new SSEG tariffs for off-the grid customers as well as penalty tariff for customers that are not notifying the Municipality as non-communication may course serve problems should they not be catered for by KM these customers and are charged these tariffs as from 1 July 2025.

4.2.4 Refuse

The municipality continued with the transporting of waste to Petro SA waste disposal site in Mosselbay.

The municipality is anticipating to enter into the Garden Route Contract with all other municipalities within the District for the dumping of waste to the new landfill site within the Mosselbay municipal area. There was a council resolution that sign and enter into this agreement and sign the SLA however change tariffs from flat to rate based.

The cost for this are estimated at R 15 million for capital contributions by the municipality hence the need to increase the rates more than the CPI to cover required costs. Furthermore, the municipality will also incurred operating cost for the transport and dumping of the waste at the newly developed landfill site.

A projected tariff increase that would have applied to catch up with the rest of the Garden Route Municipalities would have been 40% in the 2025-2026 budget however

The Municipality instead opted for phased in approach of 20% over a period of five years in order to relieve rate payers as currently we are under recovering on refuse and far below from the rest of the Muni in the District. Dumping fee per tounage

The 20% was increased by 5% to 25% increase to cater for the Regulatory directive.

4.2.5 Waste Water (Sanitation)

The Municipality has change the tariff structure in the current financial year to a more scientific approach where 70% of water consumption cost is charged to a minimum of the basic charge.

The new approach is difficult as most properties are on prepaid and remain charged at flat basic charge if no Water Consumption.

The Indigent customers (exempted) and pensioners will still receive the relief based on the income groups.

Infrastructure Services Water Department is addressing the water meter installation that will address losses in both Water and Sewer.

Sewer tariffs are expected to increase by 12% in line with Water increases.

4.2.6 Fines and Penalties:

Speeding fines Service provider was appointed February 2026 for period of three years to execute the service of the speeding fines. There are targets set in the SLA eg of the number of fines to be issued per month.

The municipality with the assistance of the Provincial Treasury is in process to go out on tender for the service provider to provide the whole function of speeding fine service and collections.

Currently, the Traffic fines continue to be a mission to provide most reasonable projections from one year to the other and the collection rate has been between 10% - 12% annually on all over R100 million estimation. However currently at 33% when comparing receipts against issued.

The municipality has strategies in place immediately on appointment of the new service providers to Re-instal and maintain the cameras from critical points that are vandalised and in order to continue reduce speeding at hazardous areas for the safety of our road users as well as rent/hire the George Municipality's bus service to do collections.

4.2.8 Employee Related Cost

The Salary and Wage Collective Agreement for the period 01 July 2026 to 30 June 2027 was distributed by the SALGA office on 13 March 2025.

the increases in the salary and wages in terms of the collective agreement is 4.75%with effect from 1 July 2026. Any linked benefit or conditions of service shall increase by the same rate.

The minimum wage will as well increase by the same rate from R11,120.63 effective 1 July 2026.

Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases.

The vacancy list emanating from the 2025-2026 critical vacancy list was in included in this budget. These positions had to be re-prioritised to prioritise the Section 154 vacancy list.

The value of these vacant positions amount to R 40.3 million that is in this draft budget however Human Resource Management Department will facilitate the process to realign the functions with the critical positions with the Service Departments before finalisation of the budget in May in order to address the low staff complement and reduce overtime and standby allowances.

Row Labels	Department	OCCUPATION	POST BUDGET SCALE
⊟Vote 1 - Executive and Council	⊟1.5 - Integrated Development Planning	⊟Intergrated Development Plan officer	BT12
Vote 1 - Executive and Council Total			
⊟Vote 2 - Corporate Services	⊟2.1 - Director: Corporate	⊟Executive Secretary	BT7
	⊟2.2 - Administration	⊟General Assistant	BT3
		⊟Personal Assistant : Speaker	BT9
		⊟Personal Assistant : Executive Mayor	BT12
	⊟2.5 - Human Resources	⊟Human Resources Officer	BT12
		⊟Snr. Human Resources Officer	BT13
	⊟2.6 - Legal Services	⊟Manager : Legal Services	BT17
	⊟2.7 - Property & Records Management	⊟Head: Property Management	BT15
	⊟2.9 - Information Technology	⊟GIS Administrator	BT11
		⊟IT Technician	BT11
Vote 2 - Corporate Services Total			
⊟Vote 3 - Financial Services	⊟3.4 - Meter Reading	⊟Meter Reader	BT5
	⊟3.6 - Income	⊟Accountant : Services	BT12
		⊟Cashier	BT5
		⊟Chief Accountant	BT15
		⊟Clerk	BT5
		⊟Senior Cashier	BT7
		⊟Senior Clerk : Sundry Debtors	BT6
	⊟3.8 - Expenditure	⊟Senior Clerk : Creditors	BT7
	⊟3.9 - Budget Office	⊟Assistant Accountant: Budget and Reporting	BT10
Vote 3 - Financial Services Total			
⊟Vote 5 - Planning and Development	⊟5.1 - Director: Planning Planning and Development	⊟Secretary : Planning Development Servi	BT9
	⊟5.2 - Environmental Management	⊟Manager : Enviromental Management	BT16
		⊟Senior Environmental Officer	BT12
	⊟5.3 - Local Economic Development	⊟Project Coordinator : Trade and Investment	BT12
			BT8
	⊟5.5 - Planning Development: Town Planning	⊟GIS:Officer	BT12
		⊟Senior Clerk : Plans	BTE7
		⊟Spatial Planner: Land Use	BT10
Vote 5 - Planning and Development Total			
⊟Vote 6 - Community Services	⊟6.10 - Safety Vehicle Licence Testing	⊟Chief Clerk : Licensing	BT8
	⊟6.11 - Safety Traffic Department	⊟Chief Traffic	BT13
		⊟Traffic Officer	BT10
	⊟6.13 - Cleansing Refuse Removal Services	⊟General Assistant : Waste Dispossal Site	BT3
		⊟General Worker (Level 2) Cleansing	BT4
		⊟Supervisor : Cleansing	BT7
	⊟6.15 - Street Cleaning	⊟General Worker (Level 2) Cleansing	BT3
	⊟6.4 - Library	⊟Cleaner : Library	BT2
			BT4
	⊟6.5 - Director: Community	⊟Executive Secretary	BT9
		⊟Manager : Protection Services	BT15
		⊟Manager : Solid Waste	BT16
	⊟6.6 - Parks Recreation	⊟General Assistant : Parks	BT3
		⊟Senior Supervisor : Parks	BT13
		⊟Small Plant Operator	BT4
		⊟Tractor Driver	BT5
	⊟6.7 - Disaster Management and Social Services	⊟Senior Disaster Management	BT12
	⊟6.8 - Safety Fire Brigade Services	⊟Junior Firefighter	BT6
	⊟6.9 - Safety Law Enforcement	⊟Law Enforcement Officer	BT9
		⊟Superintendent : Safety Security	BT13
Vote 6 - Community Services Total			
⊟Vote 7 - Electrical Services	⊟7.3 - Electricity Distribution	⊟Artisan : Electrician	BT10
		⊟General Worker (Level 2) Electro-Technic	BT2
		⊟Handyman Assistant : Electrical	BT4
		⊟Storeman	BT5
	⊟7.4 - Workshop & Depot	⊟Handyman : Workshops	BT6
Vote 7 - Electrical Services Total			
⊟Vote 8 - Technical Services	⊟8.1 - Civic Buildings	⊟Storeman	BT5
	⊟8.10 - Water Reticulation	⊟Artisan : Electrician	BT10
		⊟Artisan : Millwright	BT9
		⊟Artisan Plumber	BT10
		⊟Foreman : Water Sewerage	BT11
		⊟Storeman	BT5
		⊟Superintendent : Water Sewer (Retic)	BT12
	⊟8.11 - PMU	⊟Geographic Information System Technician	BT9
	⊟8.2 - Director: Technical Services	⊟Senior Superintendent : Public Works	BT13
		⊟Senior Technician : Water and Sewer	BT13
		⊟Technician : Water Sewer	BT11
	⊟8.4 - Roads, Sewerage/Water Drainage: Stormwater	⊟General Assistant	BT3
		⊟General Assistant : Technical Services	BT3
	⊟8.5 - Roads, Sewerage/Water Drainage: Streets	⊟Driver Operator	BT6
		⊟General Assistant : Roads	BT3
			BT4
		⊟Senior Superintendent : Gravel roads	BT13
		⊟Superintendent : Public Works	BT12
	⊟8.6 - Sewerage Purification Services	⊟General Assistant	BT3
		⊟General Assistant : Sewerage Purificatio	BT4
		⊟Plant Operator : Sewer Purification	BT7
		⊟Supervisor : Sewerage Purification	BT7
	⊟8.8 - Sewerage Sanitation Services	⊟General Assistant : Sanitation	BT3
	⊟8.9 - Water Purification Works	⊟Driver Operator	BT6
		⊟General Assistant : Brushcutter	BT3
		⊟General Assistant : Technical Services	BT3
		⊟Plant Operator : Water Purification	BT6
			BT7
Vote 8 - Technical Services Total			
⊟Vote 9 - Housing Services	⊟9.1 - Housing Administration	⊟Executive Secretary	BT9
		⊟Housing Liason Officer	BT7
		⊟Human Settlement Officer Rheenendal	BT7
		⊟Senior Administration Officer	BT12
		⊟Senior Human Settlement Officer	BT12
Vote 9 - Housing Services Total			
Grand Total			

5. HIGH LEVEL OPERATING BUDGET

The Municipality's operating budget, lists the planned operating expenditure and income, for the delivery of all core services to its community.

5.1 Operating Revenue per Category

5.1.1 The high level operating revenue budget per category for the 2026/2027 MTREF is presented in Table 2 below:

Table 2: High Level Summary of Operating Revenue per Category:

Row Number	Description	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Column Ref.	A	B	C	D	E	F	G	H	I	G
	Revenue									
	Exchange Revenue									
1	Service charges - Electricity	305 379	353 187	397 816	465 762	463 597	463 224	500 277	557 809	621 957
2	Service charges - Water	77 198	97 876	99 353	112 803	112 836	112 787	136 197	141 236	146 462
3	Service charges - Waste Water Management	29 240	30 709	31 708	79 041	67 110	67 110	75 163	77 945	80 828
4	Service charges - Waste Management	28 466	30 810	37 860	46 612	55 691	55 691	70 407	73 012	75 713
5	Sale of Goods and Rendering of Services	6 236	7 247	7 864	7 541	8 097	8 097	8 004	8 300	8 607
6	Agency services	4 086	3 988	3 663	4 038	4 180	4 180	4 335	4 495	4 661
7	Interest	-	-	-	-	-	-	-	-	-
8	Interest earned from Receivables	22 440	26 965	29 520	29 324	33 040	33 040	14 581	12 685	11 417
9	Interest earned from Current and Non Current Assets	2 014	2 131	5 308	4 626	8 429	8 429	11 241	11 657	12 088
10	Dividends	-	-	-	-	-	-	-	-	-
11	Rent on Land	-	-	-	-	-	-	-	-	-
12	Rental from Fixed Assets	6 396	7 390	7 758	8 583	7 405	7 405	7 657	7 941	8 234
13	Licence and permits	71	134	320	385	239	239	248	257	267
14	Special rating levies	-	-	-	-	-	-	-	-	-
15	Construction Contract Revenue	-	-	-	25 212	26 232	26 232	26 890	17 992	25 000
16	Development Charges	-	-	-	-	4 019	-	1 582	1 640	1 701
17	Operational Revenue	7 912	4 319	6 197	4 624	803	5 244	1 848	1 917	1 987
18	**Non-Exchange Revenue**									
19	Property rates	(19 053)	311 886	348 306	362 049	362 723	362 723	389 118	403 516	418 446
20	Surcharges and Taxes	-	-	-	-	-	-	-	-	-
21	Fines, penalties and forfeits	(136 663)	(141 172)	(148 321)	103 207	103 209	103 209	98 017	101 644	105 405
22	Licences or permits	1 377	1 400	1 478	1 457	1 214	1 214	1 259	1 306	1 354
23	Transfer and subsidies - Operational	133 960	144 436	153 071	165 382	177 053	177 053	166 581	171 808	176 276
24	Interest	(43 605)	(42 464)	(43 053)	11 811	11 341	11 341	8 800	9 126	9 463
25	Fuel Levy	-	-	-	-	-	-	-	-	-
26	Operational Revenue	(238 307)	(284 633)	(328 988)	-	-	-	-	-	-
27	Gains on disposal of Fixed and Intangible Assets	2 815	53	-	1 000	1 000	1 000	2 000	3 000	5 000
28	Other Gains	3 920	989	8 496	-	441	441	-	-	-
29	Discontinued Operations	-	-	-	-	-	-	-	-	-
30	**Total Revenue (excluding capital transfers and contributions)**	**193 881**	**555 253**	**618 353**	**1 433 458**	**1 448 659**	**1 448 659**	**1 524 207**	**1 607 286**	**1 714 869**
31	**Surplus/(Deficit)**	**(877 054)**	**(625 529)**	**(555 247)**	**171 084**	**(50 031)**	**(50 031)**	**(5 314)**	**45 643**	**150 064**
32	Transfers and subsidies - capital (monetary allocations)	38 901	64 894	46 964	63 633	64 523	64 523	53 547	45 500	46 649
33	Transfers and subsidies - capital (in-kind)	-	-	850	-	-	-	-	-	-
34	**Surplus/(Deficit) after capital transfers & contributions**	**(838 153)**	**(560 635)**	**(507 433)**	**234 717**	**14 493**	**14 493**	**48 233**	**91 142**	**196 713**

5.1.2 The operating revenue budget (Column H30) equates to R 1,524 billion for the 2026/2027 draft MTREF budget.

5.1.3 An overall increase of R 75.5 million when compared to adjusted budget of 2025-2026 mainly as a result of the following:

- R 36million increase in Electricity Service Charges of 11.5% in line with the Cost of Supply study outcome.

- R23.3 million projected increase in Water from the adjusted budget mainly from the enrolment of the new smart meter program on the current default meters of customers that used to buy water as well as the 12% increase as per the Cost of Supply study outcome.

- R14.7 million projected as an additional revenue from the Refuse. Currently Knysna is the lowest in the Garden Route on Waste tariffs and study also was performed by Re-Solve and reflected an increase of 20% in line with the 20% phased in approach for 5 years that was implemented from 1 July 2025. Refuse will increase by 25% to fund emergency directives.

- R 8 million Projected as an additional revenue from Waste Water with the new tariff implementation of 70% Water Consumption for all rate payers to be charged as a 35kl maximum consumption and consumption value below current basic charge then the monthly basic charge will apply also at a 12% increase in line with Water consumption tariff.

Year-on no budget provision is made on the Augmentation Fees and Insurance claims. These items are rather kept at Zero based budgeting and adjusted upward with the adjustments budget. The reasons for this these funds are earmarked at being ringfenced in order to fund towards capital projects within main services.

5.2 Operating Expenditure per Category

5.2.1 The high level operating expenditure budget per category for the 2025/2026 MTREF is presented in Table 3 below:

Table 2: High Level Summary of Operating Expenditure per Category:

Row Number	Description	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Column Ref.	A	B	C	D	E	F	G	H	I	G
	Revenue									
1	**Expenditure**									
2	Employee related costs	288 254	322 441	337 141	374 678	379 153	379 153	405 620	426 464	440 133
3	Remuneration of councillors	9 787	9 821	9 684	11 926	10 926	10 926	11 472	11 897	12 303
4	Bulk purchases - electricity	238 307	284 633	328 988	357 093	366 230	366 230	406 070	433 482	447 354
5	Inventory consumed	58 457	53 278	39 190	46 694	48 131	48 104	49 961	60 474	64 012
6	Debt impairment	128 577	153 548	126 780	119 549	121 244	121 244	94 424	87 332	92 344
7	Depreciation, amortisation and impairment	59 435	71 867	57 859	68 548	237 444	237 444	189 054	186 906	155 169
8	Interest, Dividends and Rent on Land	35 276	41 587	38 025	29 426	28 231	28 231	22 992	18 062	13 284
9	Contracted services	187 171	155 307	149 112	152 032	179 699	179 337	224 049	245 201	259 727
10	Transfers and subsidies	1 934	1 118	1 661	3 635	15 157	15 157	3 278	3 118	3 241
11	Irrecoverable debts written off	-	-	-	9 404	8 548	8 548	8 323	21 024	22 037
12	Operational costs	62 516	84 365	81 666	89 390	103 928	104 317	114 278	67 683	55 201
13	Disposal of Fixed and Intangible Assets	-	422	279	-	-	-	-	-	-
14	Other Losses	1 221	2 394	3 214	-	-	-	-	-	-
15	**Total Expenditure**	**1 070 935**	**1 180 782**	**1 173 600**	**1 262 374**	**1 498 690**	**1 498 690**	**1 529 520**	**1 561 643**	**1 564 805**

5.2.2 The operating expenditure budget (Column H15) equates to R 1,529 billion for the 2026/2027 financial year.

5.2.3 An overall increase of R 30.8 million when compared to R 1,498 billion February 2025-2026 adjusted budget mainly as a result of the following expenditure items:

- R 26.4 million to cover the budgeted 4.75% salary wage bill increase that now as well as budgeted vacant posts.
  R 40 million million worth of vacant critical positions across Council.
- Bulk purchases increase of R39.8 million as guided by the NERSA circular that Municipalities to increase Eskom charges in line with the guidelines by 9.01%.
- R44.3 million increase in Contracted Services across Departments as per their critical departmental requirements.
- Dept impairment provisions were reduced in line with the budgeted collection rate of 90% for rates and services as well as 32% for Fines compared to 85% and 10% for both in the 2024-2025 financial year.
- Asset impairment was also decreased in order to reduce the tariff increases specifically Water Department.

5.3 Operating Revenue and Expenditure Summary

5.3.1 The high level draft operating budget summary for the 2025/2026 MTREF is presented in Table 4 below:

Table 3: High Level Summary of Operating Budget

	Description	2022/23	2023/24	2024/25	Current Year 2025/26			2026/27 Medium Term Revenue & Expenditure Framework		
Row Number	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Column Ref.	A	B	C	D	E	F	G	H	I	G
1	**Total Revenue (excluding capital transfers and contributions)**	**193 881**	**555 253**	**618 353**	**1 433 458**	**1 448 659**	**1 448 659**	**1 524 207**	**1 607 286**	**1 714 869**
2	**Surplus/(Deficit)**	**(877 054)**	**(625 529)**	**(555 247)**	**171 084**	**(50 031)**	**(50 031)**	**(5 314)**	**45 643**	**150 064**
3	Transfers and subsidies - capital (monetary allocations)	38 901	64 894	46 964	63 633	64 523	64 523	53 547	45 500	46 649
4	Transfers and subsidies - capital (in-kind)	-	-	850	-	-	-	-	-	-
5	**Surplus/(Deficit) for the year**	**(838 153)**	**(560 635)**	**(507 433)**	**234 717**	**14 493**	**14 493**	**48 233**	**91 142**	**196 713**

5.3.2 The operating budgeted deficit excluding capital grants (Column H2) equates to R 5.3 million for the 2026/2027 compared to R50.0 million of the February 2025-2026 adjusted budget.

This has declined compared to the operating surplus of R171.0 million budgeted during 2025-2026 original budget.

5.3.3 The operating budgeted surplus (Column H5) equates to R 48.2 million for the 2026/2027 financial year this takes into account all capital projects funded through grants.

5.4 Summary Operating Budget per Council Directorates

5.4.1 The below table depicts Executive and Council operating budget:

Table 4.1: Vote 1 Executive and Council Operating Budget

Row Lab	A1 Schedule	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 5 031 000	- 177 000	- 5 208 000	- 5 388 000	- 5 556 000
	2600	Non-Exchange Revenue / Gains on Disposal of Fixed and Intangible Assets	- 1 000 000	- 1 000 000	- 2 000 000	- 3 000 000	- 5 000 000
I Total			**- 6 031 000**	**- 1 177 000**	**- 7 208 000**	**- 8 388 000**	**- 10 556 000**
E	3100	Expenditure / Employee related costs	28 378 282	9 767 748	38 146 030	27 147 516	28 126 437
	3200	Expenditure / Remuneration of councillors	10 925 784	546 289	11 472 073	11 896 539	12 303 127
	3400	Expenditure / Inventory consumed	132 568	34 569	167 137	198 748	206 878
	3600	Expenditure / Depreciation, Amortisation and Impairment	400 907	- 65 008	335 899	286 152	272 404
	3700	Expenditure / Interest, Dividends and Rent on Land	92 959	- 21 145	71 814	49 241	27 913
	3800	Expenditure / Contracted services	2 110 000	505 523	2 615 523	7 569 991	7 945 252
	3900	Expenditure / Transfers and subsidies	1 345 823	1 932 337	3 278 160	3 117 500	3 240 522
	4100	Expenditure / Operational Cost and Other Cost	2 028 340	- 274 270	1 754 070	1 838 610	1 927 818
E Total			**45 414 663**	**12 426 043**	**57 840 706**	**52 104 297**	**54 050 351**
Grand Total			**78 767 326**	**22 498 086**	**50 632 706**	**43 716 297**	**43 494 351**

The above table depicts an overview of Executive and Council Directorate which is vote 1 financial performance.

This directorate comprises of four main service Department: The Council, Municipal Managers Office, IDP, Communication as well as Internal Audit

An overall revenue decrease of R1.1 million to cater for the auction of disposal of assets currently under way.

The expenditure increase of R12.4 million mainly on employee related cost. This is contributed to the annual increase, councillors remuneration and the filling of critical vacancies.

Transfers and Subsidies increased by R1.9 million mainly on the Grant in Aid Donations.

5.4.2 The below table depicts Corporate Services operating budget:

Table 4.2: Vote 2 Corporate Services Operating Budget

Row La	A1 Sc	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0700	Exchange Revenue / Sale of Goods and Rendering of Services	- 287 315	- 10 631	- 297 946	- 308 970	- 320 402
	1400	Exchange Revenue / Rental from Fixed Assets	- 4 223 440	- 156 267	- 4 379 707	- 4 541 756	- 4 709 801
	1600	Exchange Revenue / Operational Revenue	- 360 906	- 1 072 120	- 1 433 026	- 1 486 048	- 1 541 032
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 14 268 359	12 849 912	- 1 418 447	- 1 680 582	- 1 818 199
I Total			**- 19 140 020**	**11 610 894**	**- 7 529 126**	**- 8 017 356**	**- 8 389 434**
E	3100	Expenditure / Employee related costs	32 213 321	1 650 224	33 863 545	39 679 566	40 235 312
	3400	Expenditure / Inventory consumed	263 889	- 10 920	252 969	301 824	196 264
	3600	Expenditure / Depreciation, Amortisation and Impairment	2 780 836	3 340 323	6 121 159	4 941 613	3 964 046
	3700	Expenditure / Interest, Dividends and Rent on Land	283 907	- 35 267	248 640	213 546	175 673
	3800	Expenditure / Contracted services	10 979 388	983 808	11 963 196	14 315 764	15 018 160
	4100	Expenditure / Operational Cost and Other Cost	28 521 479	14 085 208	42 606 687	30 229 486	16 202 023
E Total			**75 042 820**	**20 013 376**	**95 056 196**	**89 681 799**	**75 791 478**
Grand Total			55 902 800	31 624 270	**87 527 070**	**81 664 443**	**67 402 044**

The above table depicts an overview of Corporate Services Directorate which is vote 2 financial performance. This directorate comprises of four main service Department: The Council Support, Human Resource Management, Public Participation, Legal Services, MPAC as well as Property Management.

An overall revenue decrease of R 11.6 million mainly on the Transfers and Subsidies - Operational.

The expenditure increase of R 20.0 million mainly on Employee Cost to cover the critical vacant posts identified by the department, senior positions request such as legal service manager.

R14.0 million increase in Operational Cost to cover for the Office Accommodation.

5.4.3 The below table depicts Financial Services operating budget:

Table 4.4: Vote 3 Financial Services Operating Budget

Row Label	A1 Schedu	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0700	Exchange Revenue / Sale of Goods and Rendering of Services	- 221 934	- 8 211	- 230 145	- 238 660	- 247 491
	1000	Exchange Revenue / Interest earned from Receivables	- 743 110	131 877	- 611 233	- 531 773	- 478 596
	1100	Exchange Revenue / Interest earned from Current and Non Current Assets	- 8 428 808	- 2 811 866	- 11 240 674	- 11 656 579	- 12 087 872
	1600	Exchange Revenue / Operational Revenue	- 272 163	- 10 070	- 282 233	- 292 676	- 303 504
	1800	Non-Exchange Revenue / Property rates	- 362 723 457	- 26 394 851	- 389 118 308	- 403 515 683	- 418 445 764
	2000	Non-Exchange Revenue / Fines, penalties and forfeits	-	- 549	- 549	- 569	- 590
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 2 803 339	803 339	- 2 000 000	- 2 100 000	- 2 200 000
	2300	Non-Exchange Revenue / Interest Receivables	- 11 341 484	2 541 484	- 8 800 000	- 9 125 600	- 9 463 247
I Total			**- 386 534 295**	**- 25 748 847**	**- 412 283 142**	**- 427 461 540**	**- 443 227 064**
E	3100	Expenditure / Employee related costs	44 944 016	2 169 656	47 113 672	54 761 370	56 604 371
	3400	Expenditure / Inventory consumed	460 572	- 160 583	299 989	370 768	406 170
	3500	Expenditure / Debt impairment	28 682 062	- 29 495 583	- 813 521	- 3 149 649	- 3 261 658
	3600	Expenditure / Depreciation, Amortisation and Impairment	583 619	197 506	781 125	577 675	474 492
	3700	Expenditure / Interest, Dividends and Rent on Land	121 128	- 31 101	90 027	60 049	37 767
	3800	Expenditure / Contracted services	5 117 000	- 2 963 886	2 153 114	1 964 312	1 840 280
	4000	Expenditure / Irrecoverable debts written off	-	813 521	813 521	3 149 649	3 261 658
	4100	Expenditure / Operational Cost and Other Cost	14 834 452	- 13 992 884	841 568	893 412	982 362
E Total			**94 742 849**	**- 43 463 354**	**51 279 495**	**58 627 586**	**60 345 442**
Grand Total			**- 291 791 446**	**- 69 212 201**	**- 361 003 647**	**- 368 833 954**	**- 382 881 622**

The above table depicts an overview of Financial Services Directorate which is vote 3 financial performance. This directorate comprises of four main service Department: The Financial Management Service, Revenue Management, Supply Chain Management, as well as Expenditure Management.

An overall revenue increase of R 25.7 million during tabled budget mainly on property rates which is purely as a result of the 5 % increase projected.

The expenditure decreased with R43.4 million mainly on Dept Impairment as well as Operational Cost.

5.4.4 The below table depicts Planning and Development operating budget:

Table 4.4: Vote 5 Planning and Development Operating Budget

Row	A1 Sch	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0700	Exchange Revenue / Sale of Goods and Rendering of Services	- 6 590 846	148 782	- 6 442 064	- 6 680 420	- 6 927 595
	1600	Exchange Revenue / Operational Revenue	- 95 474	- 3 533	- 99 007	- 102 670	- 106 469
	2000	Non-Exchange Revenue / Fines, penalties and forfeits	- 6 162	- 506 216	- 512 378	- 531 336	- 550 995
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 1 504 304	154 304	- 1 350 000	-	-
I Total			**- 8 196 786**	**- 206 663**	**- 8 403 449**	**- 7 314 426**	**- 7 585 059**
E	3100	Expenditure / Employee related costs	25 767 303	3 897 156	29 664 459	28 390 451	29 328 363
	3400	Expenditure / Inventory consumed	238 500	42 688	281 188	333 304	345 553
	3600	Expenditure / Depreciation, Amortisation and Impairment	279 029	- 46 981	232 048	179 340	155 677
	3700	Expenditure / Interest, Dividends and Rent on Land	39 686	- 5 273	34 413	29 328	24 087
	3800	Expenditure / Contracted services	5 727 234	3 493 259	9 220 493	10 929 472	11 331 176
	4100	Expenditure / Operational Cost and Other Cost	1 841 901	1 046 610	2 888 511	1 609 003	1 674 730
E Total			**33 893 653**	**8 427 459**	**42 321 112**	**41 470 898**	**42 859 586**
Grand Total			**25 696 867**	**8 220 796**	**33 917 663**	**34 156 472**	**35 274 527**

The above table depicts an overview of Planning and Development Directorate which is vote 5 budget. This directorate comprises of five main service Department: The Environmental

Management, Local Economic Development, Town planning/ Land Use Management, as well as Building Control.

An overall revenue decrease of R R206 thousand mainly.

Overall planning tariffs will have increased by 3.7% in line with the CPI and National growth during 2025-2026.

The expenditure decrease of R8.4 million mainly on contracted services, Employee Related Costs and operational costs.

5.4.5 The below table depicts Community Service operating budget:

Table 4.5: Vote 6 Community Services Operating Budget

Ro	A1 Sch	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0600	Exchange Revenue / Service charges - Waste Management	- 55 690 848	- 14 716 129	- 70 406 977	- 73 012 035	- 75 713 480
	0700	Exchange Revenue / Sale of Goods and Rendering of Services	- 914 926	- 33 852	- 948 778	- 983 883	- 1 020 288
	0800	Exchange Revenue / Agency services	- 4 179 896	- 154 656	- 4 334 552	- 4 494 930	- 4 661 242
	1000	Exchange Revenue / Interest earned from Receivables	- 5 876 319	5 876 322	3	3	3
	1400	Exchange Revenue / Rental from Fixed Assets	- 3 181 769	- 95 834	- 3 277 603	- 3 398 874	- 3 524 633
	1500	Exchange Revenue / Licence or permits	- 239 219	- 8 851	- 248 070	- 257 249	- 266 767
	1600	Exchange Revenue / Operational Revenue	- 13 680	- 506	- 14 186	- 14 711	- 15 255
	2000	Non-Exchange Revenue / Fines, penalties and forfeits	- 103 202 370	5 708 275	- 97 494 095	- 101 101 377	- 104 842 128
	2100	Non-Exchange Revenue / Licences or permits	- 1 214 431	- 44 934	- 1 259 365	- 1 305 961	- 1 354 280
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 47 846 059	- 1 659 022	- 49 505 081	- 51 638 457	- 52 797 145
	4600	Transfers and subsidies - capital (monetary allocations)	- 1 072 000	822 000	- 250 000	-	-
I Total			**- 223 431 517**	**- 4 307 187**	**- 227 738 704**	**- 236 207 474**	**- 244 195 215**
E	3100	Expenditure / Employee related costs	123 523 888	6 763 730	130 287 618	133 481 985	137 888 419
	3400	Expenditure / Inventory consumed	9 288 260	1 618 618	10 906 878	12 709 009	13 197 218
	3500	Expenditure / Debt impairment	59 282 460	- 5 830 379	53 452 081	50 294 612	52 165 592
	3600	Expenditure / Depreciation, Amortisation and Impairment	13 050 824	5 279 465	18 330 289	13 828 023	12 089 412
	3700	Expenditure / Interest, Dividends and Rent on Land	1 735 144	- 548 594	1 186 550	784 816	514 252
	3800	Expenditure / Contracted services	54 700 108	21 529 151	76 229 259	89 394 054	92 783 313
	4000	Expenditure / Irrecoverable debts written off	854 737	4 298 794	5 153 531	10 479 410	10 857 064
	4100	Expenditure / Operational Cost and Other Cost	31 193 199	15 694 504	46 887 703	11 294 157	11 349 593
E Total			**293 628 620**	48 805 289	**342 433 909**	**322 266 066**	**330 844 863**
Grand Total			**70 197 103**	**44 498 102**	**114 695 205**	**86 058 592**	**86 649 648**

The above table depicts an overview of Community Services Directorate which is vote 6 financial performance. This directorate comprises of five main service Department: The Library and Museum Services, Public Safety, Fire, Refuse Management, Parks and Recreation.

An overall revenue increase of R 4.3 million mainly on service charges waste management which with the overall increase of 25 % for the refuse services over the period of five years in order to catch up with the tariffs charged by other municipalities within the district as well as to cater for the cost of the new landfill site.

An overall 48.8 million increase in the operating expenditure mainly on Contracted Services; Operating expenditure and Employee Related Costs; and Depreciation and Asset Impairment.

5.4.6 The below table depicts Electrical Services operating budget:

Table 4.6: Vote 7 Electrical Services Operating Budget

Row	A1 Sche	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0300	Exchange Revenue / Service charges - Electricity	- 463 597 394	- 36 680 042	- 500 277 436	- 557 809 341	- 621 957 413
	1000	Exchange Revenue / Interest earned from Receivables	- 9 905 479	1 757 890	- 8 147 589	- 7 088 402	- 6 379 562
	1590	Exchange Revenue / Development Charges	- 358 651	- 13 270	- 371 921	- 385 682	- 399 952
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 37 527 967	- 799 718	- 38 327 685	- 40 149 724	- 41 220 795
	4600	Transfers and subsidies - capital (monetary allocations)	- 8 695 652	1 478 261	- 7 217 391	- 8 180 000	- 8 549 565
I Total			**- 520 085 143**	**- 34 256 879**	**- 554 342 022**	**- 613 613 149**	**- 678 507 287**
E	3100	Expenditure / Employee related costs	23 113 861	- 2 230 912	20 882 949	24 734 865	25 547 341
	3300	Expenditure / Bulk purchases - electricity	366 229 524	39 840 377	406 069 901	433 482 112	447 353 540
	3400	Expenditure / Inventory consumed	2 718 087	157 266	2 875 353	3 395 949	3 504 829
	3500	Expenditure / Debt impairment	22 047 585	359 308	22 406 893	20 326 455	22 844 560
	3600	Expenditure / Depreciation, Amortisation and Impairment	14 276 600	27 179 229	41 455 829	31 121 069	24 652 579
	3700	Expenditure / Interest, Dividends and Rent on Land	4 329 822	- 85 967	4 243 855	3 248 953	2 341 606
	3800	Expenditure / Contracted services	29 343 180	7 797 684	37 140 864	41 367 689	42 804 082
	4000	Expenditure / Irrecoverable debts written off	1 522 500	- 748 746	773 754	5 519 966	5 974 198
	4100	Expenditure / Operational Cost and Other Cost	7 830 951	- 5 449 609	2 381 342	1 570 851	1 700 413
E Total			**471 412 110**	**66 818 630**	**538 230 740**	**564 767 909**	**576 723 148**
Grand Total			**- 48 673 033**	**32 561 751**	**- 16 111 282**	**- 48 845 240**	**- 101 784 139**

The above table depicts an overview of Electrical Services Department which is vote 7 budget. This directorate comprises of two sub Department: The Electrical Administration as well as Distribution and Fleet Services.

An overall revenue increase of R 34.2 million mainly on service charges electricity due to the 11.5% tariff increase implementation based on COS outcome, which is subject to change based on NERSA final approval.

The expenditure increase of R 66.8 million mainly on bulk purchases with increased by 9.01% or R39 million in the new budget in line with the National guidelines.

Contracted Services increased by R7.7 million mainly on Electrical maintenance projects.

5.4.7 The below table depicts Technical Services operating budget:

Table 4.7: Vote 8 Technical Services Operating Budget

Row	A1 Sched	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0400	Exchange Revenue / Service charges - Water	- 112 835 618	- 23 361 459	- 136 197 077	- 141 236 369	- 146 462 113
	0500	Exchange Revenue / Service charges - Waste Water Management	- 67 110 246	- 8 053 229	- 75 163 475	- 77 944 522	- 80 828 470
	0700	Exchange Revenue / Sale of Goods and Rendering of Services	- 47 395	- 1 754	- 49 149	- 50 968	- 52 854
	1000	Exchange Revenue / Interest earned from Receivables	- 16 512 741	10 692 259	- 5 820 482	- 5 063 819	- 4 557 437
	1590	Exchange Revenue / Development Charges	-	- 1 209 831	- 1 209 831	- 1 254 595	- 1 301 015
	1600	Exchange Revenue / Operational Revenue	- 3 720 699	3 700 986	- 19 713	- 20 442	- 21 198
	2200	Non-Exchange Revenue / Transfer and subsidies - Operational	- 68 072 055	- 700 124	- 68 772 179	- 70 851 714	- 72 683 948
	4600	Transfers and subsidies - capital (monetary allocations)	- 54 466 996	19 132 779	- 35 334 217	- 27 319 522	- 28 099 348
I Total			**- 322 765 750**	**199 627**	**- 322 566 123**	**- 323 741 951**	**- 334 006 383**
E	3100	Expenditure / Employee related costs	92 156 981	5 069 299	97 226 280	110 084 564	113 948 288
	3400	Expenditure / Inventory consumed	34 874 026	299 048	35 173 074	43 164 397	46 155 122
	3500	Expenditure / Debt impairment	14 077 400	5 300 812	19 378 212	19 860 544	20 595 844
	3600	Expenditure / Depreciation, Amortisation and Impairment	205 825 738	- 84 819 633	121 006 105	135 258 631	112 910 086
	3700	Expenditure / Interest, Dividends and Rent on Land	21 436 785	- 4 465 515	16 971 270	13 554 790	10 065 001
	3800	Expenditure / Contracted services	31 604 738	13 321 650	44 926 388	49 891 051	50 796 234
	4000	Expenditure / Irrecoverable debts written off	3 325 461	- 1 743 594	1 581 867	1 875 057	1 943 973
	4100	Expenditure / Operational Cost and Other Cost	16 942 103	- 584 956	16 357 147	19 690 293	20 743 444
E Total			**420 243 232**	**- 67 622 889**	**352 620 343**	**393 379 327**	**377 157 992**
Grand Total			**97 477 482**	**- 67 423 262**	**30 054 220**	**69 637 376**	**43 151 609**

The above table depicts an overview of Technical Services Directorate which is vote 8 budget. This directorate comprises of three main Department: The Civil Buildings, Roads and Stormwater; Water and Sewer as well as PMU.

An overall revenue reduction of R R199 thousand mainly on Capital Grants; Interest Earned from Receivables as well as Operational Revenue.

Service charges Water and Waste Water depicts revenue increase of R23.3 million and R8.0 million respectively as a result of the COS outcome of 12% increases implemented in both categories..

The expenditure decrease by R 67.6 million mainly on Waste Water Asset Impairment that increased excessively during February 2026 adjustments budget.

5.4.8 The below table depicts Housing Services operating budget:

Table 4.8: Vote 9 Housing Services Operating Budget

Row L	A1 Sc	A1 schedule Code description	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
I	0700	Exchange Revenue / Sale of Goods and Rendering of Services	-	- 35 863	- 35 863	- 37 189	- 38 566
	1000	Exchange Revenue / Interest earned from Receivables	- 1 976	351	- 1 625	- 1 414	- 1 273
	1570	Exchange Revenue / Construction Contract Revenue	- 26 266 583	- 623 417	- 26 890 000	- 17 992 000	- 25 000 000
	1800	Non-Exchange Revenue / Property rates	- 12	-	- 12	- 12	- 12
	2000	Non-Exchange Revenue / Fines, penalties and forfeits	-	- 10 370	- 10 370	- 10 754	- 11 152
	4600	Transfers and subsidies - capital (monetary allocations)	-	- 10 745 000	- 10 745 000	- 10 000 000	- 10 000 000
I Total			**- 26 268 571**	- 11 414 299	**- 37 682 870**	**- 28 041 369**	**- 35 051 003**
E	3100	Expenditure / Employee related costs	9 055 191	- 619 494	8 435 697	8 183 853	8 454 529
	3600	Expenditure / Depreciation, Amortisation and Impairment	246 060	545 239	791 299	713 103	650 759
	3700	Expenditure / Interest, Dividends and Rent on Land	191 268	- 45 766	145 502	121 664	97 416
	3800	Expenditure / Contracted services	39 935 700	- 229 077	39 706 623	29 762 027	37 201 784
	4100	Expenditure / Operational Cost and Other Cost	917 500	- 487 009	430 491	548 020	610 401
E Total			**50 345 719**	- 836 107	**49 509 612**	**39 328 667**	**47 014 889**
Grand Total			**24 077 148**	**- 12 250 406**	**11 826 742**	**11 287 298**	**11 963 886**

The above table depicts an overview of Housing Services Department which is vote 9 budget. This directorate comprises of two sub-Department: The Housing Administration as well as Informal Settlement.

An overall revenue increase of R 10.7 million on the Housing Grant operating and an increase on Capital grant for various project as per business plan.

The expenditure increased by of R 836 thousand.

5.5 Other Disclosures

Section 17(3)(k) of the MFMA determines that as part of the budget documents, the proposed cost to the Municipality for the budget year of the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer, Senior Manager and any other official with a remuneration package greater than or equal to that of a Senior Manager, must be disclosed:

5.5.1. Staff Employee Related Cost high level item breakdown

Row	Row Labels	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
1	Acting and Post Related Allowances	1 161 520	630 663	470 994
2	Bargaining Council	100 943	119 652	123 601
3	Basic Salary	21 578 754	18 530 423	19 155 932
4	Basic Salary and Wages	219 167 961	248 394 668	256 284 380
5	Bonus	16 840 665	19 823 737	20 477 918
6	Bonuses	482 879	572 376	591 264
7	Cell phone Allowance	628 336	651 585	673 087
8	Current Service Cost	11 759 278	- 3 543 955	- 3 644 177
9	External Audit Fees	548 715	543 938	561 888
10	Fire Brigade	1 668 542	1 977 800	2 043 068
11	Group Life Insurance	6 224 358	7 298 546	7 539 402
12	Housing Benefits	2 829 781	3 349 908	3 460 443
13	Interest Cost	14 020 918	16 619 340	17 229 876
14	Leave Pay	5 377 152	6 373 782	6 608 042
15	Medial Aid Benefits	108 771	112 796	116 517
16	Medical	18 511 740	21 791 704	22 509 423
17	Motor Vehicle Allowance	369 919	383 606	396 265
18	Night Shift	4 652 904	5 538 705	5 759 579
19	Non Structured	12 430 932	9 350 442	9 699 752
20	Pension	37 705 934	44 230 908	45 686 869
21	Pension Fund Contributions	671 122	695 953	718 920
22	Rental Subsidy	2 150 172	2 530 069	2 613 556
23	Scarcity Allowance	2 238 299	2 639 300	2 726 398
24	Shift Additional Remuneration	3 968 586	1 800 580	1 860 052
25	Standby Allowance	7 883 090	7 642 741	7 772 598
26	Structured	13 221 049	7 490 895	7 748 670
27	Travel or Motor Vehicle	8 347 138	9 841 716	10 166 494
28	Travelling Allowance	70 935	73 560	75 987
29	Unemployment Insurance	2 920 154	3 399 529	3 530 291
30	Uniform/Special/Protective Clothing	491	586	602
	TOTAL	**417 641 038**	**438 865 553**	**452 957 691**

The above table depicts Council total salary budget complement breakdown per item.

Overall increase on salaries relates to the filling of critical position. The increase is also due to the general annual salary increase of 4.75% as per the SALGA circular on the Salary and Wage increase for the period 1 July 2026 to June 20267.

6. HIGH LEVEL CAPITAL BUDGET

6.1 Capital Budget per Directorate

6.1.1 The high level capital expenditure budget per directorate for the 2026/2027 MTREF is presented in Table 5 below:

Table 5: Capital Expenditure Budget per Directorate

Row Number	Row Labels	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
Column Ref.	A	B	C	D	E	F
1	Vote 1 - Executive and Council	84 700	268 411	353 111	-	-
2	Vote 2 - Corporate Services	1 943 931	- 1 157 296	786 635	280 000	280 000
3	Vote 3 - Financial Services	45 000	- 45 000	-	-	-
4	Vote 5 - Planning and Development	374 696	- 374 696	-	-	-
5	Vote 6 - Community Services	18 295 321	- 6 752 749	11 542 572	36 640 000	28 784 000
6	Vote 7 - Electrical Services	19 071 065	9 367 969	28 439 034	26 180 000	30 849 565
7	Vote 8 - Technical Services	95 535 115	88 850 460	184 385 575	170 107 082	174 475 374
8	Vote 9 - Housing Services	1 700 000	10 363 050	12 063 050	10 000 000	10 000 000
9	**TOTAL**	**137 049 828**	**100 520 149**	**237 569 977**	**243 207 082**	**244 388 939**

6.1.2 The total capital expenditure budget (Row C9) increased from R100.5 million to R 237.5million for the 2026/2027 financial year.

This is a good indication of prioritising capital programs as they are directly impacting on service delivery.

The priority was once more within Technical Services to address Section 154 Support plan projects.

The detail of the final changes per project/ per ward are accommodated on Annexure C.

6.2 Capital Budget per Funding Source

6.2.1 The high level capital expenditure budget per funding source for the 2025/2026 MTREF is presented in Table 6 below:

Table 6: Capital Expenditure Budget per Directorate

Row Number	Row Labels	2025-2026 Adjusted Budget	Movement	2026-2027 Draft Budget	2027-2028 Draft Budget	2028-2029 Draft Budget
Column Ref.	A	B	C	D	E	F
1	National Government	56 177 989	- 15 401 381	40 776 608	35 499 522	36 648 913
2	Provincial Government	7 396 650	5 141 828	12 538 478	10 000 000	10 000 000
3	Borrowings	-	105 160 480	105 160 480	117 953 560	116 373 226
4	Internally Generated Funds	73 475 189	5 619 222	79 094 411	79 754 000	81 366 800
5	**TOTAL**	**137 049 828**	**100 520 149**	**237 569 977**	**243 207 082**	**244 388 939**

6.2.2 The proposed borrowings for the 2026/27 budget amounts to R105 million which makes provision for only Sewer related Capital projects that are that regulatory directive.

6.2.3 National grants decreased from R15.4 million which could be attributed to the slow spending. The Municipality needs to ensure that grant funding is fully spent to increase grant allocations.

6.2.4 internal funds have drastically increased to R79.0 million in this tabled budget to attend mainly service delivery projects across Council.

6.3 Capital Budget Summary

6.3.1 In consideration of the limited availability of financial resources, and to render acceptable levels of service delivery, the Municipality capital projects has increased to R237 million for the 2026/2027.

Funding for capital is limited, however the Municipality needs to ensure that grant funds are fully spent at the end of the financial year in order to apply for addition funding for the outer years.

7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN (IDP)

7.1 The Constitution mandates local government with the responsibility to exercise local developmental and co-operative governance functions. The eradication of imbalances in the South African society can only be realised through a credible participative integrated development planning process.

7.2 Municipalities in South Africa are required to utilise integrated development planning as an approach to plan future development in their respective municipal areas, and accordingly determine the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at establishing short, medium and long term strategic and budget priorities to create a developmental platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and capabilities of the Municipality to the overall development aims, which guide the municipal budget. The IDP further enables municipalities to make the best use of scarce resources to accelerate service delivery goals. An IDP is therefore a key instrument utilised by municipalities to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

7.3 The Constitution requires local government to ensure that management, budgeting and planning functions comply with the objectives of the Constitution. This provides a clear indication of the intended purposes of municipal integrated development planning. Legislation further stipulates that a municipality must not only give effect to the IDP, but must also conduct the affairs in a manner that is consistent with the IDP.

7.4 Senior Management will attend a strategic session between management and Political Office Bearers with the aim to get Strength, Weaknesses, Opportunities and Threats (SWOT) analysis with Key Performance Focus of each Directorate in order to formulate revised Municipal Strategic Objectives. This input will be incorporate in the final budget to be approved by Council by end May 2026.

This budget is based on the following six strategic objectives however, the budget might be revised during the adjustment period in February 2025 to address changes to the new strategic objectives where applicable.

(a) Strategic Objective 1: To improve and maintain current basic service delivery through specific infrastructural development projects;

(b) Strategic Objective 2: To create an enabling environment for social development and economic growth;

(c) Strategic Objective 3: To promote a safe and healthy environment through the protection of our natural resources;

(d) Strategic Objective 4: To grow the revenue base of the municipality;

(e) Strategic Objective 5: To structure and manage the municipal administration to ensure efficient service delivery; and

(f) Strategic Objective 6: To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.

7.5 The IDP was tabled at Council 26 March 206,. The respective SA4, SA5 and SA6 schedules are included in Annexure A, provide a reconciliation between the IDP strategic objectives and the operating revenue, operating expenditure and capital expenditure.

8. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

8.1 Performance Management is a system intended to manage and monitor progress against the identified strategic objectives and priorities of Council. In accordance with legislative requirements and good business practices, as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system, which is amended regularly as the integrated planning process progresses. The Municipality monitors assesses and reviews organisational performance, which is linked directly to individual employee's performance of the Senior Managers.

8.2 Knysna Municipality continuously ensures that a culture of performance management is institutionalised. Performance agreements are therefore concluded with senior management.
The Human Resources Department is in process of implementing Performance Management and cascading to the Supervisor Level and this is an ongoing process.

9. OVERVIEW OF BUDGET FUNDING INCLUDING FUNDING COMPLIANCE

9.1 National Treasury requires that the Municipality assess the financial sustainability against fourteen different funding measures, which monitor various aspects of the financial health of the municipality. These measures are contained in SA10 of **Annexure A**.

The respective information is extracted directly from the annual budgeted statements of financial performance, financial position and cash flow. The funding compliance measurement table in essence measures the degree to which the proposed budget complies with the funding requirements of Section 18 of the MFMA.

10. EXPENDITURE ON GRANT ALLOCATIONS MADE TO THE MUNICIPALITY

Financing of the Grant Funded Projects

The below table depicts total grants gazetted for the Municipality for the 2026-27 MTREF

Description R thousand	Ref	2022/23 Audited Outcome	2023/24 Audited Outcome	2024/25 Audited Outcome	Current Year 2025/26 Original Budget	Adjusted Budget	Full Year Forecast	2026/27 Medium Term Revenue & Expenditure Framework Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		120 371	136 461	140 972	150 647	151 184	151 184	155 054	159 651	163 900
Equitable Share		111 172	122 358	130 575	137 908	137 908	137 908	144 083	150 573	154 502
Expanded Public Works Programme Integrated Grant		1 044	1 264	1 279	1 461	1 461	1 461	1 350	–	–
Integrated National Electrification Programme Grant		1 400	5 217	141	1 304	1 304	1 304	1 083	1 227	1 282
Local Government Financial Management Grant		1 721	1 771	1 800	1 900	1 900	1 900	2 000	2 100	2 200
Municipal Disaster Response Grant		–	–	311	–	43	43	–	–	–
Municipal Infrastructure Grant		4 655	4 382	3 784	5 204	5 698	5 698	5 234	5 751	5 916
Neighbourhood Development Partnership Grant		379	1 092	1 922	1 957	1 957	1 957	1 304	–	–
Water Services Infrastructure Grant		–	376	1 160	913	913	913	–	–	–
Provincial Government:		11 471	7 965	11 498	11 809	12 386	12 386	11 527	11 957	12 076
(S)Capital Grant - Load-Shedding Relief(WCPA)		313	–	–	–	–	–	–	–	–
(S)Grant Income - W C P A		10 795	7 933	11 181	11 809	11 483	11 483	11 527	11 957	12 076
(S)Grant Income - WCPA(FMCBG)		363	32	317	–	903	903	–	–	–
District Municipality:		1 904	–	2	637	–	–	–	200	300
(S)Grant - W C P A		10	–	2	637	–	–	–	200	300
(S)Grant Income - EDEN District(Food security)		1 000	–	–	–	–	–	–	–	–
(S)Grant Income - WCPA (Public Employment Support Grant)		893	–	–	–	–	–	–	–	–
Other grant providers:		214	10	574	2 289	12 908	12 908	–	–	–
Chemical Industry Seta		–	–	574	2 289	2 555	2 555	–	–	–
Construction; Education and Training SETA		–	–	–	–	10 353	10 353	–	–	–
Product		214	–	–	–	–	–	–	–	–
South Africa National Biodiversity Institute (SANBI)		–	10	–	–	–	–	–	–	–
Total Operating Transfers and Grants	5	133 960	144 436	153 045	165 382	176 478	176 478	166 581	171 808	176 276
Capital Transfers and Grants										
National Government:		34 996	64 859	39 417	53 459	56 178	56 178	40 777	35 500	36 649
Integrated National Electrification Programme Grant		9 330	34 783	937	8 696	8 696	8 696	7 217	8 180	8 550
Municipal Disaster Response Grant		–	–	2 072	1 072	289	289	–	–	–
Municipal Infrastructure Grant		23 140	19 817	15 858	24 561	28 063	28 063	24 864	27 320	28 099
Neighbourhood Development Partnership Grant		2 526	7 305	12 815	13 043	13 043	13 043	8 696	–	–
Water Services Infrastructure Grant		–	2 954	7 735	6 087	6 087	6 087	–	–	–
Provincial Government:		3 784	35	7 548	10 174	7 273	7 273	12 520	10 000	10 000
(S)Capital Grant - Load-Shedding Relief(WCPA)		–	–	–	–	–	–	–	–	–
(S)Capital Grant PT (MWRG)		–	–	3 794	2 174	6 325	6 325	1 543	–	–
(S)Capital Grant WCPA		1 698	35	3 015	8 000	–	–	10 745	10 000	10 000
(S)Revenue: Revenue Allocation - GRDM Grant		–	–	170	–	–	–	–	–	–
(S)VAT Capital Grant - Load-Shedding Relief(WCPA)		2 087	–	–	–	–	–	–	–	–
(S)Vat Grant Capex: MWRG		–	–	569	–	949	949	232	–	–
District Municipality:		120	–	–	–	–	–	–	–	–
(S)Grant Income - EDEN District(Safety Initiative (CCTV))		120	–	–	–	–	–	–	–	–
Other grant providers:		–	–	850	–	–	–	–	–	–
Unspecified		–	–	850	–	–	–	–	–	–
Total Capital Transfers and Grants	5	38 901	64 894	47 815	63 633	63 451	63 451	53 297	45 500	46 649
TOTAL RECEIPTS OF TRANSFERS & GRANTS		172 860	209 330	200 860	229 015	239 930	239 930	219 878	217 308	222 925

There is a decline in grant funding from R239 million in the 2025-2026 financial year to R219 million in the 2026-2027 financial year.

This is as a result of various factors such as low spending and non-approval of roll-overs as well as compressed grants of three to one.

It is promoted that the service departments to consider Grant spending 1st then other revenue sources.

11. ALLOCATION OF GRANTS MADE BY THE MUNICIPALITY

11.1 Schedule SA21, included in **Annexure A**, provides a breakdown of all grants paid by the municipality.

Grants-in-Aid Donations has increased to R2 million and the Animal Welfare as well as the Mayoral Bursary Fund kept at R500,000.

12. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

12.1 The Municipality closely monitors the debtor collection rates, which equated to 94% in the 2024/2025 audited outcome.

The supporting tables that indicates monthly budget was partly done for the fixed costs and all variables and Projects finally approved with the Final budget to be tabled at Council end May will be properly done between Finance and Service Departments that will be aligned to the Procurement Plan.

Collection rate of the municipality is progressively growing over the period and with the hope of achieving the National guideline of 95%.

13. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

13.1 The Municipality's Supply Chain Management Policy stipulates specific processes to be complied with for contracts that will impose financial obligations beyond the three years in the annual budget for that financial year, and will require approval by Council.

14. LONG-TERM FINANCIAL SUSTAINABILITY

14.1 Financial sustainability over the long-term entails the management of high priority expenditure projects, both operating and capital, to ensure project sustainability; a reasonable degree of stability and predictability in the overall property rates and service charges imposed to ensure affordability and sustainability; and to promote a fair allocation in the distribution of resources and the attendant taxation between the current and future ratepayers to ensure intergenerational sustainability.

14.2 The current long term financial plan was last reviewed two years ago and we are in consultation with DBSA office to acquire funding to assist us with the update of the existing plan taking into consideration the current status together with the Revenue Enhancement milestones and Recommendations.

14.3 Council is in process of developing Capital Prioritisation policy

15. MSCOA PROGRESS TO DATE

15.1 The Municipal Regulations on the Standard Chart of Accounts (*m*SCOA), promulgated on 22 April 2014, required all municipalities to be *m*SCOA compliant with effect from 1 July 2017. The relevant *m*SCOA segments, as prescribed by the regulations, were implemented on the financial reporting system by Knysna Municipality on 01 July 2017. National Treasury has since the inception of *m*SCOA released several *m*SCOA version updates consequently resulting in continuous account code re-mapping functions and amendments to the system-generated financial statement reporting tools.

15.2 As per MFMA Budget Circular, Version 7.1 of the mSCOA chart was uploaded onto the Financial system and the 2026-27 budget will be transacted on this new version released.

Despite the significant changes by NT from version 6.9 to 7.1 Knysna Municipality is ready to continue to run the budget directly from the system with no manual intervention on running of data strings to the NT portal.

Updated roadmap is submitted together with this budget document that outlines progress and status to date with regards to the mSCOA implementation of Business process.

16. SERVICE LEVEL STANDARDS

The Service Level Standards is a turnaround plan that provides timeframes in which the Service Delivery Departments should adhered to.

This plan is not necessarily approved with the budget but may be approved as and when required.

Currently there was no update on the milestone compared. This is attached as **Annexure G**.

17. LEGISLATIVE COMPLIANCE STATUS

The MFMA implementation requirements have been satisfactorily complied with through the following activities:

17.1 In-Year Reporting

Monthly, Quarterly and Bi-annual reporting to National Treasury and Provincial Treasury, in electronic format, is fully complied with. reports, submitted to the Executive Mayor, has progressively improved, and is published timeously on Knysna Municipality's website.

17.2 Internship Programme

The Municipality has participated in the Municipal Financial Management Internship programme since 2014.

17.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

17.4 Audit Committee

The Municipality has an Audit Committee, which is fully capacitated and functional. Audit committee meetings is scheduled on a regular basis and fully capacitated to fulfil their roles in overseeing internal audit.

17.5 Service Delivery and Budget Implementation Plan

The Service Delivery and Budget Implementation Plan (SDBIP) will be finalised following approval of the 2026/2027 MTREF budget by End May 2026.

17.6 Policies

Various budget-related policies were reviewed but will be workshop during the budget consultations with relevant stakeholders. All budget-related policies are contained in **Annexure F**..

17.7 Procurement Plan

Municipal Budget Circular No 94 highlights the slow spending of capital budgets by most municipalities, and the associated negative impact on service delivery. It therefore became necessary to compile a draft procurement plan to address a weak planning process. The procurement plan will be included in the final budget as **Annexure K**. The timeframes and other relevant information will be finalised when Final budget is approved by end May 2026.

18. RECOMMENDATIONS

18.1 It is recommended that:

[a] Council take note of the draft 2026/2027 Medium Term Revenue and Expenditure Framework (MTREF) Report.

[b] Council take note of the draft revenue budget of R 1,524,206,828 for the 2026/2027 financial year as set out in **Table 2** of the MTREF Report.

[c] Council take note of the draft operating expenditure budget of R1,529,520,483 for the 2026/2027 financial year as set out in **Table 3** of the MTREF Report

[d] Council takes note of the draft budget surplus of R48,232,953 for the 2026/2027 financial year as set out in **Table 4** of the MTREF Report.

[e] Council take note of the draft capital expenditure budget of R 237,569,977 for the 2026/2027 financial year as set out in **Table 5** of the MTREF Report.

[f] Council take note of the Draft capital expenditure budget funding sources of R237,569,977 for the 2026/2027 financial year as set out in **Table 6** of the MTREF Report.

[g] Council note the following revenue increases for the main five revenue sources with effect from 1 July 2026 –

Main Service Increase	2025-2026	2026-2027
Rates	4.40%	5.00%
Water	4.60%	12.00%
Waste Water	70% of Water	12.00%
Electricity	13.00%	11.50%
Refuse	20.00%	25.00%
All Other CPI Increase	4.40%	3.70%

[h] Council take note of the Draft Annual Budget of Knysna Municipality for the 2026/2027 financial year as well as the indicative budgets for the two outer financial years, as presented in the new mSCOA version 7.1 Schedules A1 to A10 and Supporting Schedules SA1 to SA38, attached as **Annexure A**.

[i] Council takes note of the revenue increases for property rates, service charges and fees contained in the Tariff Book, attached as **Annexure B**

[j] Council takes note of the draft Line Item Capital Budget per Directorate and funding source. **Annexure C.**

[k] Council takes note of the draft Line Item Operating Budget per Directorate. **Annexure D.**

[l] Council takes note of the proposed total cost-to-municipality expenses for the salary, contained in **Tabled 5.5.1-5.5.4** of the 2026/2027 MTREF Budget Report.

[m] Council takes note of the draft Directorate budget performance provided in **Table 4.1-4.8** of the report.

[n] Council takes note of the following reviewed budget-related policies of Knysna Municipality for the 2025/2026 financial year, attached as **Annexure F**:

Part -2 of MBRR Requirements REVIEW OF BUDGET POLICIES					
NUMBER		**POLICIES**	**ACT**	**ADOPTED**	**RESPONSIBLE**
(a)		Tariffs policy	As per Section 74 of the Municipal Systems Act		Manager Income
(b)		Rates policy	As per section 3 of the Municipal Property Rates Act		Manager Income
(c)		Customer Care, Credit control, Debt collection, Indigent and Temparing policy	Section 96 of the Municipal System Act		Manager Income
(d)		Cash management and investment policy	Section 13 (2) of the Act		Manager Financial Statement, compliance and reporting
(e)		Borrowing policy	Chapter 6 of the Act		Manager Financial Statement, compliance and reporting
(f)		Funding and reserves policy	Regulation 8		Manager Financial Statement, compliance and reporting
(g)		Long-term financial policy			Senior Manager Financial Management Services
(h)		Supply chain management policy	Section 111 of the Act		Manager Supply Chain Management
(i)		Disposal of assets policy			Manager Financial Statement, compliance and reporting
(j)		Infrastructure investment and capital projects policy		NO POLICY YET	Director Technical Services
	(i)	Policy governing the planning and approval of capital projects		NO POLICY YET	Senior Manager Financial Management Services
	(ii)	Developer contributions for property development policy		NO POLICY YET	Director Technical Services
(k)		Petty cash policy			Manager Expenditure
(l)		Free basic services policy		NO POLICY YET	Manager Income
(m)	(i)	Shifting of funds policy (Virement policy)			Manager Budget and Reporting
	(ii)	Introduction of adjustment budgets policy Part of the Budget policy)			Manager Budget and Reporting
	(ii)	Unforeseen and unavoidable expenditure policy	S29 of the MFMA what happens in the case of Emergency		Manager Budget and Reporting
	(iii)	Management and oversight policy		NO POLICY YET	Manager Administration
(n)		Managing electricity and water policy		NO POLICY YET	Manager Income
	(i)	Management of of losses policy		NO POLICY YET	Manager Income
	(ii)	Policy to promote conservation and efficiency	Environmental Management	NO POLICY YET	Environmental Manager
(o)		Policies relating to personnel including policies on overtime,			Manager Human resources
		Insurance Management Policy			Manager Assets and Liabilities
		Cost Constrainment Policy			Manager SCM
		Inventory Management Policy			Manager SCM
		Special Rating Area Policy			Manager Income
		vacancies and temporary staff			Manager Human resources
(p)		Ward Allocation Policy			Administration manager

[o] Council to note draft Service Level Standards **Annexure G**.

[p] Council to note the Cost reflective tariff performed on the NT Tool for all services that reflects under recovery on all services **Annexure H**.

[q] Council to note the latest 2025 updated Long Term Financial Plan **Annexure J**

[r] Council to note the draft Procurement Plan **Annexure K**

[s] Council to note the latest update of the mSCOA road map submitted to National Treasury **Annexure L**

[t] Council to note the Cost of Supply Study done for all Services **Annexure M**

19. ANNEXURES:

- Medium Term Revenue and Expenditure Framework (MTREF) 2025/2026–2026/2027 Budget Report
- Annexure A: Main budget tables and Supporting tables
- Annexure B: Tariffs, charges, and fees for 2025/2026 MTREF
- Annexure C: Capital Budget per department and per funding source
- Annexure D: Operating Budget per Directorate
- Annexure E: Budget Circulars
- Annexure F: Policies
- Annexure G: Service Level Standards
- Annexure H: NT Cost reflective Tariff Tool outcome
- Annexure I: Mayor Speech
- Annexure J: Long Term Financial Plan
- Annexure K: Procurement Plan
- Annexure L: mSCOA Road Map

20. TABLES

Table 1: Tabled 2025/2026 MTREF: Key Budget Projections;
Table 2: Tabled 2025/2026 MTREF: High Level Summary of Operating Revenue per Category;
Table 3: Tabled 2025/2026 MTREF: High Level summary of Operating Expenditure per Category;
Table 4: Tabled 2025/2026 MTREF: High Level Summary of Operating Revenue and Expenditure;
Table 4.1: High level Summary of Executive and Council Financial Performance
Table 4.2: High level Summary of Corporate Services Financial Performance
Table 4.3: High level Summary of Financial Services Financial Performance
Table 4.4: High level Summary of Planning and Development Financial Performance
Table 4.5: High level Summary of Community Services Financial Performance
Table 4.6: High level Summary of Electrical Services Financial Performance
Table 4.7: High level Summary of Technical Services Financial Performance
Table 4.8: High level Summary of Housing Services Financial Performance
Table 5.1: High level breakdown of Employee Related Costs Section
Table 5.2: High level Summary of 56 Senior Managers
Table 5.3: High level Summary of Public Office Bearers
Table 5.4: High level Summary of Senior Managers not S56
Table 6.1: Final 2025/2026 MTREF: Capital Budget per Directorate; and
Table 6.2: Final 2025/2026 MTREF: Capital Budget per Funding Source.
Table 7: High level Summary of Total Grants Gazetted.

File Number: 9/1/2/10
Execution: Municipal Manager
Director: Financial Services