CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 3

2026/27 IDP FINANCIAL PLAN (AUGUST 2026)

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1 Introduction

The Local Government Municipal Systems Act, Chapter 5, Section 26, prescribes the core components of the Integrated Development Plan (IDP). Section 26 (h) requires the inclusion of a financial plan, which should include a budget projection for at least the next three years. This financial plan aims to determine the financial affordability- and sustainability levels of the City over the medium term.

Part 2 (budget-related policies of municipalities) of the MBRR requires the Accounting Officer to ensure that budget- related policies are prepared and submitted to Council. One of these policies relates to the Long-Term Financial Plan, which aims to ensure that all long-term financial planning is based on a structured and consistent methodology, thereby ensuring long-term financial affordability and sustainability.

2 Long Term Financial Plan – an overview

2.1 Background

A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the IDP. It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs and other service charges.

The City has developed a financial model, namely the Long-Term Financial Plan (LTFP), which aims to determine the appropriate mix of financial parameters and assumptions within which the City should operate to facilitate affordable and sustainable budgets for at least 10 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the City's operating budget.

The LTFP model is reviewed annually to determine the most affordable level at which the City can operate optimally taking the following into account:

- Fiscal overview;
- Economic climate;
- Demographic trends;
- National and Provincial influences;
- IDP and other legislative imperatives; and
- Internal governance, community consultation and service delivery trends.

2.2 Guiding Principles

The LTFP policy is drafted in line with the requirements of Part 2 of the MBRR – budget-related policies. This policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology therefore enabling delivery of City strategies whilst ensuring the City's long term financial sustainability and affordability in order to achieve objectives over the medium- and long term. The guiding principles of the LTFP include:

- Future financial sustainability inclusive of realistic revenue sources;
- Optimal collection of revenue, taking into consideration the socio economic environment;
- Optimal utilisation of grant funding;
- Continuous improvement and expansion in service delivery framework; and
- Prudent financial strategies.

2.3 Financial strategies and Non-financial Strategies

Financial Strategies

An intrinsic feature of the LTFP is to give effect to the City's financial strategies. These strategies include:

- Maintaining or improving basic municipal services;
- Maintaining fair, equitable and cost reflective rates and tariff increases;
- Continuous improvement to the financial position;
- Ensuring funding for asset maintenance and renewal;
- Ensuring realistic revenue sources and affordable debt levels to fund the capital budget;
- Optimising utilisation of previous years' surpluses (if any);
- Achieving and maintaining a breakeven/surplus in the total operating budget (inclusive of appropriations and secondary budget); and
- Ensuring full cost recovery for the provision of internal services.

Non – financial strategies

The LTFP is a key component for achieving the goals listed in the IDP and must consider the IDP inclusive of other City strategies and frameworks. In preparing the LTFP, the following considerations are included:

- Fiscal overview considered by reviewing past financial performance and taking into account strategic and policy direction of the City to ensure sustainability.
- In addition, the LTFP being a forecasting model requires assumptions on, amongst other, the following internal and external factors:
    - Demographic trends related to socio economic factors e.g. population migration, employment, health, development of businesses, and new residential areas etc.;
    - General inflation outlook and its impact on municipal activities;
    - Affordability of municipal rates and tariffs;
    - Credit rating outlook;
    - Interest rates for borrowing and investment of funds;
    - Rates, tariffs, charges and timing of revenue collection;
    - Growth/decline in tax base of the municipality;
    - Collection rates for each revenue source;
    - Price movements on specifics e.g. bulk purchases of water and electricity, fuel etc.;
    - Average salary increases;
    - Industrial relations climate, reorganisation and capacity building;
    - Changing demand characteristics (demand for services);
    - Trends in demand for free or subsidised basic services;
    - Impact of national, provincial and local policies;
    - Ability of the municipality to spend and deliver on the programmes;
    - Implications of organisational restructuring and other major events into the future;
    - Consideration of the Cost Containment Regulatory and policy measures; and
    - Sector Plans and Infrastructure Masterplans.
- Intergovernmental fiscal transfers/allocations/subsidies from National- and Provincial government play a pivotal role in the finances of the City. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:
    - Local Government Equitable Share;
    - Fuel levy; and
    - Grants related to the provision of Provincial government functions.

The annual updated LTFP must identify the following:

- Assumptions and parameters to be used to compile the operating- and capital budget over the next MTREF;
- Future operating revenue and expenditure projections based on assumptions and parameters;
- Future affordability of projected capital plans; and
- Funding requirements, which include external funding.

The financial strategies mentioned above are underpinned by the following sub-strategies supported by policy, processes and directives in the City to ensure that the City remains financially sustainable.

3 Financial Strategies

3.1 Revenue raising strategies

The primary revenue sources of a municipality, other than grants and subsidies, are from the following sources:

- Property Rates;
- Service Charges - Water, Sanitation, Electricity and Urban Waste Management;
- Fines;
- Licences and Permits;
- Rentals; and
- Investment Interest

The objectives of the City's Credit Control and Debt Collection Policy, which covers revenue collection of properties rates, water, sanitation, electricity and refuse removal, are:

- Focusing on all outstanding debt as raised on the debtor's account;
- Providing for a common credit control and debt collection policy;
- Promoting a culture of good payment habits amongst debtors and instilling a sense of responsibility towards the payment of accounts and reducing municipal debt;
- Using innovative, cost effective, efficient and appropriate methods, subject to the principles provided for in the policy, to collect as much of the debt in the shortest possible time without any interference in the process; and
- Effectively and efficiently dealing with defaulters in accordance with the terms and conditions of the policy.

The City's Tariff Policies i.e. The Water & Sanitation Tariff Policy, The Electricity Tariff Policy, and the Urban Waste Management Tariff Policy all provide for consistent consumptive tariff application for differing categories of users and service requirements.

The individual policies further set out processes to curb illegal connections, installation of flow limiting devices on indigent and non-indigent properties (water & sanitation) and steps to reduce the abuse of the rebate system etc. It further provides for rebates available to assist the consumer.

The City's Rates Policy is reviewed and adopted annually to ensure compliance with the City's strategic objectives and latest applicable legislation. It allows for certain exemptions, reductions and rebates based on the ownership of properties. This policy is based on the guiding principles of equity, affordability, poverty alleviation, social and economic development, financial sustainability and cost efficiency.

Projecting Rates and Tariffs

With the annual review of the City's LTFP, projections of revenue and ensuring realistic revenue envelopes from these sources over the short-, medium- and long term, the following considerations are taken into account:

Property Rates:

- General Valuations (GV) 2025;
- Valuations projections relating to SV and GV objections and appeals and impact of outstanding appeals;
- Organic growth;
- Income foregone provision – council determined rebates and changes to pensioner/social and indigent rebates; and
- Collection rates.

Electricity

- Consumption patterns – winter and summer;
- Assessment of reduced consumption and declining revenue sales due to shrinkage as a result of continued energy saving and efficiency plans by consumers;
- NERSA and ESKOM deliberations;
- Revenue assessment of different levels of consumers – lifeline, residential, small commercial and large commercial;
- Capital investment plans;
- Collection rates;
- Projected growth or shrinkage;
- Vandalism and electricity theft; and
- Impact of free basic service

Water & Sanitation

- Consumption patterns –restriction levels, drought (if applicable);
- General Valuations (GV) 2025;
- Impact of tariff/financial model i.e. ability of variable consumption patterns of ability to cover fixed cost (Fixed Basic Charges);
- Projected growth or contraction;
- Capital investment plans;
- Collection rates; and
- Impact of free basic service

Urban Waste Management

- General Valuations (GV) 2025;
- Organic growth;
- Projected growth;
- Capital investment plans;
- Funding strategy of service;
- Collection rates; and
- Impact of free basic service

Total Municipal Account (TMA)

An annual assessment is performed to assess the impact of proposed increases in rates and tariffs on the consumer. This involves the calculation of the TMA for residential consumers, which include the following datasets:

- Consumer consumption profile;
- Consumer property information;
- Installation details;
- Indigent/social relief package; and
- Proposed rates and tariff increases.

Based on the outcome of the assessment, tariffs and the social relief package are reviewed where values are identified as excessive in specific property or consumer categories

3.2 Asset and Liability management strategies

The City's Asset Management Policy sets out a framework for the accounting treatment and safeguarding of Property Plant and Equipment (PPE), including the proper recognition, measurement, disposal and retirement of it. It further prescribes responsibilities regarding assets for all functionaries within the City. A physical asset verification process is performed annually and conducted simultaneously throughout the City. This process is coordinated by the Treasury department although each department in the City is responsible for the verification of its own assets. In addition, the City insures all its assets in terms of the General Insurance Fund Policy document.

Liability management strategies of the City are included in the City's Borrowing Policy. These include:

- Enabling the City to exercise its obligation of having sufficient cash resources to implement capital programmes;
- Governing the taking up of short- and long-term debt according to the legislative framework;
- Maintaining debt within specified limits and ensuring adequate provision for the repayment of debt; and
- Maintaining financial sustainability.

3.3 Financial management strategies

Local governments face an ongoing challenge to deliver on service delivery needs in an environment where revenue is constrained. The need to have strategies in place to balance competing demands is therefore critical to ensure that municipalities can provide service delivery needs in a financially sustainable manner. In a local government context, financial sustainability is the ability of a municipality to meet its service delivery mandate, manage expected financial risks over the longer term period i.e. 20 years without the need to introduce knee jerk, significant, or disruptive revenue and expenditure adjustments.

One of the City's main financial strategies is to strive to have a balanced/surplus annual budget, inclusive of appropriations, secondary cost and accumulated surplus. This is achieved by taking, inter alia, the following criteria into account:

- Affordability – determines whether the City can afford the current long term financial commitments and the impact of rates and tariffs on the consumer;
- Credibility - determines whether the budget assumptions are credible and whether the budget is funded in accordance with the provision of section 18 of the MFMA; and
- Sustainability - determines whether the City is financial sustainable.

The City's financial strategy remains geared for long-term financial viability and sustainability within a framework of smoothed revenue generation over the medium term. The financial sustainability of the City's budget is assessed annually by NT by measuring the City's performance against financial ratios such as:

Cash/Cash equivalents at year-end
A positive cash position over the MTREF would indicate if the City's MTREF (medium term) budget is sustainable. A favourable cash position is also evident of a favourable opening cash balance and cash surpluses in the outer years.

Cash plus investment less application of funds
This ratio tends to understand how the municipality has applied the available cash and investments. A good measure is that the total cash/equivalents and long term investments should be more than the commitments for each corresponding year of the MTREF. If so, it reflects that the City is able to afford its commitments over the medium term.

Monthly average payments covered by cash or cash equivalents
This measure outlines the level of financial risk in the event of the municipality being under financial stress i.e. it indicates the number of times average monthly payments are covered.

During the annual LTFP process and whilst drafting the MTREF the City assesses the risks impeding financial sustainability and reviews the financial strategies to mitigate such risks. These risks – not unique to the City – can be categorised as requiring a short-, medium- or long terms strategy. Such risks include:

- Instability of grant funding – equitable share, fuel levy and others;
- Limited revenue raising initiatives;
- Increasing community/service demand with limited resources;
- Expenditure parameters higher than revenue parameters;
- Higher loan requirements and the impact of borrowing cost;
- Load-shedding and the impact on City services;
- Impact of ageing infrastructure - Insufficient investment;

- Lower collection rates:
  - Consumer resistance to pay
  - 'Taxing' the same consumer in different ways
- Growing population of non-paying consumers;
- Increasing social package;
- Increasing job creation programmes;
- Reduction in service growth (moving 'off the grid');
- Long term viability of other major commitments such as IRT, CAR, Water & Sanitation capital programme etc.;
- Changing political landscape;
- Increasing salary budget; and
- Natural disasters such as climate change resulting in, amongst other, flooding and fires.

The LTFP is reviewed annually by revisiting the financial plan and identifying measures to mitigate these risks. These measures relevant to the MTREF are annually reviewed and included in the budget assumptions write-up as part of the MBRR budget documentation.

3.4 Capital financing strategies

The City's LTFP aims to determine the appropriate mix of financial parameters and assumptions within which the City should operate to facilitate affordable and sustainable budgets for at least 10 years into the future. This is done annually to determine the most affordable level at which the City can operate optimally. In addition, it identifies the consequential financial impact of planned capital projects on the City's operating budget.

A capital funding strategy was implemented to ensure financial sustainability considering the City's expansive capital investment projected. This strategy is reviewed annually considering new influences and inform the LTFP process to ensure funded and credible budgets into the future.

An assessment to ensure implement ability of the capital budget is performed annually before inclusion to the capital program in the MTREF. This assessment or Project Readiness Assessment (PRA) includes the screening and reviewing of projects for procurement and implementation readiness, technical and financial feasibility and strategic alignment.

The City's borrowing is done in terms of Chapter 6 of the MFMA as well as the City's Borrowing Policy, in terms of which a long-term loan, will only be entered into if it is affordable and sustainable. The City's loan requirements are determined by the capital investment requirement (excl. Transfers Recognised: Capital) and the projected cash position. The City primarily borrows against future revenue generating assets.

3.5 Operational Financing Strategies and strategies which enhances cost-effectiveness

In addition to ensuring maximisation of the City's revenue sources as set out in the revenue raising strategies, the City strives to secure conditional grant funds from both National and Provincial governments as well as local or international funders.

The City has developed a system of monitoring compliance to conditions for all grants. In addition, grant compliance reports are distributed to all levels of management in the City. The monitoring system has remedial measures built into it in cases of non-compliance. The City also established the Grant Fund Technical Review Committee (GFTRC) in 2017 to oversee the governance of projects implemented from transversal grants including USDG, ISUPG, NDPG, HSDG and PPPSG.

Setting of cost reflective tariffs - The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act, which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This requirement is reiterated annually in the annual budget circulars provided by National Treasury to ensure municipalities compile a credible budget.

The City's budgeting approach annually ensures that savings and optimisation of costs are practised. It commences with an extensive assessments of previous years' budget outcomes to ensure funding is allocated to give the best effect to service delivery. Another feature to this approach is to give effect to a form of a zero-based budgeting. This is achieved through, amongst other, the application of differentiated parameter increases, interventions in the form of budget reductions and the reprioritisation of budgets. Special focus areas also included in the budgeting approach includes repairs and maintenance, which is viewed as one of the City's essential strategies aimed at preserving and protecting the City's asset base.

The Municipal Cost Containment Regulations and the City's Cost Containment Policy embedded in the City's operations also continue to assist in driving cost down by ensuring that the value for money is achieved and resources of the municipality are used effectively, efficiently and economically.

The impact of unfunded and underfunded mandates on municipal budgets compared to the local benefit derived from the delivery of such services has continued to receive attention over the last few years as it places a continuous growing financial burden on the City's finances. Whilst analysis of the functions has been undertaken recommendations around the continued delivery of the services by the relevant authority within a constrained fiscal environment is still being assessed. The City is continuing with the assistance of a Provincial grant to enhance law enforcement through the LEAP programme. The risk of the unavailability of this grant in future years for funding the LEAP programme is concerning.

Further, the City is continuing to explore the most appropriate models for an integrated public transport system, primary health care and library services – with the objective of delivering the services to the service levels that residents deserve and need.

The City is investing in a Process and Resource optimisation project across all directorates, especially as it relates to the Salaries, Wages and Allowances Budget. The overall intent includes the review and definition of the target operating models for all directorates, developing a baseline and mapping of key business processes for all directorates, as it relates to Salaries, Wages and Allowances and identifying high level automation opportunities.

4 Overview of budget assumptions applied over the current MTREF

4.1 Financial Strategic Approach and Key planning drivers

The 2026/27 LTFP/MTREF was compiled with the objective of maintaining revenue parameters at the lowest feasible levels aligned to CPI while mitigating the impact of the GV 2025 implementation on consumers. It achieved this balance without compromising service delivery, ensuring that key priorities remain fully addressed. There was limited room to broaden budgets and the imperative to reprioritise funding toward essential areas was strongly emphasised.

The key informants going into the 2026/27 MTREF were set out in the SMF Strategy Brief and supplementary strategy guidance. The Strategy Brief was the outcome of the Strategic Review process, emerging from consultations with each executive director, an Executive Management Team workshop and consultations with the City Manager and Executive Mayor. The purpose of the strategy brief was to give direction to the organisation for planning for the next budgeting cycle. This SMF Strategy Brief focused on the 2026/27 MTREF period and covered the remainder of the current term of office and IDP.

The budget theme adopted for the 2026/27 Budget is “City of Hope”.

LTFP rationale and financial strategies implemented

- Reviewed the financial strategies of trading services while transitioning toward sustainable funding models;
- Leverage alternative funding mechanism e.g. National funding to augment funding for the long term infrastructure investment plan;
- Ensure that the budget is aligned to the principles of the City’s capital funding strategy to ensure financial sustainability, considering the expansive capital investment program addressing infrastructure needs;
- Phasing out of the depreciation strategy, which commenced in 2020/21, in an effort to utilise surplus cash flow in order to negate the recovery of depreciation charges on rate-funded services. An amount of R100 million is still included in 2026/27 which is the last year this strategy will be in place;
- City-wide cleaning will, from 2026/27, be funded through property rates (including a contribution from electricity commercial sales) rather than a tariff. The contribution from electricity commercial sales to the rates account for City-wide cleaning, applicable to commercial customers, will be phased out over four years. This process will begin in 2026/27 with a reduction of R200 million. Over the same period, the cost will be phased into property rates for commercial category property types; and
- Shielding the most vulnerable rate payers from the GV2025 outcome through a more expanded rebate offering.

Financial Modelling and Key Planning Drivers

The principles applied to the MTREF in determining and maintaining a sustainable financial plan included:

- Differentiated expenditure parameters providing for no expenditure growth on all expenditure categories, excluding categories that are regulated and zero-based-calculated e.g. employee related cost, depreciation, etc.;
- The differentiated parameters applied to repairs and maintenance growth was based on the previous year's actual expenditure, service delivery needs and efficiencies identified.
- Additional funding was provided towards roads infrastructure maintenance and facility maintenance within Community Services;
- The following staff and vacancies interventions were included:
  - A differentiated percentage budget approach on vacancies (assumptions on vacancy period for different post levels);
  - The most recent SALGBC agreement was used to update the cost of living increases; and
  - Budgeting at 95% of employee costs;
- A 100% capital expenditure implementation rate assumed;
- All surpluses to be redirected to supplement the funding of the capital budget in an effort to reduce borrowing requirements;
- Net Property Rates contribution to MyCiti remained at the 2026/27 Tabled Budget values, and were included at 4.2% for 2026/27 and limited to 5% from 2027/28 onwards;
- All capital expenditure programmes must be delivery-ready with focus on project preparation for outer years;
- Credible and realistic collection rates based on current- and projected trends, considering past and current trends.

The following were included in the 2026/27 MTREF:

- Vlei program (R146 million) included in 2026/27 funded from the VAT clawback;
- Trading services included various allocations to give effect to growing operational requirements;
- Reviewed budget requirements for the Core Application Review (CAR);
- Additional investment in Road Infrastructure Management (RIM) of R200 million in 2026/27 and R150 million in 2027/28 to be funded from the VAT claw back;
- R39 million towards the cleaning of storm water systems;
- The City's continuous investment towards the LEAP program, amounting to R121,9 million in 2026/27, R127 million in 2027/28 and 2028/29;
- Rental fixed charge revenue was increased by R50 million due to over collection in 2024/25;
- In Future Planning & Resilience a provision of R5 million was included for the building and management of a short-term letting platform to improve rates policy compliance & ensure all premises primarily used for commercial accommodation businesses pay commercial property rates;
- An annual provision of R39,5 million for 2026/27 and 2027/28 reducing to R11,8 million in 2028/29 was included for Cape Town Stadium;
- An amount of R3 million was provided for administration support within Finance to improve on the Rates policy compliance & enforcement of the short-term letting By-law;
- National allocations as per DoRB (B5-2026) dated 6 February 2026 issued via Government Gazette number 54086; and

- Provincial allocations based on the Provincial Gazette Extraordinary 9206 dated 12 March 2026.

The annexure was updated with changes encompassed in the 2026/27 August adjustments budget.

4.2 Economic influences

The 2026/27 LTFP and the consequent MTREF Tabled Budget were prepared with due consideration of prevailing key macroeconomic conditions as well as anticipated trends and forecasts. The following section provides a brief overview of some of these factors.

While South Africa's economy remains fundamentally resilient, rising energy costs, geopolitical uncertainty, and emerging inflation risks prompted the MPC to raise rates and signal that further tightening remains possible if inflation pressures worsen. The Monetary Policy Committee (MPC) in May 2026 increased the repo rate by 25 basis points to 7.0%. This is in response to rising inflation risks stemming primarily the ongoing Middle East crisis, elevated oil process, and concerns that these pressures could spread more broadly through the economy. The South African Reserve Bank (SARB) has shifted to a more cautious and hawkish stance.

Furthermore, the MPC also sees growing risks that higher fuel and food costs could lead to increased wages and inflation expectations, creating broader and more persistent inflation pressures. Consequently, the MPC revised headline CPI forecasts to 4.4%, 3.7% and 3.0% respectively for 2026, 2027 and 2028.

Notwithstanding, South Africa's GDP grew by 0.4% in the fourth quarter after increasing by 0.3% in the third quarter of 2025. The 2025 GDP growth was 1.1%, up from 0.5% recorded in 2024. According to the NT Circular 132, real GDP growth is forecast to strengthen, averaging 1.8 per cent over the medium-term, supported by a revival in investment as new infrastructure allocations take effect and reform implementation builds.

4.3 Demographic Trends

Cape Town has the second-largest population of all cities in South Africa and is the main urban centre in the Western Cape. The city has seen steady population growth, with 2022 Census data showing a population of 4 772 846 to 4 976 527 in 2024 based on the Mid-Year Population Estimates. The city has thus grown by 27.6% between the 2011 and 2022 Census (Statistics South Africa, 2023). This is slower than the 29.3% growth rate observed between the 2001 and 2011 Census (Statistics South Africa, 2001 and 2011).

While the population continues to increase, the average household size has decreased from 3.5 people per household in 2011 to 3.3 in 2022 (Statistics South Africa, 2023). A growing population, together with a decreasing average household size has resulted in a significant increase in the number of households in Cape Town, growing from 1.069 million households in 2011 to 1.453 million households in 2022 according to 2022 Census figures (Statistics South Africa, 2023). The City estimates there to be around 1.508 million households in 2024.

These trends of a steadily increasing population (albeit at a slowing growth rate) and an increasing number of households inform City planning and service delivery for the residents of Cape Town. These trends will continue to be monitored and refined, and the population projections will be updated when more census data becomes available with the 2022 Census.

4.4 National & Provincial influences

a. National Treasury MFMA Circular No. 132, issued on 05 December 2025

This budget circular provides guidance to municipalities with the compilation of the 2026/27 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA) and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial management reform agenda by focusing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, and supply chain management processes are adhered to, mSCOA is implemented correctly, and that audit findings are addressed.

Stemming from this Circular, the following are the key focus areas for the 2026/27 budget process:

- Local Government Allocations;
- Reporting Requirements for Disaster Allocations; Metro Trading Services Programme (MTSP) – Rollover and the Stopping and Re-allocation Guidelines;
- Criteria for the release of the Equitable Share;
- Stopping and Reallocation Guidelines;
- Revenue Management; and
- Budget and other management issues

b. National Treasury MFMA Circular No. 134, issued on 20 March 2026

This budget circular provides guidance to municipalities with the compilation of their 2026/27 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA) and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Stemming from this Circular, the following are the key focus areas for the 2026/27 budget process:

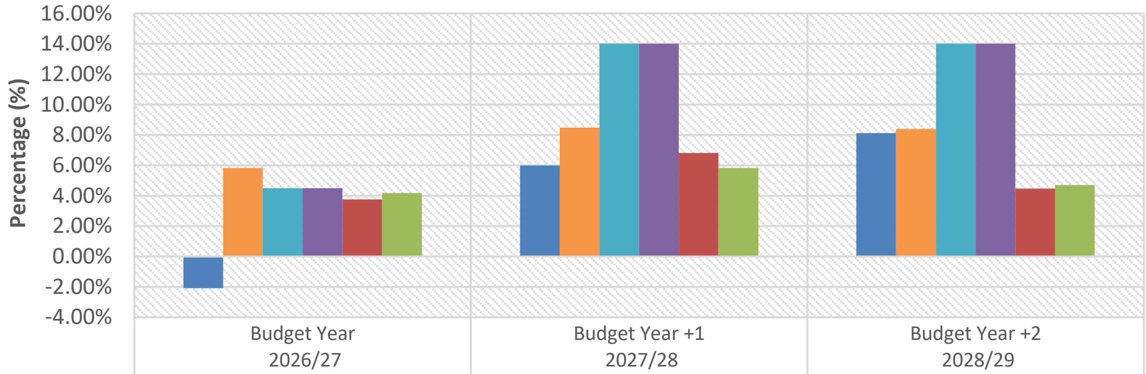
- Local Government Conditional Grants and Unconditional Grants Allocations;
- Post 2025 MTBPS Changes;
- Review of the Local Government Fiscal Framework;
- Update on the Review of the Conditional Grants;
- Water Crisis in South Africa;
- Impact of Infrastructure Degradation on the Economy;
- Metro Tarding Services Reform (MTSR);
- Criteria for the Release of the Equitable Share;
- Criteria for the Rollover of Conditional Grant Funds;
- Unspent Conditional Grant Funds for 2025/26; and
- Rollover of the Urban Development Financing Grant: Metro Trading Services Component

4.5 Budget Projection

4.5.1 Revenue analysis – a three-year preview

a. Major tariffs and charges: Rates and Trading services

The below section provides a discussion of rates and tariff increases for the 2026/27 MTREF.



	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Property Rates	-2.08%	6.00%	8.13%
Electricity	5.83%	8.49%	8.39%
Water	4.50%	14.00%	14.00%
Sanitation	4.50%	14.00%	14.00%
Refuse	3.75%	6.82%	4.47%
Disposal	4.17%	5.83%	4.71%

Property Rates

The residential rate-in-rand will see a decrease of 2.08% in 2026/27, an increase of 6.00% in 2027/28 and an increase of 8.13% in 2028/29.

The increases in the outer years increases will allow for, inter alia, the continuation and enhancement of providing Rates-funded services and initiatives such as the provision of rebates to the most vulnerable; continued investment in infrastructure and its maintenance to sustain and improve service delivery.

Electricity

The National Energy Regulator of South Africa (NERSA) approved an increase of 8.76% as per Eskom's Retail Tariff and Structural Adjustment (ERTSA) application for the 2026/27 financial year. This translated to a corresponding municipal tariff increase of 9.01% for 2026/27.

However, taking into account the funding arrangements, the average tariff increase for the City will amount to 5.83% in 2026/27, which is 3.18 percentage points lower than the approved Eskom increase to municipalities. The outer years of the 2026/27 MTREF are projected to increase by 8.49% and 8.39% respectively.

The average tariff increase is mainly due to the following:

- Eskom bulk purchases;
- A reduction in the unregulated funding requirement;
- Shrinkage in energy sales due to the implementation of alternative energy sources by consumers;
- Capital investment in alternative energy sources, e.g. refurbishment of Steenbras power station, ground-mounted PVs, etc.;

- Repairs and maintenance for, inter alia, the High Voltage Gas Insulated Switchgear (GIS);
- Load-shedding mitigation initiatives such as embedded generation, Roggebaai OCGT, power heroes' aggregators and wheeling; and
- Theft and vandalism of infrastructure assets requiring replacement and or repair.

Water and Sanitation

In NT MFMA Circular 99, NT stated that *"Municipalities should take strategic action to ensure effective water management and resilience to drought, including the security of water supply, environmental degradation, and pollution of resources to achieve economic growth, development and socio – economic priorities in an equitable and sustainable manner."*

Although it was originally anticipated that there would be a period of stability for the fixed basic charges, this will unfortunately not be possible. After the Western Cape High Court ruling regarding the usage of property value bands to allocate Fixed Basic Charges, it has been necessary to find an alternative mechanism as the basis for customers to share the infrastructure cost. The city has therefore reverted to the previous criterion of the nominal bore related to the meter size. As is the case with non-domestic properties, this will be applicable for both water as well as sanitation fixed charges.

The average tariff increase is 4.5% in 2026/27, and averages 14% in the two outer years of the MTREF. These increases make provision for, *inter alia*, the following investments:

- To ensure sustainable and resilient provision of water, budgetary provision for the New Water Plan, which includes initiatives to further invest in the underground extraction of water from aquifers and re-use scheme;
- Upgrades and extensions to the wastewater treatment plants;
- Operating requirements to implement large capital investments and provision of surplus to fund future capital investments;
- Continued investment in asset replacement programmes to ensure proper asset management, with specific focus on sewer network replacement as well as the upgrading of sewer pump stations;
- Ongoing investment in upgrading and rehabilitation of assets to adhere to compliance standards; and
- Water demand management initiatives to optimise the use of water sources.

The Water and Sanitation inclusions reflect an integration between the funding strategy, capital investment and operational readiness and is a deliberate strategy to future-proof the City of Cape Town's Water and Sanitation systems. The programme balances infrastructure expansion, environmental compliance, social equity, and financial prudence to ensure sustainable and resilient service delivery over the medium- to long term.

Urban Waste Management

Guidance on budgeting for solid waste matters was provided in NT MFMA Circular 99, stating *"Investments in waste collections and treatment infrastructure should be made in tandem with industrial and urban developments to minimise pollution to our land and waters"*.

Urban Waste Management comprises two services funded by tariffs: Refuse Collection, Disposal charge. City-wide cleaning will from 2026/27 be funded by an allocation from Property Rates (including a contribution from Electricity commercial sales) and not a tariff.

The refuse collection tariff is a means of recovering the cost to provide the 240-litre wheelie bin, the fuelled refuse compactor truck, human resources, the servicing of the bin at least once a week and hauling the waste to a properly licensed facility, collection of dry recyclable waste from dedicated areas as well as the servicing of informal settlements. The value of the monthly tariff is derived from the number of bins issued as well as the frequency of the service with thrice and five times a week defined as an enhanced service, while the once-a-week collection is a basic service. This tariff is projected to increase by 3.75% in 2026/27, while the respective outer years of the MTREF are projected to increase by 6.82% and 4.47%. These increases are required for the sustained operational requirement of the service and to ensure that the refuse collections fleet is replaced timeously

Disposal charge is the revenue received for the disposal of waste from residential and non-residential properties. The Disposal charge average increase is 4.17% for the 2026/27 financial year whereas the increases for the two outer years are 5.83% and 4.71% for 2027/28 and 2028/29 respectively. These increases are required for the sustained operational requirement of the service, the development of landfill infrastructure, growth and upgrading of transfer stations, plant replacement, additional material recovery facilities, and landfill gas generation.

In the 2026/27 March Tabled Budget City-wide area cleansing services were funded by a Citywide Cleaning tariff (applicable to residential properties and vacant land), as well as a contribution from the Rates account, supported by a contribution from electricity commercial sales. Following a review of this Order to give effect to the Western Cape High Cout judgment, the following amendments were included:

- City-wide Cleaning for residential properties and vacant land will no longer be recovered through a tariff but instead funded through Property Rates, and
- The reliance on Electricity contributions to Property Rates for City-wide Cleaning services provided to commercial customers will be phased out.

b. Service Growth

GROWTH PARAMETERS	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Rates	-	1.00%	1.00%
Electricity	-1.10%	-1.50%	-1.50%
Water	2.00%	2.00%	1.00%
Sanitation	2.00%	2.00%	1.00%
Refuse	2.00%	2.00%	2.00%

Property Rates

Revenue from property rates for the 2026/27 financial year has taken into account supplementary valuations, objections and appeals. This revenue is based on the new general valuation roll (GV2025) that comes into effect on 1 July 2026. A growth of 1% is projected in the outer years. This considers new properties coming on the roll, as well as any valuation changes as a result of objections, appeals, reviews, etc. Variable growth rates are applied to the respective property rates income foregone components.

Electricity

Considering the current constricted energy environment, a shrinkage between 1.1% and 1.5% in sales volume is projected over the MTREF period. Service growth is predicted to decline due to customers defecting or partially defecting from the grid as well as using more energy-efficient appliances. This has largely driven the need for structural changes to the service and network costs.

Water and Sanitation

A growth of 2.0% is projected for both water and sanitation in the 2026/27 financial year. The outer years of the MTREF are projected to growth at 2% in 2027/28 and 1% in the second outer year, respectively, for both Water and Sanitation. The projected growth is evident in the current trends as the City systematically stabilises to pre-drought growth rates.

Urban Waste Management

The growth in the refuse collection service is marked by the increase in the number of 240-litre wheelie bins that show a steady pattern of 2% per annum.

c. High-level summary of Operating revenue by sources over the MTREF

Description	2026/27 Medium Term Revenue & Expenditure Framework					
R thousand	Budget Year 2026/27	% of Total	Budget Year +1 2027/28	% of Total	Budget Year +2 2028/29	% of Total
Revenue						
Exchange Revenue						
Service charges - Electricity	24 689 780	33%	26 254 040	33%	27 926 491	32%
Service charges - Water	6 242 884	8%	7 236 722	9%	8 321 789	10%
Service charges - Waste Water Management	3 170 976	4%	3 681 843	5%	4 234 176	5%
Service charges - Waste Management	1 711 180	2%	1 854 428	2%	1 969 505	2%
Sale of Goods and Rendering of Services	753 098	1%	842 761	1%	946 989	1%
Agency services	310 022	0%	323 339	0%	324 828	0%
Interest earned from Receivables	340 218	0%	351 105	0%	361 989	0%
Interest earned from Current and Non Current Assets	843 365	1%	707 560	1%	629 534	1%
Rental from Fixed Assets	576 569	1%	600 413	1%	625 603	1%
Licence and permits	572	0%	590	0%	609	0%
Special rating levies	521 067	1%	536 699	1%	552 800	1%
Development charges	215 974	0%	222 886	0%	229 795	0%
Operational Revenue	192 509	0%	198 669	0%	204 828	0%
Non-Exchange Revenue						
Property rates	15 810 666	21%	17 363 200	22%	19 317 744	22%
Fines, penalties and forfeits	1 908 390	3%	1 954 592	2%	1 944 719	2%
Licences or permits	49 538	0%	51 123	0%	52 708	0%
Transfer and subsidies - Operational	7 203 695	10%	7 419 798	9%	7 432 955	9%
Interest	103 530	0%	106 843	0%	110 155	0%
Fuel Levy	3 004 725	4%	3 174 156	4%	3 323 867	4%
Operational Revenue	-	0%	-	0%	-	0%
Gains on disposal of Assets	81 441	0%	144 048	0%	86 653	0%
Other Gains	6 614 734	9%	7 561 980	9%	8 697 182	10%
Total Revenue (excluding capital transfers and contributions)	**74 344 933**	**100%**	**80 586 796**	**100%**	**87 294 918**	**100%**

It is evident from the preceding table that the main sources of revenue is consistently *Service charge – Electricity* followed by Property Rates. In addition, the table shows that the operating budget is sensitive to a change in grant funding. *Transfers and Subsidies* is the third largest contributor to the City's revenue and averages 9% of the City's operating revenue source over the 2026/27 MTREF period. The operating revenue budget is expected to grow by an average of 8.4% over the 2026/27MTREF period.

4.5.2 Expenditure Framework

a. General inflation outlook and its impact on municipal activities

The City's CPI projection falls within the SARB's revised 3% ±1% target band and shows a minor deviation from National Treasury's guidance in MFMA Circular 134. The City applied CPI rates of 3.40% in 2026/27, 3.20% in 2027/28 and 3.10% in 2028/29. National Treasury's Circular 134 (published on 20 March 2026) provides CPI estimates of 3.4%, 3.3% and 3.2% for the same period; however, these figures are based on the national fiscal year (April to March).

The City continued with the differentiated approach of previous years to give effect to a zero-based expenditure budget parameter increases. This was done to ensure that the inflation rate has a minimal impact on the expenditure budget. CPI was considered in determining miscellaneous (sundry) tariffs.

b. Contracted Services, Overtime and Operational Cost

Municipal Cost Containment Regulations and the City's Cost Containment Policy, which have been embedded in the City's operations, continued to assist in driving down costs and ensuring that value for money is achieved and that the resources of the City are used effectively, efficiently and economically.

Against this backdrop, no expenditure parameter increase was applied to contracted services and other operational costs, thereby allowing funds to be freed up and assist with the reprioritization of needs to give effect to the IDP. This enables the City to safeguard the provision of municipal services whilst still ensuring financial sustainability

The City continues to take a hard stance when it comes to the provision of overtime. The 2026/27 MTREF projects no overtime parameter increase for any of the City's directorates.

c. Collection rate for Property Rates and Service charges

Section 18 of the MFMA requires municipalities to ensure that they fund their MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

The forecasted 2026/27 MTREF collection rates are based on the current year-to-date rolling collection rate outcomes along with the continuous implementation of debt management initiatives.

The table below provides a summary of collection rates applied for each respective trading service and Property Rates. It is followed by a discussion of the assumptions applied:

Services	Budget Year 2025/26	Budget Year+1 2026/27	Budget Year +2 2027/28	Budget Year +3 2028/29
Rates	95.75%	95.00%	95.00%	95.00%
Electricity	98.50%	98.50%	98.50%	98.50%
Water	91.00%	92.00%	93.00%	94.00%
Sanitation	92.50%	94.00%	95.00%	95.00%
Refuse	95.00%	95.00%	95.00%	95.00%

The collection rate for Property Rates is projected at an average of 95.00% over 2026/27 MTREF. This forecast assumes that the continuous implementation of debt management initiatives will achieve desired results.

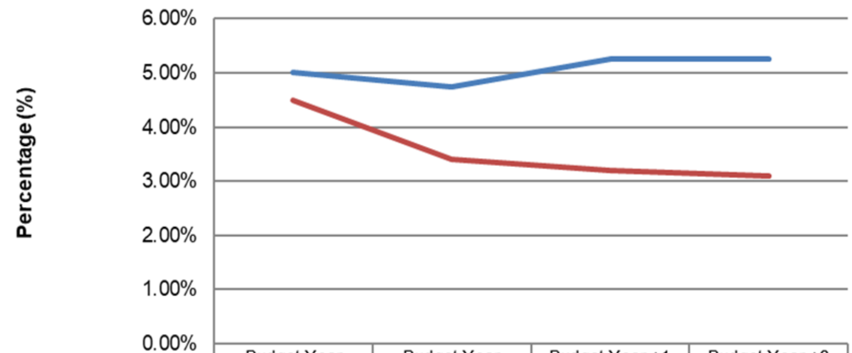
The Electricity collection rate is projected at 98.50% over the 3-year period of 2026/27 MTREF. The energy directorate has been able to maintain this high level of revenue collection because of continued interventions by the revenue protection teams, where the department actively chases down the non-payers and makes the necessary arrangements with customers to pay their bills.

Minor changes have been effected to the Water and Sanitation collection rates for 2026/27. Water is projected to average 93% while Sanitation is projected to average 94.67% over the MTREF period.

The Refuse the collection ratio has been set at 95% for all three years of the 2026/27 MTREF, following sustained improvement in performance over the preceding twelve-month rolling period. This assumption will be continuously monitored and adjusted as required based on actual performance.

d. Salary increases

In line with the 5-year SALGBC agreement, the salary parameter for 2026/27 is 4.75%. This increase is based on the average CPI of 4% plus zero point seven five percent (average CPI +0.75%). The two outer years of the MTREF period are projected to increase at 5.25%. The salary increases included in the budget are graphically shown in the ensuing graph.



	Budget Year 2025/26	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Salary Increases	5.01%	4.75%	5.25%	5.25%
CCT's CPI projection	4.50%	3.40%	3.20%	3.10%

The City continued with the method of budgeting for salaries at 95% and partial budgeting for vacancies. This approach was adopted as the turnaround time of vacancies has attributed significantly to the underperformance on the salaries budget. In addition, provision was made for an incremental allowance of 1.5% to cater for performance- and other notch increases.

e. Maintenance of existing assets

Investment in infrastructure is a core component of ensuring economic growth. In addition, asset maintenance is pivotal to prevent breakdown of infrastructure assets and to avoid interruption to service delivery.

To ensure infrastructure assets are maintained adequately and considering past performance on these costs, the following repairs and maintenance increases were applied:

- Higher than CPI increases were applied to services where the nature of business is primarily to provide repairs and maintenance and where the condition of the assets must be secured;
- CPI increases were applied to services where the main business is not providing repairs and maintenance but the nature of business and facilities requires a proper maintenance provision; and
- No increases were provided for support services.

NT MFMA Circulars 55 and 70 set the ratio of operational repairs and maintenance to asset value (write-down value of the municipality's property, plant and equipment (PPE)) at 8%. The budget ratio outcome is 8.2% in 2026/27 which falls within the NT benchmark of 8%. The budget ratio outcome for 2027/28 and 2028/29 is 7.6% and 7.2% respectively. Notwithstanding, the City is investing adequately in new infrastructure as well as the renewal and upgrading of existing assets.

Calculation of depreciation on new capital expenditure is based on variables such as asset class and lifespan, depending on the nature of the asset. An annual capital expenditure implementation rate of 100% was assumed. Depreciation of existing assets is calculated based on simulated system data, which reflect actual values per annum.

f. High level summary of Operating Expenditure Budget aligned to IDP

Priority - Description	2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Economic Growth	1 965 437	1 998 484	2 094 848
Basic Services	41 587 347	44 966 022	48 584 108
Safety	5 605 092	5 791 959	6 054 540
Housing	1 894 353	1 953 043	2 005 134
Public Space, Environment and Amenities	5 833 795	5 812 206	6 171 084
Transport	4 815 037	5 193 897	5 367 254
A Resilient City	1 112 129	1 159 964	1 229 427
A more spatially integrated and inclusive city	512 831	515 524	544 542
A capable and collaborative City government	11 303 136	12 363 708	13 340 714
Total	**74 629 158**	**79 754 806**	**85 391 651**

As shown in the table, the City is consistently investing more than 50% of the operating expenditure budget on the core function of municipalities, which is basic services.

4.5.3 Capital

a. Funding Sources of Capital budget

Capital funding strategy was endorsed to ensure financial sustainability considering the expansive capital investment. The following principles were applied:

- Reprioritisation and reduction of the capital budget to remain within affordable borrowing thresholds;
- Budgeting for cash surpluses that will be directed to fund the capital program and reduce dependency on loans; and

- Capital strategy to be reviewed annually considering the City's financial position to ensure budgets are fully funded and sustainable.

Similar to previous years, the capital budget was assessed considering matters such as procurement, implementation readiness, technical- and financial feasibility, and strategic alignment. This assessment was conducted using the City's Project Readiness Assessment (PRA) and Execution Readiness Assessment (ERA) tools.

The capital budget was prepared with the aim of preserving the City's current infrastructure and expanding in areas where further capital investments are required to give effect to the City's IDP.

The table below shows the capital funding source over the 2026/27 MTREF period

Capital funding **R thousands**	**Budget Year 2026/27**	**Budget Year+1 2027/28**	**Budget Year +2 2028/29**
Transfers recognised - capital	4 657 521	3 395 466	3 023 127
Borrowing	5 000 000	6 000 000	6 000 000
Internally generated funds	3 717 416	5 298 456	3 560 103
TOTAL	**13 374 937**	**14 693 922**	**12 583 229**

b. Credit rating outlook and borrowing

The City needs a credit rating to demonstrate its ability to meet its short- and long-term financial obligations. Potential lenders also use it to assess the City's credit risk, which in turn affects the pricing of any subsequent loans taken. Factors used to evaluate the creditworthiness of municipalities include the economy, debt, finances, politics, management and institutional framework.

Moody's Investors Service published their latest credit opinion for the City on 28 May 2026. It has affirmed the long-term national and global scale ratings of Aa2.za and Ba2 and the short-term national and global scale ratings of P-1.za and NP, and upgraded the outlook to positive from stable. The City's rating reflects its consistently strong operating performance and sound liquidity position, supported by a track record of solid management policies and practices, which should help the City to maintain sound financial metrics, despite constraints imposed by increasing pressure to spend on infrastructure to address social and environmental risks within a still constrained but gradually improving sovereign operating environment. The City's low debt burden is expected to remain manageable over the medium term. The City's economic diversification and revenue base structure remain broadly unchanged and this underpins its strong revenue autonomy, limiting reliance on intergovernmental transfers. This structural strength supports more stable revenue generation across economic cycles and enhances the City's capacity to absorb macroeconomic shocks. This, therefore, remains a stable and supportive factor for credit quality. In addition, any movement in the South African sovereign rating will impact directly on the City's global scale rating.

The City's known ratings over the last period are:

Category	Currency	Current Rating 28 May 2026 Update following upgrade	Previous Rating 7 May 2025 Update following upgrade	Previous Rating 3 July 2024 Update following outlook change
Outlook	-	Positive	Stable	Positive
NSR Issuer Rating	Rand	Aa2.za	Aa2.za	Aa3.za
NSR ST Issuer Rating	Rand	P-1.za	P-1.za	P-1.za
NSR Senior Unsecured	Rand	Aa2.za	Aa2.za	Aa3.za

Credit rating definitions:

- Positive Outlook - reflects that a credit rating assigned to an issuer may be increased.
- Stable Outlook – reflects that a credit rating assigned to an issuer is unlikely to change.
- Negative Outlook - reflects that a credit rating assigned to an issuer may be lowered.
- Rating under Review - a review indicates that a rating is under consideration for a change in the near term.
- NSR Issuer Rating – Aa2.za - Issuers or issues rated Aa2.za demonstrate very strong creditworthiness relative to other domestic issuers and issuances.
- NSR ST Issuer Rating – P-1.za – Issuers (or issuances) rated Prime-1 represent the strongest likelihood of repayment of short-term debt obligations relative to other domestic issuers or issuances.
- NSR Senior Unsecured – Aa2.za - Issuers or issues rated Aa2.za demonstrate the very strong creditworthiness relative to other domestic issuers and issuances.

The City's borrowing is done in terms of Chapter 6 of the MFMA as well as the City's Borrowing Policy, in terms of which a long-term loan will only be entered into if it's affordable and sustainable. The City's loan requirements are determined by the capital investment requirement (excl. Transfers Recognised: Capital) and the projected cash position. The City primarily borrows against future revenue generating assets.

The below table reflects the borrowing and interest rate over the MTREF.

R Thousand	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Borrowing	5 000 000	6 000 000	6 000 000
Borrowing Interest Rate (%)	12%	12%	12%

c. High level summary of Capital Budget alignment to the IDP

The table below shows the composition of the capital budget per priority over the 2026/27 MTREF period.

Priority - Description	2026/27 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Economic Growth	154 455	328 243	140 257
Basic Services	7 030 338	8 009 531	7 999 084
Safety	199 585	394 750	495 765
Housing	919 892	903 974	902 749
Public Space, Environment and Amenities	798 527	891 969	869 916
Transport	3 161 879	1 850 700	1 079 678
A Resilient City	11 951	43 493	65 848
A more spatially integrated and inclusive city	11 476	47 323	7 655
A capable and collaborative City government	1 086 834	2 223 939	1 022 277
Total Capital Expenditure	**13 374 937**	**14 693 922**	**12 583 229**

Similar to the operating budget the table shows that the City's main priority is investing in basic services. Investment in basic services averages 56.9% of the capital budget over the MTREF period, the second highest investment is Transport which averages 14.9% over the same period.

4.5.4 Allocations from National and Provincial over the MTREF

National Government Allocations

The City's budget was compiled using the DoRb (B5-2026) issued via Government Gazette number 54086.

Grants Description R' 000	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Current Grants	**47 747**	**27 300**	**28 500**
Finance Management Grant	*1 200*	*1 300*	*1 500*
Expanded Public Works Programme Integrated Grant	*20 547*	-	-
Infrastructure Skills Development Grant	*26 000*	*26 000*	*27 000*
Infrastructure Grants	**5 044 398**	**3 777 944**	**3 409 420**
Urban Settlement Development Grant	*384 137*	*340 994*	*281 215*
Informal Settlements Upgrading Partnership Grant	*580 109*	*670 288*	*691 120*
Integrated National Electrification Programme (Eskom) Grant	*7 000*	*8 000*	*8 070*
Urban Development Financing Grant	*1 362 645*	*1 483 164*	*1 919 109*
Public Transport Network Grant	*2 710 507*	*1 275 498*	*509 906*
Allocations-in-kind	**58 906**	**81 785**	**75 776**
Integrated National Electrification Programme (Eskom) Grant	*58 906*	*81 785*	*75 776*
Unconditional Grant	**4 987 995**	**5 278 065**	**5 352 197**
Equitable Share	*4 987 995*	*5 278 065*	*5 352 197*
Total	**10 139 046**	**9 165 094**	**8 865 893**

The total national allocation to the City is R10.139 billion in 2026/27 decreasing to R8.866 billion in 2028/29. The main components of the allocation consists of the Equitable Share and Infrastructure grants.

Equitable Share

In terms of Section 227 of the Constitution, local government is entitled to an equitable share of nationally raised revenue to enable it to provide basic services and perform its allocated functions. The local government equitable share is an unconditional transfer, which supplements the revenue that municipalities can raise themselves (including revenue raised through property rates and service charges).

The DoRB (B5-2026), dated 6 February 2026, issued via Government Gazette number 54086, provided for the following allocations, which have been included in the City's 2026/27 MTREF:

- 2026/27 – R4 988 million
- 2027/28 – R5 278 million
- 2028/29 – R5 352 million

Sharing of the Fuel Levy

The General Fuel Levy is legislated by the Taxation Laws Amendment Act (Act 17 of 2009), which provides that each metropolitan's share should be announced in the government gazette.

The following amounts allocated to the City, as per the 2026/26 allocation letter, is included in the City's MTREF:

- 2026/27 – R3 005 million
- 2027/28 – R3 174 million
- 2028/29 – R3 324 million

Metropolitan municipalities were advised that allocations for the two outer years of the 2026 MTEF are provisional, and actual allocations will be based on fuel sales.

Provincial Government Allocations

The 2026/27 MTREF was prepared using the allocations as per Provincial Gazette Extraordinary 9206 dated 12 March 2026.

The table below shows that the City receives the largest share of the provincial allocation for the purposes of Health services.

Grants Description - Per Provincial Department R' 000	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
Department of Police Oversight and Community Safety	**367 750**	**383 243**	**395 141**
Provide training support to increase law enforcement capacity to serve in the municipalities within the Western Cape	*2 000*	*2 131*	*2 215*
Recruitment, training and deployment of law enforcement officers to serve in the law enforcement advancement plan (LEAP)	*365 750*	*381 112*	*392 926*
Department of Education	***36 347***	***37 621***	***38 602***
Safe schoold: School Resource Officer Project	*36 347*	*37 621*	*38 602*
Department of Health and Wellness	**635 399**	**656 854**	**676 190**
Personal Primary Health Care Service	*345 527*	*354 822*	*364 367*
Integrated Nutrition	*6 232*	*6 400*	*6 572*
HIV and Aids	*283 640*	*295 632*	*305 251*
Department of Infrastructure	**315 824**	**322 400**	**319 500**
Human Settlements Development Grant	*283 529*	*292 000*	*292 000*
Municipal Accreditation Grant	*18 870*	*18 400*	*15 000*
Title Deeds Restoration Grant	*13 425*	*12 000*	*12 500*
Western Cape Mobility Department	**10 000**	**10 000**	**10 000**
Provision for persons with special needs	*10 000*	*10 000*	*10 000*
Department of Cultural Affairs and Sport	**65 095**	**65 745**	**66 403**
Community Library Services Grant	*58 718*	*59 305*	*59 898*
Library Services: Metro Library Grant	*6 377*	*6 440*	*6 505*
Department of Economic Development and Tourism	**2 500**	**-**	**-**
Provide Resources for the Tourism Safety Law Enforcement Unit Project	*2 500*	*-*	*-*
Department of Local Government	**1 001**	**1 001**	**1 001**
Community Development workers (CDW) operational support grant	1 001	1 001	1 001
Total allocation	**1 433 916**	**1 476 864**	**1 506 837**

4.5.5 Major Parameters

The following table provides a summary of the major parameters applied to the 2026/27 MTREF.

	Budget Year 2026/27	Budget Year +1 2027/28	Budget Year +2 2028/29
CPI	**3.40%**	**3.20%**	**3.10%**
COLLECTION RATES			
Rates	95.00%	95.00%	95.00%
Electricity	98.50%	98.50%	98.50%
Water	92.00%	93.00%	94.00%
Sanitation	94.00%	95.00%	95.00%
Refuse	95.00%	95.00%	95.00%
AVERAGE RATES AND TARIFF INCREASES			
Rates (Residential)	-2.08%	6.00%	8.13%
Electricity	5.83%	8.49%	8.39%
Water	4.50%	14.00%	14.00%
Sanitation	4.50%	14.00%	14.00%
Refuse	3.75%	6.82%	4.47%
Disposal	4.17%	5.83%	4.71%
GROWTH PARAMETERS			
Rates	-	1.00%	1.00%
Electricity	-1.10%	-1.50%	-1.50%
Water	2.00%	2.00%	1.00%
Sanitation	2.00%	2.00%	1.00%
Refuse	2.00%	2.00%	2.00%
MAJOR PARAMETERS			
Salary increase			
Salary increase (SALGBC Agreement)	4.75%	5.25%	5.25%
Increment provision	1.50%	1.50%	1.50%
Operational cost	No increase	No increase	No increase
Repairs & Maintenance	Differentiated	Differentiated	Differentiated
Interest Rates			
Interest paid	12.00%	12.00%	12.00%
Interest on investment	5.81%	5.80%	5.80%
OTHER			
Capital Borrowing expenditure	R5.000bn	R6.000bn	R6.000bn
Equitable Share Allocation	R4.988bn	R5.278bn	R5.352bn
Fuel levy	R3.005bn	R3.174bn	R3.324bn