Annexure S

Western Cape Government

FOR YOU

Strategic Integrated Municipal Engagement (SIME 2) 2025

West Coast District

Saldanha Bay Municipality

SALDANHA BAY MUNICIPALITY

INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF MUNICIPAL IDP, SDF AND BUDGET

Western Cape Government

APRIL/MAY 2025

SALDANHA BAY MUNICIPALITY DIAGNOSTIC AND SUMMARY OF KEY RECOMMENDATIONS

Integrated Development & Spatial Planning	• The Municipality is encouraged to explore and promote non-motorised transport options, like cycling and walking, to support safer, more sustainable, and inclusive transport for all residents. • The proposed amendments to the IDP should also include projected allocations from the Department of Police Oversight and Community Safety, the Municipality will receive R527 000 in 2025/26, R550 000 in 2026/27, and R576 000 in 2027/28 financial years for safety-related project • The disaster risk assessments be updated at least every five years to ensure the plan remains relevant and responsive to emerging threats. • The IDP confirms the Municipality's commitment to the upgrading of informal settlements.
Economic Sustainability	• CAPEX challenges and service delivery gaps relating to Energy sources. • Road transport capacity remains a challenge but notable MTREF CAPEX allocations are evident. • Rising Waste Removal Backlogs to place added pressure on existing infrastructure. • Lagging infrastructure index prohibiting economic growth and development. • The Municipality should explore Alternative Finance for infrastructure given growth trajectory and anticipated increase in demand for services.
Revenue and Expenditure	• The Municipality has tabled a funded budget for the entire 2025/26 Medium-Term Revenue and Expenditure Framework (MTREF). • However, some discrepancies are noted on the cash flow statement and the Cash backed reserves/accumulated surplus reconciliation related data strings that should be addressed with the final budget data strings. • The projected revenue growth appears to exceed historical trends and current tariff increases, raising concerns regarding the accuracy (trading services and fines warrant reassessment) of the underlying assumptions. • Notably, operating costs are rising significantly, driven primarily by increases in contracted services – linked to the housing grant expenditure. • It is recommended that greater emphasis be placed on cost containment measures, enhanced impairment modelling, and increased allocations for repairs and maintenance in line with asset management best practices.
Capital Budget & Infrastructure	• To enhance the credibility and sustainability of the capital budget, the Municipality is encouraged to ensure that project allocations are closely aligned with project readiness, available funding sources, and institutional delivery capacity. • The current reliance on internally generated funds for capital investment presents a long-term sustainability risk, particularly in the context of declining reserves. • The planned shift toward external borrowing from the 2026/27 financial year introduces concerns regarding long-term affordability. • Accordingly, a more balanced funding mix, supported by improved financial planning and cash flow forecasting, is strongly recommended. • The significant increase in capital expenditure raises concern about the Municipality's capacity to deliver projects effectively given historical underperformance in capital spending, there is a clear need for phased and realistic budgeting, supported by robust implementation strategies and enhanced project management capabilities, to ensure that the capital programme is both achievable and aligned with service delivery priorities.
Strategic Procurement	• Excellent alignment between IDP, Procurement Plan and Contract Register • Asset Register appears to inform the IDP, Procurement Plan and Budget
mSCOA Compliance	• The Municipality has demonstrated commendable progress in enhancing its overall compliance with the municipal Standard Chart of Accounts (mSCOA), with implementation roadmaps being regularly updated and reported quarterly. • However, minor inconsistencies remain in the alignment between balance sheet budgeting and cash flow projections, which should be addressed to ensure full integration and accuracy across financial reporting components.

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LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CAPEX	Capital Expenditure
CBD	Central Business District
CBA	Critical Biodiversity Areas
CMP	Coastal Management Programme
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
CSIR	Council for Scientific and Industrial Research
DCAS	Department of Cultural Affairs and Sport
DEA&DP	Department of Environmental Affairs and Development Planning
DoI	Department of Infrastructure
DM	District Municipality
DLG	Department of Local Government
DWA	Department of Water Affairs
EPWP	Expanded Public Works Programme
FBE	Free Basic Electricity
HSP	Human Settlements Plan
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
ITP	Integrated Transport Plan
ISDF	Integrated Strategic Development Framework
IYM	In-year Monitoring
IWMP	Integrated Waste Management Plan
JOC	Joint Operations Centre
Kl	Kilolitre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt hour (1 000 watt hours)
LED	Local Economic Development
LTFP	Long Term Financial Plan
LUPA	Land Use Planning Act

MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MFMA	Municipal Finance Management Act
MER	Municipal Energy Resilience
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MISA	Municipal Infrastructure Support Agency
MMP	Maintenance Management Plan
MTREF	Medium Term Revenue and Expenditure Framework
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NRW	Non-revenue Water
NDHS	National Department of Human Settlements
NT	National Treasury
O&M	Operations and Maintenance
OPEX	Operating Expenditure
PMS	Performance Management Systems
RMP	Road Management Plan
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The 2025 SIME assessment summarises comments by the Western Cape Government (WCG) on the draft 2025/26 MTREF Budget, 2025/26 Integrated Development Plan (IDP), Spatial Development Framework (SDF) and other relevant polices and documents.

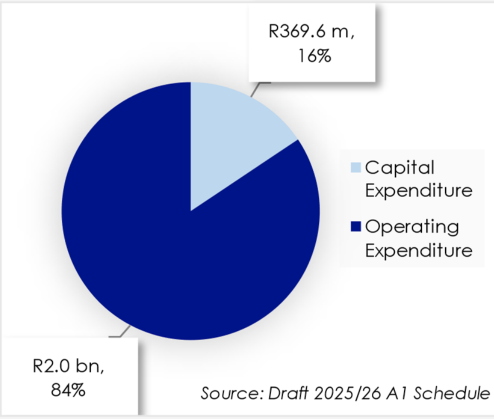
The assessment covers the following key areas; conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR); an integrated, spatial and environmental planning analysis of the IDP and SDF and the responsiveness, credibility and sustainability of the tabled budget.

The WCG intends meeting the executives of your Municipality in May 2025, where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as presented in the draft budget, IDP, LED, SDF and as well as other strategic matters for discussion between the two spheres of government. All the information related to the assessment and analysis of the draft annual budget, IDP and SDF are found in the report below.

The budget snapshot below provides a high-level overview of key socio-economic and financial indicators of the **Saldanha Bay Municipality** in relation to the regional economy.

BUDGET SNAPSHOT

2025/26 Municipal Expenditure



Source: Draft 2025/26 A1 Schedule

GDPR
MERO 2024

GDPR 2021 Constant Prices	GDPR Growth		
2023	2024f	2025f	2026f
R9.3 billion	0.2%	1.4%	1.2%

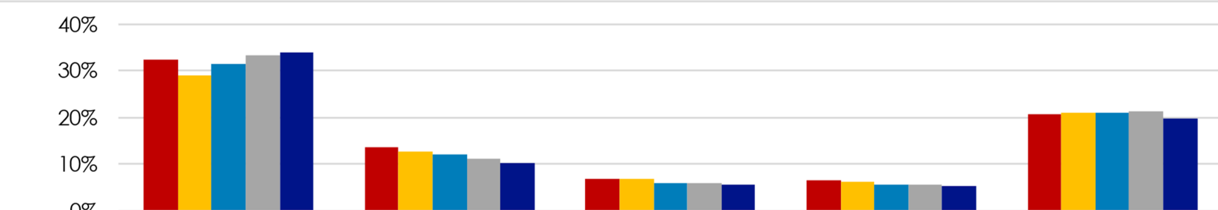
Inflation
NT MFMA Budget Circular 130

2024e	2025f	2026f	2027f
4.4%	4.3%	4.6%	4.4%

Total Population	Population Growth %	No. of Households	No. of Indigent Households
Census 2022	Est average annual 2024-2029	Census 2022	AR 2022/23
*154 635	*2.0%	*50 559	8 664

** Stats SA Mid-year population estimates (MYPE) 2024 data was used in the 2024 MERO and SEP-LG. MYPE population data deviates from that in Census 2022.*

Service charges and Property Rates Revenue as a % of Total Revenue (2021/22 to 2025/26)

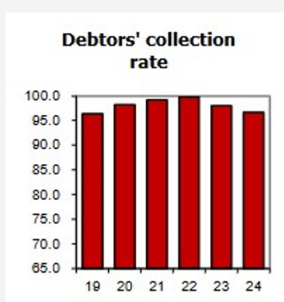


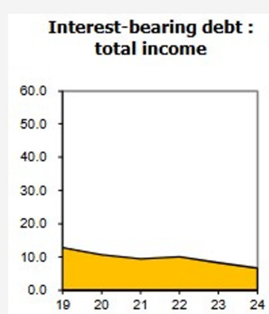
	Electricity	Water	Waste Water	Waste	Property rates
2021/22	32.5%	13.6%	6.7%	6.4%	20.8%
2022/23	29.1%	12.8%	6.9%	6.1%	21.0%
2023/24	31.3%	12.0%	5.9%	5.6%	21.0%
2024/25	33.2%	11.1%	6.0%	5.6%	21.2%
2025/26	34.0%	10.2%	5.7%	5.2%	19.9%

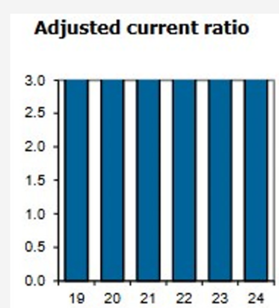
Source: Draft 2025/26 A1 Schedule

Ratings Afrika MFSI ®

Financial Sustainability Index Score			
	2022	2023	2024
Saldanha Bay	71	73	74
WC Average	53	53	55







Source: Ratings Afrika Financial Sustainability Analysis Service January 2025.
The graphs reflect the percentage or ratio (Y-axis) for the period 2019 to 2024 (X-axis).

SECTION 2: INTEGRATED PLANNING

2.1 INTEGRATED DEVELOPMENT PLANNING

The Municipal Systems Act 32 of 2000 (MSA) requires that every municipal council must review its IDP annually in accordance with an assessment of its performance measurements and to the extent that changing circumstances demand. Further provision is made for every municipal council to amend such IDP following a prescribed process outlined in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001 (MSA Regulations). During the 2024/25 financial year, the Saldanha Bay Municipality (the Municipality) has conducted the annual review of its IDP which is the third review of the 2022 - 2027 IDP and resolved to adopt an amended IDP in May 2025.

2.1.1 IDP Compliance

The core components of an IDP are outlined in Section 26 of the MSA and Regulation 2 of the MSA Regulations. Sections 28 and 29 of the MSA require municipalities to adhere to an established process when reviewing or amending their IDPs. The compliance of the amended IDP with legislative requirements and the process followed were assessed using a compliance checklist. The assessment was shared and discussed with the Municipality.

The Municipal Spatial Development Framework is currently under review. It is anticipated to be tabled for adoption in conjunction with the IDP by the end of May 2025, per the provisions of section 20(2) of the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013), which stipulates that a municipal SDF must be prepared and adopted as a component of the IDP.

2.1.2 IDP Alignment

Section 32(2) of the MSA provides for the MEC for local government to decide whether to make proposals to a municipal council to adjust an IDP if such plan or amendment conflicts or is not aligned or negates any of the development strategies of other affected municipalities or organs of state. Section 26 of the MSA further requires that IDPs must be aligned with and not negate the national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

The proposed amendments to the IDP reflect alignment with the United Nations Sustainable Development Goals 2023, National Development Plan, the Medium-Term Development Plan Outcomes, the Provincial Strategic Plan 2025 – 2030 and the West Coast One Plan.

Economic Development

The Municipality has a Local Economic Development (LED) Strategy for 2022 – 2027. The strategy sets out specific goals and is guided by the vision of "Inclusive growth for all, by leveraging unique strengths to unlock future potential." The strategy is anchored by four pillars which underpin the Municipality's vision. These pillars are enabling local government, strong industrial sectors, active entrepreneurship, and supportive institutions. Key focus areas identified in the strategy include tourism, skills development, and support for SMMEs, which respond to the local economic needs.

The Municipal budget supports the LED strategy through proper resource allocation and structured plans. Challenges raised in the proposed amendments to the IDP have been addressed with suitable mitigation actions. The Municipality promotes cooperation between different levels of government and recommends stronger public participation. It also highlights the need to collect data on local businesses and existing networks, such as chambers of commerce, to better guide economic support. To this end, a Business Networking Forum, led by the private sector with municipal support has been established, though not captured in the IDP.

The proposed amendments to the IDP reflect on the important role of the agricultural sector within the Municipality, indicating that the agricultural sector contributes 35 per cent of the active labour force. In addition, the proposed amendments to the IDP recognise the importance of reliable road infrastructure for transporting agricultural produce effectively to markets, as well as the necessity of continuing to invest in and maintain these networks. Using rail as a transportation alternative for agriculture and mining is another initiative being investigated. Furthermore, to support small-scale agricultural initiatives, the Municipality has introduced targeted interventions that promote food security. These initiatives align with the broader development objectives and reflect a proactive approach to strengthening local livelihoods and improving agricultural resilience.

Municipal Infrastructure, Human Settlements and Transport

The Department of Infrastructure recommends that the Municipality reflect the Western Cape Government Infrastructure Framework (WCIF) 2050, which was endorsed by the Cabinet on 16 October 2024. Building on the principles of the WCIF 2050, the Western Cape Infrastructure Strategy 2050 outlines specific infrastructure development priorities for the short-, medium and long-term. To support the implementation of the strategy, the Western Cape Infrastructure Implementation Plan (WCIIP) 2050 outlines a five-year implementation approach. These plans aim to enhance infrastructure interventions and investment in the Western Cape.

The proposed amendments to the IDP show that the Municipality has an Integrated Transport Management Plan (ITMP), which was approved in 2021 and is set to be reviewed in 2026. The ITMP deals with key transport challenges such as identifying parking areas in the CBD, managing traffic congestion, and looking into the possibility of improving public transport. It also includes plans to improve taxi ranks, bus shelters, embankments, traffic calming measures, pedestrian crossings, and sidewalks. In addition, the Municipality is encouraged to explore and promote non-motorised transport options, like cycling and walking, to support safer, more sustainable, and inclusive transport for all residents.

The Municipality is advised to take note that the Western Cape Mobility Department is in the final stages of developing the Western Cape Provincial Land Transport Framework (WCPLTF) for the period 2024 – 2029. The draft framework will soon be published for public comment, marking the start of consultation process. This will provide stakeholders, including municipalities and the public, with an opportunity to review the draft document and submit meaningful input to inform and strengthen the finalisation and implementation of the framework.

Health, Social Services, and Amenities

The proposed amendments to the IDP reflect that the Municipality has eight fixed and primary healthcare facilities, three mobile clinics, and eight antiretroviral therapy clinics or treatment sites. The presence of one district hospital and five ambulances supports the healthcare delivery system, although the Municipality's emergency medical services (EMS) coverage, at 0.4 EMS units per 100 000 people, is slightly below the averages for the West Coast District. The maternal and child health in the Municipality reflects both progress and ongoing challenges. The absence of maternal deaths in 2024 is a positive indicator of quality care.

In terms of infectious diseases, HIV/AIDS remains a major area of focus, with 4 649 patients receiving antiretroviral therapy (ART) in 2023/24. There were also 221 new ART enrolments during this period. These figures highlight both the continued burden of HIV and the Municipality’s effective outreach and treatment programs. However, tuberculosis (TB) cases increased significantly from 718 patients in 2022/23 to 869 in 2023/24. Though teenage pregnancies (27 recorded cases) and a high number of pregnancy terminations (248) suggest gaps in reproductive health education.

The proposed amendments to the IDP reflect a Strategic Focus Area (SFA) aligned with the strategic objective of fostering community development through upliftment, integration, empowerment, and effective communication. As part of SFA 1, a key performance indicator (KPI) includes the signing of a Memorandum of Understanding with the Department of Social Development. Other additional initiatives reflected in the proposed amendments to the IDP include promoting gender equality, supporting healthy living, and enhancing overall well-being within the community.

Safe and Cohesive Communities

The proposed amendments to the IDP reflect the Municipality's three strategic safety objectives: to identify and implement safety interventions, to collaborate with other safety and security stakeholders, and to create a safe and thriving environment, which are linked to Strategic Focus Area 5: Safety. Several projects have been identified under strategic focus area 5, these include revising and modernising public safety approaches, establishing specialised units, finalising the municipal court programme, implementing the Municipality's Safety Plan, increasing collaboration with the private sector, supporting community safety organisations, and holding regular meetings with the South African Police Service. The IDP also includes 2023/24 crime statistics, covering murder, sexual offences, drug-related crimes, driving under the influence, and residential burglaries. However, the IDP does not reflect the budget allocated to these safety initiatives. According to the projected allocations from the Department of Police Oversight and Community Safety (POCS), the Municipality will receive R527 000 in 2025/26, R550 000 in 2026/27, and R576 000 in 2027/28 financial years for safety-related projects. It is recommended that this funding be included in the final adopted IDP to support transparency and proper planning for the implementation of safety initiatives.

The proposed amendments to the IDP indicate that the Municipality developed a Disaster Management Plan (DMP), which was approved in 2021 and is scheduled for review in 2026. The DMP outlines the structures and mechanisms in place to manage disasters and includes measures to anticipate and prepare for future risks. The plan also highlights the top 10 identified disaster risks, based on a risk assessment conducted in 2016. Therefore, it is recommended that disaster risk assessments be updated at least every five years to ensure the plan remains relevant and responsive to emerging threats.

2.1.3 IDP Implementation

Section 41 of the MSA provides for a municipality in accordance with its performance management system, to set performance measures with regard to its development priorities and objectives set out in the IDP. In addition, section 41 provides for the monitoring of the performance, measure and review performance at least once per year, implement steps to improve the performance, and set a regular reporting system. This section thus reflects on whether the Municipality might be at risk of not achieving its strategic objectives, noting that this is the third review cycle of the 2022 – 2027 IDP.

The following Municipal documents were utilised to inform this section:

- The 2022/23 Review IDP, 2023 - 2027 Amended IDP, and the 2024/25 Amended IDP;
- The 2022/23 Annual Report and the draft 2023/24 Annual Report;
- The 2022/23, 2023/24 and 2024/25 Service Delivery and Budget Implementation Plans (SDBIPs), including any subsequent amendments thereof; and
- The 2024/25 Technical Integrated Municipal Engagement (Time) Report, which was utilised as part of the assessment in this section

The Municipality adopted the 2022/23 IDP, which included seven Strategic Objectives (SOs) linked to key performance indicators (KPIs). In the 2023/24 financial year, the Municipality amended the IDP, where the seven SOs were changed to six SFAs, each with one or more SOs linked to the SFA. These new SFAs were organised differently to better match the Municipality's changing priorities. The reason to link SOs to SFAs is that SOs are important for budgeting, as projects can only receive funding if linked to a SO. After the 2023/24 IDP amendment, no further changes were made to the SFAs or SOs.

This shift in strategic direction highlights the value of reviewing and updating SOs during the IDP amendment process. It enables the Municipality to adapt to evolving community needs, changing resource availability, and revised development goals, ensuring that planned projects stay relevant and aligned with current priorities.

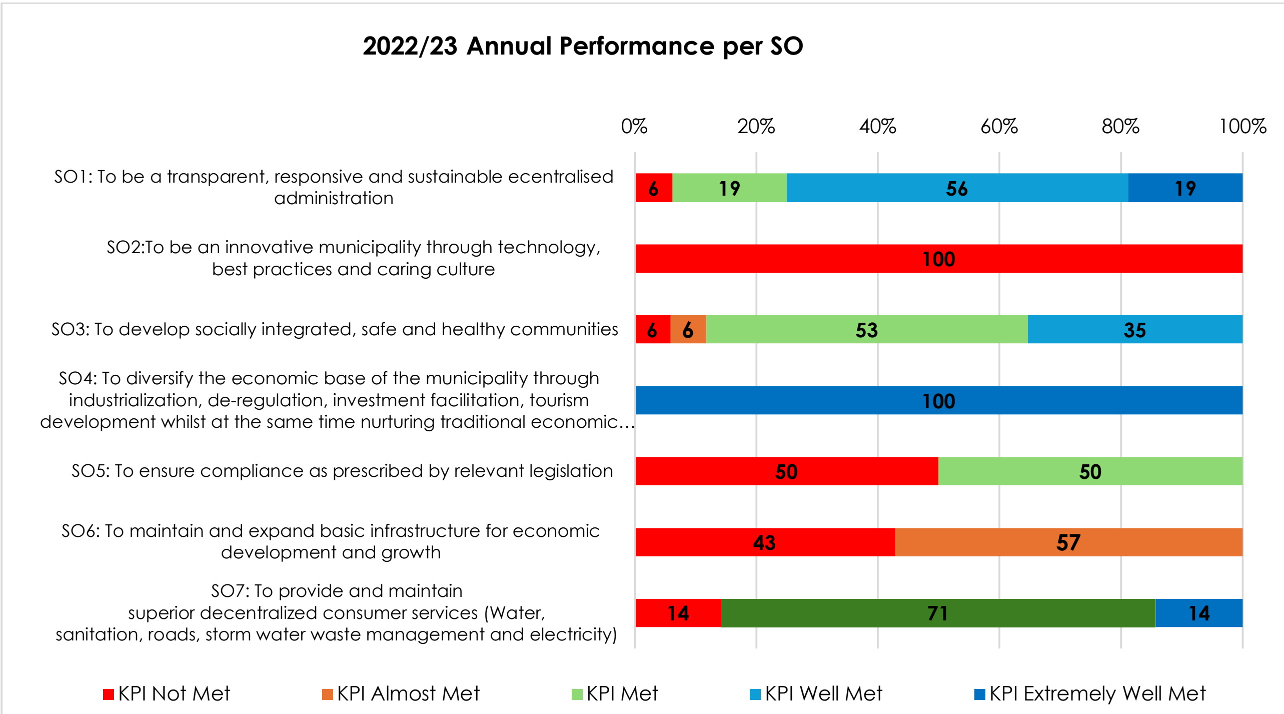
The 2022/23 IDP strategic objectives

- SO 1: To diversify the economic base of the municipality through industrialization, de-regulation, investment facilitation, tourism development whilst at the same time nurturing traditional economic sectors.
- SO 2: To facilitate an integrated transport system.
- SO: 3 To provide and maintain superior decentralized consumer services (Water, sanitation, roads, storm water, waste management and electricity.
- SO 4: To develop socially integrated, safe and healthy communities.
- SO 5: To maintain and expand basic infrastructure for economic development and growth.
- SO 6: To be an innovative municipality through technology, best practices and caring culture
- SO 7: To be a transparent, responsive and sustainable decentralised administration

The amended 2023 - 2027 IDP strategic focus areas

- SFA 1: Community Colaboration
- SFA 2: Economic
- SFA 3: Financial and Institutional
- SFA 4: Innovation
- SFA 5: Safety
- SFA 6: Services

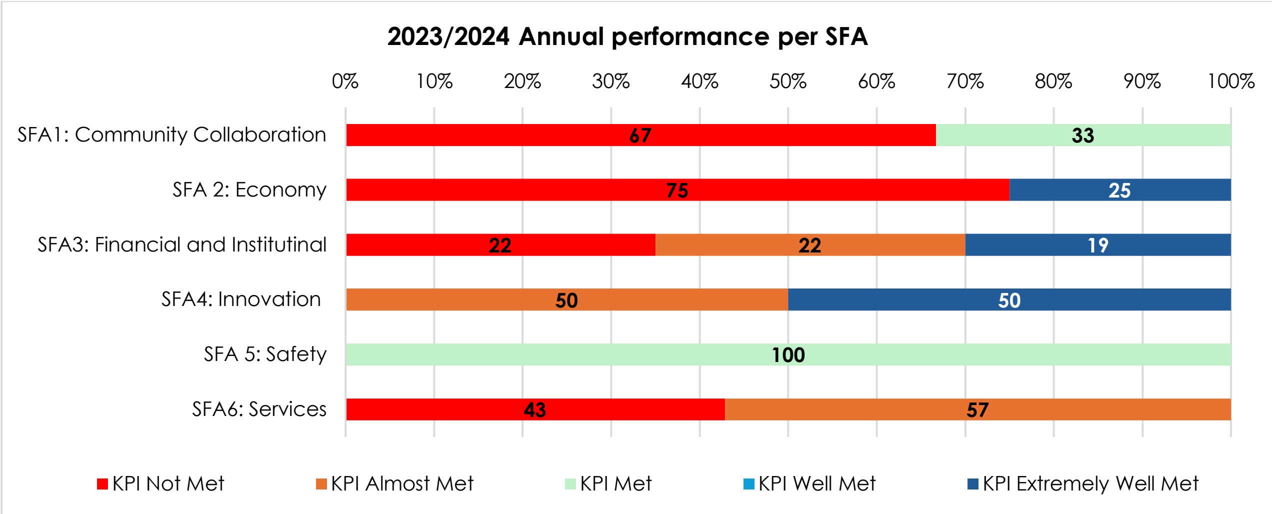
During the 2022/23 financial year, the SDBIP comprised 51 KPIs, and the Municipality adjusted the SDBIP in January 2023, but no amendments were made to the number of KPIs. However, the performance targets were revised to ensure that the Municipality could realistically achieve its objectives by the end of the financial year. For the 2023/24 financial year, the number of KPIs increased to 55, following an amendment of the IDP. This amendment included the revision of SOs and the incorporation of additional projects and programmes to be implemented during the financial year. The proposed amendments to the IDP resulted in a further increase in the number of KPIs from 55 to 56. This steadily increased reflects the Municipality's commitment to service delivery, better planning, and better performance management. As a result, the Municipality had developed and implemented a comprehensive set of programs and projects aimed at achieving its long-term vision, while also aligning its SOs with community needs.



2022/23 Annual Report assessed the performance of 51 KPIs against the performance trajectory of the Municipality. The Municipality achieved an overall performance of 74.51 per cent of the KPIs, with SO4 achieving 100 per cent of the KPIs, and SO1. SO3, SO4, SO5, and SO7 achieved over 50 per cent of the KPIs. However, some SOs presented challenges, as indicated below:

- SO2: To be an innovative municipality through technology, best practices, and a caring culture, had one KPI, which was not achieved, resulting in a 100 per cent non-achievement rate.
- SO6: To maintain and expand basic infrastructure for economic development and growth had seven KPIs; three were not achieved, while four were partially achieved.
- SO5: To ensure compliance as prescribed by relevant legislation, had two KPIs, of which only one was achieved, reflecting a 50 per cent achievement rate.

The non-achievement of certain KPIs can be attributed to several factors, including the Municipality's challenges to fully spend its capital budget by 30 June 2023, the failure to attain at least a level 4 maturity rating for enterprise risk management by the same date, delays in the implementation of infrastructure projects, and setbacks experienced in the supply chain management processes.



In the 2023/24 financial year, the Annual Report reflects on 55 KPIs. The overall achievement for the Municipality dropped from 74.51 per cent in 2022/23 to 60.94 in 2023/24. The graph above shows the Municipal performance trajectory for 2023/24 as follows:

- SFA 1: Community Collaboration, only 33 per cent of KPIs were met;
- SFA 2: Economic Development, only 21.88 per cent of KPIs were met; and
- The Municipality performed very well in SFA 5: Safety and SFA 6 Services.

The draft 2023/24 Annual Report indicates that there is marginal improvement or consistency, especially in SFA 5 and SFA 6. However, SO2 and SO4 experienced significant challenges across both years. The Municipality continues to face difficulty in achieving full KPI compliance in innovation and economic growth. However, service delivery and basic infrastructure show some signs of improvement, particularly in 2023/24 under SFA 6. To enhance overall performance and increase KPI achievement, focused interventions are recommended in the areas of innovation and economic development. Additionally, the Municipality should prioritise the strengthening of project management and implementation monitoring, ensure the timely expenditure of the capital budget, and streamline supply chain management processes to reduce delays and improve efficiency.

The 2024/25 TIME Report provides an assessment of the Municipality's performance at mid-financial year. The mid-year performance for 2024/25 shows notable progress, with 74 per cent of the 27 measured KPIs achieved, reflecting improved planning and implementation compared to past cycles. However, performance tracking remains a significant concern, as 29 out of 56 KPIs (52 per cent) were not reported on. The trend over the past three years shows fluctuating success rates, but the recent rise in mid-year performance suggests a positive trajectory, though continued monitoring and accountability are essential to sustain this improvement.

All targets set under SFA 5: Safety and SFA 6: Services have been achieved. This reflects the Municipality's commitment to maintaining a safe environment and delivering reliable services to the community. On the other hand, Cost-Effective Service Delivery (SO4) and Innovation and Modern Technology (SO3) presented notable challenges. Six out of nineteen targets in SO4 were not achieved, pointing to budget constraints and operational inefficiencies. The shortfall in SO3 highlights delays in digital transformation and innovation, which are critical for long-term municipal modernisation.

To improve overall performance, PT proposed the following interventions:

- The Municipality must urgently address the non-measurement of KPIs by enhancing data systems, implementing automated tracking, and conducting internal audits.
- For better cost-efficiency (SO4), financial reviews and improved procurement processes are recommended.
- The Municipality should invest in smart technologies and foster private sector partnerships to address innovation gaps (SO3).
- To sustain the current success in community safety and basic services, the Municipality will require ongoing infrastructure maintenance and active law enforcement strategies.
- To strengthen governance structures and regular performance reviews are also necessary to ensure timely reporting and accountability across all departments.

2.2 KEY FINDINGS AND RECOMMENDATIONS

2.2.1 Key Findings

Based on the above assessment, below is a summary of key findings:

- The Municipality's overall KPI achievement declined from 74.51 per cent in 2022/23 to 60.94 per cent in 2023/24, indicating a downward trajectory in service delivery performance. This decline is particularly evident in key focus areas such as SFA 1 (Community Collaboration) and SFA 2 (Economic Development), where high rates of non-achievement were recorded.
- Persistent Underperformance in SO 2: To be an innovative municipality through technology, best practices, and a caring culture and SO 4: to provide cost effective services with financial and institutional sustainability. These areas are important for the Municipality's long-term growth but remain affected by issues such as underspending of the capital budget, delays in project implementation, and inefficiencies in supply chain processes.

2.2.2 Recommendations

It is recommended that the Municipality:

- Address the concerns raised by sector departments outlined in section 2.1.2 and the 2024/25 TIME Report.

2.3 ENVIRONMENTAL AND PLANNING ANALYSIS

2.3.1 Spatial Planning

- **MSDF Performance Review**
  - It is noted that Saldanha Bay Municipality have amended the MSDF and intend adopting the MSDF as part of the IDP at the end of May 2025. The MSDF underwent a public participation process between November 2024 and mid-January 2025. DEA&DP provided comprehensive comments on the draft document. The Municipality has noted that the comments received through the public participation process have been considered and the MSDF has been amended, where necessary, to accommodate the comments received. It is acknowledged that Municipality are undertaking an IDP amendment process and the IDP will be amended accordingly, to incorporate and adopt the amended MSDF.

2.3.2 The Municipality's Response to Strategic Pressures and Risks

Capital Expenditure Framework

- Saldanha Bay Municipality participated in the first round of the CEF programme, initiated by DEA&DP. The Municipality have been active participants in the process and have played an important role in the drafting of the CEF. The CEF that was completed in 2023, was based on the current 2019 MSDF. It is noted that the CEF that has been included in the final draft MSDF, that has been included in the IDP amendment, has been amended to reflect the latest MSDF amendments. The CEF has recently been completed and due to the Municipality's participation, it is evident that the CEF has been a key informant to the IDP and the budget.

- The IDP consistently references the CEF and the SDF throughout the narrative of the document and clearly demonstrates the linkages between IDP, LTFP, MSDF and CEF. The location of spending in terms of the budget appears to be reflective of the priorities identified in the MSDF/CEF. Table 26 in the IDP document illustrates the alignment between the IDP and SDF. Section 6.8.1 clearly outlines the SDF priorities and proposals and its role in informing the IDP. Section 2.7.4.1 speaks to the CEF and the LTFP. Annexure E in the IDP also provides a list of the top 22 capital projects for 2025/26, which appear to be aligned to both the MSDF priorities and the CEF.

- The Municipality is to be commended for continuing to utilise the MSDF and the CEF as a guide for decision making around capital expenditure. By anchoring the annual budget process on the principles and priorities outlined in the MSDF and CEF, the Municipality is ensuring strategic resource allocation, as well as the advancement of a plan-led budget.

Inclusionary Housing Policy

- A Housing Market Study was drafted for Saldanha Bay Municipality in 2024. The purpose of the housing market studies is to provides valuable insights into market gaps, affordability issues, and housing preferences, enabling targeted interventions to address these challenges effectively. By analysing market trends and demographic data, municipalities can identify opportunities for intervention, inform housing policy formulation, and determine the need for affordable and/or inclusionary housing or zoning policies. During the public participation process of the draft MSDF, it was noted that the MSDF did not take the Housing Market Study into account. It is noted that the final draft MSDF has taken the comment into account and has incorporated the findings of the Housing Market Study into the MSDF. Section 3.6.1 speaks specifically to the housing affordability gap. The findings of the Housing Market Study have also been incorporated into the settlement level analysis for each town. The settlement directives for Langebaan speak directly to the need to enforce inclusionary housing policies require private developers to allocate a percentage of residential units for lower-income households, fostering a more diverse and inclusive community. The MSDF outlines several proposals that align with the findings of the Housing Market Study, including supporting initiatives that strengthen local markets and promote access to affordable housing, promoting Inclusionary housing to incentivise the supply of affordable and mixed-income housing, and supporting supply and demand-side incentives for affordable housing development.

- The Municipality is commended for incorporating the findings of the Housing Market Study into the MSDF and is now encouraged to build on the work undertaken in the Housing Market Study through preparing an Inclusionary Housing Policy, based on the Western Cape Inclusionary Housing Policy Framework (WCIHPF). The next step for the Municipality in the process of developing an Inclusionary Housing Policy is to prepare an Economic/Financial Feasibility Study to set feasible developer contribution thresholds, based on land use values, which would further assist the MSDF in determining where inclusionary housing would be most appropriate.

- Once the groundwork is laid, the Inclusionary Housing Policy would need to define target groups, outline delivery mechanisms (on-site, off-site, or in-lieu), and ensure long-term affordability through appropriate monitoring and enforcement. It is suggested that in order to support implementation the Municipality should incorporate the policy into its MSDF and Municipal Planning By-Law, establish a central register for transparency, and ensure regular monitoring, evaluation, and updates based on evolving data and circumstances.

Incremental Upgrading of Informal Settlements

- The MSDF acknowledges the presence of informal settlements within the municipal area and provides guidance in respect of in-situ upgrading, particularly through the UISP, as a key approach to the formalisation and improvement of informal areas. The MSDF also recognises the complexities and potential challenges associated with this approach.

- Some of the main priority areas in respect of incremental upgrading of informal settlements are those within the towns of Vredenburg and Saldanha. In Vredenburg, the MSDF speaks to the in-situ upgrading/formalisation of the informal settlement in Ongegund. In Saldanha, informal areas that have been identified for intervention are George Kerridge, Middelpos and White City. The MSDF notes that Middelpos is currently occupied with informal structures and a survey is required to determine current occupants and land requirements for possible backyard dwellers, while the Joe Slovo New Middelpos development involves upgrading infrastructure for a planned relocation area. The CEF also speaks to the formalisation of informal settlements through the UISP in both Vredenburg and Saldanha, indicating the prioritisation of these areas.

- The IDP confirms the Municipality's commitment to the upgrading of informal settlements. White City informal settlement upgrade is listed as one of the current human settlement projects. Table 4 outlines the requirements for individual basic services to each household in informal settlements. The municipality also aims to fast-track the upgrading of the Middelpos informal settlements located on land parcels 3 and 5 within the Saldanha Bay Special Economic Zone - Priority Human Settlement and Housing Development Area (PHSHDA). In terms of Strategic Focus Area 6, the IDP also identifies the programme for Informal Settlement Services which aims to expand basic services to household and communal points, including water connections, toilets, electricity and refuse collection points.

Waste Management

- Saldanha Bay Municipality has 10 operational waste management facilities, namely Vredenburg WDF, Langebaan Transfer Station, St Helena Transfer Station, Langebaan Composting Facility, Kalkrug Transfer Station, Diasville Transfer Station, Paternoster Transfer Station, Stompneusbaai Transfer Station, Laingville Transfer Station and Hopefield Transfer Station.

- The Municipality conducts and submits internal and external audit reports. The facilities are well run and compliant with the conditions of their authorisations. Vredenburg WDF has a compliance rating of 96.03 per cent in 2024. The Municipality has sufficient airspace available at the Vredenburg WDF.

Ecological Infrastructure

- Ecological Infrastructure (EI) entails naturally functioning ecosystems that provide services to people and the economy and plays a vital role in municipal service delivery across the Western Cape. It supports reliable, good-quality raw water supply and contributes to disaster risk reduction, especially in terms of wildfires and flooding (inland and coastal).

- To guide municipalities in investing in Ecological Infrastructure, the Western Cape Government developed the **Western Cape Ecological Infrastructure Investment Framework**. This framework highlights EI's potential to lower service delivery costs and enhance community well-being. Municipalities are encouraged to integrate EI into their service delivery planning, using one or more of the following approaches:
  - **Collaboration & Participation**: Many municipalities support landscape initiatives aimed at reducing environmental risks (e.g., Boland Groot Winterhoek Collective, Outeniqua to Tsitsikamma Water Working Group) where important EI is identified and a "whole of society" approach to safeguarding or improving this EI is refined, often with real benefits to municipalities.
  - **Identification & Planning**: Some municipalities have mapped key EI areas and developed investment plans, which can attract external funding and boost service delivery effectiveness.
  - **Direct Investment**: Others are directly funding EI projects - for example, to secure water supply or reduce flood risks - often in partnership with the private sector for co-investment.
- Guiding materials and examples are available from the Department of Environmental Affairs and Development Planning. Municipalities are urged to tailor EI investment to their local context as a complementary strategy to enhance service delivery and human wellbeing within their administrative domains.

SECTION 3: ECONOMIC and FINANCIAL SUSTAINABILITY

3.1 INTRODUCTION

This section provides an assessment of key indicators related to the responsiveness, credibility and sustainability of the tabled budget.

Key to assessing the above criteria is the alignment of the municipality's budget to its strategic objectives, where if there are gaps identified, recommendations will be provided considering the municipal areas current socio-economic challenges.

The revenue and expenditure analysis and risks section provide a gap analysis with regards to trading services, analysing the credibility, tariff structure and responsiveness of the municipality's budget.

As capital infrastructure development is a key catalyst for economic growth and sustainability, the municipality's capital funding mix, capital budget implementation and procurement planning assessment are critical to understand the municipal area's growth trajectory.

3.2 SUSTAINABLE ECONOMIC DEVELOPMENT

Table 1 Strategic Objectives for the 2025/26 Medium Term Revenue & Expenditure Framework

Strategic Objective	2025/26 Medium Term Revenue & Expenditure Framework OPEX				2025/26 Medium Term Revenue & Expenditure Framework CAPEX			
R thousand	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28	Average Annual Growth	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28	Average Annual Growth
Foster community development through upliftment, integration, empowerment and communication	207 522	127 845	106 005	-28.5%	14 042	670	1 350	-69.0%
Build a diversified economy through investments, growing current and new businesses and enabling the creation of sustainable jobs	31 131	32 343	34 423	5.2%				
Provide cost effective services with financial and institutional sustainability	317 023	338 378	358 807	6.4%	80 453	60 673	3 420	-79.4%
Promote innovation and modern technology to enhance service delivery and increase opportunities	65 444	70 687	76 695	8.3%	4 324	8 007	4 967	7.2%
Implement interventions to deliver community safety, clean spaces and environmental protection	205 690	218 191	229 884	5.7%	4 730	2 290	310	-74.4%
Provide enhanced basic services that are reliable, efficient and affordable	1 169 765	1 262 705	1 392 816	9.1%	266 096	552 676	523 864	40.3%
Total Expenditure	**1 996 575**	**2 050 149**	**2 198 630**	**4.9%**	**369 645**	**624 316**	**533 911**	**20.2%**

Source: Saldanha Bay Municipality, A-Schedules

- **Infrastructure and Services Dominance**
  - The largest OPEX allocation (R1.17 billion in 2025/26) and CAPEX (R266.0 million) reflect a strong focus on basic service delivery, with CAPEX growing at 40.3 per cent annually over the MTREF. This underscores a commitment to reliable and efficient services, aligning with sustainability goals.
- **Community Development Cuts**
  - OPEX for community development declines sharply (-28.5 per cent annually), while CAPEX contracts by 69 per cent annually over the MTREF. This suggests reduced prioritization of social upliftment, potentially impacting vulnerable groups.

- **Economic Growth Modest Support**
  - OPEX for economic diversification grows at 5.2 per cent annually, but lacks CAPEX allocations. This indicates reliance on operational rather than capital investments, possibly limiting job creation and business growth.
- **Financial Sustainability Focus**
  - OPEX for financial sustainability grows at 6.4 per cent, but CAPEX plummets (-79.4 per cent). The disparity highlights operational prudence critical for financial resilience.
- **Innovation and Technology**
  - Both OPEX (8.3 per cent growth) and CAPEX (7.2 per cent) show steady increases, reflecting a commitment to modernizing service delivery and enhancing efficiency through innovation and technology.
- **Environmental Protection Gaps**
  - Despite moderate average annual OPEX growth (5.7 per cent), CAPEX for environmental protection declines sharply (-74.4 per cent), raising concerns about long-term sustainability and climate resilience.
- **Overall Budget Imbalance**
  - While total OPEX grows modestly (4.9 per cent annually), CAPEX fluctuates (20.2 per cent growth annually), driven by infrastructure. The imbalance between reductions in social and environmental spending and ongoing infrastructure investment could undermine equitable service delivery and long-term sustainability.
- **Implications**
  - Economy: Strong infrastructure spending may boost local economy but lacks complementary social investments.
  - Service Delivery: Prioritizing basic services ensures short-term reliability but risks neglecting community and environmental needs.
  - Sustainability: Declining CAPEX for social and environmental goals threatens long-term resilience and inclusivity.
  - Infrastructure-heavy allocations risk overshadowing holistic development, requiring balancing to align with broader IDP objectives.

3.3 REVENUE AND EXPENDITURE ANALYSIS AND RISKS

3.3.1 BUDGET OVERVIEW

Table 2 Budget overview for the 2025/26 MTREF Budget:

Saldanha Bay	CURRENT YEAR			MEDIUM TERM REVENUE					
Description R thousand	2024/25 Original Budget	2024/25 Adjusted Budget	2024/25 Treasury Calculation	2025/26 Budget Year +0	2025/26 Treasury Calculation	2026/27 Budget Year +1	2026/27 Treasury Calculation	2027/28 Budget Year +2	2027/28 Treasury Calculation
Total Operating Revenue (excluding capital transfers and contributions)	1 703 573	1 687 872	**1 687 872**	**1 952 633**	**1 952 633**	**1 998 328**	**1 998 328**	**2 115 817**	**2 115 817**
Total Operating Expenditure	1 825 844	1 783 158	**1 839 128**	**1 996 575**	**2 051 363**	**2 050 149**	**2 109 238**	**2 198 630**	**2 262 529**
Surplus/(Deficit)	**(122 271)**	**(95 286)**	**(151 256)**	**(43 941)**	**(98 730)**	**(51 821)**	**(110 910)**	**(82 813)**	**(146 712)**
Non Cash Items									
Depreciation & asset impairment	195 597	195 597	195 597	**194 581**	194 581	**225 504**	225 504	**274 395**	274 395
A4: Total Operating Budget Restated Result	**73 326**	**100 311**	**44 341**	**150 640**	**95 852**	**173 683**	**114 594**	**191 582**	**127 683**
A5: Total Capital Expenditure	**326 853**	**336 033**	**355 550**	**369 645**	**369 645**	**624 316**	**624 316**	**533 911**	**533 911**
Funded by:									
Transfers recognised - capital	87 649	69 396	88 913	**83 071**	83 071	**202 867**	202 867	**212 518**	**212 518**
Borrowing	–	4 911	**4 911**	**1 021**	**1 021**	**162 000**	**162 000**	**100 000**	**100 000**
Internally generated funds	239 204	261 726	**261 726**	**285 553**	**285 553**	**259 448**	**259 448**	**221 393**	**221 393**
A7 - Cash/cash equivalents at the year end:	**531 713**	**665 416**	**613 262**	**547 870**	**477 387**	**497 279**	**380 128**	**490 432**	**330 094**
A8 - Surplus / (shortfall) after application of cash and investments	**373 661**	**341 213**	**235 277**	**358 776**	**184 585**	**390 952**	**129 686**	**413 266**	**71 160**
BUDGET FUNDING POSITION	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**	**FUNDED**

Source: A1 schedules, NT funding tool, TABB data strings.

- The Municipality is commended for tabling a Funded budget for the entire 2025/26 MTREF which is in accordance with Section 18 of the MFMA. Notably, the Municipality has projected increasing operational deficits across the 2025/26 MTREF period. This raises concerns regarding the Municipality's capacity to contribute meaningfully to its reserves, support future revenue growth, or sustain internal funding allocations toward capital expenditure.
- Differences have been identified in Table A8 - Surplus/(Deficit) after Application of Cash and Investments when comparing the municipal budget figures to those derived using the standard National Treasury calculation methodology. These discrepancies pertain particularly to projections relating to other working capital and cash and cash equivalents. After further engagements it has been agreed that the following matters will be addressed in the final budget mSCOA strings:
  - The reversal of debt impairment will be corrected on the data strings to accurately reflect the debt impairment amount on A4 and to better align working capital.
  - The opening balances will be corrected on the strings in line with Table 24 (A7) of the MFMA dummy budget guide which illustrates the format and content of the cashflow statement.
- Notwithstanding the Municipality's strong historical record of generating operational surpluses, the current budget reflects a marked shift, with increased deficits projected across the entire 2025/26 MTREF. To uphold the principles of budget credibility, the underlying assumptions informing operating revenue and expenditure should be reviewed to align with the Municipality's historical performance trends.
- The Municipality's total operating expenditure increased from R1.78 billion in the 2024/25 adjustment budget to R2 billion in the 2025/26 tabled budget, significant growth of 12 per cent.

- The main contributing factor to the operating deficit is a significant increase in contracted services (R69.88 million) and bulk purchases (R85.42 million). In the prior year (2024/25) budget, a once-off provision of R57 million was included under contracted services for infrastructure maintenance, contributing to the operating deficit. In the current budget (2025/26), no similar once-off provision is explicitly identified. The increase in contracted Services appears to be driven primarily by the housing grant linked to top-structures.
- Furthermore, the Capital Replacement Reserve (CRR) is projected to decline significantly, from R296.32 million in the current financial year (2024/25) to R70.86 million by 2027/28. Given that a substantial portion of the Municipality's capital budget is financed through internally generated funds, this downward trajectory in the CRR may pose a risk to the sustainability of the Municipality's capital funding strategy. It is essential that this trend be closely monitored and addressed to ensure the continued viability of capital investment plans over the medium to long term.
- In 2025/26, 77.3 per cent of the Municipality's capital funding is sourced internally, reflecting strong operating performance but posing financial sustainability risks with the declining reserves. While the 2023/24 AFS shows a healthy cash position, sustaining this funding level raises concerns.
- The Western Cape Public Library Services Bill is planned to be enacted in time for the library service function to be assigned to your municipality by agreement by 1 July 2025. Accepting the assignment of the function will allow the municipality to budget for payments from the province for library services as grant funds that are zero-rated for VAT. The Municipality should therefore clearly indicate its intention to agree to the assignment of the function in its adopted budget if it intends to budget for these payments as grant funds (and not budget to pay VAT on them).

	2025/26		2026/27		2027/28	
Line Item	Municipality	Treasury Recalculation	Municipality	Treasury	Municipality	Treasury
Cash/Cash Equivalents (A7)	**547 870**	**428 906**	**497 279**	**275 505**	**490 432**	**165 399**
Surplus/Deficit (A8)						
	358 776	**184 585**	**390 952**	**129 686**	**413 266**	**71 160**

- The Municipality reported a decreasing year-on-year positive cash and cash equivalents balance over the MTREF period of R547.87 million in 2025/26, R497.27 million in 2026/27, and R490.43 million in 2027/28, respectively.
- The analysis of table A6 (Budgeted Financial Position) projects that the Municipality will realise a positive working capital over the MTREF period, indicating that the Municipality will have sufficient funds to meet its short-term liabilities, and will be able to sustain its financial health position.
- The Municipality is demonstrating that it has adequate cash resources to meet its monthly fixed operating commitments from available cash and investments. The Municipality has considered the required applications to the reported cash and investments reflected in table A8.
- The Municipality projected its liquidity ratio to decrease from 1.76:1 (2025/26), to 1.36:1 (2026/27), and to 1.23:1 (2027/28) over the MTREF period. Notwithstanding, the decreasing ratio, the Municipality anticipates having adequate financial resources to settle its short-term debt when it is due for payment. The Municipality shows no sign of liquidity risk based on the favourable liquidity ratios reported throughout the MTREF period, which is above the NT acceptable norm of 1:1.

- The Municipality projects a cost coverage ratio of 4.03 times in 2025/26, 3.62 times in 2026/27 and 3.40 times in 2027/28 over the MTREF period, demonstrating that the Municipality has adequate cash resources to meet its monthly fixed operating commitments from available cash without collecting any additional revenue. The anticipated cash coverage ratio is above the NT acceptable norm of between 1 - 3 months.

- Property rates of R378.45 million are reported in the 2025/26 budgeted monthly cash flow statement (SA30), compared to R387.76 million in the Budgeted Financial Performance (A4), reflecting a 97.6 per cent collection rate which is deemed realistic

- Service charges of R1.11 billion reported on the 2025/26 cash receipts (SA30) compared to R1.13 billion billing, reflecting a 97.9 per cent collection rate.

3.4 TRADING SERVICES

3.4.1 OUTCOMES OF THE COST REFLECTIVE TOOL

Table 3 Outcome of the Cost Reflective Tool

WC	West Coast	Saldanha Bay	WC014

Tariff Assessments for the MTREF Period

	Assessment Status	Financial Year	Period	Item	Water	Waste Water	Electricity	Solid Waste	Total Surplus/Deficit	
Year 1	Cost Reflective	2025/26 Tabled Budget	Year1	Revenue Required by NT Tariff Tool	187,375,816	73,594,471	663,885,773	86,994,392	1,011,850,453	Year 1
				Revenue Budgeted	199,665,444	110,364,612	664,635,902	102,028,932	1,076,694,890	
				Shortfall/Excess	12,289,628	36,770,141	750,129	15,034,540	64,844,437	
				Assessment Outcome per Service	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	
Year 2	Cost Reflective	2025/26 Indicative Tabled Budget 2026/27	Year2	Revenue Required by NT Tariff Tool	203,449,721	79,870,293	718,311,578	91,629,460	1,093,261,052	Year 2
				Revenue Budgeted	213,642,025	118,090,133	718,870,188	109,170,954	1,159,773,300	
				Surplus /Deficit	10,192,304	38,219,840	558,610	17,541,494	66,512,248	
				Assessment Outcome per Service	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	
Year 3	Cost Reflective	2025/26 Indicative Tabled Budget 2027/28	Year3	Revenue Required by NT Tariff Tool	228,223,452	92,605,408	782,879,669	98,254,513	1,201,963,042	Year 3
				Revenue Budgeted	228,596,967	126,356,445	783,496,623	116,812,925	1,255,262,960	
				Surplus /Deficit	373,515	33,751,037	616,954	18,558,412	53,299,918	
				Assessment Outcome per Service	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	

Source: GoMuni

- The MTREF tariff assessment for Saldanha Bay Municipality reveals that the municipality has recorded surpluses across all trading services, all four trading services (water, wastewater, electricity, and solid waste) consistently produce surpluses year-on-year. This demonstrates a well calibrated tariff regime that supports financial sustainability.

- Saldanha Bay Municipality's 2025/26 tariffs are overall cost reflective, with solid surpluses supporting operational sustainability. However, there is scope to reassess margins especially in wastewater to enhance affordability while maintaining service excellence.

- Wastewater and solid waste show substantial surpluses, with wastewater surpluses range from R36 million to R38 million for the MTREF and the surplus margin of 49.97 per cent for 2025/26 financial year and solid waste from R15 million to R18 million the surplus margin of 18.10 per cent for 2025/26 financial year. Indicating either efficiencies in service delivery, or potential over recovery that should be monitored to avoid affordability issues.

- Electricity tariffs closely matched to costs, with a small surplus of R750 000 in 2025/26 (0.11 per cent margin) implying near perfect cost alignment. The water tariff recorded a moderate surplus margin of R12.3 million (6.56 per cent). This indicates efficient cost recovery with a buffer, potentially to finance infrastructure maintenance or minor upgrades.

- The municipality proposed electricity tariff is 11.77 per cent increase as per the tabled budget, whereas the increase in electricity bulk purchases for the 2025/26 financial year is 11.32 per cent as approved by NERSA, this proposed increase is on par with the provincial average of 11.83 per cent. The municipality explained in their tabled budget that the proposed electricity tariff is based on their Cost of Supply Study.

- The Municipality decided to table an 8.00 per cent increase in their wastewater tariff for the 2025 MTREF, which is below the provincial average of 8.70 per cent. A 6.00 per cent increase for both water and refuse tariffs has been proposed by the municipality for the 2025 MTREF, below the provincial average which is 6.42 per and 8.70 per cent respectively and above the recommended range as per the National Treasury MFMA Circular No. 129.

3.4.2 LAND VALUE CAPTURE AND ALTERNATIVE FINANCING

3.5.1 Development Charges

- On the 11th of June 2024, The President of the Republic of South Africa signed into law the Municipal Fiscal Powers and Functions Act (MFPFA) (Act No. 4 of 2024), with the insertion of Chapter 3A: Development Charges.

- Prior to the MFPFA, municipalities levied development charges in an inconsistent and sometimes biased manner. This lack of standardisation caused confusion for developers, leading to disputes and reducing investment attractiveness. The MFPFA will provide a clear, legal framework that standardised the levying and application of DCs, bringing greater transparency and predictability for both developers and municipalities.

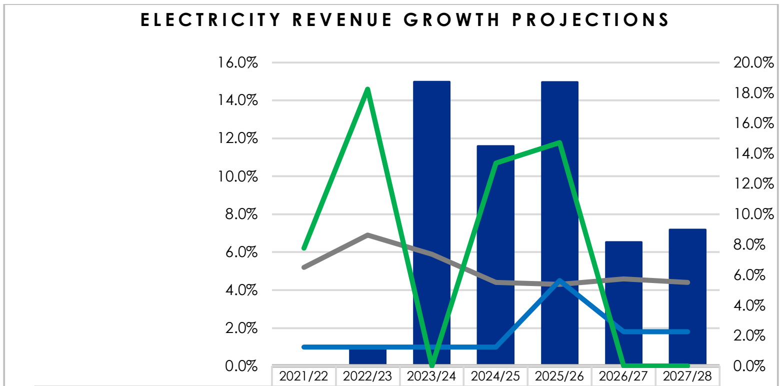
- Therefore, municipalities that are already levying DCs in terms their pre-existing DC policy or DC by-law, as at the date of commencement of this Act, must ensure that it complies with this amended Act within 36 months after the date of commencement of the Act, While municipalities intending to levy DCs, their municipal councils must adopt a resolution for the municipality to levy the DCs, and thereafter develop their policy that is compliant with the Act.

- Annexure 2 in the guidelines for the implementation of municipal DC in South Africa, offers a DCs policy guidance and model policy that municipalities can adapt to their unique contexts, when updating or developing their DC policies and PT could assist by sharing examples of successful DC policies from other municipalities to serve as benchmarks.

3.4.3 ENERGY SERVICES

3.4.3.1 Energy Services Credibility and Sustainability

Figure 1 Energy trading service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Electricity Growth %		1.3%	18.7%	14.5%	18.7%	8.2%	9.0%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Electricity Consumption Growth	1.0%	1.0%	1.0%	1.0%	4.5%	1.8%	1.8%
Service Charges: Electricity Tariff Increase	6.22%	14.59%	0.00%	10.70%	11.77%	0.00%	0.00%

Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R649 179 763	R704 735 584	R772 412 128
	Expenditure	R691 743 070	R747 638 497	R813 642 298
	Surplus/ Deficit	R42 563 307	R42 902 913	R41 230 170

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Basic Charge (WC Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R1 541.00	R122.00	11.77%	11.50%
Households	R351.00	R122.00	11.77%	11.50%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Electricity Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	9 104	R 27 024	R 29 230	R 31 857
Indigent (LGES)	9 563	R 34 673	R 36 823	R 38 488

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- Electricity revenue remains the most significant contributor to the Municipality's operating income, accounting for 34 per cent of total operating revenue over the 2025/26 Medium-Term Revenue and Expenditure Framework (MTREF). This underscores the critical role electricity revenue plays in supporting the Municipality's financial sustainability. Over the MTREF period, electricity revenue is projected to increase by 18.7 per cent, primarily driven by the proposed cost of supply (COS) informed tariff increase of 11.77 per cent in the 2025/26 financial year.

- The Municipality projected electricity revenue growth of 18.7 per cent. Which is above the 4.3 CPI inflation rate and the projected 18 per cent increase in bulk purchases. The budget assumes a 4.5 per cent increase in electricity consumption due to an 8 per cent increase in number properties and sectional deeds as well as the new phased in basic charges.

- The projected revenue budget for electricity is R691.74 million (including availability charges and indirect revenue) whilst the estimated expenditure is R649.18 million resulting in a surplus amount of R42.56 million for the 2025/26 reporting period. The full cost recovery of a tariff service is an important strategy to ensure financial stability, as it ensures sufficient and stable financing for the service in the future and is a key indicator of financial health and overall performance of that particular service.

- The Municipality's technical and non-technical electricity losses have remained constant at 11.48 per cent in both the 2022/23 and 2023/24 financial years, marginally exceeding the generally accepted benchmark range of 7 per cent to 10 per cent as set out by the National Treasury. While stability in the loss rate reflects a degree of control, the continued level above the norm underscores the need for heightened intervention.

- The Municipality is encouraged to intensify its efforts to identify and rectify inefficiencies within the energy distribution network. This includes addressing challenges such as aging infrastructure, meter tampering, illegal connections, and data inaccuracies.

- To ensure long-term sustainability, capital investments must be aligned with realistic revenue forecasts and supported by multi-year asset management plans which include technical losses, maintenance backlogs, and changing consumption patterns. Allocations are weakened by limited evidence of procurement readiness and implementation planning, as required by MFMA Circular No. 130.

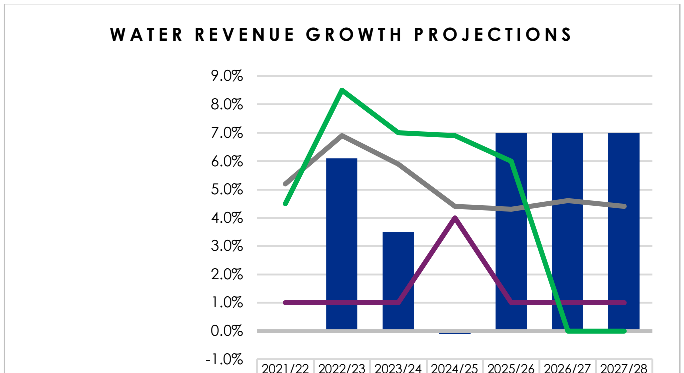
3.4.3.2 Responsiveness to Energy Demand and Provision

Municipal challenges	• Energy resilience/vulnerability. • Growth readiness vs infrastructure backlogs. • Ageing infrastructure. • Budget lags backlogs.
Electricity Expenditure Analysis	**Gaps in Resilience and Equity** • A2/A5: Primary focus on electricity (99% of energy budget), with minimal allocations to non-electric energy (e.g., renewables) or street lighting. • Gap: No clear resilience planning for energy diversification or load-shedding mitigation. **Growth Readiness vs. Infrastructure Backlogs** • A2/A5: Rising OPEX MTREF allocations (R649.0 million in 2025/26 to R772.0 million in 2027/28) suggest growth preparedness, but A10 reveals backlogs in grid maintenance and ageing infrastructure upgrades. While CAPEX grows across the MTREF (R23.2 million – R51.6 million), it does not appear to be a focus area over the 2025/26 MTREF. • Gap: New projects may overshadow critical backlog clearance, risking service disruptions. **Responsiveness to Needs: Mismatched Priorities** • A2/A5 prioritizes grid electricity while decentralized solutions (e.g., alternative energy) require further exploration. This will ensure better alignment with energy security needs. • Critical Overlap: Spending on grid expansion (A5) may not resolve service gaps in underserved areas/addressing services gaps. **Spending vs. Service Gaps** • Despite rising energy budgets for both A2 and A5, A10 shows no proportional increase in energy-access to household with 'below minimum service level' access. • Key Finding: Equity gaps persist as spending leans toward conventional infrastructure. The George Kerridge farm 132/4 electricity (R17.0 million) is noted as the most noteworthy spend on Infrastructure for Energy in 2025/26.

3.4.4 WATER SERVICES

3.4.4.1 Water Services Credibility and Sustainability

Figure 2 Water trading service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Water Growth %		6.1%	3.5%	-0.1%	7.0%	7.0%	7.0%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Water Consumption Growth	1.00%	1.00%	1.00%	4.00%	1.00%	1.00%	1.00%
Service Charges: Water Tariff	4.50%	8.50%	7.00%	6.90%	6.00%	0.00%	0.00%

Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R182 545 936	R197 525 364	R228 317 751
	Revenue	R236 802 635	R253 220 208	R270 518 564
	Surplus/ Deficit	R54 256 699	R55 694 844	R42 200 813

Source: Cost Reflective Tool

2025/26 Tariffs	Basic Charge	Basic Charge (Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R172.50	R397.80	6.0%	6.4%
Households	R103.50	R147.33	6.0%	6.4%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Water Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	9 104	R 15 885	R 16 997	R 18 186
Indigent (LGES)	9 563	R 24 533	R 26 054	R 27 232

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- Revenue generated from water services is projected to be R199.67 million, 213.64 million and R228.60 million over the 2025/26 MTREF period. This reflects a 7 per cent increase from the 2024/25 adjusted budget. The revenue budget for water is R236.8 million (including availability charges and indirect revenue) whilst the estimated expenditure is R182.55 million, resulting in a surplus amount of R54.26 million for the 2025/26 reporting period. The Municipality is commended for budgeting for stable cost recovery over the MTREF, which demonstrates a commitment to the financial sustainability of water services.

- Reported water losses have shown a marginal improvement, decreasing from 21.4 per cent in 2023 to 21.2 per cent in 2024. While this figure remains within the upper limits of National Treasury's acceptable benchmark range of 15 per cent to 30 per cent, it may still indicate underlying challenges such as aging infrastructure, inefficient water management practices, or system losses.

- In response, the Municipality has allocated a significant portion of its capital infrastructure budget over the MTREF period to water infrastructure projects, with a particular focus on the replacement of aging pipelines and the reduction of water losses. This proactive investment is commendable and, if implemented effectively, is expected to yield long-term improvements in operational efficiency and resource sustainability.

- It is imperative that the Municipality implement effective interventions to significantly reduce water losses. These initiatives should form a core component of the revenue enhancement strategy to safeguard and maximise revenue that can be reinvested into infrastructure improvements and enhanced service delivery.

- Furthermore, the Municipality is encouraged to strike a balance between consumer affordability and long-term financial sustainability. Tariff increases should be carefully designed to minimise the financial burden on vulnerable households while ensuring adequate revenue generation to support reliable service provision and necessary infrastructure investments.

- MFMA Circular No. 129 emphasises the need for alignment with long-term infrastructure demands, yet project prioritisation does not adequately reflect this. Ensuring credible water budgeting requires fully scoped, costed, and readiness-screened projects that address both efficiency and long-term resilience.

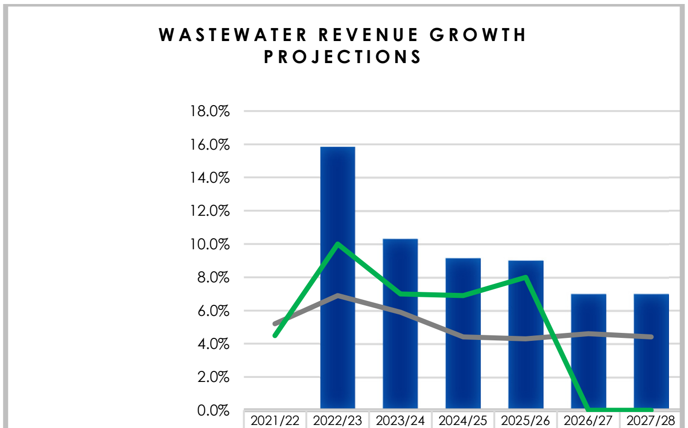
3.4.4.2 Responsiveness to Water Services Demand and Provision

Municipal challenges	• Water shortages and service delivery. • Ageing infrastructure. • Service delivery backlogs.
Water Expenditure Analysis	**Growth Readiness vs. Infrastructure Backlogs** • A2 allocations show steady increases in water distribution across the MTREF (R179.9 million to R217.9 million) and storage (R2.6 million to R10.4 million), but A5's volatile capital budgets (R50.4 million in 2025/26 vs. R197.2 million in 2026/27) suggest project planning for infrastructure needs. A10 reveals rising household piped water access (41 448 to 43 123), yet public tap users remain stagnant (4 920), indicating no movement for households relying on these facilities. **Ageing Infrastructure** • Minimal A2 allocations to water treatment (zero explicit funding) vs. distribution spending hint at deferred maintenance. A5's fluctuating but increased capital spending (particularly in the outer MTREF years) suggests a focus on project implementation. **Equity Gaps** • A10 shows no reduction in public tap reliance (4 920 households) despite budget growth, signalling neglect of low-income households reliant on public facilities. • A5's 2026/27 surge (R197.2 million) lacks alignment with A10's stagnant public tap metrics, suggesting an infrastructure focus, without addressing distribution rollout in current 2025/26 MTREF. **Key Findings** • Underfunded treatment: No explicit A2 allocations risk long-term system failure. • Equity: Static public tap numbers contrast with piped water growth spending, highlighting underserved communities. • Capital underperformance: A5 budgets indicated infrastructure project planning, with large differing allocations over the MTREF. • While water spending metrics show progress and large expenditures, it reveals gaps in equity. The New storage reservoir and associated works Louwville 2000 IRDP (R35.0 million) and the Misverstand pump station upgrade phase 1(R40.5 million) is noted for 2025/26, however it appears the notable increase in CAPEX for the outer years (2026/27 and 2027/28) will address equity gaps in water management/distribution to underserved communities.

3.4.5 WASTEWATER SERVICES

3.4.5.1 Wastewater Services Credibility and Sustainability

Figure 3 Wastewater trading service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Wastewater Growth %		15.9%	10.3%	9.2%	9.0%	7.0%	7.0%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Wastewater Tariff	4.50%	10.00%	7.00%	6.90%	8.00%	0.00%	0.00%

Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R110 723 459	R119 111 935	R132 953 327
	Revenue	R156 651 772	R167 399 575	R178 531 059
	Surplus/ Deficit	R45 928 313	R48 287 640	R45 577 732

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	8.0%	6.20%
Households		8.0%	6.20%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Wastewater Services (R'000) 2025/26	2026/27	2027/28
Indigent (A10,SA1)	9 104	R 20 761	R 22 214	R 23 769
Indigent (LGES)	9 563	R 15 350	R 16 302	R 17 039

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- The Municipality budgeted to generate a surplus amount of R45.93 million in respect of wastewater services in 2025/26 after considering the total cost amount of R110.72 million for the provision of water by the Municipality. The Municipality budgeted for an 8 per cent tariff increase in wastewater mainly due to substantial wastewater infrastructure projects over the 2025/26 period.

- Wastewater Management service charges are expected to grow from R95.35 million in 2024/25 to R116.81 million in 2027/28, reflecting an average annual growth of approximately 7.7 per cent. The growth trend appears to be driven by both service expansion and inflationary tariff adjustments. These increases align with the municipality's strategic focus on cost-reflective pricing and sustainable service delivery.

- The Municipality's 2025/26 draft budget allocates R98 million for wastewater infrastructure, part of a R378 million MTREF commitment. This capital investment should accommodate for the high increase in the demand for additional sanitation service from new properties and additional businesses as per the LTFP.

3.4.5.2 Responsiveness to Wastewater Services Demand and Provision

Municipal challenges	• Backlogs. • Ageing infrastructure. • Increased demand for services/household growth.
Wastewater Expenditure Analysis	**Growth Readiness vs. Infrastructure Backlogs** • A2 allocations show steady increases across the MTREF (R110.7 million → R132.9 million) while according to A10 no backlogs exist in terms of Pit toilets/Other toilet provisions. . • A5 (capital budget) rises sharply across the MTREF (R100.4 million → R145.6 million), suggesting a strong emphasis on Growth Readiness in anticipation of rising demand. • The following projects for 2025/26 further enhance the view of wastewater services being prioritised in 2025/26, namely: Brittania Bay wastewater treatment works R104.0 million and Upgrade Laingville wastewater treatment works R88.0 million.

- A10 shows only approximately 42 387 households will have sewerage by 2026/27, with minimal growth (1.5 per cent annually), showing no backlogs for the MTREF period, indicating all households receive above ‘minimum service level’ sanitation access.

Ageing Infrastructure:

- "Wastewater Treatment" sees the largest capital allocations under Trading services (A5) for the MTREF (R100.4 million → R145.5 million), likely addressing ageing plants.
- OPEX sewerage allocations across the MTREF shows steady increases (R68.1 million → R78.0 million). This indicates commitment to maintain service access levels with no expected backlogs indicated over the ensuing MTREF (as per A10).

Spending vs. Service Gaps: Critical Overlaps

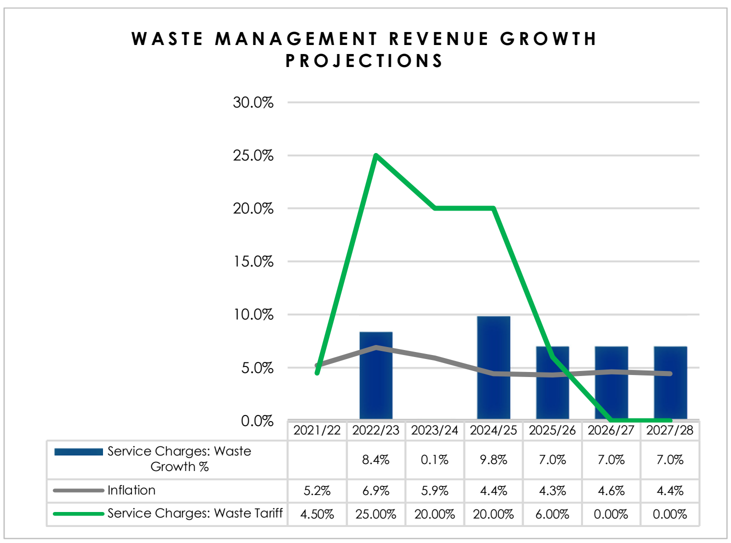
- A2 + A5 spending totals R211.2m (2025/26), yet A10 shows only 86% of households will have flush toilets (sewered/septic) by 2027/28 the rest are indicated to have chemical toilets.

Key Findings

- Treatment plants prioritized thereby addressing long-term inefficiencies.
- Alternative finance measures to possibly be explored to address infrastructure funding gaps.
- Silent risks: While ageing infrastructure and stormwater gaps are acknowledged and addressed in A2 and A5, they remain areas of concern for long-term resilience.

3.4.4.3 Waste Removal Services Credibility and Sustainability

Figure 4 Waste removal service trends



Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R105 031 819	R109 070 244	R116 071 674
	Revenue	R146 387 797	R154 096 086	R164 085 469
	Surplus/ Deficit	R41 355 978	R45 025 842	R48 013 795

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	6.0%	8.7%
Households		6.0%	8.7%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Waste Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	9 104	R 29 113	R 31 151	R 33 331
Indigent (LGES)	9 563	R 12 868	R 13 666	R 14 284

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- The Municipality has projected to generate a surplus amount of R41.36 million for waste removal services for the 2025/26 financial year after taking into account the total cost amount of R105.03 million for the provision of this service. The total cost for the provision is anticipated to increase by 6.5 per cent from the current year to the 2025/26 financial year which is higher than the projected tariff increase of 6 per cent but lower than the projected 7 per cent revenue growth over the same period. This translates to a cost recovery ratio of approximately 122 per cent to 133 per cent indicating strong financial control and resilience.

- In accordance with the 2023/24 Annual Financial Statements, the provision for the rehabilitation of landfill sites is recorded at R58.74 million. This amount is projected to increase to R81.54 million by the 2027/28 financial year, as reflected in Table SA3 of the A1 schedule and aligned with the Long-Term Financial Plan (LTFP).

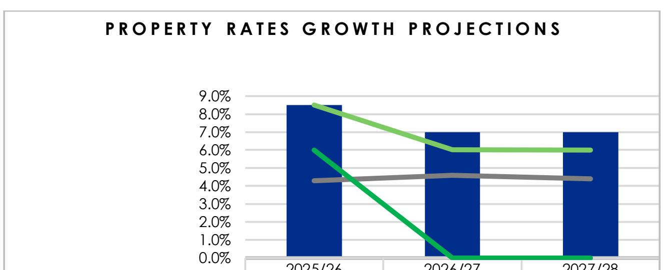
3.4.5.3 Responsiveness to Waste Removal Demand and Provision

Municipal challenges	• Growing demand from households. • Capacity and growth preparedness. • Backlogs.
Waste Expenditure Analysis	**Gaps in Resilience & Equity** • Spending disparities (A2): Waste removal (R60.6 million in 2025/26) dominates over recycling (unallocated) and solid waste disposal (landfill management) (R38.7 million), potentially neglecting long-term sustainability. • Service gaps: A10 shows 6 043 households (15.6%) fall below minimum service levels in 2025/26, worsening annually highlighting growing inequitable access. **Growth Readiness vs. Infrastructure Backlogs** • Underfunded CAPEX: Capital expenditure (A5) drops sharply from R23.0 million (2026/27) to R6.2 million (2027/28), risking landfill/processing capacity lagging anticipated demand. **Ageing Infrastructure** • Landfill focus: Solid waste disposal (OPEX) gets R43.1 million by 2027/28, but A5's variable CAPEX allocation is noted and is a cause for concern going forward. • No recycling investment: Zero allocations for recycling infrastructure (A2/A5) despite global circular economy trends. **Responsiveness to Needs: Mismatched Priorities** • Street cleaning cuts: Funding drops 32% (2025/26 to 2026/27) despite its role in public health and overall well-being. • Household coverage gap: A10 reveals growing underserved households (6 287 by 2027/28), yet budgets don't explicitly target this. **Spending vs. Service Gaps** • Equity and resilience deficits persist - underserved households grow while recycling/innovation remain unfunded. • Align A5 CAPEX with A10's equity gaps (e.g., expand weekly collections) and allocate dedicated recycling/landfill remediation funds.

3.5 REVENUE

3.5.1 Property Rates

Figure 5 Property rates



	2025/26	2026/27	2027/28
Property Rates % Movement	8.5%	7.0%	7.0%
Inflation	4.3%	4.6%	4.4%
Property Rates Tariff Increase	6.00%	0.00%	0.00%
% Growth in Market Value	8.5%	6.0%	6.0%

2025/26 Tariffs	Rate in Rand (Mun)	Rate in Rand (WC Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R1.40736	R0.06995	6.0%	5.4%
Households	R0.70363	R0.03640	6.0%	5.4%
Source: Municipal Budget Assumptions				

Property Rates Rebates	Number of Indigent HH	Rebates		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	9 104	R 33 730	R 36 091	R 38 618
Last GV date	01 07 2024			
Source: A1 schedules				

Source: NT GoMuni 2025/26 Draft Budget

- The Municipality has projected property rates revenue growth of 8.5 per cent which exceeds the proposed tariff increase of 6 per cent, indicating anticipated expansion within the municipal area. This growth is attributed to a growing rate base driven improvement to existing properties values and tariff increases. This projection is consistent with the expected growth in rateable property valuations, as outlined in Table SA12b of the A1 schedule.

- As previously highlighted, the most substantial revenue growth during the 2023 financial year was derived from property rates, driven by strong demand for new property development. This trend is expected to continue over the period 2023 to 2025, with property values and new developments anticipated to increase steadily.

- The estimated property rates revenue of R387.77 million for the 2025/26 financial year represents approximately 19.9 per cent of the total operating revenue budget, underscoring the Municipality's continued high reliance on this revenue source to fund core service delivery.

- While the rationale for projected growth is acknowledged, it is important to note that tariff increases exceeding inflation may place additional pressure on households with limited disposable income. In this context, the assumption of a 99.1 per cent collection rate over the 2025/26 MTREF should be closely monitored and periodically reviewed to ensure its realism and sustainability.

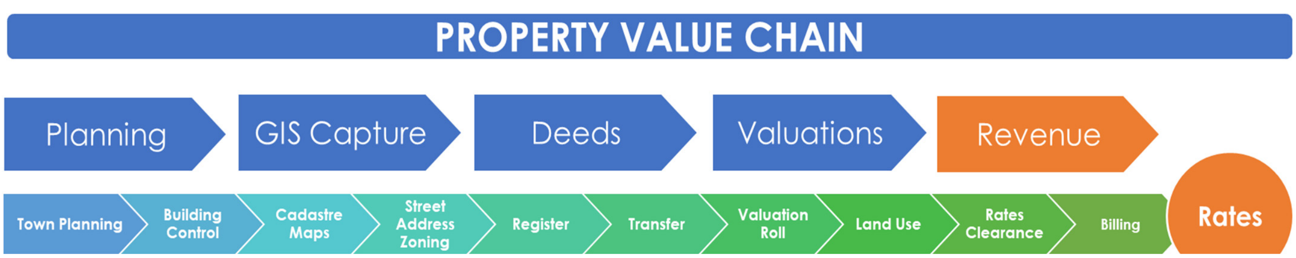
- It is further noted that the Municipality has considered and incorporated the requirements of MFMA Circular No. 130 in its budget planning process, which is commendable and contributes positively to the overall credibility of the financial framework.

- Rate the associated risks relating to potential revenue losses and additional operational requirements.

3.5.2 The Property Value Chain

The municipality's main asset is its property. Its main source of income is derived from charging for property rates. It is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. Municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing. **Figure 6** below highlights the key inputs into the Property Value Chain to realise maximum revenue from property rates.

Figure 6 Property Value Chain



Source: City of Cape Town Municipality

3.5.3 Other Revenue Risks

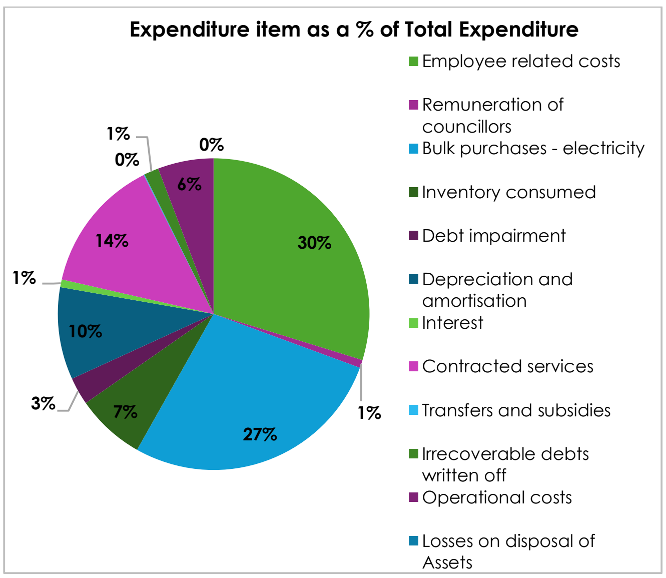
- In the 2023/24 financial year, traffic fine revenue amounted to R23.18 million, falling short of the adjusted budget of R24.24 million, and reflecting a decline from the R25.23 million realised in 2022/23. The recognition of an impairment provision of R36.55 million against gross fines of R57.95 million, coupled with a 34 per cent withdrawal or reduction rate, highlights ongoing challenges in the effective recovery and enforcement of fines.

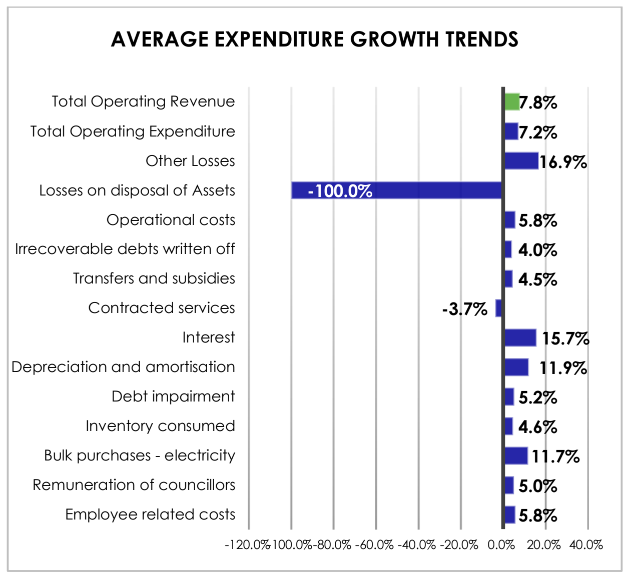
- Notwithstanding these constraints, the 2025/26 MTREF projects traffic fine revenue to increase to R31.94 million by 2027/28. In order to enhance the credibility of these projections, it is recommended that the Municipality strengthen enforcement mechanisms, improve collection processes, and adopt more conservative budgeting practices based on historic recovery trends.

- The implementation of the Administrative Adjudication of Road Traffic Offences (AARTO) legislation continues to face delays. Despite a 2023 Constitutional Court ruling dismissing any further appeals against the legality of the legislation, there has been no recent update from the Department of Transport regarding the anticipated roll-out for the 2025/26 municipal financial year. While it is understandable that most tabled municipal budgets would not yet make specific allocations for AARTO-related requirements, the proclamation of the Act remains imminent and municipalities must plan accordingly. As such, the Municipality is advised to acknowledge AARTO as a strategic and operational risk in both the IDP and budget documentation. Provincial Treasury will use the upcoming SIME process to engage the Municipality on its readiness to implement the legislation and to mitigate the associated risks relating to potential revenue losses and additional operational requirements.

3.6 OPERATING EXPENDITURE

Figure 7 Operating expenditure trends





Source: NT GoMuni 2025/26 Draft Budget

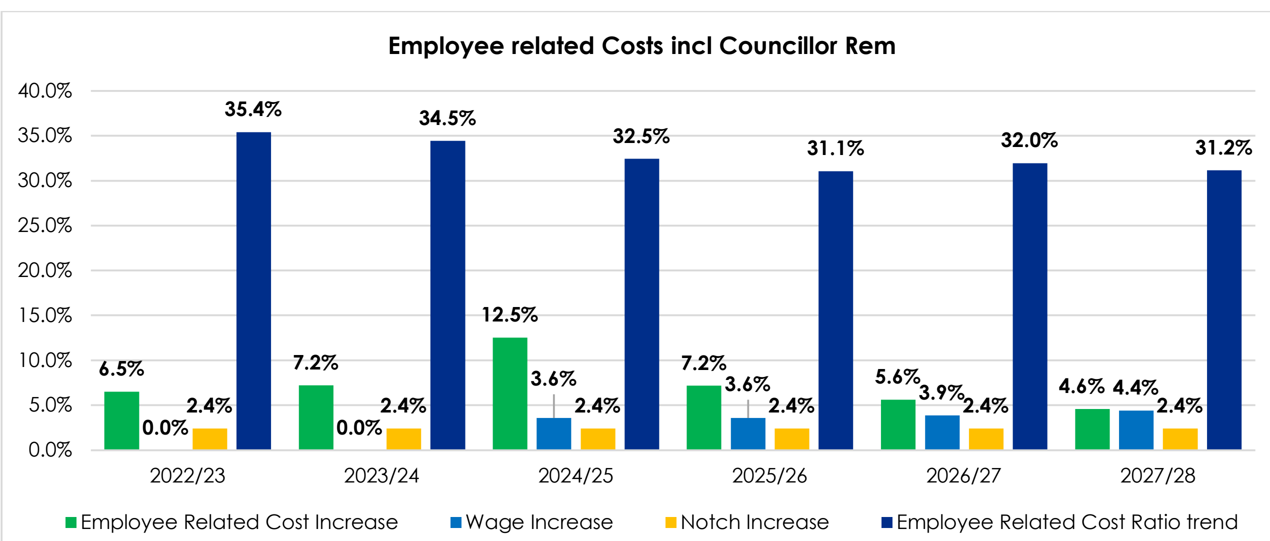
- Saldanha Bay Municipality is projecting operating deficits over the 2025/26 MTREF, despite having recorded consistent operating surpluses in previous years. These projected deficits are primarily driven by assumptions of elevated expenditure growth, with an average growth rate of 7.3 per cent, slightly lower than the 7.9 per cent reflected in the 2024/25 MTREF indicating a more cautious fiscal stance. However, historical expenditure trends show consistent underspending relative to budgeted figures, suggesting that current projections may overstate spending pressures and potentially understate the Municipality's true fiscal capacity. To enhance budget credibility, it is recommended that the Municipality align expenditure forecasts more closely with historical performance and documented cost containment outcomes. This will improve the accuracy of deficit projections and ensure better alignment with realistic spending capabilities.

- The operating expenditure is projected at R2.05 billion, R2.11 billion, and R2.26 billion for the 2025/26, 2026/27, and 2027/28 financial years respectively - representing growth of 12 per cent, 2.7 per cent, and 7.2 per cent over the three-year period. This is however based on the Provincial Treasury's recalculations, largely influenced by the misaligned debt impairment.

- While the Municipality's approach to impairment aligns broadly with the requirements of GRAP 104, reliance on a simplified, payment ratio-based method presents risks. This method should adequately incorporate debtor ageing, service type differentiation, or forward-looking risk assessments, potentially leading to an underestimation of impairment needs.
- Employee costs (including councillor remuneration) are budgeted at R620.39 million for the 2025/26 financial year, constituting 31.1 per cent of total operating expenditure, which remains within National Treasury norms. The projected 7.2 per cent increase with respect to employee related cost is partially attributed to the additional 17 new positions and wage and notch increases. The Municipality should review SA24 to accurately inform the budget.
- The Municipality has budgeted R559.12 million for bulk electricity purchases in 2025/26, an 18 per cent increase from the 2024/25 adjusted budget. This exceeds the NERSA approved bulk tariff increase of 11.32 per cent, suggesting that projections incorporate anticipated consumption growth and possible increases in system losses.
- Contracted services expenditure is projected to increase by 32.6 per cent in 2025/26, followed by reductions of 26.2 per cent and 8.8 per cent in 2026/27 and 2027/28 respectively. The spike in the outer year baseline is largely attributable to the once-off R57 million allocation in 2024/25 for infrastructure maintenance, which inflated the comparative base. Notably, contracted services are budgeted at 14.3 per cent of total operating expenditure, significantly exceeding the National Treasury benchmark of 2 – 5 per cent, and compromises mostly of contractors. Building contractors (56.4 per cent) make up the majority of the contractors' expense, which could be linked to the top structures' allocations of housing grant.
- The Municipality is encouraged to implement cost containment measures as stipulated in their cost containment policy and should further identify efficiencies to achieve the operational surpluses projected from 2024/25 in the LTFP.
- The operating budget demonstrates a credible alignment with service delivery priorities and reflects an effort to improve long-term fiscal sustainability. However, enhancements in the transparency and disclosure of key budget assumptions particularly those related to non-cash items such as debt impairment would further strengthen audit readiness and support robust financial oversight.

3.6.1 Employee Related Cost

Figure 8 Employee related cost including councillor remuneration



Source: NT GoMuni 2025/26 Draft Budget

- The primary cost drivers for 2025/26 are Employee related costs (incl. councilors), which make up 31.4 per cent of the total 2025/26 MTREF. The Municipality has budgeted R620.39 million for employee-related costs in 2025/26, growing to R685.31 million by 2027/28, reflecting an average growth of 5.4 per cent over the MTREF.

- The Municipality has projected salary increases of 5.6 per cent in 2025/26, rising to 6.8 per cent by 2027/28, with councilor allowances increasing by 5 per cent and 4.5 per cent in the outer years. A total of R9.10 million is allocated for newly funded positions in 2025/26 to support service delivery. While these increases are aligned with inflation, they should be carefully monitored to ensure they remain affordable and do not limit the Municipality's ability to fund other essential services and operational priorities.

- The Municipality plans to increase its staff complement from 1 161 to 1 178 in 2025/26. Given current financial pressures, it is recommended that these appointments be carefully assessed for necessity and affordability to ensure alignment with service delivery needs and budget constraints.

- The Municipality has reduced its overtime budget by R1.25 million for 2025/26, reflecting positive implementation of cost containment measures. To strengthen financial management, it is recommended that overtime projections align more closely with historical trends, and that the Municipality continue to assess the link between total employee costs and productivity to ensure efficiency without compromising service delivery.

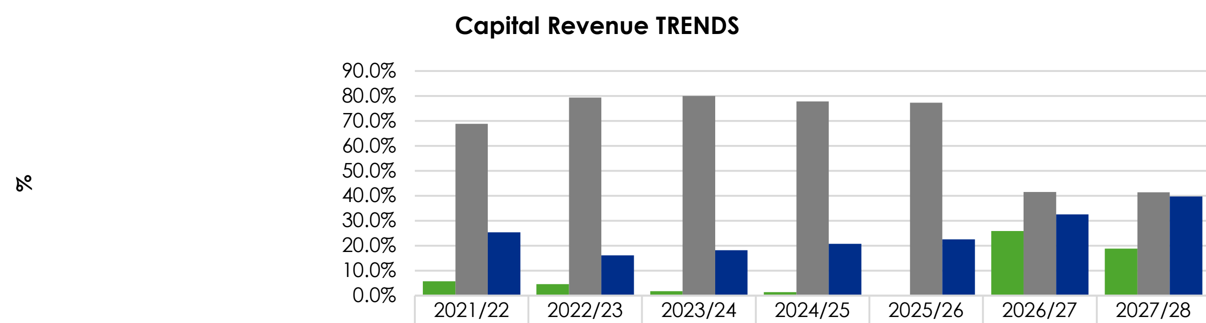
- Notably, long-services awards are projected to increase by 138.7 per cent, with medical aid contributions and performance bonuses increasing by 10 per cent and 12.2 per cent, respectively.

3.6.2 Other Expenditure Risks: Municipal Dependent

- Depreciation and amortisation are projected at R194.58 million, R225.50 million, and R274.40 million for the 2025/26, 2026/27, and 2027/28 financial years respectively. The provision for depreciation appears to be appropriately aligned with the asset register and is consistent with historical expenditure trends, indicating sound application of accounting standards and prudent financial planning.

3.7 CAPITAL FUNDING MIX

Figure 9 Capital funding mix



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Borrowing as % of total CAPEX	5.8%	4.6%	1.8%	1.5%	0.3%	25.9%	18.7%
Internally Generated Funds as % of total CAPEX	68.8%	79.3%	80.1%	77.9%	77.3%	41.6%	41.5%
Capital Grants as % of total CAPEX	25.4%	16.1%	18.2%	20.7%	22.5%	32.5%	39.8%

Source: NT GoMuni 2025/26 Draft Budget

- The Municipality's capital programme reflects a dominant reliance on internally generated funds, which accounted for 77.3 per cent of the capital funding mix in 2025/26. The AFS 2023/24 confirms a healthy cash position; however, the associated funding pressure to sustain internal contributions of this magnitude over time raises concern.

- The LTFP illustrates that while the capital replacement reserve (CRR) is projected to fund a significant portion of capital needs in the short term. The projected reduction in the utilisation of the Capital Replacement Reserve (CRR) beyond 2026/27 aligns with a notable increase in external borrowings, which are expected to rise from a nominal level in 2025/26 to R162 million in 2026/27. This shift in the funding model introduces long-term affordability risks, particularly as debt servicing obligations escalate and place increased pressure on operating margins. Careful monitoring and strategic financial planning will be essential to mitigate potential impacts on the Municipality's overall fiscal sustainability.

- While grant funding improves to 39.8 per cent by 2027/28, this is largely dependent on external transfers and associated compliance requirements. The MTREF and LTFP both highlight volatility in grant allocations, which may impact capital execution if not proactively managed through alignment with project readiness and procurement capacity.

- The sharp increase in the capital budget to R624 million in 2026/27 is driven by strategic and bulk infrastructure projects. However, based on past performances, the municipality should assess its capacity to implement as well identify implementation ready in the procurement cycle.

- The Municipality should assess its strategy on the projects funded from borrowings to maintain its healthy financial position. Furthermore, Infrastructure investment financed from borrowings should guarantee a return on investment either in the form of additional revenue generation or economic growth that can be leveraged to increase the Municipality's revenue base to ensure overall sustainability.

3.7.1 Grants

- The Municipality's capital funding mix demonstrates an increasing dependence on capital grants, with allocations rising from R83.07 million in 2025/26 to R212.52 million by 2027/28. By the outer year, grants are projected to constitute nearly 40 per cent of the total capital programme.

- While this trend enhances affordability and alleviates pressure on internal reserves, it also heightens the risk of non-execution due to potential challenges related to project readiness and compliance with grant conditions. To mitigate these risks, the Municipality should strengthen project planning and implementation capacity.

3.7.2 Borrowing

- The Municipality plans to fund capital expenditure from borrowings as indicated on the A5 to the amount of R1.021 million in 2025/26, R162.00 million 2026/27 and R100.00 million in 2027/28 MTREF years.

- The gearing/debt ratio is projected to increase over the MTREF years from 12.0 percent (2025/26), 1.1 per cent (2026/27) to 22.0 per cent (2027/28) over the MTREF period and reported that the municipality has capacity to take on additional increase funding from borrowings. Also, it indicates that the municipality still has the capacity to increase funding from borrowings. However, this should be considered within the cash flow requirements of the Municipality. The ratio is within the National Treasury norm of 45 per cent.

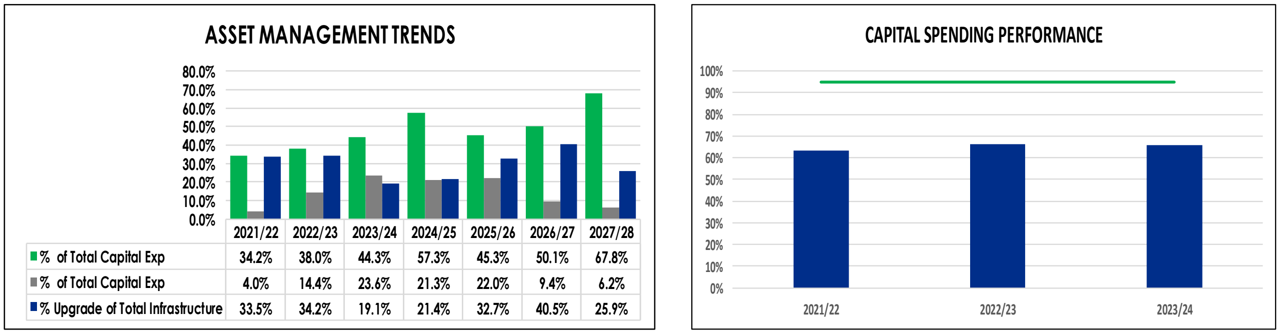
- The Municipality projected a positive closing cash and cash equivalents which includes repayment obligations as indicated on the A7 throughout the MTREF. The repayment on borrowings amounts as indicated for the financial years are R13.87 million, R12.54 million and R23.55 million for 2025/26, 2026/27 and 2027/28 respectively. A net decrease in cash held is projected over the MTREF period. A year – on - year decrease on the closing cash and cash equivalents is projected over the MTREF budget.

- Although the Municipality will generate revenue and cash from its operations to service the projected additional debt, it should be noted the Municipality must have considered all the concerning factors that will have an impact on the Municipality's cash flow pressure. The municipality have sufficient cash to contribute toward the capital budget.

- It should be noted that the Municipality's tariff structure should be set to include the capital charges of the debt obligation so that sufficient funds can be generated to meet the repayment obligations.

3.8 CAPITAL EXPENDITURE TRENDS

Figure 10 Asset Management



Source: NT GoMuni 2025/26 Draft Budget

- The Municipality's capital expenditure has shown substantial growth, increasing from R239.35 million in 2023/24 to a projected R369.65 million in 2025/26, with a significant escalation to R624.32 million in 2026/27. This upward trajectory underscores a strong emphasis on infrastructure delivery; however, it also raises concerns regarding the Municipality's capacity to execute projects efficiently on time and within budget given the rapid increase in planned expenditure over a short period. Historical data indicates notable underperformance between 2021/22 and 2023/24, with an average implementation rate of 65 per cent, highlighting the critical need for enhanced planning and execution capabilities.

- The Long-Term Financial Plan (LTFP) further cautions that sustained high levels of capital expenditure may exert pressure on the operating budget, particularly if newly acquired assets lead to increased maintenance and service delivery costs. To address this, it is recommended that capital spending be guided by historical performance trends and supported by well-defined implementation plans, along with a thorough understanding of the long-term financial implications associated with infrastructure upkeep.

- The Municipality has successfully increased spending on Repairs and Maintenance (R&M) as a percentage of Property, Plant, and Equipment (PPE) from 2.5 per cent in 2023/24 to 4.2 per cent in 2024/25. This is largely as a result of the inclusion of employee-related costs linked to maintenance activities. For the 2025/26 financial year, R&M spending is budgeted at 6.4 per cent, before declining slightly to 6.0 per cent in 2026/27 and 5.8 per cent in 2027/28. While this is a notable improvement, it still falls short of the National Treasury's recommended benchmark of 8 per cent. The Municipality is commended for increasing its investment in R&M and is encouraged to maintain or further increase these allocations, especially to address ageing infrastructure. Prioritising regular maintenance is essential to prevent asset deterioration and ensure the long-term sustainability of municipal infrastructure.

- Furthermore, the current allocation for the renewal and upgrading of existing assets does not align with the guidance of National Treasury Circular No. 130, which recommends that at least 60 per cent of capital expenditure be directed towards the maintenance, renewal, and upgrading of existing assets.

It is therefore advised that the Municipality should strive to budget for this in the adopted budget to ensure sustainable asset management and service delivery continuity.

3.9 OTHER CAPITAL INFRASTRUCTURE RESPONSIVENESS

Municipal challenges	• Capacity challenges and service delivery gaps. • Road transport capacity. • Backlogs. • Lagging infrastructure index.
Capital Expenditure Analysis	**Gaps in Resilience and Equity** • Environmental protection receives minimal funding (R0.5 million in 2025/26, R1.44 million in 2026/27, zero in 2027/28), while planning and development drops sharply (R9.07 million to R0.13 million), risking long-term growth planning. **Growth Readiness vs. Infrastructure Backlogs** • Road transport dominates allocations (R83.26 million in 2025/26 to R142.82 million in 2027/28), suggesting prioritisation of infrastructure. • Declining planning budgets may hinder preparedness for future economic growth. **Ageing Infrastructure: Silent Crisis** • Substantial investment in road transport (peaking at R144.3 million in 2026/27) indicates investment in ageing assets. **Responsiveness to Needs: Mismatched Priorities** • Economic services (roads) allocations need high investment, however environmental protection, despite Saldanha Bay's coastal vulnerability receives zero allocation in 2027/28. **Key Findings** • Saldanha Bay's budget leans heavily toward road infrastructure, risking underinvestment in environmental resilience and equitable development. • Drastic cuts to planning and environmental budgets, potentially exacerbating long-term vulnerabilities. • A5 allocations reveal a tension between immediate infrastructure demands and sustainable, inclusive growth.

3.10 MUNICIPAL READINESS: INFRASTRUCTURE IMPLEMENTATION CAPACITY

Municipal factors/scoring	• Slow growing economy. • Rising population and demand for services. • Low infrastructure index (MERO 2024).
Capacity Analysis	• **Strong Financial Stability**: Saldanha Bay Municipality maintains low debt levels and medium financial sustainability, supported by a clean audit and effective budget allocation for infrastructure projects. This indicates a solid foundation for alternative financing. • **Robust Revenue Streams**: The Municipality has medium reliance on grant funding and demonstrates efficient revenue management, including a 96.7% collection rate, which enhances its capacity to service off-balance sheet arrangements. • **Infrastructure Performance**: While capital expenditure is underperforming (57.7% below YTD budget), the Municipality has adequate water, sanitation, and road infrastructure. However, long-term planning needs improvement to align with rapid delivery goals. • **MIG Efficiency**: Saldanha Bay's MIG expenditure performance is moderate (91.6% over three years), but internal delays in project readiness highlight the need for better planning and execution to leverage alternative financing effectively. • **Economic Growth Potential**: The Municipality's strategic location and active PPPs (e.g., Laingville WWTW upgrade) positions it well for economic expansion, but reliance on internal funds for capital projects may limit scalability without alternative financing.

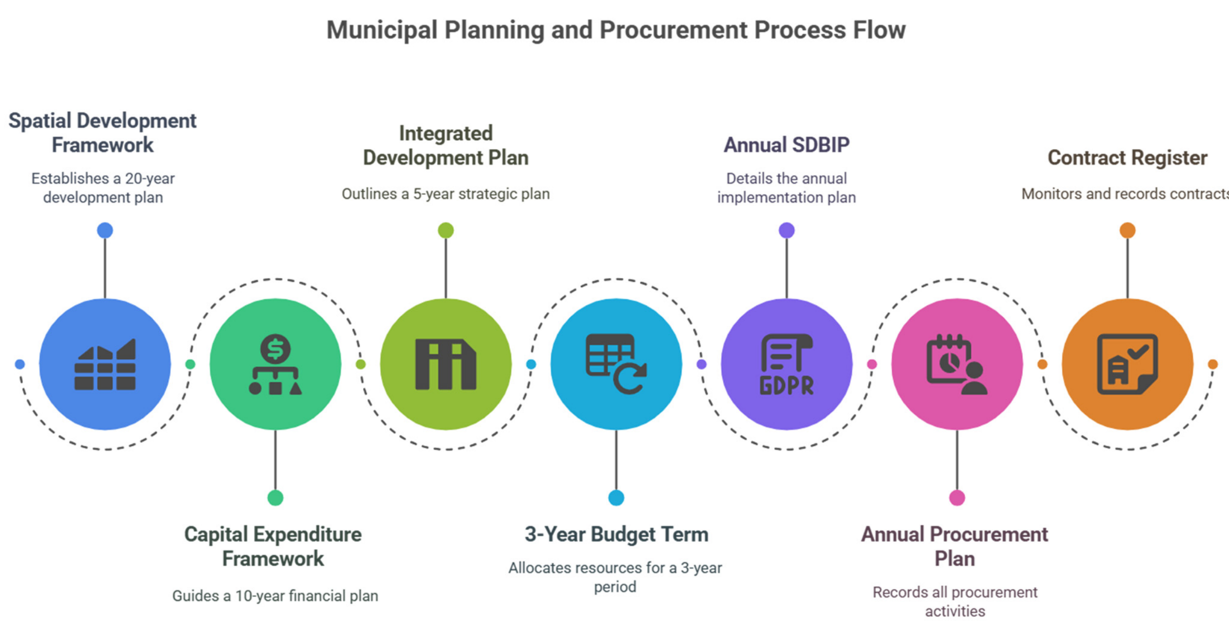
	• **Socio-Economic Impact:** Prioritizing infrastructure like roads through alternative financing could address service delivery gaps, but must be balanced with community engagement to ensure equitable benefits and avoid debt risks. • **Capacity Readiness**: While governance is stable and leadership capable, vacancies in key roles and under-resourced asset management units may hinder rapid implementation. Strengthening internal capacity is critical for success.

3.11 SUPPLY CHAIN MANAGEMENT AND ASSET MANAGEMENT

Introduction

This section includes a review of all SCM related policies (including Asset Management) to assess the maturity of SCM governance in the municipality. Focus areas include:

- The compliance of SCM and AM related policies to regulatory requirements and highlighting areas which require amendment or review prior to council adoption in June.
- The completeness of procurement plans, considering both new and existing procurement contracts in place to give effect to procurement requirements in the financial year, i.e. the alignment of the procurement plan to the budget.
- The completeness, accuracy and reliability of Contract Registers and their interrelationship with procurement plans.
- Availability and completeness of asset registers and their ability to influence IDPs and the 3-year budget cycle for either asset maintenance or replacement/refurbishment.
- Commodity-specific opportunities for strategic procurement for improved efficiency, value-for-money and service delivery, whether at municipal, district, provincial or national level.



Saldanha Bay Municipality Assessment

Table 4 Summary of inputs received from Saldanha Bay Municipality

Item	Provided (Y/N)	Councial Adopted? (Y/N)	Last Review Date	Comments
SCM Policy*	Y	Y	17/01/2024	Effective 17 January 2024
SOPs	Y	Unknown	Unknown	One SOP provided: procurement planning
SCM + AM Delegations	Y	Unknown	Unknown	
Preferential Procurement Policy*	Y	Unknown	Jul-05	Implementation from 1 July 202
FIDPM Policy*	Y	Unknown	Unknown	Annexure A to SCM Policy: Effective Date: 1 July 2021
Procurement Plan	Y	Unknown	2025	Draft 2025/26 Plan
Contract Register	Y	n/a	n/a	Comprehensive
Asset Mgmt Policy	Y	Unknown	Unknown	Aligned to GRAP but no provision for ISO 55001 practices
Asset Disposal Policy	n/a	n/a	n/a	Included in AMP
Asset Register	Y	Unknown	Unknown	Asset Register downloaded from GoMuni

* *If not included in SCM Policy*

Table 5 SCM Policy sufficiency & compliance

Rating	Measure
1	No SCM policies, SOPs or Delegations provided
2	Some SCM policies, SOPs and/or Delegations provided, but not compliant or sufficient
3	Some SCM policies, SOPs and/or Delegations provided, with omissions &/or areas of improvement identified
4	All SCM policies, SOPs or Delegations provided, with areas of improvement identified
5	All SCM policies, SOPs and Delegations provided, and all are compliant & sufficient
	Municipal assessment & comments
3	**SCM Policy** -Saldanha Bay Municipality's updated SCM Policy has successfully incorporated key amendments regarding procurement thresholds and procurement processes for local municipalities as outlined in the amended Municipal SCM Regulations issued in December 2023. - Paragraph 46.1 of the SCM Policy states that the Accounting Officer **may**, if deemed necessary, appoint an independent and impartial person who is not directly involved in the supply chain management process. However, this provision is mandatory in terms of the MFMA SCM Regulations, and therefore the wording must be amended to replace '**may**' with 'must' to reflect this legal obligation. - The SCM policy addresses the requirement for tax compliance checks as a precondition for consideration and award of quotations and bids. **Preferential Procurement Policy** - The Preferential Procurement Policy aligns with the PPPFA and its 2022 Regulations, incorporating the key provisions, thresholds, and mechanisms required under the current regulatory framework. **Delegations:** - The Municipality's delegation framework aligns well with MFMA Circular 73. - Delegations are formally documented and grounded in a solid legal basis, with references to MFMA Section 82 and council-approved delegations. - A clear hierarchical structure is in place, with defined roles and responsibilities for senior management and other staff, supported by effective checks and balances. - The CFO's sub-delegations follow the legislative requirements, and the delegation framework is reviewed and updated regularly under Municipal Council oversight. - Overall, these arrangements demonstrate a robust and transparent system that meets the key principles outlined in MFMA Circular 73. **SOPs** - Only one SOP was provided, detailing the procurement planning process. No other SOPS that speak to MFMA Circular 87 were provided.

Table 6 Infrastructure Procurement Policy sufficiency & compliance

Rating	Measure
1	FIDPM Policy not provided
2	FIDPM Policy provided, but not compliant or sufficient
3	FIDPM Policy provided, with omissions &/or areas of improvement identified
4	FIDPM Policy provided, with areas of improvement identified
5	FIDPM Policy provided, and is compliant & sufficient
	Municipal assessment & comments
5	There is clear alignment between Annexure A of Saldanha Bay Municipality's SCM Policy (FIDPM Annexure) and MFMA Circular 106. The annexure corresponds with the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM) introduced in the circular. Its inclusion in the policy indicates that the municipality has incorporated the national guidance on infrastructure procurement and delivery management, as recommended by National Treasury.

Table 7 SCM Involvement in planning & budgeting cycle

Rating	Measure
1	No evidence of SCM involvement in IDP
2	No explicit evidence of SCM involvement in IDP, but implied in documents provided
3	Some evidence of SCM involvement in IDP, with gaps to be addressed
4	Evidence of SCM involvement in IDP, but gaps identified
5	Clear evidence of SCM involvement in IDP
	Municipal assessment & comments
5	- The procurement plan is detailed and comprehensive, containing all the relevant information and indicating a robust planning process. - The procurement plan aligns with the strategic focus areas set out in the IDP. - The procurement plan reflects a number of high-value and strategically important projects aligned with the IDP. - External consultants are widely used across projects, with their roles clearly outlined in the plan. - Target dates for various bid process stages are included, which reflects proactive planning, but may not always be realistic for complex tenders. - The plan includes a significant number of new tenders for 2025/26, indicating a busy procurement year ahead. - Term contracts are commonly used, highlighting the need for structured contract oversight over extended periods. - Several projects are sequenced in phases, showing coordination, but also requiring careful timeline management. - Funding sources are clearly indicated, though reliance on grants suggests a need to monitor fund availability closely. - The allocation of Contract Owner and Contract Manager roles suggests an effort to strengthen accountability in contract execution. - Projects in the procurement plan give practical effect to the objectives in the IDP. - Clear linkage between planned procurement and goals identified in the IDP.

The following potential risks emanating from the procurement plan are highlighted for the municipality's consideration:

- Several high-value projects (above R10 million) increase the municipality's financial exposure and require increased oversight.
- Heavy reliance on external consultants, which, if not well-managed, could lead to cost overruns and delivery delays due to potentially unclear scopes of work.
- Many projects have tight or ambitious timelines which may not be realistic, especially for complex or multi-stage processes; this could compromise quality and cause delays.
- A high volume of tenders planned for 2025/26 could place strain on procurement capacity, increasing the risk of administrative errors and process bottlenecks.
- Interdependencies between projects, like different phases of the boardwalk or municipal office building, mean that delays in one area could impact others.
- Frequent use of term contracts highlights the need for clear contract terms and strong performance management systems.

- Dependence on specific funding streams creates risk if there are delays or shortfalls in fund availability.
- Various commodities are split across various projects indicating possible lost opportunities to consolidate and capitalise on economies of scale.

Saldanha Bay's Municipality's influenceable spend amounts to approximately R916.4 million for 2025/26, compared to approximately R831 million for 2024/25, broken down as follows:

	2025/26	2024/25
Inventory Consumed	145 095 000	147 581 000
Contracted Services	284 556 000	245 713 000
Operational Costs (excl Audit Fees)	117 150 853	105 162 000
Procurable OPEX	**546 801 853**	**504 332 000**
Capital Projects	369 645 000	326 853 000
TOTAL	**916 446 853**	**831 185 000**
Rep & Maint (R-value in Budget)	211 607 000	136 112 000

This amounts to a total increase of 10 per cent for procurable expenditure, with Repairs & Maintenance allocations seeing the largest increase of 55 per cent, and Capital Projects seeing a 13 per cent increase.

As operating expenditure-related procurement makes up 60 per cent of the procurable expenditure in the budget, it is heartening to see the focus on *both* OPEX and CAPEX in the procurement plan and contract registers.

Contract Register: Sufficiency and Alignment to Procurement Plan

The Contract Register includes key fields for contract administration, with contract variations/extensions tracked for effective record-keeping.

However, the register does not incorporate mSCOA item codes, needed for alignment with MFMA Circular 80; the register is fully aligned to the comprehensive best practices recommended by the NT Contract Management Guide (2010).

The municipality is to be commended on the alignment between the Contract Register and the Procurement Plan, particularly for recurring services where impending contract expiry informs new procurement activities. Some renewable contracts may not have been included in the Procurement Plan.

Examples of alignment between Contract Register & Procurement Plan:

Banking Services contract expires on 30 June 2026, with a corresponding planned tender in the Procurement Plan showing a planned BEC meeting in November 2025. This allows for unforeseen challenges in the procurement process, as well as an adequate transition period from the old provider.

Copy Paper and Printing Materials: expires 30 June 2026, with a corresponding planned tender in the Procurement Plan for copy paper with BEC scheduled for April 2026. This allows for less leeway and/or transition time than for Banking Services, which is appropriate for a tender of this nature.

Multiple contracts for Security Services (e.g. armed response, alarm systems) in the Contract Register are reflected by a new tender for similar services with an earlier BEC date in 2025.

Maintenance contracts (e.g. roofing and facades) nearing their completion in the Contract Register have corresponding maintenance tenders in the Procurement Plan with closely matched dates.

Table 8 Sufficiency & compliance of Asset Management (incl. Disposal) Policy

Rating	Measure
1	No AMP provided
2	AMP provided, but not compliant or sufficient
3	AMP provided, with omissions &/or areas of improvement identified
4	AMP provided, with areas of improvement identified
5	AMP provided, compliant and sufficient (incl. best practice)
	Municipal assessment & comments
3	Disposal provisions included in the AMP
	The AMP contains best practice for asset accounting, but does not include best practice emanating from ISO 55001 is not incorporated into the AMP.
	The PT notes that par. 23 of the AMP refers to a separate policy which is intended to formulate strategies and standards for the replacement of all operational property, plant and equipment. This policy has not been included in the budget-related policies submission and is requested for review by the PT.
	No provision is made for periodic review of the policy.

Table 9 Completeness of Asset Register

Rating	Measure
1	No Asset Register
2	Outdated GRAP-oriented asset register, not on ERP
3	Seperate GRAP-compliant register on ERP system, but outdated ISO55001-oriented registers outside ERP system
4	Seperate GRAP & ISO55001-compliant asset registers, regularly updated with only financial register housed on the ERP system
5	Integrated, GRAP & ISO55001-compliant asset register, regularly updated and housed on the ERP system
	Municipal assessment & comments
4	Comprehensive asset register, which is GRAP compliant and includes some provisions of the ISO55001 standard

PT is undertaking extensive analysis of all Western Cape municipalities' asset management governance and organisational arrangements, to ensure alignment to the mSCOA refresh process and support municipalities in achieving an appropriate baseline in asset management practice before determining which municipalities would be most suitable for potential digital solutions to asset management challenges. This approach aligns to the National Treasury's IDMS Module 3 for Infrastructure Asset Management and various best practice guidelines.

3.12 CONCLUSION

This assessment sought to determine the extent to which SCM and Asset Management related policies are sufficient and compliant, and whether asset management, procurement planning and contract management effectively influence the IDP and budget cycle.

The municipality is to be commended on the extent to which its SCM processes influence the planning cycle, aligning the procurement plan to the IDP and giving adequate consideration to procurement resource allocation by incorporating both CAPEX and OPEX projects in its procurement plan. This speaks to a procurement function that is well integrated into service delivery.

The municipality's asset register is comprehensive and there is clear evidence that the condition of assets is monitored and that amendments to the condition of assets are recorded and monitored, which suggests that asset maintenance, condition assessments, risk ratings, and performance are considered when the IDP and procurement plan is developed.

SECTION 4: REVIEW OF THE HISTORICAL FINANCIAL INFORMATION

4.1 THE FINANCIAL PERFORMANCE AS PER THE AUDITED ANNUAL FINANCIAL STATEMENTS

The assessment of the financial health and performance is an integrated process involving a review of a municipality's audited annual financial statements, audit report and ratio analysis. The results of the ratio analysis are used to support financial decisions and to identify factors which may influence the financial stability of the municipality.

Adverse ratio outcomes show potential areas requiring action to ensure sustainability. The assessment trend analysis is based on the audited financial statements for 2022, 2023 and 2024; however, the table provides a five-year time frame (2020 to 2024) to provide a more comprehensive perspective for evaluating the 2025/26 budget.

The analysis is conducted as per National Treasury MFMA Circular No. 71. Provincial Treasury has analysed these ratios and the following items are highlighted.

4.2 SUMMARY AND FINDINGS FROM HISTORICAL TRENDS

NT Web-Based Portal Status

The municipality has submitted the 2024 Audited Ratios, but not the 2023 Restated ratios

PT is in the process of validating the ratios with the Municipality. Note that in order for PT to engage, it is

essential that the ratio analysis submission occur on the NT web-enabled system for the FMCMM (MFMA Circular No. 114 issued February 2022). This report is based on the PT calculations.

4.2.1 Asset Management

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
1	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): **0%**	0.0%	0.3%	0.0%	0.1%	0.3%	N/A	N/A	
2	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): **8%**	2.0%	1.8%	2.0%	2.3%	2.7%	7.7%	2.9%	

The Municipality is commended for maintaining a negligible impairment of Property, Plant and Equipment, Investment Property and Intangible Assets for the period under review. It implies that there are efficient and effective asset management strategies in place to ensure service delivery to citizens. The impairment of R8.37 million incurred in 2023/24 (R2.59 million in 2022/23) relates to Property, plant and equipment. It is marginal at best; thus, it does not directly affect service delivery. The municipality should revise its asset management strategies to diminish impairment of assets through identification of indicators of impairment and/or write-off. However, the ratio results for repairs and maintenance were below the NT norm for 2019/20 to 2023/24. The Compound Annual Growth Rate (CAGR) of 8.0 per cent relating to repairs and maintenance, smooths the ratio results over the four-year growth period from 2019/20 to 2023/24 permitting a projected ratio result of 3.0 per cent for the 2024/25 financial year. Based on past experience, routine and conditional based repairs and maintenance is carried out regularly, which reduces the overall cost of required repair and maintenance. Thus, it can be concluded based on the ratio result, that the utilisation of assets delivered the value or service levels envisaged when approval was originally obtained for procuring the assets.

The municipality may not have included all its related costs or alternatively the asset base is still relatively new, requiring less repairs and/or maintenance to continue providing services to citizens. The municipality should consider whether unplanned repairs and maintenance has any impact to the municipality.

Overall, the municipality has maintained its asset base well owing to routine repairs and maintenance work carried out regularly thus ensuring assets reach the intended useful life and provide continuous service delivery.

4.2.2 Working Capital

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
7	Net debtors' days: **≤30 days**	48 days	50 days	46 days	44 days	46 days	-1.2%	46 days	
8	Creditors Payment Period (Trade Creditors): **30 days**	56 days	40 days	45 days	41 days	42 days	-7.2%	39 days	

Net Debtors' Days

- Net debtors' days for Saldanha Bay Municipality is based on service debtors (4 basic services) and property rates which has varied between 44 and 50 days over the past 5 years.
- Although the trend of net debtors' days has improved from 50 days in 2020/21 to 46 days in 2023/24 the municipality should revise its collection strategy to improve overall collection in line with NT norm of 30 days.
- Saldanha Bay municipality has written off circa R21.20 million of service debtors in 2023/24 (R24.24 million in 2022/23) further supports the municipality's overall review of policies and collection strategy identifying uncollectible outstanding debt.
- The municipality should continue focusing its attention on the collection strategy to improve overall debtors' collection in order to improve its working capital management.

Creditors Payment Period (Trade Creditors)

- The ratio result indicates that the municipality finds it difficult to pay creditors within the legislated 30 - day period. This is concerning as the municipality has sufficient cash resources available to pay creditors.
- Between 2019/20 and 2023/24 the municipality has improved its payment of creditors by 14 days from 56 days to 42 days. The reduced duration in days for payment to creditors is indicative of an improved creditors strategy and creditors policy for the period under review.
- Although there is an improvement in overall payment to creditors, the municipality's creditors payment period remains above the required legislated norm by 5 days. The municipality should continue to improve its overall strategy to reduce payment to creditors within 30 days.

Working Capital

- Overall, the municipality is in a net deficit in terms of its working capital which implies that additional cash reserves are required to fund working capital. It takes longer to receive cash from debtors than to pay creditors which in turn renders a cash shortage to pay creditors. The municipality has to utilise cash reserves to pay its creditors.

4.2.3 Going Concern

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
12	Total Liabilities to Total Assets: **<50%**	15.2%	14.5%	14.8%	13.8%	14.2%	-1.7%	14.0%	
13	Total Debt to Total Assets	3.4%	3.0%	3.4%	3.0%	2.6%	-6.1%	2.5%	
14	Current Ratio: **1.5-2:1**	3.2	3.4	3.9	4.0	3.8	4.4%	3.9	

The municipality's cash on hand and bank balances of R138.26 million for 2023/24 and short term-deposits of R709.81 million amount to R848.06 million in liquid assets, which exceeds the sum of R241.83 million in lieu of current liabilities, indicating that the municipality can easily pay its short-term obligations.

The municipality's total assets for 2023/24 of R4.09 billion exceed the municipality's total liabilities of R580.27 million. Although since the municipality is unable to sell assets, it is prudent to note that the municipality's liquid assets of R848.06 million exceed total liabilities and exceeds total debt of R108.20 million. This indicator supports the municipality's operation as a going concern.

** CAGR = Compound annual growth rate is a business and investing specific term for the geometric progression ratio that provides a constant rate of return over the time period. CAGR = [(End Value/Beginning Value) ^1/number of years of growth] - 1*

	Favourable
	Unfavourable
	Needs Improvement

4.3 mSCOA IMPLEMENTATION

4.3.1 mSCOA Priorities

- MFMA Circular No. 130 (20 March 2025) confirms that the credibility and accuracy of the Municipal Standard Chart of Accounts (mSCOA) data strings must be verified by municipalities prior to submission, as these submissions serve as the sole source of financial data used by National Treasury for analysis, reporting, and publication throughout the municipal financial year. To support this, municipalities are expected to utilise the reports available on the GoMuni portal to verify the completeness and credibility of their data submissions.

- The circular reiterates that errors in submitted data strings may only be corrected in the next open reporting period. For instance, any inaccuracies in the tabled budget (TABB) data string can only be corrected in the original adopted budget (ORGB) data string. Closed reporting periods may not be reopened to make retrospective corrections under any circumstances.

Below is a summary of the segment analysis performed:

Table 10 mSCOA Segments Use Analysis

mSCOA Segment Analysis			
No	**Segment**	**202425 ADJB**	**2025/26 TABB**
1	**Project Segment**		
1.1	Use of the Project Segment	Adequate use of segment	Adequate use of segment
2	**Fund Segment**		
2.1	Use of Fund Segment	Adequate use of segment	Adequate use of segment
3	**Function Segment**		
3.1	**Use of Function Segment**	Adequate use of segment	Adequate use of segment
4	**Costing Segment**		
4.1	**Use of Costing Segment**	Adequate use of segment	Adequate use of segment
5	**Region Segment**		
5.1	**Use of Region Segment**	Adequate use of segment	Adequate use of segment
6	**Item Segment:**		
6.1	Balance sheet budgeting was applied with a few misalignments noted.	The Municipality is advised to rectify discrepancies in financial transactions i.t.o budgeting balance sheet and cash flow concerns. Accounting movements that are populating in the contra accounts do not correspond to the amounts presented on the Income Statement.	Minor inconsistencies exist in balance sheet budgeting and cash flow alignment. The municipality Value added Tax (VAT) application is not fully aligned to mSCOA circular 12

- The Provincial Treasury has provided the TABB segment tools analysis with the municipality (MFIP advisor report), with the goal of assisting municipalities in examining their data and determining if the information is appropriately retrieved across all segments before finalising the ORGB data strings. TABB shall be rectified in the ORGB before the adopted budget is locked on the financial system and the ORGB data string is created. Furthermore, it is recommended that the Municipality make themselves available for a session (through MS Teams) on the TABB segment analysis to provide further clarification on the segment analysis tools.

SECTION 5: CONCLUSION

The 2025 SIME 2 assessment highlights key issues for consideration and offers recommendations aimed at supporting more effective planning, budgeting and service delivery. It also underscores the importance of addressing identified risks, strengthening financial credibility and sustainability and promoting greater alignment and integration across key planning frameworks.

We look forward to engaging further during the upcoming meeting in May 2025, where these matters will be discussed in more detail. This engagement will provide an opportunity for open dialogue, shared understanding, and collaborative efforts to strengthen planning and service delivery within the Municipality.