DRAFT BUDGET FOR THE MTREF 2026/2027 PERIOD

File number / Verwysingsnommer: 5/1/1

Meeting date / Vergadering datum: 26 March 2026

Report by / Verslag deur: Director Financial Services: Gerard Goliath

PURPOSE OF REPORT / DOEL VAN VERSLAG

To table the draft budget for the MTREF 2026/27 financial year.

BACKGROUND AND DISCUSSION / AGTERGROND EN BESPREKING

1. **MAYOR'S 2026/27 BUDGET SPEECH**

   The mayor's budget speech is included in the draft budget report.

2. **DRAFT BUDGET 2026/2027**

   See the following ATTACHED documents:

   - Draft Budget Report
   - Annexure A (Draft Tariffs)
   - Annexure B (Draft Budget related Policies & By-Laws)
   - Annexure C (National Treasury - Circular no. 132)
   - Annexure D (Draft Procurement Plan)
   - Annexure E (Draft Property Rates Reconciliation)
   - Annexure F (MTREF & National Treasury formats)
   - Annexure G (National Treasury Tariff Tool)
   - Annexure H (SIME Assessment and Municipality's response)
   - Annexure I (Draft Mscoa Roadmap)
   - Annexure J (Draft LTFP)

3. **POLICIES**

   The following policies/by-laws were reviewed and workshopped with the public. Below is an extract of the processes being followed:

   - The current policies and by-laws were workshopped with the budget committee, after which the policies and recommendations of the committee were workshopped on the dates in the table below. After the workshops with the public the inputs were discussed with the budget committee, and the necessary amendments were made.

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WORKSHOP DETAILS

Workshop principles for determining tariffs and reviewing policies and By-laws with the Hessequa community, businesses and agricultural.

WORKSHOP DETAILS

Workshop principles for determining tariffs and review of policies and By-laws with the Hessequa community, businesses and agricultural.

- 19 January 2026 18:00 Riversdale - Civic Centre
- 20 January 2026 15:00 Witsand - De Duine Community Hall
- 20 January 2026 18:00 Heidelberg - Town Hall
- 22 January 2026 15:00 Stilbaai / Jongensfontein - Stilbaai Community Hall
- 22 January 2026 18:00 Melkhoutfontein - Community Hall
- 26 January 2026 15:00 Gouritsmond Hall
- 26 January 2026 18:00 Albertinia Town Hall
- 27 January 2026 18:00 Slangrivier Community Hall

The following are extracts of the main proposed amendments:

Indigent Policy

7.3 For the ~~2025/2026~~ 2026/2027 financial year the Municipality will use household income as the targeting approach for the registration of indigent customers.

8. QUALIFICATION CRITERIA

The qualification criteria for indigent support shall be determined by the Municipality from time to time, provided that until the Hessequa Municipality determines otherwise, the following criteria shall apply:-

8.1 The applicant must be a resident within the Hessequa Municipal area.

8.2 The applicant must be in possession of a valid South African identity document.

8.3 The total monthly gross income or basic salary (for salaried individuals) of the registered owner/tenant and his/her spouse or life companion is not more than an amount as determined by Council from time to time. This amount includes any rental received from other occupants on the stand~~, but~~ excluding ~~es~~ any payments received from the applicant's children~~. Excluding~~, social grants received for children, foster care, ~~and~~ grant-in-aid, maintenance received for children (proven by court order) and Unemployment Insurance Fund (UIF) payments. This amount will be determined at the beginning of every financial year and will be applied for the duration of that particular financial year.

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8.8 The applicant must not own a business or have a Spaza Shop on the premises.

~~9.3.3.1 The latest municipal account received by the household;~~

9.3.3.~~4~~5 If the applicant and his/her spouse/life companion is not the holder of any bank account, a sworn affidavit stating that the applicant and his/her spouse/life companion does not have any bank account in his/her name must be submitted upon application.~~on the prescribed application form referred to in paragraph 9.3.1.~~

~~9.5 Recommendation~~

~~Once the verification has been completed, the Programme Officer must submit the application to the relevant Ward Indigent Assistance Committee.~~

10.3.1 Category A - Support to qualifying households where the combined total gross income of the registered owner/ tenant and his/her spouse or life companion is equal or less than ~~R5 000.00~~ R5 500.00 excluding ~~grant in aid, child support and foster care~~ exclusions as per 8.3 above.

~~10.3.2 Category B is hereby abolished with effect from 01 July 2025 and will be included under Category A with the higher combined total gross income.~~

10.3.6 Category G – Senior Citizens Clubs where more than 50% of the members are registered as indigents in terms of Council's Indigent Policy the property will be subsidized to the same extent as an indigent household provided that the property utilized is not utilized for any other purpose than activities of the club. Proof of property rental or ownership of the property must be provided upon application.

RURAL AREAS UP TO 5500

16 CATEGORY G – SENIOR CITIZENS CLUBS

16.1 Clubs where more than 50% of the members are registered as indigents in terms of the Council's Indigent Policy shall be eligible to qualify for assistance and support in terms of this Policy to the same extent as an indigent household.

16.2 The onus will be on the chairperson/managing agent of the club to submit proof of the number of members registered as indigents in terms of the Council's Indigent Policy. This must be done through submission of the ID numbers, accompanied by original certified copies of identity documents of the members qualifying and an affidavit in respect of the total number of members belonging to the club.

16.3 The property utilized must not be utilized for any other purpose than activities of the club and confirmd by the club in a sworn affidavit.

16.4 Proof of property rental or ownership of the property.

~~5.3~~ **16.5 No subsidy will be payable in respect of any vacant stands.**

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TARIFF AND FREE BASIC SERVICES POLICY

Inclusion of Category G as per Indigent Policy.

WRITE-OFF POLICY

6.4 Untraceable Debtors

6.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, ~~such account must be handed over to a collection agent for recovery of the debt. The collection agent will be paid an all-inclusive fee of not more than 10% of the amount that was actually collected. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable,~~ the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

6.4.2 Any amount owed by a debtor that has become untraceable must, after notification and recommendation by the collection agent, be written off~~, or sold to a debt collection agency at a discount~~.

6.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

6.5 Special Arrangements in order to obtain a Clearance Certificate

6.5.1 In terms of legislation the Municipality will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the possible inefficiency of the Municipality to implement its credit control policy it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the ~~new owner~~ seller to pay such an amount in order to obtain a clearance certificate.

6.5.2 Where such circumstances may prevail the ~~prospective new owner~~ seller may apply to the Municipality for relief of such outstanding debt or a portion thereof.

6.5.3 Upon receiving, such application must be submitted to the committee for consideration. In reviewing such application, the committee must ensure that:-

6.5.3.1 All reasonable measures have already been taken to recover the outstanding amount from the current debtor.

6.5.3.2 The ~~prospective buyer~~ seller of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.

CREDIT CONTROL AND DEBT COLLECTION POLICY

~~(13) Any connection date between the 1st and 15th of the month will be levied for a full month whilst any connection date after the 15th of the month will only be levied from the 1st of the following month.~~

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(ii) where the discovery is in favour of the customer or the municipality, any such

correction in terms of accounts billed monthly may apply in respect of an account from a date no more than 3 (three) years / 36 months back from the date on which the error on the account was discovered; and the correction shall be based on the tariffs applicable during the period.

~~(iii) where the discovery is in favour of the municipality, any such correction in terms of accounts billed monthly shall only apply in respect of an account from the date on which the error on the account was discovered~~

~~(iv) where the discovery is in favour of the customer, any such correction in terms of basic charges levied annually may apply in respect of an account from a date no more than 3 (three) years / 36 months back from the date on which the error on the account was discovered; and~~

~~(v) the correction shall be based on the tariffs applicable during the period.~~

(h) Any water leakage discovered on the side of the customer will be the responsibility of the customer.

(i) A customer may qualify for a 75% reduction in levy as determined by Council on his/her account in the event of a water leakage, if:

(iii) the application must be submitted to the Chief Financial Officer for approval.

(iv) ~~the rebate will be calculated on the actual consumption minus the average of the previous 12 months consumption as per the applicable tariffs;~~ Charges due to water leaks on the account of a domestic consumer will be reduced by 75% of the excess (above average consumption for the previous 12 months)

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(c) The writing off of any arrears is strictly subject to the provision that the property may not be sold within a period of ~~eight~~ three years from the date that the owner qualify as a registered indigent. In the case of the property being sold inside a period of ~~eight~~ three years the arrear debt, excluding any further accumulated interest, will be recovered before a clearance certificate is issued.

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29. WRITE OFF OF IRRECOVERABLE DEBT

(1) The objective to write off irrecoverable debt is to have a debt book that does not reflect irrecoverable debt.

(2) For this purpose Council should adopt and implement a write off policy to formalize the processes for writing off such debts.

(3) The writing off of any arrears is strictly subject to the provision that the property may not be sold within a period of three years from the date that the accountholder(s) on the property qualified for any write-off. In the case of the property being sold inside a period

of three years the arrear debt, excluding any further accumulated interest, will be recovered before a clearance certificate is issued.

~~(2)~~

Property rates policy:

"agricultural ~~purpose~~ property" ~~in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trade in or hunting of game;~~ means property

that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.

properties;

~~If 40% or more of the extent of farms is being used for commercial, business or industrial purposes (such as truck depots, construction yards or factories), these properties do not qualify for the residential rate, any rebates or valuation reductions;~~

b. on mineral rights within the meaning of paragraph (b) of the definition for "property" in section 1 of the Act.

c. on the first R15 000 of the market value of all residential properties contemplated in terms of section 17(1)(h) of the Act. Vacant land does not qualify for this rebate.

9.2.2.2 The Municipality grants a rebate, to be determined on an annual basis, for retired and disabled persons that do not qualify in terms of Council's approved Indigent Policy. For the 2026/2027 financial year rebates will be applied as follows: -

~~(a) Gross income (prior to any deductions, excluded PAYE and medical aid contributions to a medical scheme registered in terms of the Medical Schemes Act or medical insurance underwritten by a registered financial services provider) R0 – R3 500 per month – 25%; and~~

(ab) Gross income (prior to any deductions, excluded PAYE and medical aid contributions to a medical scheme registered in terms of the Medical Schemes Act or medical insurance underwritten by a registered financial services provider)) ~~R5 000.01 to R12 000.00~~ R0-R12 540.00 per month – ~~15~~ 25%.

9.2.2.3 Additional rebates for owners who qualify in terms of clause 9.2.2.2 (additional to 9.2.2.2 on balance of rates) can be granted to owners or usufructuaries if they can be categorised in one of the following age categories: -

(a) 60 to 70 years – 25%;
(b) 71 to 80 years – 50%; and
(c) 81 years and older – 75%.

4. TARIFF INCREASES

4.1 PROPERTY RATES - increase by 4.5%

4.2 WATER – increase by 4.5%

4.3 ELECTRICITY

All customers except indigent customers		Average 7.01%
Basic Fees		7.01%
Indigent 0 – 50kwh	Tariffs Annexure A	Free
51 – 350kwh	Tariffs Annexure A	7.01%

4.4 SOLID WASTE - increase by 4.5%

4.5 SEWERAGE – increase by 4.5%

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4.6 SUNDRY TARIFFS – increase between 0 – 5.6%

4.7 RENTALS – per contract

4.8 DEVELOPMENT CHARGES

- Approvals in terms of Hessequa Municipal Planning Bylaw of 2015 before 1 July 2023 – unchanged from 2025/2026.
- Approvals in terms of Hessequa Municipal Planning Bylaw of 2015 after 1 July 2023 – per table below (unchanged from 2025/2026)

		VAT excluded Rand	VAT included Rand
Water	Kiloliter per day	31 726.00	36 484.90
Sewerage	Kiloliter per day	32 564.00	37 448.60
Stormwater	Run-off Coeficient per hectare	281 250.00	323 437.50
Solid Waste	Removals per week	12 800.00	14 720.00
Roads	Vehicle trip generation per day	3 267.00	3 757.05

5. REBATES

As per policies in Annexure B

6 INDIGENT SUBSIDIES

The budget makes provision for the following categories of indigent subsidy-

CATEGORY A:

- Income per household – R5 500
- Water – 6kl per household - free
- Electricity – 50KwH per household – free
- 100% Rebate – Property Rates (Valuation up to R850 000)
- No basic fees for Sewerage, Refuse and Water

CATEGORY B:

- Discontinued (Included in Category A)

CATEGORY C: OLD AGE HOMES

- R150 contribution per qualifying person

CATEGORY D – Residents who do not receive accounts

- As per category A

CATEGORY E – CHURCHES

- 100% of basic services if 50% of the members of the church are on the indigent register of the municipality.

CATEGORY F – CRECHE

- 100% of basic services if 50% of the learners' parents are on the indigent register of the municipality.

CATEGORY G – SENIOR CITIZENS CLUBS

- 100% of basic services if 50% of the members of the club are on the indigent register of the municipality.

EXECUTIVE MAYORAL COMMITTEE

The item is tabled at the **Executive Mayoral Committee** meeting of **26 March 2026** and feedback will be given at the Council meeting.

COMMENTS: MUNICIPAL MANAGER / KOMMENTAAR: MUNISIPALE BESTUURDER

COMMENTS: DIRECTOR CORPORATE MANAGEMENT / KOMMENTAAR: DIREKTEUR KORPORATIEWE BESTUUR

COMMENTS: DIRECTOR FINANCIAL SERVICES / KOMMENTAAR: DIREKTEUR FINANSIËLE DIENSTE

Draft Operating budget:

The draft budget, excluding capital contributions, reflects surpluses of approximately R0,625 million, R17,831 million and R1,226 million over the 2026/27 MTREF period. The current year adjustment budget provides for a surplus of R8,194 million.

The Draft MTREF expenditure budget does reflect the costs necessary to provide services efficiently and effectively:

- An *effective* budget is one that is adequate to deliver a service of the necessary quality on a sustainable basis.
- An *efficient* budget is one that delivers services at the lowest possible cost.

DRAFT REVENUE BUDGET

Municipalities are required to **justify all increases in excess of the projected inflation target for 2026/27** in their budget narratives and pay careful attention to the differential

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incidence of tariff increases across all consumer groups. Consumer Price Index (CPI) inflation is forecasted to be 3.7%.

The budget provides for a 4.5% increase on property rates and services, excluding electricity. The councils budget guidelines provided for the following:

Property rates and service tariffs (excluding electricity) increase to a maximum of 4.5%.

A growth factor of 1%, based on current and past actual results, has been factored into the revenue forecasts for 2026/2027.

Comment:

After the 4.5% increase on property rates and service tariffs, the budget reflects a surplus of R625 126.

- **Water increases by 4,5%**

  Water is a scarce commodity, and its usage must be managed carefully by everyone. The budget provides for an increase of 4.5%, while the approved bulk purchases from Overberg Water increases by 10,0%. The municipality did query the high proposed increases but the request for a lower increase was not granted by Overberg Water.

- **Refuse increases by 4,5%**

  There is an increase in the percentage Gross Profit from 39.26% in 2025/26 to 42.83% in 2026/27. The adopted budget of 2025/26 had a Gross Profit of 35.31% but this has been adjusted upward during the adjustment budget because of savings identified during the main adjustments budget. The savings were moved to other functions within the municipality where it was needed. The refuse removal service continues to fund the reprioritised funds and the profit also subsidises property rates which are intended to fund the non-remunerative and administrative functions of the municipality.

- **Property Rates increases by 4,5%**

  The following table show the property rates levies per area for the MTREF period:

RATES REVENUE PER TOWN	
RIVERSDALE	15 219 649
RIVERSDAL NEDERSETTINGS	1 889 675
STILBAAI EAST	15 269 739
STILBAAI WEST	60 560 877
MELKHOUTFONTEINDORP	913 900
JONGENSFONTEIN	15 343 830
STILBAAI - FARMS	444 156
SLANGRIVIER	565 505
GOURITSMOND X1	6 389 487
ALBERTINIA	5 149 445
THERONSVILLE	1 812 389
HEIDELBERG	7 555 331
WITSAND	14 786 469
MOSSEL BAY RD	149 852
SWELLENDAM RD	6 352 368
RIVERSDALE RD	15 750 827
	168 153 499.58

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The table below sets out the rates income per category.

Categories	Anticipated Income
BUSINESS AND COMMERCIAL	8 677 832
INDUSTRIAL PROPERTIES	1 440 615
PUBLIC BENEFIT ORGANISATI	96 244
VACANT LAND RESIDENTIAL	12 548 465
AGRICULTURAL PROPERTIES	15 978 989
VACANT LAND BUSINESS	250 549
VACANT LAND INDUSTRIAL	256 305
PRIVATE OPEN PLACE/SPACE	47 454
RESIDENTIAL PROPERTIES	126 533 503
PUBLIC SERVICE PURPOSES PI	2 190 974
VACANT LAND PRIVATE OPEN	132 569
	168 153 500

Residential properties contribute the most to Councils revenue from property rates. Larger municipalities depend on businesses and industries to subsidise the residential tariff. Therefore, comparisons between municipalities with different revenue bases does not make sense.

- **Sewerage increases by 4,5%**

  The budget for 2025/26 has been adjusted downwards from a profit of R13.261 million to R11.793 million. This is attributed to increased costs related to the treating of sewerage. Budgeted profit for 2026/27 increases to R19.864 million (41.05%). As with the other services, the sewerage service profit subsidises property rates which are intended to fund the non-remunerative and administrative functions of the municipality.

- **Electricity increases by an average of 7.01%**

  A press release by NERSA recommends bulk purchase of electricity increase by 9.01% for municipal customers. The Budget Steering Committee recommended on 26 February 2026, that the electricity tariff increase passed on to customers should be 2% less than what ESKOM would charge the municipality and this therefore translates to a 7,01% tariff increase as contained in the draft electricity tariff application to NERSA

For indigent households the tariff increases for electricity consumption (51 to 350 Kwh) per month will also increase by 7.01%. – (0 - 50Kwh free)

The following has been included in the tariff policy from the 2023/2024 budget year and remains effective:

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9.1.2.2 As an option, consumers that are in the category single-phase, non-indigent households 21-32A, or consumers who downgrade to this category, have the opportunity to convert to an alternative one-part tariff, only if the Municipal valuation for the property does not exceed R 850 000.00 as at 31 December in the preceding financial year.

Revenue by source and as a percentage of the total revenue budget is reflected in the table below:

WC042 Hessequa - Table A4 Budgeted Financial Performance (revenue)

Description			2026/27 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget 2025/26	% Share	Budget Year 2026/27	% Share	Budget Year 2027/28	% Share	Budget Year 2028/29	% Share
Revenue By Source								
Property rates	148 312	17.5%	156 655	17.8%	165 109	17.7%	174 021	18.1%
Service charges - electricity revenue	258 387	30.5%	276 282	31.3%	300 678	32.3%	327 228	34.0%
Service charges - water revenue	58 186	6.9%	61 386	7.0%	64 148	6.9%	67 035	7.0%
Service charges - sanitation revenue	32 413	3.8%	34 195	3.9%	35 734	3.8%	37 342	3.9%
Service charges - refuse revenue	37 496	4.4%	39 599	4.5%	41 381	4.4%	43 243	4.5%
Rental from fixed assets	4 622	0.5%	4 992	0.6%	5 391	0.6%	5 822	0.6%
Interest earned from Current and Non Current Assets	36 046	4.3%	31 761	3.6%	30 585	3.3%	32 410	3.4%
Interest earned from Receivables	3 019	0.4%	3 511	0.4%	3 669	0.4%	3 834	0.4%
Interest (Non- Exchange)	911	0.1%	1 021	0.1%	1 030	0.1%	1 035	0.1%
Fines, Penalties And Forfeits	110 061	13.0%	102 834	11.7%	107 458	11.5%	112 291	11.7%
Licences and permits (Exchange)	7	0.0%	2	0.0%	2	0.0%	2	0.0%
Licences and permits (Non-Exchange)	2 552	0.5%	2 691	0.3%	2 812	0.3%	2 938	0.3%
Agency services	3 716	0.4%	3 884	0.4%	4 012	0.4%	4 144	0.4%
Transfers recognised - operational	79 731	9.4%	89 081	10.1%	90 921	9.8%	92 835	9.6%
Sale of Goods and Rendering of Services	33 257	3.9%	41 811	4.7%	24 523	2.6%	23 933	2.5%
Operational revenue (Exchange)	11 390	1.3%	11 293	1.3%	11 751	1.3%	12 231	1.3%
Operational revenue (Non- Exchange)	13 264	1.6%	13 396	1.5%	13 396	1.4%	13 396	1.4%
Gains on disposal of Assets	14 000	1.7%	8 000	0.9%	28 000	3.0%	10 000	1.0%
Total Revenue (excluding capital transfers and contributions)	**847 377**	**100.2%**	**882 392**	**100.0%**	**930 600**	**100.0%**	**963 740**	**100.0%**
Total Revenue from Rates & Service Charges	**534 793**	**63.1%**	**568 117**	**64.4%**	**607 050**	**65.2%**	**648 869**	**67.3%**

Electricity remains Council's main revenue source, and this will have to be protected.

Hessequa Municipality has undertaken a detailed assessment of its long-term electricity supply sustainability, driven by rapidly rising bulk supply costs, increasing load volatility, and the financial risks associated with sole reliance on Eskom. To address these challenges, the Municipality commissioned a large-scale solar PV and battery storage assessment from Herholdts Group.

The simulation results show that the municipality currently consumes approximately 82,682 kWh per day, while the proposed system will produce an estimated 53,619 kWh per day, supporting substantial grid-independent supply.

Financial modelling demonstrates a projected 14% reduction in year 1 annual electricity expenditure. These outcomes confirm that the renewable energy investment is financially justified and is a necessary intervention to secure long-term municipal energy stability.

The Municipality seeks approval from NERSA for a tariff increase that will support the implementation of its renewable energy programme and ensure long-term electricity supply sustainability.

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The Cost of Supply study was based on a 8,76% bulk purchase increase from ESKOM and required a tariff increase of 8,95% to cover all the planned expenditure in the Electricity trading service. NERSA communicated on 10 March 2026 that the actual ESKOM increase applicable to Municipalities is 9,01% effective 01 July 2026 which would translate to a higher increase to consumers at approximately 9,20%

The Budget Steering Committee considered the potential savings from the Riversdale Solar Plant to be commissioned at an estimated date of October 2026 and decided to pass the initial saving to the consumer instead of repaying the Capital outlay made by the municipality and Western Cape Government for the construction of the plant.

The Budget Steering Committee then recommended on 26 February 2026, to Council, that the electricity tariff increase passed on to customers should be 2% less than what ESKOM would charge the municipality and this therefore translates to a 7,01% tariff increase as contained in the draft electricity tariff application to NERSA.

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98 (refer item 4.2) in December 2019 and since 2019, has encouraged municipalities to utilise the tool. An updated Tool has been made available with the release of Mscoa Budget Circular 132 in December 2025. The Tool is submitted as an annexure to this budget document.

EXPENDITURE BUDGET

- **Employee Related Cost increase by 8,16%**

The following positions are included in the MTREF budget for 2026/27.

POST DESIGNATION	DEPARTMENT	DIRECTORATE	T-GRADING	COST TO COMPANY
LAW ENFORCEMENT OFFICER	LAW ENFORCEMENT	COMMUNITY SERVICES	T6	R 308 239
LAW ENFORCEMENT OFFICER	LAW ENFORCEMENT	COMMUNITY SERVICES	T6	R 308 238
ASSISTANT TOWN PLANNER	TOWN PLANNING	DEVELOPMENT PLANNING	T12	R 617 447
MEDIA OFFICER	CORPORATE SERVICES	CORPORATE MANAGEMENT	T6 (Subject to Task evaluation)	R 191 872
				R 1 425 796

Ratio's:

The table below reflects expenditure per classification. Employee related costs represents 32.90% (34.09% including council remuneration) of the total expenditure budget. New posts in future will have to be limited to an absolute minimum. The non-filling of posts will adversely affect service delivery in the medium to long term.

Expenditure by type and as a percentage of the total expenditure budget is reflected in the table below:

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CATEGORY OF EXPENDITURE

Expenditure By Type	Adjusted Budget 2025/26	%	Budget 2026/27	%	Budget 2027/28	%	Budget 2027/28	%
Employee related costs	269 389	32.10%	290 063	32.90%	303 304	33.23%	318 955	33.14%
Remuneration of councillors	10 039	1.20%	10 537	1.19%	10 969	1.20%	11 418	1.19%
Debt impairment	93 814	11.18%	82 667	9.38%	86 358	9.46%	90 216	9.37%
Irrecoverable debts written off	9 918	1.18%	10 473	1.19%	10 944	1.20%	11 436	1.19%
Depreciation & asset impairment	52 188	6.22%	54 556	6.19%	60 965	6.68%	65 676	6.82%
Interest	20 309	2.42%	23 438	2.66%	24 391	2.67%	30 378	3.16%
Bulk purchases	214 192	25.52%	223 018	25.29%	240 257	26.32%	258 829	26.89%
Inventory Consumed	45 274	5.40%	49 636	5.63%	51 434	5.63%	53 105	5.52%
Contracted services	70 372	8.39%	82 577	9.36%	67 266	7.37%	63 199	6.57%
Transfers and grants	2 509	0.30%	2 775	0.31%	2 874	0.31%	2 972	0.31%
Operational costs	51 179	6.10%	52 026	5.90%	54 006	5.92%	56 330	5.85%
Total	**839 183**	100.00%	**881 766**	100.00%	**912 769**	100.00%	**962 514**	100.00%

CAPITAL BUDGET

It is crucial for the municipality to promote growth and to be able to balance its revenue and expenditure. NT has requested municipalities to increase their budget out of own funds for the following reasons:

- To be financially sustainable in future
- To alleviate pressure on tariff increases
- To be less dependent on grants

1. **The capital budget for the MTREF period amounts to 488 639 812. The budget is funded as follows:**

Capital Financing

	Actual 2024/25	Adj. Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29
Own funds	93 729 039	77 208 844	99 570 612	38 333 200	69 789 000
External loans	0	50 000 000	20 000 000	70 000 000	34 600 000
Grants & Subsidies	143 409 880	55 169 275	55 799 150	32 485 250	68 062 600
	237 138 918	**182 378 119**	**175 369 762**	**140 818 450**	**172 451 600**

The budget for 2026/27 from own funds is R119,571 million, which is R 9,571 million more than the updated Long-Term Financial Plan. The approval of excessive capital budgets will lead to serious cash flow problems in future. All capital expenditure, either out of own funds or from grants, has a big impact on the operating budget, and the municipality becomes more expensive year on year.

It is absolutely of the utmost importance that the capital budget mainly be spent on revenue generating assets. Large spending on non-revenue generating assets will result in debtors not being able to pay their accounts. Capital spending must be done in such a way that service delivery can take place in a sustainable manner.

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DEPARTEMENT FINANSIES
26 MAR 2026
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HESSEQUA MUNICIPALITY
FINANCIAL DEPARTMENT

2. **Spending per ward, consolidated wards and the whole Hessequa area**

The following table shows the capital spending per ward

WARDS	Draft Budget 2026/27	Draft Budget 2027/28	Draft Budget 2028/29
Ward 1	12 096 500	2 447 250	8 271 750
Ward 2	44 905 500	17 001 250	1 070 750
Ward 3	16 031 062	3 861 400	15 917 000
Ward 4	9 385 000	8 755 000	2 760 000
Ward 5	2 122 000	7 102 622	2 901 500
Ward 6	2 332 250	5 748 050	4 314 059
Ward 7	17 809 300	21 502 250	41 169 750
Ward 8	302 500	10 664 628	22 662 926
Ward 9	18 794 500	830 000	5 027 500
Wards 7, 8	-	3 136 000	3 278 000
Wards 6,7,8 (13)	26 129 150	7 480 000	19 626 365
Wards 5,9 (11)	10 299 500	17 828 000	9 582 000
Wards 4,5,9 (11)	-	-	-
Wards 1,3 (10)	6 417 000	12 020 000	10 250 000
Wards 6,8	-	-	-
Hessequa (HQ)	8 745 500	22 442 000	25 620 000
TOTAL	**175 369 762**	**140 818 450**	**172 451 600**

3. **Spending per Town in the whole Hessequa area**

The following table shows the spending per Town.

TOWNS	Draft Budget 2026/27	Draft Budget 2027/28	Draft Budget 2028/29
Albertinia	44 905 500	17 001 250	1 064 750
Heidelberg	31 216 000	25 760 622	17 511 000
Witsand	7 625 000	7 350 000	2 335 000
Riversdal	46 573 200	48 530 928	91 051 100
Stilbaai	20 049 500	16 479 250	29 845 750
Jongensfontein	8 661 062	1 131 400	2 257 000
Gouritsmond	5 834 000	718 000	2 342 000
Slangrivier	1 760 000	1 205 000	425 000
Hessequa	8 745 500	22 642 000	25 620 000
TOTAL	**175 369 762**	**140 818 450**	**172 451 600**

Full detail of the capital budget is in the report. The procurement plan for the capital budget is attached per Annexure D.

COMMENTS: DIRECTOR DEVELOPMENT PLANNING / KOMMENTAAR: DIREKTEUR ONTWIKKELINGSBEPLANNING

The recommendations are supported.

COMMENTS: DIRECTOR TECHNICAL SERVICES / KOMMENTAAR: DIREKTEUR TEGNIESE DIENSTE

The content of the report is noted and the recommendations supported.

COMMENTS: DIRECTOR COMMUNITY SERVICES / KOMMENTAAR: DIREKTEUR GEMEENSKAPSDIENSTE

The content of the report is noted and the recommendations are supported.

COMMENTS: MANAGER LEGAL SERVICES / KOMMENTAAR: BESTUURDER REGSDIENSTE

COMMENTS: MANAGER STRATEGIC SERVICES / KOMMENTAAR: BESTUURDER STRATEGIESEDIENSTE

COMMENTS: OTHER / KOMMENTAAR: ANDER

RECOMMENDATION / AANBEVELING

1. That the Executive Mayoral Committee supports and recommends that the 2026/27 Draft MTREF operating budget be approved as follows:

Description	**Budget Year 2026/27**	**Budget Year 2027/28**	**Budget Year 2028/29**
Total Revenue	882 391 564	930 599 843	963 740 175
Total Expenditure	881 766 438	912 769 327	962 514 383
Surplus/(Deficit)	625 126	17 830 516	1 225 792
Capital Transfers & Subsidies	55 799 150	32 485 250	68 062 600
Surplus/(Deficit) after capital transfers	56 424 276	50 315 766	69 288 392

2. That the following draft tariff increases for 2026/27 be approved:

PROPERTY RATES:	4.5%
WATER:	4.5%
SOLID WASTE:	4.5%
SEWERAGE:	4.5%

ELECTRICITY

All customers except indigent customers		Average 7.01%
Basic fees		7.01%
Indigent 0 – 50kwh	Tariffs Annexure A	Free
51 – 350kwh	Tariffs Annexure A	7.01%

SUNDRY TARIFFS:

RENTALS: Per Contracts

DEVELOPMENT CHARGES

1. Approval in terms of Hessequa Municipal Planning Bylaw of 2015 before 1 July 2023 – **unchanged from 2025/2026**
2. Approval in terms of Hessequa Municipal Planning Bylaw of 2015 after 1 July 2023 – as per table below (unchanged from 2025/2026):

		VAT excluded Rand	VAT included Rand
Water	Kiloliter per day	31 726.00	36 484.90
Sewerage	Kiloliter per day	32 564.00	37 448.60
Stormwater	Run-off Coeficient per hectare	281 250.00	323 437.50
Solid Waste	Removals per week	12 800.00	14 720.00
Roads	Vehicle trip generation per day	3 267.00	3 757.05

3. That the draft tariffs as set out in Annexure A be approved with effect from 1 July 2026.
4. That the draft electricity tariffs be approved, **subject to NERSA's approval**.
5. The following positions are included in the draft MTREF budget for 2026/27.

POST DESIGNATION	DEPARTMENT	DIRECTORATE	T-GRADING	COST TO COMPANY
LAW ENFORCEMENT OFFICER	LAW ENFORCEMENT	COMMUNITY SERVICES	T6	R 308 239
LAW ENFORCEMENT OFFICER	LAW ENFORCEMENT	COMMUNITY SERVICES	T6	R 308 238
ASSISTANT TOWN PLANNER	TOWN PLANNING	DEVELOPMENT PLANNING	T12	R 617 447
MEDIA OFFICER	CORPORATE SERVICES	CORPORATE MANAGEMENT	T6 (Subject to Task evaluation)	R 191 872
				R 1 425 796

6. That the 2026/27 draft MTREF capital budget be approved and financed as follows:

	Budget 2026/27	Budget 2027/28	Budget 2028/29
Capital Expenditure	**175 369 762**	**140 818 450**	**172 451 600**
Finance Source			
Internally Generated funds	99 570 612	38 333 200	69 789 000
Borrowing	20 000 000	70 000 000	34 600 000
Grants & Subsidies	55 799 150	32 485 250	68 062 600

7. That the budget related policies and By-Laws as set out in Annexure B be approved.
   - Draft Property Rates Policy & By-Law (B1)
   - Draft Indigent Policy (B2)
   - Draft Credit Control and Debt Collection Policy & By-Law (B3)
   - Draft Principles and Policy on Tariffs and Free Basic Services & By-Law (B4)
   - Draft Write-off Policy (B5)
   - Draft Cash Management and Investment Policy (B6)

- Draft Asset Management Policy (B7)
- Draft SCM Policy (B8)
- Draft Virement Policy (B9)
- Draft Liquidity Policy (B10)
- Draft Borrowing Funds and Reserve Policy (B11)
- Draft Cost Containment Policy (B12)
- Draft Development Charges Policy (B13)
- Draft Budget Policy (B14)
- Draft Long- Term Financial Policy (B15)
- Draft UIFW Reduction Strategy Policy and Procedures (B16)
- Prioritisation Progress Capital Expenditure Framework (B17)

8. That National Treasury's Circular no. 132 as per annexure C, be noted.
9. That the draft capital procurement plan as per Annexure D, be approved.
10. That the draft Property Rates Reconciliation as per Annexure E, be approved.
10. That the Draft MTREF and National Treasury budget schedules attached as Annexure F, be approved.
11. That National Treasuries tariff tool as per Annexure G, be approved.
12. That the Provincial Government SIME report/ presentation and Councils response as per Annexure H, be noted.
13. That the draft mScoa Roadmap as per Annexure I, be approved.
14. That the draft Long Term Financial Plan as per Annexure J, be approved.
15. That the item be referred to Council for approval.

AGENDA ITEM APPROVED BY / AGENDA ITEM GOEDGEKEUR DEUR:

Director Financial Services – G Goliath

ATTACHMENTS / STAWENDE DOKUMENTE

- Draft Budget Report- Will be distributed via email
- Annexure A (Draft Tariffs)
- Annexure B (Budget related Policies & By-Laws)
- Annexure C (National Treasury - Circular no. 132)
- Annexure D (Procurement Plan)
- Annexure E (Property Rates Reconciliation)
- Annexure F (MTREF & National Treasury formats) Will be distributed via email
- Annexure G (National Treasury Tariff Tool) Will be distributed via email
- Annexure H (SIME Assessment and Municipality's response)

- Annexure I (Draft Mscoa Roadmap) Will be distributed via email
- Annexure J (Draft LTFP)