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The City Manager
Mangaung Metropolitan Municipality
Mangaung

IDP/BUDGET: COMMENTS ON THE 2026/27 DRAFT TARIFFS.

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SAPOA members own and control about 90% of all commercial, retail, office, and industrial properties in SA to the value of over R500bn and constitute some of the largest ratepayers in South Africa.

We have the pleasure of submitting comments on the existing policy, and you are requested to consider these comments.

General comments

Growth in household consumption expenditure is expected to improve to 1.2 per cent in 2024, up from 0.7 per cent in 2023. Households have seen growth in real incomes as this year progressed and inflation has cooled, while consumer confidence has been buoyed by several factors, including stable electricity supply and expectations of improving financial conditions following a September cut in interest rates. Real purchasing power is expected to be bolstered by a further moderation in inflation and lower interest rates supporting household balance sheets. The newly implemented two-pot retirement system, which allows consumers to withdraw a portion of their savings before retirement, may also boost household consumption over the next few years depending on the eventual use of the withdrawn funds.

SOUTH AFRICAN PROPERTY OWNERS ASSOCIATION NPC t/a SAPOA – REG NO 1966/008959/08

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During 2024, headline inflation has cooled to its lowest rate in over three years, supported by lower food and transport prices. Underlying inflation – measured by the core inflation rate, which excludes volatile items such as food, non-alcoholic beverages, fuels, and energy – has also moderated to two-year lows, supported by lower imported inflation. Headline inflation is projected to stabilise around the midpoint of the 3–6 per cent inflation target range in the medium term. Lower food prices, a stronger rand and comparatively low oil prices present favourable risks. Meanwhile, unfavourable risks to the outlook include higher administered prices and unfavourable weather conditions for agriculture.

Even though confidence of the consumers has been uplifted by the improved economy, households are still struggling to pay municipal accounts and that has a negative impact on municipal own revenues. It is therefore noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

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Headline inflation declined to 4.4 per cent in the fourth quarter of 2024/25, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 3.3 per cent in 2025/26 and 3.7 per cent in 2026/27. In the short term, reducing the inflation target to 3 per cent will result in more cuts in interest rates than would be the case under a 4.5 per cent target. Over time, a lower target will decrease inflation and inflation expectations, creating the space for permanently lower interest rates, which will support household spending and investment – boosting economic growth and job creation.

The lower inflation will support higher levels of real economic growth. South Africa's inflation target will be more in line with its trading partners and peer economies, making the economy more competitive. Household spending and private investment will rise due to higher real disposable income and lower borrowing costs.

Table 6: Budget Assumption

| DESCRIPTION | 2025/2026 | 2026/2027 | 2027/2028 | 2028/2029 |
|--|----------------|----------------|----------------|----------------|
| National Treasury Headline Inflation Forecasts | 4,30% | 3.70% | 3.30% | 3.20% |
| Salaries | 5,01% | 4.75% | 4.55% | 4.45% |
| Electricity Purchases | 12,74% | 8.76% | 8.83% | 8.83% |
| Water Purchases | 7,26% | 5.33% | 3.30% | 3.20% |
| Free Basic Electricity | 50 kwh p.m. | 50 kwh p.m. | 50 kwh p.m. | 50 kwh p.m. |
| Free Basic Water | 6 kl p.m. | 6 kl p.m. | 6 kl p.m. | 6 kl p.m. |
| Basic Welfare Package | R1 189,57 | R1,249.72 | R1,286.87 | R1,336.92 |
| Equitable Share Allocation | R1 296 018 000 | R1,363,341,000 | R1,432,070,000 | R1,462,480,000 |
| Bad Debt Provision | 24.00% | 22.75% | 21.75% | 20.75% |
| Property Rates | 2,00% | 2.00% | 0.00% | 3.20% |
| Refuse Tariff | 4,80% | 4.70% | 3.30% | 3.20% |
| Sanitation Tariff | 4,80% | 4.70% | 3.30% | 3.20% |
| Electricity Tariff | 12,74% | 11.10% | 8.83% | 8.83% |
| Water Tariff | 9,80% | 8.33% | 3.30% | 3.20% |
| Fire Levy | 4,30% | 3.70% | 3.30% | 3.20% |
| Sundry Income | 4,30% | 3.70% | 3.30% | 3.20% |

Property Rates tariffs are projected to increase by 2% in the 2026/2027 financial year, remain unchanged at 0% in 2027/2028 and increase by 3.2% in the 2028/2029 financial year.

Refuse Removal and Sanitation Charges have been projected to increase by 4.7% in the 2026/2027 financial year, with the increase moderating to 3.3% in 2027/2028 and further to 3.2% in 2028/2029 financial year.

Amatola Water has approved an increase in bulk water tariffs of 5.33% from 01 July 2026. In pursuit of full cost recovery for the Metro and to address water losses, water service tariffs are projected to increase by 8.33% in the 2026/2027 financial year, moderating to 3.3% in each of the two outer years of the MTREF.

On Electricity, the tariff will increase by 12.74% in 2025/2026 financial year, the increase decreases to 5.36% in 2026/2027 financial year and it slightly

increases by 6.19% in 2027/2028 financial year. The Electricity tariff applied in 2025/2026 financial year is in line with the National Electricity Regulator of South Africa (NERSA) proposed increase of 12.74%.

Recommendations:

1. That the water tariffs increases above the CPI be reconsidered;
2. That the electricity tariffs be reduce to match the eskom increase
3. That the following be noted when the budget is reconsidered:

The effects are also reflected in the worsening of the exchange rate as well as the predictions made on economic growth, which have been continuously revised downwards by National Treasury.

In this environment it is important that all role players create an environment which minimise the negative effect and set the stage for renewed economic growth.

As such, it is our plea to the City to take cognizance of the dire state of the economy and the financial predicament of many of its ratepayers and to adjust its proposed budget accordingly. This is not a time for a “business-as-usual” budget.

I trust that you will find the above in order.

Neil Gopal
Chief Executive Officer
SAPOA