State of the Town & Budget Address 2026/2027

Presented by Executive Mayor Thando Matika

Date: 29 May 2026

Location: Knysna Council Chambers

Speaker,
Members of the Mayoral Committee,
Councillors,
Acting Municipal Manager,
Directors,
Treasury Officials,
Leaders of Political Parties,
Distinguished guests
Members of the media, and
fellow residents of Greater Knysna,

1. Introduction: A Vision Anchored in Stability

Honourable Speaker, Members of Council, our valued Coalition Partners, Acting Municipal Manager, and most importantly, the residents of the Greater Knysna Municipality.

I stand before you today to present the State of the Town and the 2026/2027 Budget address. As I look across this chamber and consider the nearly 96,500 citizens we serve, I am moved by the same deep sense of gratitude, responsibility, and commitment that I felt when I first stood here during my inaugural address on 28 February 2025.

On that day, I pledged that our administration would be defined by a "unity in diversity", a coalition that transcends individual political interests, to seek the greater good of our people. We knew then, as we know now, that the success of our municipality is not the work of one individual, but the product of a shared vision and a commitment to service above politics.

I assumed office with the clear-eyed understanding that the challenges facing Knysna were not created overnight and would not be solved through empty rhetoric. I committed to five non-negotiable pillars to anchor our recovery:

1. Water Security: Strengthening infrastructure and reducing losses to ensure reliable access for every household.
2. Financial Stability: Restoring fiscal health and implementing disciplined expenditure.
3. Sewerage and Sanitation: Prioritising the upgrading of our infrastructure to prevent health hazards and environmental degradation.
4. Housing and Human Settlements: Accelerating projects to provide decent shelter and dignity.
5. Roads and Potholes: Establishing maintenance strategies to safeguard our economic activity and tourism.

Governing through a coalition requires a daily demonstration that democracy is about finding common ground. Our goal remains to build a municipality where service delivery is not delayed by political differences but rather strengthened by our collective ability to work together.

I shall address the 2026/2027 budget in a few moments. While I just referred to the day of my inauguration as Executive Mayor, I know that this is the last budget to be tabled during my current mayoral term. Looking ahead to the local elections that will be held on 4 November, I urge every eligible voter to go out and vote on the day. You will effectively decide who will deliver this same address next year.

But first, we review our progress "brick by brick”, acknowledging both the foundations we have laid and the significant hurdles that remain. We stand at a critical moment that calls for decisive action and unwavering dedication to restoring Knysna as the "Jewel of the Garden Route".

2. Financial Status

Transparency remains the foundation of public confidence and accountable governance. While the 2023/2024 unqualified audit opinion reflects a significant achievement in strengthening administrative compliance and financial management practices, it also highlights areas that require continued focus and improvement. The matters of emphasis relating to unauthorized expenditure serve as an important reminder that sustainable financial stability is a journey that demands ongoing discipline, oversight, and corrective action. As a municipality, we remain committed to building on the progress achieved and strengthening our fiscal resilience to ensure long-term financial sustainability and public trust.

While we celebrate our audit outcomes, we must remain grounded in the fiscal realities revealed by our latest Section 71 monthly budget statements. These internal reports have provided a sobering and necessary look at our financial trajectory, revealing a sharp deterioration in our position where the projected surplus collapsed from R234.7million to R14.4 million just six months into the 2025/2026 financial year.

This shift is primarily driven by the provision for depreciation of assets as a result of aging infrastructure. Furthermore, our internal monitoring shows that staff costs have reached R379 million, representing an estimated 25% of operating expenditure which is still in line with National Treasury norms. Revenue collection performance has improved, although sustained and robust interventions remain necessary to further strengthen collection rates and improve cash flow sustainability. By identifying these imbalances early through our own legislative reporting cycles, we are now better positioned to implement the stringent cost-containment measures and revenue enhancement strategies required to restore our long-term liquidity.

Of course, detractors such as The Accountability Group (TAG) would make claims that we are technically insolvent. These claims are outdated and incorrect, aimed at deterring from our recovery. We have consistently been transparent about our challenges and have actively communicated both constraints and progress to the public.

However, the municipality's financial position has also stabilised. Creditor invoices submitted timeously are paid within 30 days of receipt. According to the municipality's latest Section 71 Monthly Budget Statement, its cash and cash equivalents exceed liabilities by R113 million.

3. Courts

The Knysna Municipality welcomes the judgment delivered on 27 May 2026 in the matter between Grey Elephant Investments and Knysna Municipality, in which Grey Elephant sought to challenge Council's tariff policies relating to service charges per business premises or unit.

The court ruled in favour of the Municipality, confirming that the tariff structure is lawful and falls within the Municipality's legal authority. The application was dismissed in its entirety, with costs awarded against Grey Elephant Investments.

The judgment brings welcomed finality to the matter, and the municipality will proceed with the necessary processes to recover all outstanding arrear debt in accordance with Council's approved Credit Control and Debt Collection Policy.

Knysna Municipality has acknowledged environmental law violations, entered a plea agreement, and accepted a R10 million fine. The municipality committed to major corrective action and about R630 million in environmental and infrastructure upgrades to ensure future compliance.

4. The Section 154 Support Plan: A Partnership for Recovery

Before delving into the technicalities of our intergovernmental support, it is important to acknowledge that our path to stability was not without its detractors. We overcame the overzealousness of a few in their attempt to have us dissolved and placed under administration during a failed attempt in September 2025. Instead of succumbing to these manoeuvres, we have forged a strengthened and more resilient partnership, proving that our commitment to the people of Knysna is far greater than any political agenda.

To address our systemic failures, we have embraced a deep-dive partnership with both the Western Cape Department of Local Government and the Department of Cooperative Governance and Traditional Affairs and the Department of Water and Sanitation (DWS) through the Section 154 Support Plan. This is not a mere administrative exercise or a box-ticking requirement; it has evolved into a hands-on engineering and technical intervention that reaches into the very guts of our town's machinery.

We have moved beyond high-level strategy to the deployment of multi-disciplinary working groups focused on governance, finance, and infrastructure. The core instrument for this turnaround is the Consolidated Executive Obligations' Monitoring and Enforcement Framework, which ensures that every commitment made to this council is tracked with data-driven accountability.

Significant progress has been achieved in our wastewater network, which suffers from decades of neglect. We completed a technical review of 22 priority sewer pump stations. Refurbishments on all 20 of these sites reached full completion, although some new pumpstation sites recently failed and are being attended to. I want you to imagine the sound of the machinery returning to life at these sites: it is the heartbeat of a town recovering its health. Some of the repaired pumpstation Sites include:

- The 13th Hole Pump Station (Sparrebosch): Repair and reinstallation of critical pumps.
- Island Village: Refurbished pumps now ready for commissioning.
- The Waterfront Pump Station: Significant replacement of steel outlet pipes and float switches to protect our lagoon.
- Concordia, Loerie Park, and White Location: Installation of mechanical and electrical components to ensure dignity in our most vulnerable wards.

We are also managing the secondment of senior technical staff to bridge the skills gap in engineering. This is critical because our inability to execute projects saw us return R19.6 million in grant funding to the National Treasury in 2025, a failure of implementation that we cannot afford to repeat.

5. The Water Crisis and Climate Resilience

Our water system remains stable but fragile. As of May 2026, Akkerkloof Augmentation Dam, the lifeblood of our storage, showed a heartbreaking decline from 22.5% on 14 May, to 21.7% on the 17th, and further down to 18.9% recently on 26 May 2026. For nearly 80 days during the early months of 2026, the dam remained below the ~~25%~~ 30% resilience threshold, with no pumped replenishment from the river to the Akkerkloof Augmentation Dam. This 80-day window is a stark reminder of fragile water system that relies on 100% infrastructure operational availability to take advantage of the current healthy river flows.

Our vulnerability was exacerbated by the May 2026 severe weather event. While the rainfall provided some catchment relief, it caused devastating damage. Site photographs confirm that the Charlesford gauge infrastructure, our primary abstraction monitor, was lost to the flood. For nearly two weeks, we were effectively losing our eyes during the storm, unable to monitor the very river we depend on. Though monitoring of the gauging is not under the direct control of the KM, we rely on BOCMA (Breede Olifants Catchment Management Agency) to monitor river flow.

To combat this, we have invested in borehole augmentation to add ground water to the raw water mix that is currently predominantly reliant on surface waters. The PG Bison and Mosque boreholes now contributed approximately 1.5 million litres per day to our system during the peak dry months between February and March 2026. However, the river remains our natural reset button. When it stops flowing, our safety margin shrinks, leaving the town dependent on human effort and restricted demand rather than the resilience of nature. We must treat every drop as a precious resource, for the buffer provided by Akkerkloof is all that stands between us and dry taps.

6. Mayoral Customer-Centred Programmes

In September 2025, we established the War Room to tackle the internal capacity constraints that have long hindered our progress. We recognised that critical posts were remaining vacant for months, leading to a paralysis of service. Through this initiative, we resolved to fill these vacancies while virementing savings to fund over 200 temporary and casual appointments for the peak season to ensure our town remained clean and functional for our tourists and residents.

Our administration is committed to being accessible, responsive, and accountable. We have taken government to the people through:

- Saturday Open Days: Designed for revenue enhancement and to assist residents who cannot visit municipal offices during work hours.
- Friday Feet on the Ground: Regular site visits by the Mayoral Committee to monitor infrastructure repairs firsthand. We don't just want reports; we want to see the pipes being laid and the roads being fixed.
- A dedicated schedule ensuring that the Mayor’s office moves through every ward, from the heights of Concordia to the shores of Sedgefield, allowing for direct community engagement, starts on 5 June.

7. Debt Relief and the 50% Incentive Scheme

We recognise the rising cost-of-living pressures facing our households. From the 11.5% increase in electricity tariffs to the anticipated fuel price hikes, our residents’ liquidity is being squeezed from all sides. In response, we have approved amendments to the Writing-Off of Irrecoverable Debt policy.

We have introduced a 50% debt-relief incentive scheme for qualifying households until 30 June 2026. Under this scheme, residents are offered a 50% write-off of their outstanding debt, provided the remaining 50% balance is settled within a 3-month window. We understand that for many, this 3-month settlement is a high hurdle. We are therefore evaluating more flexible, structured repayment arrangements to ensure that we reach the widest possible segment of our struggling debtor base. This is not about a free ride; it is about providing a lifeline to those who want to pay but have been overwhelmed by the economic tide.

8. Social Partners and Local Heroes

Knysna is more than just a municipality; it is a community of resilient, talented, and selfless individuals. The progress we have made is down to the human capital that sustains us during our most difficult hours. I wish to express my deepest, heartfelt gratitude to our social partners:

- The Knysna Infrastructure Group, whose technical expertise has often filled the gaps in our own engineering capacity.
- AfriForum, for their active citizenship and commitment to holding us to the highest standards of delivery.
- The Knysna Business Chamber, for their unwavering belief in our economic potential, even when the lights were dim.
- Gift of the Givers, whose humanitarian interventions provided water and relief when our systems were at their breaking point;
- Al-Imdaad Foundation, a South African humanitarian organisation that provides disaster relief, food aid, healthcare, and community development support locally and internationally.
- Revive Knysna and Revive Sedgefield, whose tireless work in maintaining the beauty of our towns serves as a model for community-led action.

The robust contributions of organised civil society and civic groups have given rise to the development of a Community Partnership Policy to formalise our cooperation. Various organisations have entered into formal agreements to facilitate their contributions to ensuring service delivery during difficult times. These partnerships prove that when we put service above politics, we can rebuild our town together.

9. SMME Support and Strategic Partnerships

A total of 100 participants attended the SMME information session, which focused on funding opportunities and sector-specific compliance matters.

In partnership with SEDA and Standard Bank, 85 SMMEs participated in various business development training programmes aimed at strengthening entrepreneurial skills and enhancing business sustainability.

Furthermore, 20 participants benefited from the SMME Incubator Programme implemented in partnership with SEDA, providing targeted support and development opportunities for emerging businesses.

10. Strategic Partnerships

The municipality continues to strengthen strategic partnerships with various stakeholders to support economic growth and community development, including:

- French Government – Cultural exchange programmes and tourism development;
- SEDA – Training and business support for SMMEs;
- DRDLR – Youth development programmes through NARYSEC;
- Services SETA – Skills development programmes for youth; and
- Standard Bank – Business development and support initiatives.

11. Iconic Annual Events

Knysna hosts several iconic annual events that contribute significantly to stimulating the local economy by attracting residents, visitors, and tourists throughout the year. These events include the Knysna Oyster Festival, Simola Hillclimb, Italian Festival, Knysna African Arts Festival, Karoo to Coast, Leisure Isle Festival, Knysna Extreme Triathlon, Earth Festival, and the Garden Route Festival.

12. Celebrating Knysna's Excellence and Resilience

Honourable Speaker, while we discuss budgets and infrastructure, we must never forget that the true wealth of Knysna lies in its people. Our town continues to be an incubator for excellence, and today I wish to spotlight individuals who embody the spirit of determination that we are working to instil across our municipality.

We proudly celebrate the remarkable achievements of Damon Terblanche, a 25-year-old athlete from 7de Laan, Dam-se-Bos. His dedication, discipline, and determination continue to position our town on the global sporting map. Despite the demands of balancing work commitments with the rigorous training schedule required of a high-performance athlete, Damon has once again demonstrated that excellence is earned.

His achievements are nothing short of extraordinary:

- He represented South Africa at the UCI Mountain Bike World Championships, finishing 68th overall against the world's elite.
- He was selected to compete at the African Continental Championship, placing 14th in XCO and 18th in XCC.
- He secured 23rd place at the Swiss XCO Cup.
- He won the Exxaro Category at the prestigious Absa Cape Epic.
- He achieved 2nd place at the Western Cape XCO.
- Most recently, he was honoured as Sportsman of the Year for 2025 by the Eden Sport Council.

In addition to the above, for the 2025/2026 financial year, the municipality provided high-performance assistance across various sporting codes and development initiatives. The following athletes and teams benefited from support:

- Hockey – 42 players
- Netball – 36 players
- Rugby – 49 players, including the 7's Rugby Team, which received a bronze medal at the 2025 National Championship
- Karate – 2 athletes, both of whom attended the International Championship in Tokyo
- Athletics – 15 athletes
- Cross Country – 7 athletes
- Gymnastics – 13 athletes
- Boxing – 15 athletes
- Table Tennis – 23 athletes
- Chess – 15 participants
- Baseball – 9 players
- Cricket – 15 players across two clubs, Cavaliers and Pirates United, with Pirates United competing in the SWD Promotion League Final in 2026

- Cycling – 2 athletes participated in the International Championship, namely Hannie Vreken and Damon Terblanche, with the latter achieving particularly outstanding results
- World Spelling Championship – 1 participant

These figures relate only to individual applications. Additional high-performance assistance was also provided to rugby clubs, soccer teams, and netball teams for participation in various league playoffs and competitions. Support was further extended to schools participating in academic tours, arts, and cultural programmes.

Most recently, the municipality provided financial assistance to the Percy Mdala School Choir to attend the SASCE Competition, where the choir achieved the following results:

- 1st Place – African Piece (73.3%)
- 2nd Place – Western Piece (71%)
- 2nd Place – Folklore (65%)

The estimated expenditure to date amounts to approximately R700 000.

We also celebrate our own members of staff. Dewald Mostert is a Knysna municipal official whose life is shaped by striking contrasts and quiet heroism. By day, he wears the heavy helmet of a firefighter, running toward danger when others run away. By night, he trades it for headphones, commanding dance floors with the infectious pulse of amapiano and house music as DJ NUKES ZA.

Finally, we proudly celebrate the remarkable achievement of IT Technician, Gerthram Adams, who graduated *cum laude* with a Bachelor of Commerce in Information Technology on 18 May. Gerthram’s journey is one of dedication, resilience, and quiet excellence. Having joined the municipality with a National Diploma in IT Engineering, he continued to pursue growth while balancing the demands of his professional responsibilities with the challenges of higher education.

These individuals, and there are many more, too many to mention, remind us that Greater Knysna is a place where, despite our challenges, we can, and will, achieve greatness.

13. Turning to the 2026/2027 Budget

The budget I present today is a Cash-Preservation Budget. It is designed to manage the mid-year deterioration we experienced while still moving our infrastructure projects forward. We are moving away from managing symptoms and towards addressing the underlying causes of our distress.

- Total Operating Budget: R1.527 billion.
- Total Capital Budget: R249,3 million.

Due to the erosion of our reserves, we are managing cash flow through a deliberate, though painful, reduction in capital expenditure. We are utilising our Capital Replacement Reserve strategically to prevent a deficit and ensure we do not fall into a liquidity trap. Our primary focus remains the effective utilisation of conditional grant funding to ensure continued eligibility for future grant allocations and to maximise investment in infrastructure and service delivery. At the same time, the municipality is actively pursuing additional external grant funding opportunities to reduce reliance on internal funding sources for capital projects. This approach will assist in easing financial pressure while enabling the municipality to continue investing in critical infrastructure and community development priorities. To also assist in job creation for our youth we have set a side an additional 1 million on EPWP.

Focus of the 2026/27 Draft Budget

- Capital expenditure increased from R137 million from 2025/2026 to R249 million in 2026/2027 financial year in order to respond to the NPA directives as well as municipalities initiative to investment in critical infrastructure.
- 80% of the 2026/2027 capital expenditure is invested in Infrastructure services.
- Capital budget provision for Community Service amounts to R31.8 million, Infrastructure R200 million and Integrated Human Settlement amounts to R13.8 million.

Major Projects

- Greater Knysna WWTW Refurbishments - Regulatory directive – R15 million over the MTREF period.
- Greater Knysna Networks PS Upgrades - Regulatory directive – R30 million over the MTREF period.
- Upgrade main Sewer Pump Station and sewers in the CBD – R11.6 million for the 2026/2027 period and R5.8 million for the 2027/2027 period.
- Upgrading of gravel roads total of R19 million
- Sedgefield housing project R10.7 million
- Vision, Hlalani and Khayalethu is R27 million

Borrowings

Budget provisions for Borrowings are as follows:

- 2026/2027 – R99.4 million
- 2027/2028 – R45.8 million
- 2028/2029 – R35.9 million

Although borrowings are not advised at this point it is a necessity to ensure that municipality invests in critical infrastructure as required to meet the directives as well as to ensure sustainable service delivery. It must be emphasized that the drawdown of loans will only be implemented as per progress/expenditure of projects funded by borrowings. It is imperative that municipality will source alternative funding through the application of grants to fund capital projects.

Provision has been made in the 2026/27 budget to complete the Khayalethu sewage line project. Approximately R200m, or 80% of the 2026/27 CAPEX budget will go towards infrastructure projects, including electricity, roads, stormwater, water, and sewerage. Provision was also made to fund and fill critical vacancies in the infrastructure services directorate, including the Project Management Office, to ensure that we have sufficient staff to implement critical infrastructure projects.

14. Tariff Justifications: The Cost of Service

To maintain a funded budget and ensure the continuity of essential services, we must implement cost-reflective tariffs. These increases are not made lightly; they reflect the actual cost of doing business in a deteriorating economic environment.

- Rates: 5%
- Water: 12%
- Waste Water/Sewerage: 12%
- Electricity: 11.5%
- Refuse: 25%

The 25% refuse increase is a painful necessity driven by the escalating costs of the dump facility as well as the cost of supply study. Knysna Municipality, even with the 25% increase, remains the municipality with lowest tariffs considering they are further away from the dumping site. Because of electricity have increased again we have increased to the free units for our indigent from 50 units to 70 units per household.

The municipality remains committed to strengthening its internal capacity and building a more sustainable and cost-effective service delivery model that enhances operational efficiency and long-term financial resilience.

To further improve revenue management and promote fairness in service billing, the municipality is proceeding with the installation of 8,000 water meters. This initiative will support accurate consumption measurement, strengthen revenue collection, and ensure that households are billed equitably for the services they utilise.

15. Infrastructure and Ward-Specific Progress

We are focusing our capital spend on high-impact projects:

- Roads: The resurfacing of George Rex Drive and rehabilitation of road access routes damaged by floods.
- Refurbishment of the Knysna WasteWater Treatment Works
- Water: Pipe replacements in Westhill and Old Place to reduce the non-revenue water losses that bleed our system dry.

- Sanitation: The continued refurbishment of the 22 priority sewer pump stations.
- Waste: The clearing of accumulated waste at the Waste Transfer Station through additional casual workers and the acquisition of three new compactor trucks.
- Infrastructure Master Planning continuation
- Housing: Informal settlement upgrades and the clearing of waste to support human settlements.

16. Conclusion: Restoring the Jewel of the Garden Route

Knysna stands at a crossroads. The fiscal and operational deterioration we have faced is significant, but it is not insurmountable. We are moving away from managing symptoms and towards addressing the underlying causes of our distress.

We must remain committed to unity and collective action. We will rebuild this municipality brick by brick, focusing on stability, accountability, and the unwavering dedication to our residents. The road ahead is long, and the climb is steep, but we do not walk it alone. We walk it with the strength of our partners and the resilience of our people.

Our goal remains unchanged: to restore Knysna as the Jewel of the Garden Route. Together, we will build a town that is stable, prosperous, and inclusive, a town where governance, when done right, truly changes lives for the better.

Speaker, I hereby refer you to recommendations "A" to "AD" of Item SC04/05/26 on Pages 297 - 305 of this Council Meeting Agenda and present to you the 2026/2027 Budget.

I thank you.