ANNEXURE T

Western Cape Government

FOR YOU

Strategic Integrated Municipal Engagement (SIME 2) 2026

West Coast District

Saldanha Bay Municipality

Western Cape Government

SALDANHA BAY MUNICIPALITY

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

Western Cape Government

APRIL/MAY 2026

SALDANHA BAY MUNICIPALITY DIAGNOSTIC AND SUMMARY OF KEY RECOMMENDATIONS

Integrated Development & Spatial Planning	• Consider the input and recommendations received from sector departments captured under section 2.1.2 of this report, dealing with IDP alignment. • Strengthen the implementation of corrective actions aimed at improving operational efficiency and cost-effective service delivery, with particular focus on early-year intervention to reduce reliance on later-year catch-up. • Enhance capital programme readiness through improved project planning, procurement sequencing and contract management to support consistent capital expenditure throughout the financial year. • Review the design and phasing of economic development and innovation-related KPIs to ensure that progress can be tracked meaningfully throughout the year and delivery risks are identified timeously. • Utilise the remaining term of the current IDP cycle to consolidate performance management improvements and embed lessons learnt as baseline conditions for the preparation of the 2027 – 2032 IDP. • The assessment of risks to municipal planning & services should recognise the short- and long-term risks exacerbated by changing climatic conditions and accordingly inform and direct municipal planning and spending. • There are opportunities for municipalities to improve energy resilience within their operations and for their customers through promotion of energy efficiency and renewable energy opportunities at both the small and large scale. • The infrastructure backlog initiative targets a **R3.1 billion** funding gap. Crucially, it shifts the planning burden onto municipalities to account for **full lifecycle costs** - ensuring that facilities are not just built but are financially sustainable over their entire operational life.
Economic Sustainability	• Only one strategic objective achieves real growth above inflation. Municipality to please reassess allocations in line with MTREF growth above inflation where applicable. • Economic diversification and job creation needs to be prioritised. • Increase funding for the diversified economy objective to align with SEZ responsibilities and provincial growth priorities.
Revenue and Expenditure	• The Municipality's budget is funded for the entire 2026/27 MTREF period, with no immediate risk to its financial sustainability or going-concern position. However, the Municipality should reassess revenue and expenditure assumptions, particularly impairment modelling, while strengthening oversight of key cost drivers such as bulk electricity, employee-related costs, and contracted services to address the operating deficit and ensure expenditure growth remains aligned with revenue performance. • Prioritise maximising cost recovery, reduce electricity and water losses, while progressively adopting trading services reform principles to ensure ring-fenced, financially sustainable services. • The Municipality should strengthen project readiness, procurement planning, and implementation capacity, while reducing reliance on internal reserves and ensuring capital investment is aligned to delivery capability and long-term affordability. • Increase focus on repairs and maintenance and ensure capital investment is supported by a reliable asset management framework to protect infrastructure value and avoid future service delivery risks.
Capital Budget & Infrastructure	• **Planning and development CAPEX collapses by 98%** (from R16.5 million to R0.22 million), indicating that capital investment in land use management and development facilitation is being abandoned – a critical failure of growth-readiness.

Strategic Procurement	• Amend SCM Policy to reflect the mandatory requirement to appoint an independent and impartial person who is not directly involved in the supply chain management process for the investigation of disputes in terms MFMA Regulation 50. • Provision for ISO 55001 best practice and periodic review of the Asset Management Policy should be made. • Consider an increase of or more specific number framework agreements for infrastructure-related procurement. • Consider use of National Treasury contracts for multifunctional devices (RT3) and fleet (RT57) to improve value for money.

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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
DLG	Department of Local Government
DM	District Municipality
DOI	Department of Infrastructure
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
WCSDF	Western Cape Spatial Development Framework
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

The 2026 SIME assessment summarises comments by the Western Cape Government (WCG) on the draft 2026/27 MTREF Budget, Integrated Development Plan (IDP), Spatial Development Framework (SDF) and other relevant polices and documents.

The assessment covers the following key areas; conformance with the Municipal Finance Management Act 56 of 2003 (MFMA), Municipal Systems Act 32 of 2002 (MSA) and 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 2026, 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, Local Economic Development (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 is 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.

SECTION 2: INTEGRATED PLANNING

2.1 Integrated Development Planning

The Municipal Systems Act 32 of 2000 (MSA) requires every municipal council to review its Integrated Development Plan (IDP) annually, based on an assessment of its performance measurements, and to the extent that changing circumstances demand. The MSA further provides that a municipal council may amend its IDP by following the prescribed process set out in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations, 2001 (MSA Regulations).

In compliance with these provisions, the Saldanha Bay Municipality (the Municipality) conducted the annual review of its IDP during the 2025/26 financial year. This represents the fourth and final review of the 2022 – 2027 IDP, and the Municipality resolved to adopt an amended IDP in May 2026.

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 against a compliance checklist. The assessment was shared and discussed with the Municipality.

2.1.2 IDP Alignment

Section 32(2) of the MSA provides for the Member of Executive Council (MEC) for local government to decide whether to make proposals to a municipal council to adjust an IDP, if such plan or amendment conflicts with or is not aligned with 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. To this end, sector departments have examined the draft amended IDP to determine the extent of alignment with their development strategies and plans, and the outcome is captured below for the Municipality to consider and incorporate into its IDP before adoption.

2.1.3 Economic Development

The Department of Economic Development and Tourism (DEDAT) indicated that the proposed amendments to the IDP demonstrate alignment with the Growth for Jobs (G4J) agenda and regional economic priorities, particularly in relation to port-linked industries, logistics, industrial development, energy initiatives and economic diversification. The strategic direction appropriately leverages Saldanha Bay's competitive advantages and is consistent with provincial initiatives focused on industrial hubs, regional partnerships and infrastructure-led economic development.

While the overall economic strategy is sound, DEDAT highlights that the Local Economic Development (LED) agenda remains broad and reliant on partnerships and external funding, with limited prioritisation of place-based job creation pathways. It is recommended that the municipality refine its LED focus to a smaller number of catalytic initiatives aligned to G4J, strengthen skills-to-jobs pathways, and clearly define municipal versus partner delivery roles to improve implementation certainty and inclusive economic impact.

The Saldanha Bay IDP broadly aligns with the Department of Agriculture's five-year strategic plan, particularly in respect of economic growth, innovation, and safety and security, which form part of the Department's strategic sub-outcomes. The municipality's Strategic Focus Areas support these priorities and provide a platform for ongoing collaboration in the agricultural and agro-processing context.

The Department highlighted the renewed importance of biosecurity following the national Foot and Mouth Disease outbreaks. Specific emphasis is placed on implementing appropriate biosecurity measures in managing urban and peri-urban livestock farming within the municipal area, strengthening alignment between municipal practices and provincial agricultural risk-management priorities.

2.1.4 Municipal Infrastructure, Human Settlements and Transport

The Department of Infrastructure highlighted a gap regarding the inclusion of the Western Cape Infrastructure Framework 2050 (WCIF 2050) suite, including the Infrastructure Strategy and Implementation Plan, in the proposed amendments to the IDP. They recommended that these frameworks be incorporated into the final adopted IDP to strengthen alignment with provincial infrastructure priorities, improve coordinated investment planning, and support continuity into the next five-year IDP cycle.

In terms of human settlements, the Department acknowledges that the IDP provides a comprehensive strategic planning framework and reflects alignment with legislative and policy requirements for integrated development planning. The inclusion of the Spatial Development Framework and reference to a Municipal Human Settlements Sector Plan demonstrates that the Municipality has the appropriate policy instruments in place, and subsidised housing and basic services are recognised within the broader development context.

Notwithstanding this, the Department finds that the IDP lacks a clear, implementable Human Settlements Strategy linked to verified housing demand. Reference is made to the Priority Human Settlement and Housing Development Areas (PHSHDAs) and restructuring zones, but there is insufficient detail on how this spatial instrument is being utilised to direct investment and prioritise development. Strengthening spatial targeting, project pipelines, and alignment with the Department's human settlements objectives would enhance coordination and support effective delivery of sustainable human settlements.

The Department of Mobility notes that the proposed amended IDP recognise and aligns with key transport-related sector plans and prioritised road infrastructure projects, particularly along strategic freight and economic corridors such as the R27, R45 and regional connectors. This alignment supports regional economic activity and service delivery, and the Department confirms that the proposed amended IDP does not conflict with, negate, or undermine the Department's transport development strategies.

However, the Department highlights that the IDP does not sufficiently articulate transport planning as a strategic component. Specific gaps include limited focus on long-term transport network planning, public transport accessibility and integration, freight and logistics planning, and future demand management. The Department recommends prioritising the review and updating of the Integrated Transport Plan and Roads Network Master Plan, and strengthening alignment between transport planning, spatial development and economic priorities in future IDP amendments.

2.1.5 Health, Social Services and Amenities

The Department of Health and Wellness generally supports the strategic intent set out in the proposed amended IDP, particularly its emphasis on community-based services, quality healthcare, and intersectoral collaboration. The Department recommends that the Municipality strengthen alignment by explicitly referencing the West Coast District Health Plan, which is aligned with national and provincial priorities and responds to the specific health challenges of a rural and demographically dynamic district.

Key areas of alignment include a shared focus on Primary Health Care, community-oriented services, maternal and child health, mental health, and the management of communicable and non-communicable diseases. The Department notes the importance of addressing social determinants of health, such as housing, transport, substance abuse and gender-based violence, through coordinated planning and encourages stronger collaboration to improve health outcomes and system resilience.

The proposed amended IDP is aligned with the Department of Cultural Affairs and Sport's (DCAS) priorities, particularly in relation to youth development, sport and recreation facilities, libraries, vulnerable groups, public safety, and social cohesion. The municipality's IDP themes and Strategic Focus Areas reflect DCAS imperatives such as creating safe and healthy communities, developing sport infrastructure, strengthening library services through a five-year Library Master Plan, and advancing cultural, heritage, tourism and events initiatives.

The alignment is further strengthened through the inclusion of sector plans and ward-level responsibility for sport and culture, creating opportunities for collaboration. Objective 4 of the Municipal Spatial Development Framework aligns well with DCAS priorities around heritage protection and indigenous community development, presenting opportunities to leverage provincial support.

2.1.6 Safe and Cohesive Communities

The Department of Police Oversight and Community Safety found that the proposed amended IDP appropriately positions safety as a cross-cutting development issue, recognising that crime prevention extends beyond policing and requires coordinated municipal oversight, partnerships and preventative interventions. It contains a dedicated safety and security focus area, clearly articulated strategies, identified projects and measurable safety-related performance indicators. The Department notes alignment with evidence-based crime prevention approaches and acknowledges the inclusion of crime statistics and the Municipal Safety Plan.

2.1.7 IDP Implementation

Section 41 of the MSA provides for a municipality to, in accordance with its performance management system, 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 performance, measuring and reviewing performance at least once per year, implementing steps to improve performance, and setting up a regular reporting system.

Following the assessment of the Municipality's implementation of the IDP as part of the 2024/25 IDP assessment process, this section reflects on whether previously identified implementation risks have been addressed. For the assessment, the DLG has consulted the statutory reporting documents of the Municipality, including the 2024/25 Annual Report, the Section 72 Report, and the 2025/26 Technical Integrated Municipal Engagement (TIME) Report. The Municipality is encouraged to take these analyses into account to address identified shortcomings over the remainder of the term of office and to inform planning processes for the upcoming 2027-2032 IDP cycle.

The 2025 assessment of the Municipality's performance indicated a mixed performance trajectory over the current IDP cycle. Overall KPI achievement declined from 74.51 per cent in 2022/23 to 60.94 per cent in 2023/24, driven mainly by underperformance in community collaboration, economic development, innovation and cost-effective service delivery. Contributing factors included delays in infrastructure implementation, capital underspending, supply chain inefficiencies and weaknesses in innovation and risk management processes. In contrast, Safety and Basic Services remained consistent strengths, with high levels of KPI achievement across both years. Mid-year results for 2024/25 showed a recovery, with 74 per cent of measured KPIs achieved, suggesting improved planning and implementation.

In the 2024/25 financial year, the Annual Report reflects 55 KPIs, as was the case in 2023/24. The overall achievement in terms of indicators met, well met and extremely well met increased from 60.94 per cent per cent in 2023/24 to 69.09 per cent in 2023/24. Strong and sustained performance is again evident in community safety and basic service delivery, where targets have largely been met and service reliability maintained. For cost-effective services, the percentage achieved increased to 74 per cent. These improved outcomes suggest that risks relating to core service delivery and institutional stability have been mitigated.

Notwithstanding these improvements, the assessment found that performance remains uneven across some of the strategic focus areas, with risks in the areas of community development and innovation. Under community development, one housing project had to be re-advertised in 2025/26, as the tenders came in above the approved project amount, whilst for another, the construction of 42 units commenced in August 2025. Innovation is measured through only one indicator, and in this instance, 50 per cent of the ICT capital budget was spent against a target of 80 per cent.

The 2025/26 TIME Report reflected strong performance in the areas of safety and basic services, but challenges under objectives related to cost-effective service delivery, operational efficiency, and economic diversification. A number of performance indicators in these areas were either not achieved or reported as “Not Yet Applicable”, which continues to concentrate delivery risk towards the latter part of the financial year.

Overall, the assessment finds that while meaningful progress has been made in addressing several of the implementation risks identified in the 2025 assessment, particularly in relation to governance stability and basic service delivery, risks linked to capital programme execution, economic development delivery, and operational efficiency persist. These areas will require continued focused intervention to ensure balanced and sustainable implementation of the IDP for the remainder of the term and to inform the planning of the forthcoming 2027 – 2032 IDP cycle.

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 demonstrates strong governance fundamentals and consistent performance in community safety and basic service delivery.
- Performance remains uneven across some strategic objectives, with challenges evident in cost-effective service delivery, operational efficiency and economic diversification.
- Capital programme implementation has shown improvement but remains below planned levels, especially at mid-year, indicating that project readiness and implementation capacity constraints persist.
- The continued use of ‘not yet applicable’ or ‘not measured’ indicators limits the effectiveness of performance management as a proactive strategic risk mitigation tool.

2.2.2 Recommendations

It is recommended that the Municipality:

- Consider the input and recommendations received from sector departments captured under section 2.1.2 of this report, dealing with IDP alignment;
- Strengthen the implementation of corrective actions aimed at improving operational efficiency and cost-effective service delivery, with particular focus on early-year intervention to reduce reliance on later-year catch-up;
- Enhance capital programme readiness through improved project planning, procurement sequencing and contract management to support consistent capital expenditure throughout the financial year;
- Review the design and phasing of economic development and innovation-related KPIs to ensure that progress can be tracked meaningfully throughout the year and delivery risks are identified timeously; and

- Utilise the remaining term of the current IDP cycle to consolidate performance management improvements and embed lessons learnt as baseline conditions for the preparation of the 2027 - 2032 IDP.

2.3 Environmental and Planning Analysis

2.3.1 Spatial Performance

The DEA&DP utilises a comprehensive index framework to monitor spatial performance across all districts, tracking shifts in human welfare, liveability, and environmental systems. This data-driven, indicator-led approach serves as a critical decision-making tool to advance the Provincial and Departmental Strategic Plans' spatial transformation goals while strengthening governance through evidence-based research and growth analysis.

The Saldanha Bay Municipality displays relatively equal and medium to high results across human welfare, natural resources access and liveability outcomes, indicating that access to spatial advantage and prosperity is uniformly shared albeit with opportunities for improvement throughout. Saldanha Bay shows specific stronger performance overall in access to natural resources at an outcomes level, and human wellbeing from a perspective of systems performance. Opportunities for improvement across all outcomes areas and systems need to be the focus to improve further on overall spatial performance and continued healthy growth potential over the next 5-year IDP cycle. In 2018, the overall Growth Potential for Saldanha Bay showed that challenges exist to maintain a high growth potential, although the overall measured potential still ranked in the high growth potential category. The updated Growth Potential report (GPS 24) will become available for distribution early in May 2026 for consideration in the final IDP.

The overall spatial performance for Saldanha Bay highlights the importance of leveraging the MSDF and CEF to ensure that infrastructure investment, and programmes in the municipality improves on sound foundations that exists, and delivers access to basic services, economic opportunities, and quality living environments across. This includes leveraging ecological infrastructure, leveraging the investment portfolio for Saldanha Bay, and importantly, giving effect to Climate Change responsiveness.

2.3.2 Spatial Transformation and Managed Urbanization

The purpose of this assessment is to evaluate the extent to which municipal planning and budgeting instruments are aligned to give practical effect to the municipality's spatial vision and development trajectory. In particular, it seeks to determine whether the draft IDP and MTREF reflect and implement the spatial priorities set out in the MSDF and, where applicable, the Capital Expenditure Framework, so that investment decisions are directed in a manner that supports spatial transformation, restructuring and more efficient urban form. The assessment focuses on whether municipalities are moving beyond policy intent toward **plan-led budgeting and implementation**, where spatial plans inform capital allocation, infrastructure sequencing and development outcomes. In doing so, it aims to identify gaps between spatial planning and budgeting, highlight areas requiring municipal action, and support a more deliberate translation of spatial strategies into funded, implementable programmes that advance inclusive, well-located and sustainable human settlements.

This approach enables a clear theory of change for spatial transformation. Spatial plans, on their own, do not change spatial outcomes, they must shape where and how public investment is directed. When MSDF priorities are translated into a prioritised capital investment pipeline, and that pipeline is reflected in the MTREF and annual budgets, infrastructure and service delivery begin to reinforce the intended spatial structure. Over time, this shifts growth toward priority nodes and corridors, improves access to well-located land and opportunities, and reduces inefficient and fragmented development patterns. Without this link between planning and budgeting, spatial transformation remains aspirational rather than implementable.

2.3.3 Municipal Spatial Development Framework Performance Review

No evidence was found that the municipality has undertaken an annual performance review of its MSDF in the last year in line with section 34(a)(i) and 41(1)(c) of the Municipal Systems Act. This limits the municipality's ability to systematically assess whether the draft IDP and budget are giving effect to the MSDF i.e. whether planning and budgeting are aligned, and whether any amendments to the MSDF are required in response to changing conditions or implementation constraints.

Further information on the Annual Performance Review of the Implementation of SDF's, can be found in the Practice Note which accompanied Provincial Circular 0005/2023.

It is anticipated that an annual performance review will be undertaken in future, in accordance with Section 34(a)(1)) of the MSA.

2.3.4 Capital Expenditure Framework and Alignment of Budget with MSDF Priorities

Saldanha Bay Municipality participated in the first round of the CEF programme initiated by DEA&DP, resulting in a comprehensive CEF completed in 2023. Following the amendment of the MSDF in 2025, the CEF was concurrently updated to align with the revised MSDF.

The municipality's draft budget demonstrates strong support for the phased implementation of both the MSDF and the CEF-prioritised project portfolio over the Medium-Term Revenue and Expenditure Framework (MTREF). This is enabled through a formalised link between spatial planning, financial sustainability, and project readiness. The CEF functions as the primary implementation mechanism for the MSDF, aligning capital infrastructure investment with spatial strategies over a 10-year horizon. This approach has matured over time, with approximately half of the current capital budget directly informed by the CEF prioritisation tool.

The draft budget reflects the spatial priorities of the MSDF by directing investment towards identified growth nodes. In particular, the regional nodes of Vredenburg and Saldanha account for a significant share of both capital demand and budget allocation, consistent with their role as primary growth hubs. The capital budget is strongly infrastructure-focused, with substantial investment in core services such as water, sanitation, roads, and electricity. Annexure E of the budget identifies the Top 35 Capital Projects, derived from the CEF and Long Term Financial Plan (LTFP), which together account for approximately 85 per cent of the total three-year capital budget. This indicates a clear concentration of resources on strategically prioritised initiatives.

The draft capital budget is also well spatially referenced. Budget tables include specific fields for ward, location, and GPS coordinates, enabling a clear link between expenditure and place. While approximately 49 per cent of expenditure is categorised as "City Wide", "Administrative HQ", or "Not Mapped" due to its broader municipal function, the majority of capital investment is explicitly tied to defined nodes, settlements, and Priority Development Areas (PDAs). This spatial referencing demonstrates strong alignment with MSDF priorities and CEF phasing, with 19.4 per cent of mapped capital expenditure concentrated in the primary regional nodes of Vredenburg and Saldanha.

2.3.5 Incremental Upgrading of Informal Settlements

The 2025 MSDF spatially identifies and profiles specific areas where incremental upgrading and the Informal Settlement Upgrading Programme (UISP) apply. These include:

- Vredenburg: Tsitsiratsitsi (1, 2, and 3), Green Fields, Bhakela, Smartie Town, and George Kerridge 512/Better Life.
- Saldanha: Middelpos (Iraq, Moses Kotane/Marikana, New Rest, Joe Slovo) and White City Informal Settlement.

- St Helena Bay: Laingville (Old Plakkerskamp/Doseyake and Nkanini).

Funding is evidenced in the MTREF through:

- Grant Funding: The Informal Settlements Upgrading Partnership Grant (ISUPG) is allocated R27 million over the 3-year period (R2m in 2027/28 and R25m in 2028/29)
- Settlement-Linked Projects: Specific allocations are made for water services in Middelpos Site A1 and Saldanha Site A via the ISUPG.
- Bulk Infrastructure: Strategic Projects like the Laingville WWTW upgrade are explicitly intended to support growth in these human settlement areas.

The municipality is giving effect to incremental upgrading through the explicit spatial targeting of informal settlements in the MSDF and the inclusion of dedicated UISP and ISUPG funding within the MTREF. Alignment is evident through settlement-specific projects in Middelpos and Laingville and performance targets for individual service connections.

2.3.6 Inclusionary and Affordable Housing Policy Responsive and Use of Housing Market Evidence

A Housing Market Study was drafted for Saldanha Bay Municipality in 2024. The purpose of the housing market studies is to provide 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.

The Housing Market Study identifies several critical underserved segments:

- Low-Income Market: A severe municipal-wide undersupply of units priced below R300 000 exists, with Vredenburg, Langebaan, and St Helena Bay facing the largest gaps.
- GAP Market: Households earning between R3 501 and R22 000 per month do not qualify for full subsidies but cannot access standard bank bonds.
- Middle-Income Mismatch: Hopefield and Paternoster suffer from an undersupply of mid-range properties despite demand from emerging income earners.
- Backyard Dwellers: Approximately 4 000 households live in backyard structures, representing a segment that requires a dedicated policy framework for servicing or formalisation.

The MSDF integrates the findings of the Housing Market Study, with Section 3.6.1 specifically addressing the housing affordability gap. These findings are further reflected in the settlement-level analysis, including directives for Langebaan, which emphasise the need for inclusionary housing requirements in private developments to support lower-income households and promote more inclusive communities.

Building on this evidence base, the MSDF proposes a range of measures to improve housing affordability, including strengthening local housing markets, promoting mixed-income development, and supporting both supply- and demand-side interventions.

The municipality has therefore grounded its spatial and housing strategies in market realities, demonstrating a clear shift toward enabling affordable housing. This is reflected in the MSDF's inclusionary housing directives, which set targets of 10 per cent to 20 per cent for GAP housing in private developments and identify underserved segments, particularly the sub-R300 000 market and the significant backyarder population.

While these spatial directives are well articulated, the municipality should prioritise the finalisation of a consolidated Inclusionary Housing Policy to establish a consistent regulatory framework across all settlements. The Western Cape Inclusionary Housing Policy Framework could serve as a guiding template to ensure both legal robustness and economic feasibility.

2.3.7 Climate Change Resilience

During 2025/26, Municipalities continue to experience the impact of climate-linked extreme weather events like extreme heat, extensive veld fires and flooding across the province.

Climate change, however, should not be seen only in a negative light and as a disaster management issue but also from an opportunity perspective. While extreme weather events are important to plan for, municipalities also need to consider longer-term and less visible impacts. Conditions like extended fire seasons, persistent water security concerns as well as coastal erosion impact significantly on municipal resources and increasingly do so in the near future.

The most effective way to deal with these impacts is to shift from disaster response to proactive risk reduction, or what is referred to as climate change resilience. As indicated, resilience is a key focus of the WCSDF and revolves around reducing existing and structural vulnerabilities that make communities, economic activities, systems and infrastructure sensitive to climate related threats. This could include economic impacts such as reduced demand for our carbon-intensive products, and how climate change will gradually affect land use, infrastructure, and settlement patterns over time.

Key recommendations for integration of climate change considerations into the operations of the Municipality are:

- **Risk Assessments:** The assessment of risks to municipal operations and services, including but not limited to disaster risks, is already well-entrenched as mechanism to ensure accountability, responsible investment and change management. The same mechanism should recognise the short- and long-term risks exacerbated by changing climatic conditions and accordingly inform and direct municipal planning and spending.
- **Communication and Awareness:** Surveys indicate poor climate change awareness in the Western Cape. This likely inhibits the rate of behaviour change towards climate responses and decisions. WCG is working towards consolidated climate change messaging and encourages Municipalities to do the same within their communications and environmental education spheres. A recently launched WCG resource for climate change related communication materials can be accessed here: https://museumstories.co.za/climate-change/
- **Focus on vulnerability:** There are many resources available to assess vulnerability to climate related stresses. These should be accessed to guide municipal planning and interventions to areas or situations where exposure to physical, economic or well-being threats are the greatest. DEA&DP can assist municipalities in many of these aspects.
- **Focus on Energy Resilience:** There are opportunities for municipalities to improve energy resilience within their operations and for their customers through promotion of energy efficiency and renewable energy opportunities at both the small and large scale.

With improved energy resilience, the Western Cape will be able to manage energy-related disasters (including loadshedding) more effectively and work towards a more secure, decarbonised and sustainable energy system for the Western Cape. A number of WCG departments, including DEA&DP, DoTP through the Energy Resilience Programme and DoI, can assist municipalities in implementing interventions that support energy resilience.

Municipal officials must remain aware of the prescripts of the Climate Change Act, especially those related to the compilation of Climate Change Needs and Response Assessments for District Municipalities. Although the obligations are currently deferred, the Department of Forestry, Fisheries and the Environment (DFFE) is developing guidelines to support its development and implementation. The WCG's Climate Change Directorate is assisting Districts with pre-emptive work on revised climate change response plans and encourages broad collaboration between the Districts and Local Municipalities as well as participation by technical departments within municipalities to ensure effective mainstreaming of climate change responsiveness.

2.3.8 Environmental Quality

2.3.8.1 Adoption of the Western Cape Provincial Biodiversity Strategy and Action Plan 2025 – 2030

The Provincial Biodiversity Strategy and Action Plan is the strategic umbrella for coordinated action across government, civil society and business, with explicit alignment with both national and international biodiversity aspirations and agreed upon targets. Municipalities play a vital role in the achievement of these biodiversity targets and should take note of this recent adoption in relation to their own strategies and biodiversity management targets.

2.3.8.2 Ecological Infrastructure Investment Framework and Plans

Ecological infrastructure entails naturally functioning ecosystems that provide services to people and the economy. When ecological infrastructure functions correctly, it supports municipal service delivery by providing reliable, good-quality raw water supply, disaster risk reduction (especially protection against wildfire risks and inland/coastal flooding), climate regulation, etc.

Municipalities are encouraged to include ecological infrastructure into strategic plans and budgets. Some practical steps include:

- Incorporate the Western Cape Biodiversity Spatial Plan (WCBSP 2023) outcomes into MSDFs. Where appropriate, ensure alignment with Municipal Land Use Schemes by assigning the correct zoning to secure protection of ecological infrastructure and incorporating these areas as part of a wider municipal open space system;
- Incorporate ecological infrastructure as part of asset management plans and budgets;
- Draft and secure approval for strategic Maintenance Management Plans to ensure compliance with legislation; and
- Collaborate with other stakeholders by participating in programmes such as Working for Water, Working for Wetlands, Boland Groot Winterhoek Collective, Outeniqua to Tsitsikamma Water Working Group, etc.

To guide municipalities in investing in Ecological Infrastructure, the Western Cape Government developed the Western Cape Ecological Infrastructure Investment Framework. Guiding materials and examples are also available from the DEA&DP. Municipalities are urged to tailor ecological infrastructure investment to their local context as a complementary strategy to enhance service delivery and human wellbeing within their administrative domains. When designed carefully, these strategies could be used to attract external funding and boost service delivery effectiveness.

Ecological Infrastructure Management Programmes are currently being developed by municipalities in the Western Cape, and a dedicated programme to roll out these EIMPrs within strategically important municipalities will be undertaken over the Medium Term Expenditure Framework.

2.3.9 Waste Management

Over the past five years, the municipality has evolved its waste management from a traditional "collect and dump" model toward a more sophisticated, circular approach. While the infrastructure is robust and the strategic vision is clear, the transition from operational success to full regulatory compliance remains a work in progress.

2.3.9.1 Operational Performance and diversion

The municipality's operational footprint is defined by a well-integrated network of facilities, including the **Vredenburg Landfill and MRF**, a composting facility in Langebaan, and eight strategically located transfer stations. A major highlight of the 2024 calendar year was the achievement of a **37 per cent waste diversion rate**, successfully rerouting 46 668 tonnes of material away from landfills. This was bolstered by:

- **Infrastructure Accuracy:** The implementation of weighbridges at key sites ensures that the 78 137 tonnes of disposed waste are tracked with precision.
- **Resource Recovery:** Comprehensive systems for **separation-at-source** are now active across seven towns, supported by home composting initiatives and private sector partnerships.
- **Construction & Demolition (C&D) Waste:** The municipality has turned a potential burden into an asset by repurposing clean C&D waste for internal road construction and landfill cover.
- **Service Reach:** Currently, **92 per cent of the municipality** receives waste collection services. This high level of service is supported by an aggressive public awareness campaign - utilizing everything from QR codes and social media to a dedicated school mascot - ensuring that "waste literacy" keeps pace with infrastructure.

2.3.9.2 Strategic Planning and Governance

Governance has remained stable, with a designated Waste Management Officer leading the department since 2014. The primary roadmap for the current period is the **2022 – 2027 Integrated Waste Management Plan (IWMP)**, which received Council approval in 2022 and provincial endorsement in 2023.

While the IWMP is officially incorporated into the Integrated Development Plan (IDP), there is a **governance gap** regarding financial transparency. Currently, the IDP does not provide a specific breakdown of budgeted projects as outlined in the IWMP implementation plan. Bridging this gap is essential to ensure that strategic goals are backed by verifiable funding and that the long-term vision for sufficient landfill airspace remains a reality.

2.3.9.3 Key Challenges and compliance

Despite the operational wins, the municipality faces significant administrative and equity hurdles. The most pressing challenges include:

- **Regulatory Reporting:** There is a critical failure to submit annual reports to the DEA&DP as required by the National Environmental Management: Waste Act (NEMWA). Furthermore, while the three main sites report to the **IPWIS**, several facilities still have incomplete data records for the 2024 period.
- **Informal Settlement Integration:** While a 92 per cent service reach is commendable, the remaining 8 per cent represents the municipality's most vulnerable residents. The current framework struggles to provide equitable service to **informal settlements**, which require specialized infrastructure and tailored educational outreach to overcome unique geographical and socio-economic barriers.
- **Data Integrity:** Moving forward, the municipality must move beyond "good management" and ensure that every facility maintains a 100 per cent complete reporting record to maintain its licensing integrity.

2.3.9.4 Western Cape Integrated Waste Management Plan 2027–2032 & Budget Facility for Infrastructure

The Western Cape Department of Environmental Affairs and Development Planning (DEA&DP) has launched a strategic **R3.1 billion** initiative under the Budget Facility for Infrastructure (BFI). This program is designed to systematically modernize waste management across the province's municipalities by transitioning from traditional disposal to a resource-recovery model.

Core Strategic Pillars:

- **Infrastructure Backlog & Lifecycle Planning:** The initiative targets a **R3.1 billion** funding gap. Crucially, it shifts the planning burden onto municipalities to account for **full lifecycle costs** - ensuring that facilities are not just built but are financially sustainable over their entire operational life.
- **Green Initiatives & Circularity:** The strategy pivots toward aggressive sustainability targets, specifically **organic waste diversion** (aiming for 100 per cent diversion by 2027), large-scale recycling, and the development of **waste-to-energy** technologies.
- **Integration with Provincial Growth:** This waste-specific funding is a vital subset of the **R132 billion long-term infrastructure pipeline** announced in April 2026. It positions waste management as a "catalytic" sector for economic growth rather than just a basic service.
- **Priority Projects:** Immediate implementation is focused on regionalization, such as the **Karwyderskraal Regional Landfill Facility expansion** (specifically Cell 5A), which serves as a blueprint for shared municipal infrastructure.
- **Alternative and Blended Finance (ABF):** To circumvent national fiscal limitations, the province is utilizing the **ABF Framework**. This model leverages public funds to de-risk projects, attracting private sector investment to ensure long-term capital stability.

The BFI initiative serves as the primary financial engine for the **4th Generation Western Cape Integrated Waste Management Plan (WCIWMP) 2027 – 2032**.

- **Strategic Alignment:** While the WCIWMP sets the regulatory and policy targets (the "what"), the BFI application provides the capital (the "how"). The plan explicitly incorporates the R3.1 billion backlog data into its **Phase 1 Situational Analysis**, which was finalized in early 2026.
- **Implementation Progress:** As of April 2026, the transition from Phase 1 to **Phase 2 (Implementation Plan)** is underway. The progress is currently focused on "bankable" project preparation, ensuring that municipal projects meet the technical and financial criteria required by the BFI and the Blended Finance Framework.

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 budget responsiveness to the municipal area's current socio-economic context and challenges.

The revenue and expenditure analysis and risks section provides a gap analysis with regard to trading services, analysing the credibility and tariff structure 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 also critical to understand the municipal area's growth trajectory.

3.2 Sustainable Economic Development

3.2.1 Socio-economic context

Table 1 Socio-economic indicators

Population ('26,'27,'28)	Population Growth Rate ('26,'27,'28)	Poverty (GDPR PER CAPITA) ('14,'20,'24)	Poverty (Headcount Rate- LBPL TREND) ('14,'19,'24)	Education (Matric Pass Rate) ('22,'23,'24)	Health (Malnutrition Rate) ('22/'23, '23/'24, '24/'25)	Crime (Drug Related) ('22,'23,'24)
136 833	2.4%	R79 266.77	44.1%	82.0%	0.0%	824
139 366	1.9%	R69 722.13	54.5%	80.4%	1.7%	867
141 916	1.8%	R71 457.78	52.9%	86.2%	1.5%	744

Source: MERO 2025/26

MUNICIPAL GDPR (CURRENT PRICES) AND EMPLOYMENT, Saldanha Bay, 2024		
Total GDPR	**R15.2 billion**	
GDPR growth 2023-2024	1.5%	
Saldanha Bay contribution to West Coast GDPR	32.2%	
Saldanha Bay contribution to Western Cape GDPR	1.6%	
Total employment	50 881	
Employment growth 2023 – 2024	-1.4%	
Saldanha Bay contribution to West Coast employment	27.9%	
Saldanha Bay contribution to Western Cape employment	2.0%	
Formal employment	80.2%	
Informal employment	19.8%	

MUNICIPAL GDPR (CURRENT PRICES) AND EMPLOYMENT, Saldanha Bay, 2024			
Employment profile	**2023**	**2024**	
Unemployment rate	20.3%	20.0%	
Labour force participation rate	75.5%	76.0%	
Labour absorption rate (employment-to-population ratio)	60.2%	60.8%	
Not economically active proportion of working-age population	24.5%	24.0%	
GDPR growth forecast			
2025	-0.8%	F	
2026	0.7%	F	

Source: MERO 2025/26

Stagnant Growth & Rising Poverty Pressures

- Despite a modest 1.5 per cent GDPR growth in 2023 – 2024, Saldanha Bay faces troubling socio-economic headwinds. The population continues to expand (reaching ~141 916 by 2028), yet per capita GDPR has regressed sharply from R79 267 in 2014 to just R71 458 in 2024.
- This decline is mirrored by a spike in the poverty headcount rate, which rose from 44.1 per cent to 52.9 per cent over the same period.
- With GDPR growth forecast to contract by -0.8 per cent in 2025 before a tentative 0.7 per cent recovery in 2026, the local economy is struggling to generate sufficient value per resident. This combination of rising poverty and stagnant per capita output directly constrains the municipal fiscus, reducing the capacity to fund infrastructure maintenance and social programmes.

Labour Market Resilience Amidst Structural Weaknesses

- Employment figures present a contradictory picture. While total employment fell by -1.4 per cent in 2023 - 2024, the unemployment rate improved slightly from 20.3 per cent to 20.0 per cent, aided by a rising labour force participation rate (75.5 per cent to 76.0 per cent).
- However, 19.8 per cent of jobs remain informal, indicating precarious livelihoods. The labour absorption rate (60.8 per cent) suggests that over one-third of working-age adults cannot secure work, even as the proportion of economically inactive citizens declines. For service delivery, this means growing demand for indigent support, waste collection, and community facilities, while the formal tax base expands only slowly. Drug-related crime - though falling from 867 to 744 cases between 2023 and 2024 - remains elevated, straining policing and social services.

Human Capital and Service Delivery Implications

- Education and health trends offer both hope and caution. The matric pass rate improved from 80.4 per cent (2023) to 86.2 per cent (2024), signalling a stronger future workforce. However, malnutrition cases - effectively zero in 2022/23 - rose to 1.7 per cent in 2023/24 before easing slightly to 1.5 per cent in 2024/25, reflecting household food insecurity linked to poverty.
- While Saldanha Bay contributes 32.2 per cent of the West Coast's GDPR, its growth trajectory is not sufficient to absorb population increases. Without accelerated economic diversification beyond current drivers, municipal revenue from rates and service charges will lag behind demand for health, safety, and education support.
- Sustained investment in local logistics, aquaculture, and energy projects is essential to reverse the poverty trend and stabilise service delivery capacity.

3.2.2 Budget alignment to IDP Strategic Objectives

Table 2 Strategic Objectives for the 2026/27 Medium Term Revenue & Expenditure Framework

Strategic Objective	2026/27 Medium Term Revenue & Expenditure Framework OPEX				2026/27 Medium Term Revenue & Expenditure Framework CAPEX			
R thousand	Budget Year 2026/27	Budget Year 2027/28	Budget Year 2028/29	Average Annual Growth	Budget Year 2026/27	Budget Year 2027/28	Budget Year 2028/29	Average Annual Growth
Foster community dev elopment through upliftment, integration, empowerment and communication	69 084	63 388	44 792	-19.5%	45 052	16 450	10 350	-52.1%
Build a div ersified economy through inv estments, growing current and new businesses and enabling the	3 953	5 050	4 148	2.4%	–	–	–	
Prov ide cost effectiv e serv ices with financial and institutional sustainability	1 670 089	1 779 836	1 913 051	7.0%	49 822	31 151	57 321	7.3%
Promote innov ation and modern technology to enhance serv ice deliv ery and increase opportunities	23 100	23 862	24 727	3.5%	6 505	7 123	6 568	0.5%
Implement interv entions to deliv er community safety, clean spaces and env ironmental protection	61 424	63 171	64 920	2.8%	4 200	3 000	–	-100.0%
Prov ide enhanced basic serv ices that are reliable, efficient and affordable	205 352	208 643	214 176	2.1%	194 140	415 635	461 255	54.1%
Total Expenditure	2 033 003	2 143 951	2 265 814	5.6%	299 720	473 359	535 495	33.7%

Source: Saldanha Bay Municipality, A-Schedules

Comments

- This analysis assesses the Saldanha Bay Municipality's 2026/27 Medium Term Revenue and Expenditure Framework against its IDP strategic objectives, with specific focus on economic and socio-economic responsiveness. The analysis finds that the budget strongly prioritises basic service delivery and financial sustainability, in lieu of economic diversification, human settlements, and community development. Only one strategic objective achieves real growth above inflation, and several show declining or zero capital investment over the MTEF period. These trends carry significant implications for service delivery, poverty alleviation, and the municipality's role as a regional economic node.

Strategic Objective Alignment to Budget Priorities

- The Municipality has allocated its largest operational expenditure (R1.67 billion or 82 per cent of total OPEX) to the objective of providing cost-effective services with financial and institutional sustainability. This is followed by enhanced basic services at R205.0 million. However, the objective of building a diversified economy receives only R3.95 million in OPEX and zero capital allocation across all three years – a notable misalignment given Saldanha Bay's designation as a Special Economic Zone.
- Capital expenditure is heavily concentrated in basic services, which receive R194 million in 2026/27, rising to R461.0 million by 2028/29 – an average annual growth of 54.1 per cent. By contrast, community development CAPEX declines by 52.1 per cent annually, and community safety CAPEX falls to zero by 2028/29.
- Outputs to be delivered under each objective (as inferred from typical SDBIP indicators) include water and electricity connections, refuse removal, cost recovery ratios, public facility maintenance, law enforcement presence, and business support programmes. However, the absence of visible budget lines for roads infrastructure and human settlements raises concerns about whether these critical outputs are adequately resourced.

Economic and Socio-Economic Responsiveness

- Roads as economic infrastructure is not explicitly listed as a strategic objective. It is assumed to fall under basic services or cost-effective services, but without disaggregation, the extent of road maintenance and new access route funding cannot be verified. This is particularly concerning given the importance of port logistics to the Saldanha Bay IDZ and local economic activity.

- Socio-economic indicators from the MERO 2025/26 report show rising malnutrition (from 0 per cent to 1.5 per cent between 2022/23 and 2024/25) and persistently high drug-related crime (744 cases in 2024). Yet the budget objectives addressing community development and safety are among those facing the deepest cuts, creating a mismatch between need and resource allocation.

Alignment with National and Provincial Priorities

- The budget demonstrates strong alignment with national and provincial priorities only in the area of basic service delivery, which is a constitutional mandate. However, it falls short on several key fronts:
  - Economic diversification and job creation (a top priority of both the NDP and the Western Cape's Growth for Jobs strategy) receives virtually no funding.
  - Innovation and technology (aligned with Smart Cape and digital government agendas) do not display real growth.
- Overall alignment is therefore assessed as partial, with significant deviations that may affect the Municipality's access to conditional grants and cooperative government support.

Growth Versus Inflation Rate Analysis

- Assuming an inflation rate of approximately 4.5 per cent, total OPEX growth of 5.6 per cent translates to modest real growth of around 1.1 per cent. Total CAPEX growth of 33.7 per cent appears strong in nominal terms, but this is driven entirely by one objective (Provision of Basic Services).
- Examining real growth per core mandate reveals that only cost-effective services achieves positive real growth in both OPEX (7.0 per cent) and CAPEX (7.3 per cent). Basic services OPEX grows at just 2.1 per cent – below inflation, representing a real-term contraction – despite receiving the largest CAPEX allocation.

Notable Trends in Spending (2024/25 to 2025/26 and Beyond)

- Several trends stand out from the budget schedules:
  - First, there is a dramatic CAPEX spike in basic services, rising from R194.0 million in 2026/27 to R461.0 million in 2028/29. This suggests a single large infrastructure project, likely in water, sanitation, or electricity. The budget narrative should clarify this.
  - Second, community development is in steep decline, with OPEX falling from R69 million to R45 million and CAPEX from R45.0 million to R10.0 million over the MTEF. This will likely affect libraries, community halls, sports facilities, and social programmes at a time of rising poverty.
  - Third, diversified economy objective receives only 0.2 per cent of total OPEX and no CAPEX. This is inconsistent with the Municipality's economic potential and its responsibilities as host to the Saldanha Bay IDZ.
  - Fourth, cost-effective services consume 82 per cent of total OPEX, raising the risk of operational bloat that crowds out development spending.

Conclusions and Recommendations

- The Saldanha Bay Municipality's 2026/27 budget is responsive to basic service delivery in lieu of economic development, human settlements, and community upliftment.

Key findings/risks are as follows:

- Only one strategic objective achieves real growth above inflation.
- Economic diversification and job creation needs to be prioritised.

- Community development and safety face steep real-term cuts.
- The CAPEX spike in basic services requires clarification.

The following recommendations are offered:

- Disaggregate the basic services CAPEX to show allocations for water, sanitation, electricity, and roads infrastructure.
- Create a visible budget line for human settlements to address housing backlogs and informal settlement upgrading.
- Increase funding for the diversified economy objective to align with SEZ responsibilities and provincial growth priorities.
- Restore CAPEX for community safety to in support of law enforcement and fire services.
- Provide narrative explanations in the budget documentation for the CAPEX spike in basic services and the steep declines in community development.
- The Municipality risks widening inequality, rising informal settlements, underutilisation of its economic potential, and eventual service delivery decline despite strong nominal spending growth.

3.2.3 Budget Responsiveness to Services, Socio-Economic Environment & Growth

Service area	Municipal challenges/ risks	**Budget responsiveness** Budget responsiveness to services challenges/risks and the socio-economic environment Capital budget responsiveness – current need vs geared for growth
Water	• **Bulk Supply & Infrastructure:** Pressure on regional water schemes (Western Cape Water Supply System) due to climate change and demand from the IDZ. • **Service Delivery Backlogs:** Upgrading and extending water distribution networks to keep pace with rapid coastal development. • **Drought Resilience:** Over-reliance on surface water; lack of diversified sources (desalination/reuse) could impact economic activity.	**Operational Expenditure (OPEX) Assessment** • Responsiveness to service challenges and the socio-economic environment (Water) • Financial Sustainability vs. Social Equity: Water revenue (A2. ~R255 – 305 million) heavily subsidizes other functions, but the high poverty rate (52.9%) forces the municipality to rely on the equitable share to fund the "Cost of Free Basic Services" (A10). • If grant funding does not keep pace with population growth (1.8 - 2.4%), the pressure to cross-subsidize via tariffs could make water unaffordable for the "working poor." • Infrastructure Maintenance Risk: Under the "Cost effective services" objective (A2: ~R1.6 billion OPEX), a significant portion is allocated to "Water Distribution" (R255 – 305 million) and "Waste Water Treatment" (R13 - 22 million). While these allocations appear adequate for current operations, a growing trend in "Repairs & Maintenance" relative to "Bulk Purchases" would indicate aging infrastructure is consuming more OPEX without a corresponding CAPEX upgrade. • Health & Poverty Link: With a Malnutrition rate of ~1.5% and rising indigent households, the OPEX allocated to "Community and social services" (A2) must ensure that the indigent registration process is efficient. If the budget lacks sufficient personnel for "Customer Relations" (A2: R0 currently visible), poor billing and indigent application backlogs could lead to water disconnections for vulnerable households.
Water		**Capital Expenditure (CAPEX) Assessment** • Current need vs. geared for growth (Water) • Growth vs. Backlog Spending: The CAPEX spike in "Water management" and "Waste water management" (A5) by 2027/28 indicates capacity expansion for economic growth (IDZ). However, if the majority of funds are allocated to "New assets" rather than "Upgrading/Rehabilitation," the municipality risks leaving high-density low-income areas with aged pipes while new industrial parks get modern supply. • Source Sustainability Risk: The "Water Storage" CAPEX (A2) appears negligible relative to distribution spending. Given the water-scarce Western Cape, a lack of CAPEX for reservoirs or alternative sources (e.g., desalination or reuse) represents a high risk for future economic growth.

Service area	Municipal challenges/ risks	**Budget responsiveness** Budget responsiveness to services challenges/risks and the socio-economic environment Capital budget responsiveness – current need vs geared for growth
		• Wastewater & Environment: The fluctuating CAPEX for "Waste Water Treatment" (A2: R17.4m in 2025/26 vs R13.9m in 2028/29) suggests deferred environmental compliance work. Failure to increase this CAPEX to meet Green Drop standards poses a risk of pollution and fines, impacting the "clean spaces" strategic objective.
Electricity	• **Load-shedding & Energy Security:** National grid instability affecting business continuity, security services, and water pumping stations. • **Independent Power Producer (IPP) Integration:** Technical and financial challenges in procuring independent power and implementing embedded generation to reduce reliance on Eskom. • **Network Congestion:** Existing infrastructure reaching capacity, limiting new housing developments and economic expansion**.**	**OPEX Budget Responsiveness (Electricity Services)** • Electricity operational expenditure grows modestly but below population-plus-inflation pressure. The OPEX budget for Electricity rises from R613.6 million (2025/26) to R783.2 million (2028/29). However, with population growth at ~2% and poverty at 52.9%, this growth rate (approx. 8% annually) is unlikely to keep pace with rising indigent household connections and aging network maintenance demands, given the A10 table shows continued household formation requiring piped electricity. • Street lighting receives negligible operational priority relative to safety risks. Street Lighting and Signal Systems OPEX increases only from R9.6 million to R12.9 million over the MTEF, representing less than 1.6% of total electricity OPEX. Given drug-related crime at 744 cases (2024) and community safety CAPEX being eliminated by 2028/29, underfunding street lighting undermines public safety and crime prevention in poorer wards. • No visible alignment between OPEX and the draft IDP's economic development objectives. The draft 4th Amendment IDP (March 2026) references economic development but the A2 schedule shows virtually no operational funding for business support or IDZ-linked electricity reliability programmes. This means load-shedding mitigation and dedicated industrial feeder maintenance are likely under-resourced, directly affecting job retention. **CAPEX Budget Responsiveness (Electricity Services)** • Capital investment in energy sources is declining in real terms despite growth forecasts. Energy sources CAPEX falls from R39.7 million (2025/26) to R35.6 million (2028/29) – a nominal decline of over 10%. With GDPR growth forecast at only -0.8% (2025) and 0.7% (2026), this reduction in grid reinforcement CAPEX will constrain new business connections and exacerbate existing network congestion in growth areas like Saldanha Bay IDZ. • Trading services CAPEX spikes are not directed at electricity. While total Trading Services CAPEX increases sharply from R124.9 million to R391.8 million (a 213% increase), energy sources CAPEX shrinks. This suggests the CAPEX surge is for water or wastewater treatment, not electricity. Consequently, the municipality capital budget could fall behind population-driven electricity demand, risking service backlogs and informal connection hazards. • Current need (household backlog) is prioritised below growth enablement. The A10 table indicates all households already receive at least the minimum service level of electricity. However, the CAPEX decline means the municipality is maintaining rather than expanding capacity. For a region with projected population growth to ~142,000 by 2028, zero real growth in electricity CAPEX implies future connection delays, voltage issues for new housing developments, and reduced ability to attract energy-intensive investors.

Service area	Municipal challenges/ risks	**Budget responsiveness** Budget responsiveness to services challenges/risks and the socio-economic environment Capital budget responsiveness – current need vs geared for growth
Wastewater	• **Treatment Capacity:** Ageing Wastewater Treatment Works (WWTW) struggling to meet capacity demands from growing towns (Langebaan, Saldanha). • **Environmental Compliance:** Risk of pollution spills into the Langebaan Lagoon (a Ramsar site) leading to fines and reputational damage. • **Infrastructure Maintenance:** High risk of pump station failures and sewer blockages due to ageing pipe networks and invasive root systems.	• **OPEX growth lags behind population and poverty pressures.** With wastewater OPEX growing at approximately 5.7% annually and population growing at 1.8–2.4%, real growth is minimal (around 1% after inflation). However, poverty at 52.9% increases the risk of non-payment for sanitation services, placing strain on operating budgets without corresponding revenue increases. The A10 household service targets show flush toilets connected to sewerage as the dominant service level, meaning any OPEX shortfall directly affects a large portion of households. • **Stormwater management receives zero OPEX allocation across the MTEF.** The budget schedule shows "Storm Water Management" as a dash (R0) for all years. This is a significant risk given the coastal location of Saldanha Bay and projected extreme weather events. The absence of stormwater OPEX suggests either the function is embedded elsewhere (e.g., roads or public safety) or is deliberately unfunded, which would exacerbate flooding risks, property damage, and pollution runoff into marine environments. • **Wastewater treatment OPEX is growing faster than sewerage OPEX, indicating a shift toward treatment quality.** Waste Water Treatment grows from R39.9m to R49.5m (average 7.5% annual growth), while Sewerage grows from R70.9m to R81.3m (average 4.7% growth). This suggests prioritisation of treatment plant operations (likely driven by regulatory compliance and environmental discharge standards) over network maintenance (sewerage pipes and pump stations). The risk is that collection infrastructure deteriorates, leading to blockages, spills, and pollution complaints.
Waste/Refuse	• **Landfill Airspace:** The Vredenburg Landfill site reaching end-of-life, requiring urgent licensing and development of new regional landfill capacity. • **Illegal Dumping:** Persistent environmental degradation in peripheral areas (St. Helena Bay, Hopefield) due to illegal dumping, increasing municipal clean-up costs. • **Recycling Compliance:** Difficulty meeting national Extended Producer Responsibility (EPR) targets and diversion of waste from landfills.	• **Solid Waste Removal OPEX (R68.8m by 2028/29) is growing at only 4.7% annually – below population growth (1.8 – 2.4%) plus inflation.** With poverty at 52.9% and a population of 141 916, real per capita spending is declining. This risks weekly refuse collection coverage for vulnerable households. Meanwhile, **CAPEX is volatile and back-loaded** (R4.6m in 2026/27 → R57.4m in 2028/29), representing only 1.5% of Trading Services CAPEX in the current year risking short to medium term investments in the service. • **Street Cleaning OPEX is being cut by nearly 50% in real terms** (R8.9m in 2025/26 to R4.5m in 2028/29). Combined with drug-related crime at 744 cases and public safety CAPEX eliminated by 2028/29, reduced street cleaning will likely accelerate public space decay and environmental degradation in poorer, higher-density areas. • Landfill OPEX grows to R46.1m by 2028/29 (7.4% average growth), but no CAPEX for recycling or alternative waste treatment is visible in the A5 schedule. With rising informal settlements (see A10) and provincial circular economy priorities, this creates future landfill airspace and environmental compliance risks, while missing opportunities for cost recovery through recycling.
Housing & Economic Infrastructure	• **Housing Backlog**: Rapid urbanization leading to an increasing waitlist for subsidized housing, particularly in Vredenburg and Saldanha. • **Land Invasion:** Risk of illegal land occupation on vacant municipal land designated for future low-cost housing projects. • **Spatial Inequality:** Historical apartheid planning resulting in "dormitory towns" (like Hopefield) located far from economic opportunities, increasing transport costs for the poor. • **Port of Saldanha Congestion:** Logistical inefficiencies and channel depth restrictions affecting bulk commodity exports (iron ore) impacting municipal revenue. • **Digital Divide:** Lack of Fibre and high-speed broadband in industrial areas (IDZ) and small towns (Paternoster, Hopefield) inhibiting SME growth. • **Road Network Deterioration:** Deterioration of secondary roads (e.g., R399) due to heavy mining and agricultural traffic, with insufficient budget for re-gravelling.	• **Road transport CAPEX grows strongly (50% nominal increase)**, signalling investment in economic infrastructure, but road transport OPEX shows only marginal real growth, risking maintenance backlogs for new assets. • **Environmental protection CAPEX is volatile and falls to zero in one financial year**, inadequate for coastal and pollution control in an industrialised coastal municipality. • **Planning and development CAPEX collapses by 98%** (from R16.5 million to R0.22 million), indicating that capital investment in land use management and development facilitation is being abandoned – a critical failure of growth-readiness.

3.3 Revenue and Expenditure Analysis and Risks

3.3.1 Budget Overview

Table 3 Budget overview for the 2026/27 MTREF Budget

Saldanha Bay	CURRENT YEAR			MTREF 2026/27					
Description	2025/26	2025/26	2025/26	2026/27	2026/27	2027/28	2027/28	2028/29	2028/29
R thousand	Original Budget	Adjusted Budget	Treasury Calculation	Budget Year +0	Treasury Calculation	Budget Year +1	Treasury Calculation	Budget Year +2	Treasury Calculation
Total Operating Revenue (excluding capital transfers and contributions)	1 889 743	1 884 754	**1 884 754**	**2 005 668**	**2 005 668**	**2 121 919**	**2 121 919**	**2 246 235**	**2 246 235**
Total Operating Expenditure	1 943 259	1 885 325	**1 888 084**	**2 033 003**	**2 033 230**	**2 143 951**	**2 141 387**	**2 265 814**	**2 267 073**
Surplus/(Deficit)	**(53 516)**	**(571)**	**(3 330)**	**(27 335)**	**(27 562)**	**(22 031)**	**(19 468)**	**(19 579)**	**(20 838)**
Non Cash Items									
Depreciation & asset impairment	194 581	194 581	194 581	**197 522**	197 522	**211 703**	211 703	**233 366**	233 366
A4: Total Operating Budget Restated Result	**141 066**	**194 010**	**191 251**	**170 186**	**169 959**	**189 672**	**192 235**	**213 788**	**212 529**
A5: Total Capital Expenditure	**361 462**	**248 410**	**249 909**	**299 720**	**299 720**	**473 359**	**473 359**	**535 495**	**535 495**
Funded by:									
Transfers recognised - capital	76 888	40 753	42 252	**26 063**	26 063	**50 006**	50 006	**78 596**	78 596
Borrowing	1 021	3 696	**3 696**	**764**	**764**	**110 450**	**110 450**	**119 500**	**119 500**
Internally generated funds	283 553	203 961	**203 961**	**272 893**	**272 893**	**312 903**	**312 903**	**337 399**	**337 399**
A7 - Cash/cash equivalents at the year end:	**673 266**	**857 841**	**862 547**	**798 822**	**745 735**	**677 873**	**607 510**	**545 637**	**457 431**
A8 - Surplus / (shortfall) after application of cash and investments	**495 091**	**449 736**	**378 296**	**509 165**	**426 123**	**519 306**	**442 867**	**529 660**	**460 208**
BUDGET FUNDING POSITION	**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 2026/27 MTREF period, in compliance with Section 18 of the MFMA, with no immediate risk to its financial sustainability or going-concern position.
- Notwithstanding this, the budget reflects a shift from historically strong operating surpluses to projected operating deficits across the MTREF, albeit declining from R27.34 million in 2026/27 to R19.6 million in 2028/29. While this indicates a gradual improvement in operating performance over the MTREF, the deterioration in the position in comparison with past performance remains concerning. This deviation from historical trends suggests that the underlying assumptions informing both revenue and expenditure growth should be continuously reviewed to move towards operational surpluses over the MTREF.
- The key variance between the municipal budget and the treasury calculation arises from differences in the methodology used to estimate debt impairment. The Municipal methodology as outlined in the Annual Financial Statement (AFS) is different to the treasury calculation where the full 4 per cent (100 per cent minus the 96 per cent debt collection ratio) is applied as debt impairment prior to the reversal of impairment loss is applied. The same methodology is applied for fines.
- The Municipality's total operating expenditure increased from R1.89 billion in the 2025/26 adjustment budget to R2.03 billion in the 2026/27 tabled budget, representing a growth of 7.8 per cent, which exceeds the moderate revenue growth of 6.4 per cent. Revenue performance is influenced by deliberate policy decisions to protect affordability, including reduced property rates tariffs increase following the 2025 General Valuation, as well as increasing the rebates on property rates for pensioners while maintaining a tariff increase in line with CPI.
- A prudent 96 per cent collection rate is projected indicating a provision for a non-recovery rate of 4 per cent. While these measures are financially and economically responsive, the mismatch between

expenditure and revenue growth places pressure on the operating position and limits the Municipality's ability to absorb rising cost pressures in the short to medium term.

- The municipal approved operating deficit is mainly driven by rising bulk electricity purchase, employee related cost and contracted services in the operating expenditure budget. Bulk purchases increased from R535.7 million in the 2025/26 adjustments budget to R577.5 million in 2026/27, and further to R684.4 million by 2028/29. This reflects an aggregated increase of 27.8 per cent over the MTREF. The increase in contracted Services appears to be driven primarily by the housing grant-funded top structures, whilst employee related cost grow by 6.2 per cent, influenced by wage agreements and notch increases.
- The Municipality's capital budget is 91 per cent funded from internal reserves, with 77.1 per cent of reserves projected to be utilised in the outer years of the MTREF, which, while compliant, reduces financial buffers and limits future flexibility.
- The Municipality's capital expenditure as a percentage of total expenditure will increase from 12.8 per cent to 19.1 per cent over the MTREF. This is in line with the norms, it may still suggest underinvestment, especially in 2026/27, relative to growth pressures. Notably, capital allocations are concentrated in core services, with 26.2 per cent directed towards wastewater management and 14.9 per cent towards road transport in 2026/27, increasing to 34.9 per cent for water management and 20.9 per cent for wastewater management in 2028/29, indicating a prioritisation of infrastructure. The sustainability of this investment trajectory will depend on execution capacity and funding resilience.
- The Municipality reported an increasing year-on-year positive cash and cash equivalents balance over the MTREF period of R798.82 million in 2026/27, R667.87 million in 2027/28, and R545.63 million in 2028/29, respectively. The budgeted financial position in table A6 analysis, 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 has demonstrated that it maintains sufficient cash resources to meet its monthly fixed operating obligations from available cash and investments. In this regard, due consideration has been given to the necessary commitments against the reported cash and investment balances reflected in Table A8. However, the Municipality is cautioned that any omissions or failure to account for committed expenditures may result in a distorted representation of the net surplus cash position. It is therefore critical that all commitments are accurately reflected to ensure a true and reliable view of the Municipality's actual cash position.
- The Municipality projects a gradual decline in its liquidity ratio over the MTREF period, from 2.6:1 in 2026/27 to 2.1:1 in 2027/28, and further to 1.6:1 in 2028/29. Despite this downward trend, the Municipality expects to retain sufficient financial capacity to meet its short-term obligations as they fall due. Overall, the reported liquidity ratios remain within acceptable levels and are aligned with the National Treasury benchmark of at least 1:1, indicating no immediate liquidity risk over the MTREF period.
- The Municipality projects a cost coverage ratio of 5 months in 2026/27, 4 months in 2027/28 and 3 months 2028/29 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 R395.94 million are reported in the 2026/27 budgeted monthly cash flow statement (SA30), compared to R398.99 million in the budgeted financial performance (A4), reflecting a 99.0 per cent collection rate and is realistic. While service charges of R1,355,91 million is reported, compared to R1,154.97 million in budgeted financial performance (A4), reflecting a 117 per cent collection rate and is realistic. While this may improve short-term cash flow, it is important to evaluate the sustainability of these collections to ensure it does not distort the Municipality's financial position.

3.4 Trading Services

3.4.1 Outcomes of the Cost Reflective Tool

Table 4 Outcome of the Cost-Reflective Tool

WC	West Coast	Saldanha Bay Municipality	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	2026/27 Tabled Budget	Year1	Revenue Required by NT Tariff Tool	219,695,788	104,460,883	706,799,066	104,044,724	1,135,000,461	Year 1
				Revenue Budgeted	239,111,331	132,970,514	708,523,045	114,540,229	1,195,145,119	
				Shortfall/Excess	19,415,543	28,509,631	1,723,979	10,495,505	60,144,658	
	Assessment Outcome per Service				Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	
Year 2	Cost Reflective	2026/27 Indicative Tabled Budget 2027/28	Year2	Revenue Required by NT Tariff Tool	228,510,134	108,306,952	772,295,741	107,987,846	1,217,100,673	Year 2
				Revenue Budgeted	249,938,575	138,688,254	774,014,781	119,465,456	1,282,107,066	
				Surplus /Deficit	21,428,441	30,381,302	1,719,040	11,477,610	65,006,393	
	Assessment Outcome per Service				Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	
Year 3	Cost Reflective	2026/27 Indicative Tabled Budget 2028/29	Year3	Revenue Required by NT Tariff Tool	242,431,417	115,040,623	841,088,899	113,204,889	1,311,765,828	Year 3
				Revenue Budgeted	265,434,766	147,286,924	842,747,283	124,483,004	1,379,951,977	
				Surplus /Deficit	23,003,349	32,246,301	1,658,384	11,278,115	68,186,149	
	Assessment Outcome per Service				Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	Cost Reflective	

Source: Saldanha Bay Municipality budget documents 2026

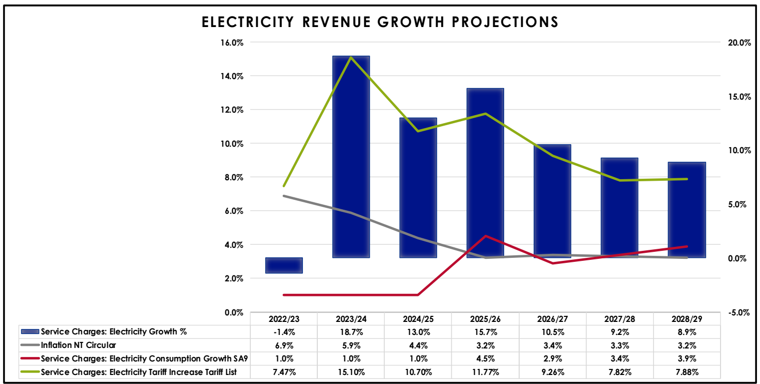
- The cost reflective tariff outcomes in table 4 confirm that Saldanha Bay Municipality is fully cost reflective across water, wastewater, electricity and solid waste from Year 1 (2026/27 tabled budget), with no revenue shortfalls. In aggregate, the municipality is required by the NT tariff tool to generate approximately R1.135 billion, while the budget provides about R1.195 billion, resulting in a total surplus of R60.1 million, equivalent to around 5.3 per cent above the cost reflective requirement. At the service level, water shows a surplus of about R19.4 million (8.8 per cent), wastewater about R28.5 million (27.3 per cent), electricity about R1.7 million (0.2 per cent), and solid waste approximately R10.5 million (10.5 per cent). These outcomes demonstrate that tariffs are not only compliant with National Treasury cost-reflectivity benchmarks but already generate moderate operating headroom in the base year of the MTREF.

- The positive position is sustained and strengthened in the outer years of the MTREF. In Year 2 (2027/28 indicative budget), the municipality records a total surplus of approximately R65.0 million, equating to about 5.3 per cent above the NT revenue requirement, with water and wastewater remaining the primary contributors as their surpluses rise to roughly 9.4 per cent and 28.1 per cent, respectively, while electricity remains broadly neutral and solid waste maintains a surplus of around 10.7 per cent. By Year 3 (2028/29), the overall surplus increases to around R68.2 million, or approximately 5.2 per cent, confirming sustained cost reflectivity and revenue adequacy across all services. Collectively, the trend indicates disciplined tariff setting, improving financial resilience, and sufficient margins to support ongoing operations, asset maintenance and longer-term infrastructure sustainability without reliance on under-recovery.

3.4.1 Energy Services

3.4.1.1 Energy Services Credibility and Sustainability

Diagram 1 Energy trading service trends



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Service Charges: Electricity Growth %	-1.4%	18.7%	13.0%	15.7%	10.5%	9.2%	8.9%
Inflation NT Circular	6.9%	5.9%	4.4%	3.2%	3.4%	3.3%	3.2%
Service Charges: Electricity Consumption Growth SA9	1.0%	1.0%	1.0%	4.5%	2.9%	3.4%	3.9%
Service Charges: Electricity Tariff Increase Tariff List	7.47%	15.10%	10.70%	11.77%	9.26%	7.82%	7.88%

Cost Recovery	Direct and Indirect	2026/27	2027/28	2028/29
	Revenue Required	R706 799 066	R772 295 741	R841 088 899
	Revenue	R708 523 045	R774 014 781	R842 747 283
	Surplus/ Deficit	R1 723 979	R1 719 040	R1 658 384

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Basic Charge (WC Ava)	Tariff Increase (Mun)	Tariff Increase (WC Ava)
Business	R1 024.73	R1 225.85	9.26%	9.74%
Households	R387.29	R475.99	9.26%	9.74%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Electricity Services (R'000)		
		2026/27	2027/28	2028/29
Indigent (A10,SA1)	9 162	R27 565	R29 721	R32 063
Indigent (LGES)	42 793	R37 211	R39 375	R39 928

Source: A1 schedules

Source: NT GoMun 2026/27 Draft Budget

- Electricity revenue remains the largest contributor to the Municipality's operating income, accounting for an average of 36.3 per cent of the total operating revenue over the 2026/27 MTREF. This highlights the extent to which the Municipality's financial sustainability is dependent on revenue generated from electricity. In the 2026/27 financial year, electricity revenue is projected to increase by 10.5 per cent. This growth is primarily driven by the proposed municipal tariff increases of 9.26 per cent. In addition, electricity consumption is expected to grow by 2.9 per cent in 2026/27. While this represents an improvement from the 1.8 per cent growth projected in the 2025/26 MTREF, it remains below the current year's growth of 4.5 per cent, indicating moderated demand growth over the medium term.
- The Municipality incurred electricity losses of 13.04 per cent in 2024/25 (11.48 per cent in 2023/24) with the 2026/27 MTREF forecast at 11 per cent, exceeding National treasury benchmark of 7 per cent to 10 per cent. These losses are attributable to both technical and non-technical factors, including the nature of electricity distribution, the condition and age of the network, weather conditions, system load, as well as electricity theft, vandalism, and meter-related inaccuracies. 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 strengthen its approach to managing electricity distribution inefficiencies, particularly given the high losses recognised as a sustained financial risk. While provision is made for electricity infrastructure investment, it is unclear that these allocations are explicitly targeted at reducing losses or improving network performance. A more integrated approach is suggested, combining targeted infrastructure upgrades with operational interventions to address both technical and non-technical losses. In this regard, the Municipality is further encouraged to leverage National Treasury's Revenue Management Tool and broader revenue enhancement initiatives as per MFMA

circular 132 to continuously improve billing accuracy, reduce losses, and further strengthen overall revenue performance.

- The Electricity service appears broadly cost-reflective, as indicated by the NT tariff tool with a declining trajectory over the 2026/27 MTREF. It is noted that the assumptions informing the NERSA tariff application have changed, specifically from the bulk tariff assumption of 8.76 per cent to the NERSA approved increase of 9.01 per cent. The Municipality should assess the impact of the increased bulk tariff on the electricity service's financial sustainability, particularly its effect on operating margins and trading surpluses While the National Treasury's trading services reform is primarily directed at metropolitan municipalities, it remains important for the Municipality to progressively align with the principles of financial sustainability, cost recovery, and the ring-fencing of trading services. This includes ensuring that revenue generated is reinvested into infrastructure maintenance and upgrades, strengthening financial transparency, and supporting long-term service reliability and economic growth.

3.4.1.2 Energy Tariff Analysis

- The proposed municipality electricity tariff is 9.26 per cent increase, whereas the increase in bulk electricity purchases for the 2026/27 financial year is 9.01 per cent as approved by NERSA, this increase is slightly below the provincial average of 9.74 per cent. In the municipal budget report, the Cost of Supply study conducted in 2025 as per the court judgment, is cited as the main drive for this tariff adjustment for this trading service. The municipality submitted its tariff application to NERSA within the prescribed timeframe.
- Residential consumers fall primarily under Tariff 1: Domestic Consumers, characterised by inclining block tariffs (Block 1: 0 – 350 kWh; Block 2: >350 kWh), fixed monthly charges (service and capacity charges) and strong protection for indigent households. The 9.26 per cent increase applies uniformly to both fixed charges and energy charges, with lower consumption households experiencing a lower effective increase due to free basic Electricity (50 kWh) and lower block pricing for initial consumption. Capacity charges for 30A residential connections are phased in, softening the immediate impact. Residential electricity tariffs retain a socially progressive structure, ensuring affordability at low consumption levels despite above-inflation increases.
- Business consumers mainly fall under tariff 2 commercial consumers and tariff 3 industrial consumers (for high-demand users). Key characteristics include higher fixed charges (service, capacity and demand based), flat or single energy rate (no inclining blocks) and demand (kVA) charges for larger users. While there is uniformity in the tariff increase, businesses face a higher absolute Rand impact due to larger contracted capacity, absence of free or subsidised blocks, exposure to demand charges. Tariff design strongly aligns with cost causation principles, ensuring high demand users pay proportionately more. The electricity tariff structure effectively shifts cost recovery toward business and industrial users while maintaining cost reflectivity.

Policy Implications: Electricity Regulation Reform

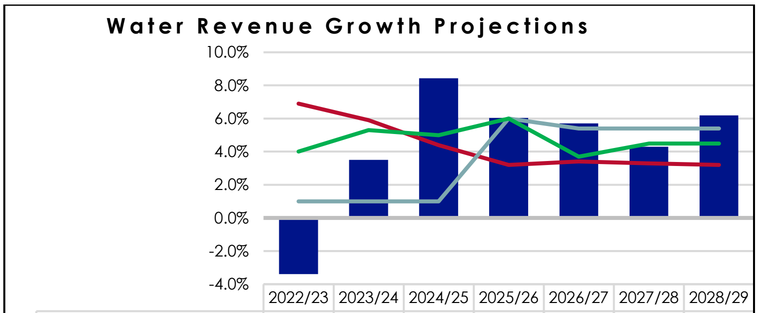
- South Africa's evolving electricity sector, particularly under the Electricity Regulation Amendment Act, introduces significant reforms, including:
    - Establishment of a competitive electricity market.
    - Separation of generation, transmission, and distribution functions.
    - Increased role for independent power producers (IPPs).
    - Enhanced regulatory oversight of tariffs.
- The proposed electricity tariff adjustments must then be considered within this changing policy environment. Municipalities will be required to align tariffs more closely with actual cost structures, particularly in distribution, meaning the NT cost reflective tariffs tool and accurate cost of supply data

becomes essential for tariff setting and regulatory compliance. Increased market transparency will limit the ability for municipalities to cross-subsidise between customer categories without clear justification. Increased competition and customer choice, large customers may seek alternative electricity suppliers, reducing municipal revenue if tariffs are not competitive. Posing a significant risk to municipal electricity revenue, which is a key source of cross subsidisation for other trading services, may decline over time.

3.4.2 Water Services

3.4.2.1 Water Services Credibility and Sustainability

Diagram 2 Water trading service trends



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Service Charges: Water Growth %	-3.4%	3.5%	8.4%	6.0%	5.7%	4.3%	6.2%
Inflation NT Circular	6.9%	5.9%	4.4%	3.2%	3.4%	3.3%	3.2%
Service Charges: Water Consumption Growth SA9	1.00%	1.00%	1.00%	6.00%	5.40%	5.40%	5.40%
Service Charges: Water Tariff Tariff List	4.00%	5.30%	5.00%	6.00%	3.70%	4.50%	4.50%

Cost Recovery	Direct and Indirect	2026/27	2027/28	2028/29
	Revenue Required	R219 695 788	R228 510 134	R242 431 417
	Revenue	R239 111 331	R249 938 575	R265 434 766
	Surplus/ Deficit	R19 415 543	R21 428 441	R23 003 349

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Basic Charge (Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R145.62	R289.86	3.7%	6.1%
Households	R145.62	R170.62	3.7%	6.1%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Water Services (R'000)		
		2026/27	2027/28	2028/29
Indigent (A10,SA1)	9 162	R13 741	R14 194	R14 649
Indigent (LGES)	42 793	R53 599	R56 716	R57 513

Source: A1 schedules

Source: NT GoMun 2026/27 Draft Budget

- Revenue from water services is projected at R227.04 million in 2026/27, increasing to R251.49 million by 2028/29, reflecting an average annual growth of 5.4 per cent from the 2025/26 adjustment budget over the MTREF. This growth is driven by a combination of tariff adjustments and increases in consumption.
- For 2026/27, total water revenue amounts to R239.11 million, including availability charges and indirect revenue, against expenditure of R219.70 million, resulting in a projected surplus of R19.42 million (as per the cost reflective tariff tool). While the water service remains cost reflective, a risk arises where the bulk water tariff increase (3.9 per cent) exceeds the Municipality's tariff increase (3.7 per cent). If sustained, this may place pressure on cost recovery over time, requiring ongoing alignment between input costs and tariff adjustment.
- Reported water losses increased marginally from 21.22 per cent in 2024 to 22.23 per cent in 2025, with current forecasts at 20 per cent. While still within the NT benchmark of 15 to 30 per cent, the Municipality targeted a15 per cent in the Long Term Financial Plan (LTFP). The upward trend suggests that mitigating measures previously implemented may not have been as efficient as projected. Furthermore, it signals underlying inefficiencies, including ageing infrastructure, leaks, metering inaccuracies, and potential non-technical losses.
- The Municipality has responded by prioritising water infrastructure within its capital budget, particularly in the outer years, with allocations directed towards the replacement of ageing pipelines and loss-reduction interventions. This is a positive step and all efforts to ensure procurement readiness, implementation capacity, and alignment with a structured asset management and maintenance plan is encouraged.

- To further strengthen outcomes, water loss reduction should be embedded as a core component of the above-mentioned revenue enhancement initiatives, with measurable targets and clear accountability. Reducing losses will not only improve operational efficiency but also protect revenue streams that can be reinvested into infrastructure and service delivery.
- Furthermore, tariff setting must comply with Section 74 of the MFMA, which requires that tariffs reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement, and interest charges. It also requires the adoption of a policy that ensures fairness, protects vulnerable households through subsidisation, and promotes transparency to all members of the community. This underscores the need to balance affordability and financial sustainability.
- While the tariff increase is in line with CPI (3.7 per cent), thereby limiting the burden on consumers, particularly vulnerable households, it remains below the 6 per cent projected over the 2025/26 MTREF. As a result, efficiency gains must be identified to maintain financial sustainability and ensure sufficient investment in infrastructure.
- The Municipality's revenue projections over the 2026/27 MTREF far exceed those outlined in the LTFP, with consumption patterns also surpassing forecasted levels. However, water losses are considerably higher than projected. In addition, capital expenditure, originally projected at 26 per cent of total capital expenditure (as per the LTFP), has not been achieved to any meaningful extent.
- This indicates that while demand is growing and contributing to higher revenue projections, infrastructure investment is not keeping pace with this growth. As a result, water losses are exceeding targeted levels. This imbalance presents a risk and requires urgent intervention to ensure the sustainability and reliability of water service delivery.
- The MFMA Circular 134 highlights sector-wide concerns, noting that approximately 73 per cent of Water Services Authorities are underperforming, with persistent high-water losses, insufficient reinvestment into infrastructure, weak maintenance practices, and increasing debt to water boards. The Municipality should remain cognisant of these risks and ensure that water revenue is appropriately ring-fenced and reinvested to sustain service delivery over the long term.

3.4.2.2 Water Tariff Analysis

- A 3.7 per cent increase in water tariff is proposed by the municipality for the 2026 MTREF, tariff increase is slightly above the inflation benchmark of 3.4 per cent and below the provincial average, which is 6.05 per cent. Bulk water purchase assumptions are sourced from the West Coast District Municipality.
- Saldanha bay municipality's tariff structure for residential water users fall under domestic households and residential accommodation businesses, with free basic water provision (6 kl for indigent households), steeply inclining block tariffs and a fixed basic charge applied equally. The 3.7 per cent Increase, which is more or less inflation aligned increase preserves affordability, users within lower blocks experience limited cost impact, while high residential consumption (>40 kl/month) becomes progressively expensive. Nonetheless, the residential water tariff structure strongly supports water demand management and conservation objectives.
- Business and industrial users face higher per-kl tariffs across all consumption bands, lower tolerance for high consumption before punitive pricing applies and a separate tariff schedule for wet industries and high-volume users. This 3.7 per cent increase is uniform across all bands, but businesses already pay a significantly higher marginal tariff than households and high-volume users are exposed to drought and emergency tariffs far earlier. The tariff structure enforces the "user pays" principle, appropriately shifting water scarcity risk to non-residential users.

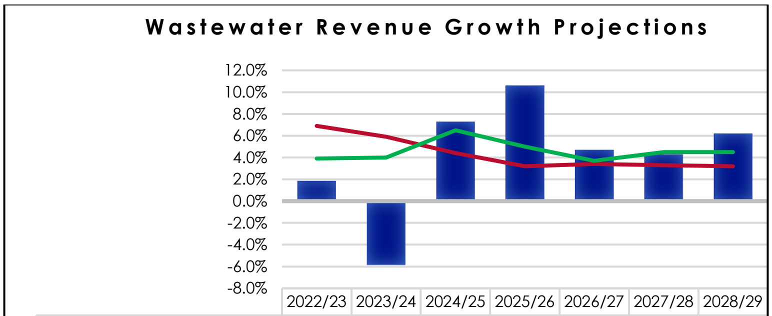
Water Sector Reform: National Water Amendment Bill

- The National Water Amendment Bill introduces significant reforms aimed at strengthening water resource management, institutional arrangements, and financial sustainability within the water sector.
- Key policy objectives include enhancing water resource governance through a stronger role for Catchment Management Agencies (CMAs) and improved oversight of water allocation and use. The Bill places greater emphasis on cost recovery and efficient pricing, including aligning tariffs more closely with the actual cost of supply and infrastructure maintenance. It also introduces stronger compliance requirements for water service authorities, including municipalities, alongside improved monitoring of financial and operational performance. In addition, the reforms focus on water security and demand management by incentivising efficient water use through pricing mechanisms and addressing non-revenue water and infrastructure losses.

3.4.3 Wastewater Services

3.4.3.1 Wastewater Services Credibility and Sustainability

Diagram 3 Wastewater trading service trends



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Service Charges: Wastewater Growth %	1.9%	-5.8%	7.3%	10.6%	4.7%	4.3%	6.2%
Inflation NT Circular	6.9%	5.9%	4.4%	3.2%	3.4%	3.3%	3.2%
Service Charges: Wastewater Tariff Tariff List	3.90%	4.00%	6.50%	5.00%	3.70%	4.50%	4.50%

Cost Recovery	Direct and Indirect	2026/27	2027/28	2028/29
	Revenue Required	R104 460 883	R108 306 952	R115 040 623
	Revenue	R132 970 514	R138 688 254	R147 286 924
	Surplus/ Deficit	R28 509 631	R30 381 302	R32 246 301

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	3.7%	6.2%
Households		3.7%	6.2%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Wastewater Services (R'000)		
		2026/27	2027/28	2028/29
Indigent (A10,SA1)	9 162	R21 736	R22 454	R23 172
Indigent (LGES)	42 793	R32 053	R33 917	R34 394

Source: A1 schedules

Source: NT GoMun 2026/27 Draft Budget

- The Municipality has budgeted a surplus of R28.51 million for wastewater services in 2026/27, based on estimated expenditure of R104.46 million. This reflects a positive cost recovery position and provides a level of internal funding capacity to support ongoing operations and infrastructure investment within the wastewater function. The Municipality has further indicated its intention to secure funding for the upgrade of key wastewater treatment infrastructure, including the Britannia Bay and Vredenburg wastewater treatment plants.
- A tariff increase of 3.7 per cent has been applied for 2026/27, generally aligned to inflation. This approach seeks to balance affordability considerations with the need to recover rising operational and maintenance costs, while also supporting longer term capital investment in sanitation infrastructure.
- Wastewater service charges are projected to increase from R109.13 million in 2025/26 to R126.56 million in 2028/29, representing an average annual growth of 5.1 per cent. This growth is driven by a combination of tariff adjustments and consumption growth of 1 per cent. The trajectory supports consistent cost-reflective tariffs, although sustained alignment between revenue growth and infrastructure demands will be critical.
- In terms of capital investment, the Municipality has allocated R78 million towards wastewater infrastructure in 2026/27, forming part of a broader R308.8 million MTREF commitment. While this signal a strong prioritisation of sanitation infrastructure, the effectiveness of this investment will depend on implementation readiness, project sequencing, and the ability to deliver within planned timeframes.

- The planned capital budget should be closely aligned to projected growth in demand for sanitation services, including new developments and business expansion as outlined in the LTFP. This alignment is essential to ensure that infrastructure capacity keeps pace with demand, while avoiding future service delivery constraints or unplanned financial pressures.

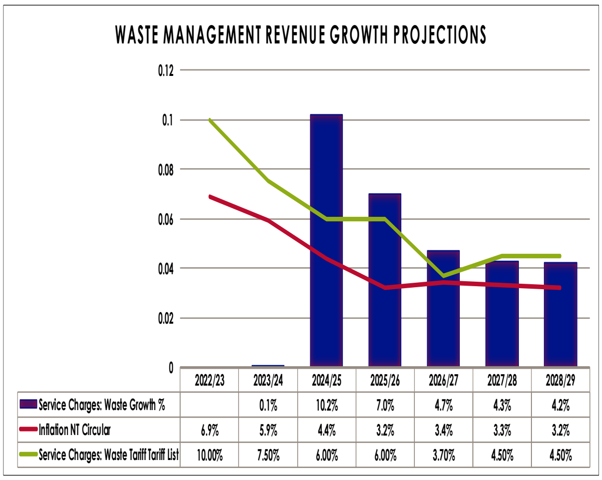
3.4.3.2 Wastewater Services Tariff Analysis

- The municipality proposed a 3.7 per cent increase in wastewater services tariff for the 2026 MTREF, tariff increase is slightly above the inflation benchmark (3.4 per cent) and below the provincial average, which is 4.98 per cent.
- The tariff structure for residential sanitation tariffs consists primarily of fixed monthly charges per erf or dwelling unit, with an overall increase of approximately 4.75 per cent. Commercial sanitation tariffs reflect a significant increase of approximately 57 per cent in usage charges per business unit. This sharp increase raises concerns regarding tariff stability and affordability for businesses. It suggests either historical underpricing or a sudden adjustment toward cost recovery, but no supporting cost analysis is provided to justify the magnitude of the increase.
- Business and industrial users face higher per-kl tariffs across all consumption bands. Separate tariff schedules for wet industries and high-volume users. Uniform percentage increase across all bands, but businesses already pay a significantly higher marginal tariff than household's High-volume users are exposed to drought and emergency tariffs far earlier. The tariff structure enforces the "user pays" principle, appropriately shifting water scarcity risk to non-residential users.

3.4.4 Waste Removal Services

3.4.4.1 Waste Removal Services Credibility and Sustainability

Diagram 4 Waste removal service trends



Cost Recovery	Direct and Indirect	2026/27	2027/28	2028/29
	Revenue Required	R104 044 724	R107 987 846	R113 204 889
	Revenue	R114 540 229	R119 465 456	R124 483 004
	Surplus/ Deficit	R10 495 505	R11 477 610	R11 278 115

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	3.7%	3.7%
Households		3.7%	3.7%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Waste Services (R'000)		
		2026/27	2027/28	2028/29
Indigent (A10,SA1)	9 162	R30 481	R31 487	R32 495
Indigent (LGES)	42 793	R26 870	R28 432	R28 832

Source: A1 schedules

Source: NT GoMun 2026/27 Draft Budget

- The Municipality has projected a surplus of R10.5 million for waste removal services in the 2026/27 financial year, based on estimated expenditure of R104.04 million. This indicates that the service is operating at a cost-recovery level, with a modest surplus available to support operational sustainability. The budget further provides for a 3.7 per cent tariff increase, alongside an assumed revenue growth of 1.0 per cent, reflecting limited expansion in the customer base. The continued provision of free basic services to indigent households remains a key social support measure, which must be appropriately funded to avoid pressure on the service.

- The cost of providing free refuse removal to households exceeds the allocated Equitable Share funding quantum, posing a financial risk. Accordingly, the underlying cost drivers of the service should be critically assessed to identify potential efficiency gains to improve sustainability. The 2024/25 Annual Financial Statements shows the provision for landfill rehabilitation recorded at R67.8 million. This liability is projected to increase to R91.88 million by the 2028/29 financial year, as reflected in Table SA3 of the A1 schedule. The upward trend reflects the growing future financial obligation associated with landfill rehabilitation, and environmental compliance requirements.
- The LTFP commits a R41 million planned to be spent on landfill rehabilitation over the period 2026 to 2032 with current spending (M08) at R7.01 million. While this demonstrates that the Municipality has begun implementation, the phased funding approach should be closely monitored to ensure that sufficient provision is made to meet the full liability within required timeframes.

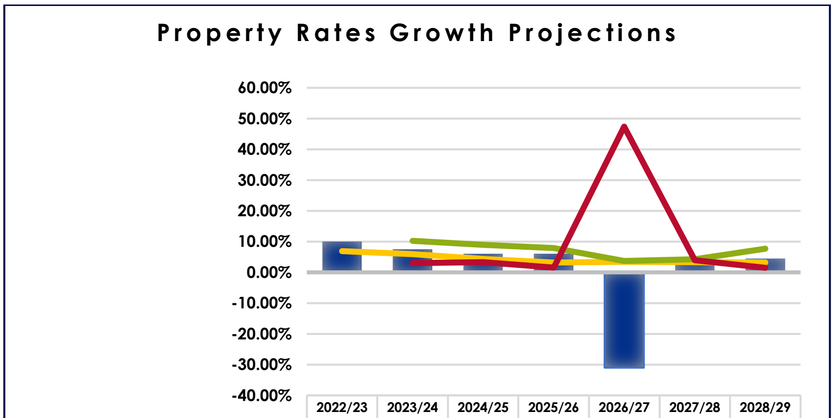
3.4.4.2 Waste Removal Services Tariff Analysis

- A 3.7 per cent increase for waste refusal services tariff is proposed by the municipality for the 2026 MTREF. This tariff increase is slightly above the inflation (3.4 per cent) and below the provincial average, which is 6.16 per cent.
- Residential sewerage tariffs are determined mainly by property size bands and toilet/urinal counts for flats and multi-unit dwellings. The 3.7 per cent increase is a predictable and moderate monthly increase, with minimal variability for standard residential households and indigent households receive free sanitation services. Business and institutional users face significantly higher tariffs also linked to property size and number of toilets/urinals. Businesses bear higher absolute increases, and wet industries face costs linked directly to pollution load, not just volume and there is a strong incentive to pre-treat wastewater. The sanitation tariff model fully aligns with polluter pays and environmental compliance principles.

3.5 Revenue

3.5.1 Property Rates

Diagram 5 Property rates



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Property Rates Tariff Increase	10.00%	7.50%	6.00%	6.00%	-31.00%	4.50%	4.50%
Inflation NT Circular	6.9%	5.9%	4.4%	3.2%	3.4%	3.3%	3.2%
Property Rates % Movement		10.2%	8.9%	7.9%	3.7%	4.3%	7.7%
% Growth in Market Value		3.0%	3.3%	1.5%	47.4%	4.0%	1.5%

2025/26 Tariffs	Rate in Rand (Mun)	Rate in Rand (WC Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R0.00971	R0.01488	-31.0%	R0.01488
Households	R0.00486	R0.00905	-31.0%	R0.00905

Source: Municipal Budget Assumptions

Property Rates Rebates	Number of Indigent HH	Rebates 2026/27	Rebates 2027/28	Rebates 2028/29
Indigent (A10,SA1)	9 162	R35 456	R36 626	R37 798
Last GV date	01 07 2021			

Source: A1 schedules

Source: NT GoMun 2026/27 Draft Budget

- The Municipality has tabled a lower property rates tariff increase for the 2026/27 financial year, following the implementation of the 2025 General Valuation Roll. As noted in the Mayor's Report, the tariff was reduced by 31 per cent to soften the impact of higher property values on ratepayers. In addition, the Municipality increased its property value rebate threshold from R250 000 to R350 000 for registered indigent households, alongside higher rebate thresholds for pensioners to support affordability. These measures are commendable as they provide targeted relief to homeowners while still allowing property rates revenue to grow by 3.7 per cent in 2026/27.

- The billed revenue from property rates remains a significant source of own revenue and account for R399 million or 19.9 per cent of total operating revenue in 2026/27. Over the MTREF, this revenue source is projected to increase by R63.44 million, or 16.5 per cent from the 2025/26 adjustment budget.
- While the relief measures strengthen affordability and social responsiveness, the Municipality should closely monitor the extent of revenue foregone and ensure that these interventions remain aligned to long-term financial sustainability and funding requirements.

3.5.2 Other Revenue Risks

- In the 2024/25 financial year, traffic fine revenue amounted to R23.44 million, falling slightly short of the adjusted budget of R26.67 million, and which in consistent with the R23.18 million realised in 2023/24.
- Notwithstanding this, the 2026/27 budget projects traffic fine revenue to increase to R35.13 million (42.1 per cent) in 2028/29 from the R27.34 million in the 2025/26 adjustment budget. 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 is set for implementation 1 July 2026. 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 further 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.

3.5.3 Government Debt Management

Treasury Circular Mun 10 of 2024 WCPT introduced a revised debt template and dashboard for Municipalities to track ageing debt per department. Together with the unbundling of government debtors, the template links municipal records to department asset registers and the MFMA s71 Age Analysis of Debtors (AD) mSCOA code.

There are still some challenges with the full implementation of the template, including specification of ownership of Erf's. Given these challenges WCPT would like to encourage the Municipality to fully utilise the Government Debt Dashboard by implementing the following steps:

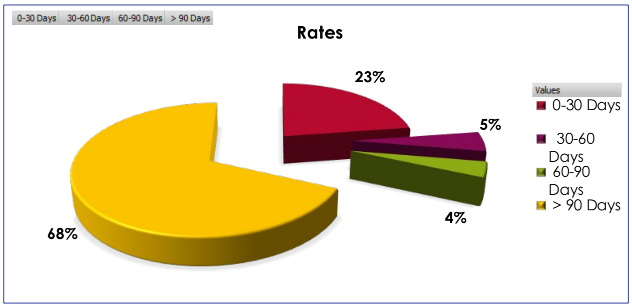
- Implement a focused **monitoring system**, using the debt dashboard to track ageing of debt for each department responsible, and the payment history.

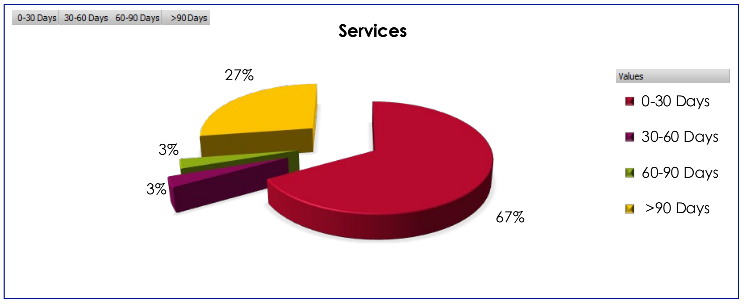
DEBT DASHBOARD

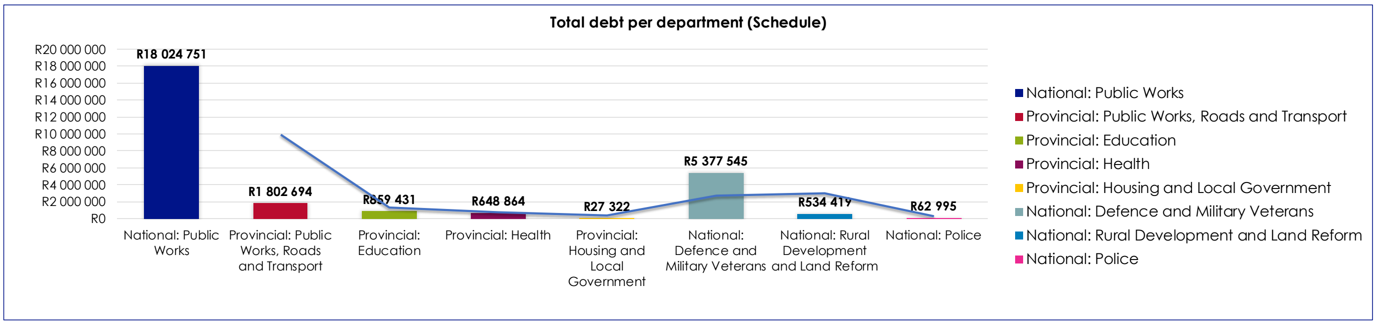
Reporting Month: February

	TOP 5 Accounts	Acccount No	Debt >90
1	National: Public Works	21074933	R459 912
2	National: Public Works	29000246	R430 273
3	National: Public Works	65001109	R427 670
4	National: Rural Development and Land	19000677	R341 963
5	National: Public Works	21000778	R296 308

Total number of accounts	Debt 60 - 90 Days R'000	Debt >90 Days R'000	Total debt value R'000
473	R805	R11 810	R27 338







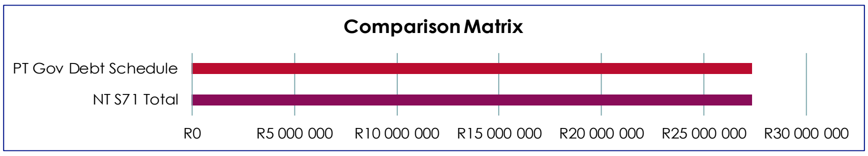
The Government Debt Dashboard displays the "top 5 accounts", for the over 90 days age category. The respective sector departments will be required to provide feedback/comments on the "top 5 accounts" on a monthly basis. The Municipality should therefore ensure that the "Municipal Comments" column is as detailed as possible (per guidance below) to enable constructive responses from departments.

- **Data-cleansing exercise**: The purpose of asset verification process is to equip municipalities with the tools to correctly identify property ownership and ensure that invoices are directed to the appropriate department for payment. WCPT acts as a mediator in cases where properties are missing from the asset register, or where devolution/ transfers have occurred, but ownership was not properly recorded at the Deeds Office. However, this requires the municipality to actively undertake the data-cleansing exercise. In many cases this exercise provides sufficient information for the municipality to update its billing records with the correct department, thereby resolving the issue. Where WCPT's mediation is needed, municipalities should provide as much detail as possible in "**Municipal Comments**", including:
  - Verify if the erf/property of the accounts is on any of the departmental asset registers.
  - who is utilising the property? is it a multi-use property?
  - is it a vacant erf or is its undeveloped property?
  - which department made the last payment?

  The details of the Municipality's monthly Government Debt schedule show that the Municipality has not yet fully utilised the provincial asset register data, as there are still misalignments between municipal and departmental records for some properties (as identified by erf numbers).

- **Regular Reconciliation**: Furthermore, the monthly dashboard assists with credible data reporting to all spheres of government, via the comparison between National Treasury Age Analysis of Debtors (AD) for "Organ of State debt" and the Provincial Treasury Govt Debt Schedules.

Comparison Matrix between NT Section 71 (DB) and PT Govt Debt Schedule	
NT S71 Total	R27 338 026
PT Gov Debt Schedule	R27 338 021



The table above compares data for February 2026. The municipality is commended for the alignment between the National Treasury Age Analysis of Debtors (AD) return and the Government Debtor Schedules reported to WCPT, which will positively impact debt management and recovery.

The comparison matrix table below confirms the full alignment between National Treasury Age Analysis of Debtors (AD) for "Organ of State debt" and the Provincial Treasury Govt Debt Schedules. While the amounts reconcile, the "Property Account Name" and "Property Account Address" fields must be accurately captured within the "Govt Debt Schedule". Leveraging the asset registers from the verification process will strengthen this accuracy and, in turn, support more effective debt management.

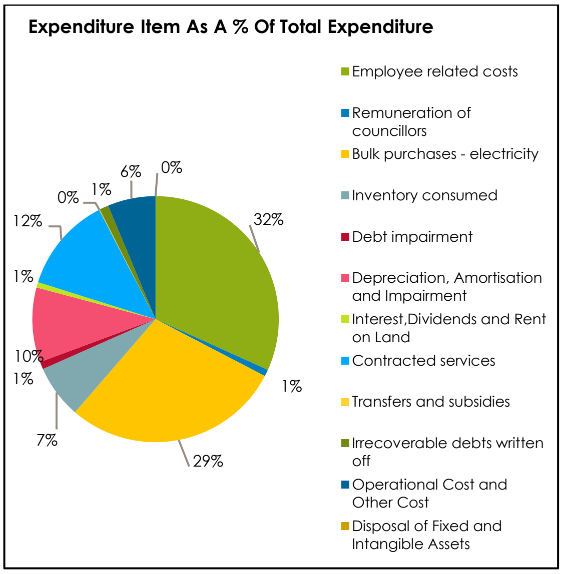
Comparison Matrix between MFMA s71 (DB) and PT Government Debt Schedule			
Municipality	**Customer Group**	**MFMA s71 Total**	**PT Govt Debt Schedule**
	National: Defence and Military Veterans	5 377 546	5 377 545
Saldanha Bay	National: Police	62 994	62 995
	National: Public Works	18 024 753	18 024 751
	Provincial: Education	859 432	859 431
	Provincial: Health	648 865	648 864
	Provincial: Housing and Local Government	27 323	27 322
	Provincial: Public Works, Roads and Transport	1 802 694	1 802 694
	National: Rural Development and Land Reform	534 419	534 419
		27 338 026	**27 338 021**

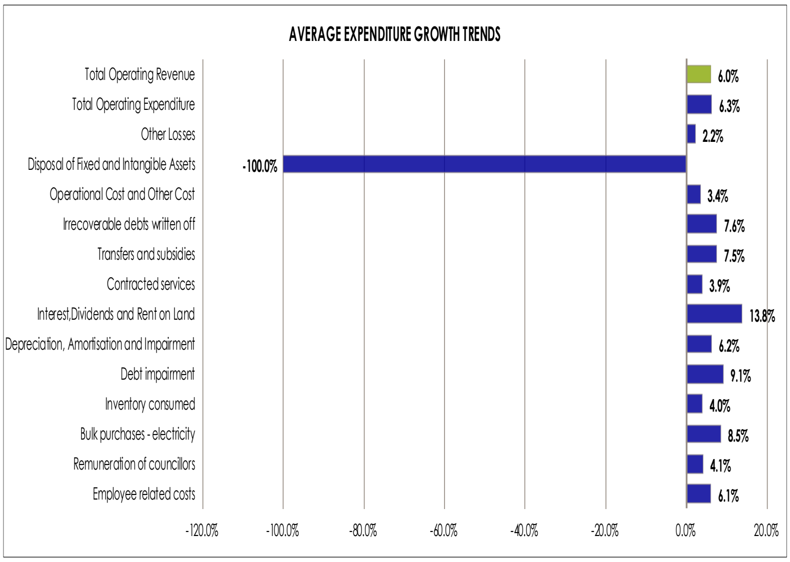
Given that the national Department of Public Works and Infrastructure has devolved all their tenants/client departments to pay all their service accounts (effective April 2026), WCPT will within the next two to three months create new sheets within the Govt Debt Schedule to reflect the devolution process. The Municipality need to ensure that invoices are forward to the correct department to ensure payment.

- **Structured Engagement**: WCPT aims to have quarterly intergovernmental meetings (municipality-provincial/national departments) from July 2026, to have a collaborative platform for addressing municipal debt, leveraging the strengths and opportunities available, and ensuring that government departments meet their obligations to municipalities in a timely and transparent manner.
- Provincial Treasury is committed to working together to resolve outstanding amounts owed to the municipality.

3.6 Operating Expenditure

Diagram 6 Operating expenditure trends





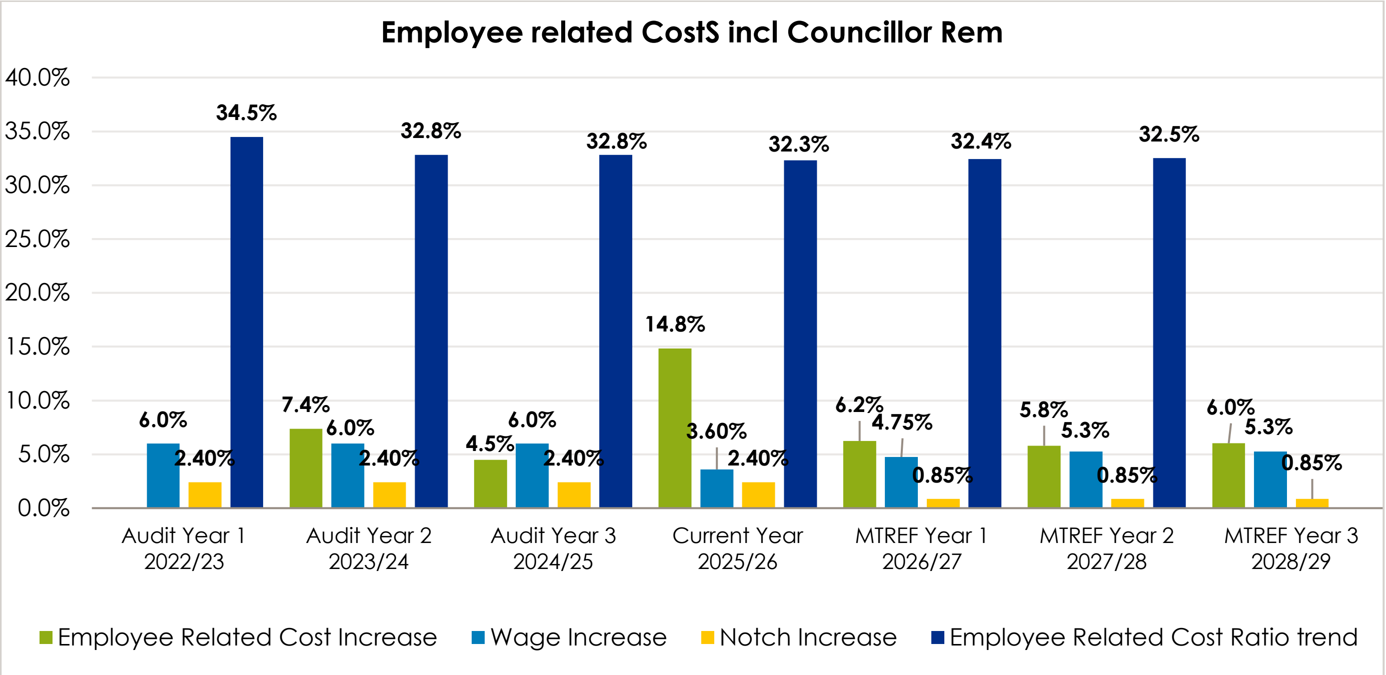
Source: NT GoMun 2026/27 Draft Budget

- The operating expenditure is projected at R2.03 billion, R2.14 billion, and R2.27 billion for the 2026/27, 2027/28, and 2028/29 financial years, respectively, representing growth of 7.8 per cent, 5.5 per cent, and 5.7 per cent over the three-year period. The key variance arises from differences in the methodology used to estimate debt impairment, particularly those linked to collection rate trends and Annual Financial Statement (AFS) reporting.
- The Municipality has budgeted R577.51 million for **bulk electricity purchases** in the 2026/27 financial year, reflecting an increase of 7.8 per cent from the 2025/26 adjusted budget. The budget assumptions indicate a projected growth in electricity purchases of 4.8 per cent over the 2026/27 MTREF, which is higher than the current year (2025/26) projections. This increase in consumption patterns is not clearly seen in the bulk purchases expenditure increases. Furthermore, electricity revenue is projected to increase by 10.5 per cent.
- The difference between the growth in bulk purchases and electricity revenue suggests a potential misalignment in underlying assumptions. Given that bulk purchases are also primarily driven by consumption and tariff adjustments, a stronger correlation would typically be expected. The Municipality should therefore reassess the assumptions underpinning both revenue and expenditure projections to ensure consistency, particularly in relation to consumption trends, losses, and tariff modelling
- It is recommended that the Municipality continue to closely monitor system losses, sales volumes, and consumption trends to mitigate the risk of under-recovery, particularly in the context of ongoing economic pressures on households. Ensuring that revenue recovery remains aligned with bulk purchase projections and actual demand trends will be essential to maintaining the financial sustainability of the electricity service.
- Contracted services expenditure is projected to increase by 24.0 per cent in 2026/27, followed by reductions of 1.8 per cent and 8.6 per cent in 2027/28 and 2028/29, respectively. This front-loaded increase suggests a concentration of outsourced activities in the budget year, which should be supported by clear implementation plans and procurement readiness to ensure timely delivery.

- Contracted services account for 12.4 per cent of total operating expenditure, exceeding the NT norm of 2 to 5 per cent. While this is largely driven by contracts linked to construction contract revenue, the ratio remains at 6.3 per cent even after excluding these items. The Municipality should therefore strengthen oversight over contracted services expenditure by ensuring value for money and maintaining cost containment measures.

3.6.1 Employee Related Cost

Diagram 7 Employee related cost including councillor remuneration

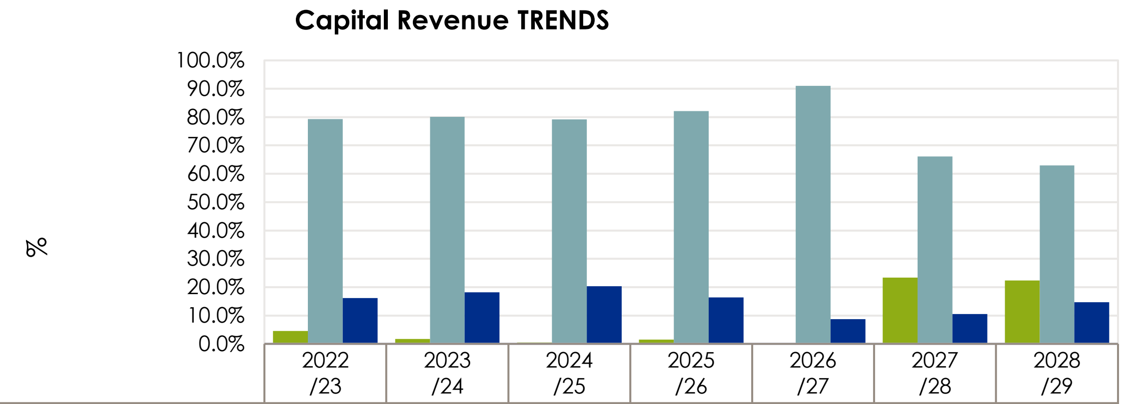


Source: NT GoMun 2026/27 Draft Budget

- Employee related costs (incl. councillors), which make up 32.3 per cent of the total operating expenditure budget over the 2026/27 MTREF. The Municipality budgeted R656.99 million for 2026/27, R695.08 million by 2027/28 and R736.92 million reflecting an average growth of 6 per cent over the MTREF.
- The above increase in 2026/27 is linked to the collective agreement salary and wage increase of 4.75 per cent and municipal notch increase of 0.85 per cent. Also included in the increase is a total of R9.39 million, allocated for newly funded positions in 2026/27 to support service delivery.
- The Municipality is commended for the reduction in its overtime budget by R9.2 million from the 2025/26 adjustment budget, making a clear policy shift toward tighter control over employee-related operating costs. This reduction establishes a more sustainable baseline for the 2026/27 MTREF, with overtime allocations expected to remain contained within the overall wage and salary percentage increases of the Municipality.
- This approach is aligned with the Municipality's approved Cost Containment Policy, MFMA Circulars emphasising restraint on discretionary employment costs and the need to limit growth in employee-related costs relative to moderate revenue growth.
- It has been noted that during the 2025/26 adjustment budget, overtime was increased by R9.11 million, which may indicate that the current allocation is not fully aligned with actual spending patterns and could present a risk of under-budgeting if not carefully managed.

3.7 Capital Funding Mix

Diagram 8 Capital Revenue trends

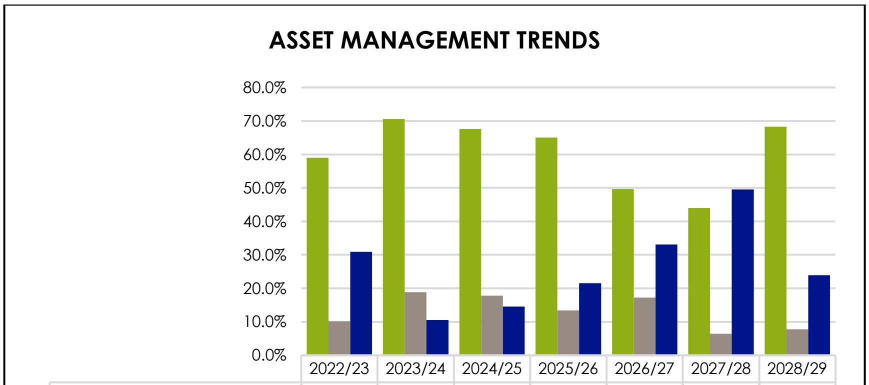


	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Borrowing as % of total CAPEX	4.6%	1.8%	0.5%	1.5%	0.3%	23.3%	22.3%
Internally Generated Funds as % of total CAPEX	79.3%	80.1%	79.2%	82.1%	91.0%	66.1%	63.0%
Capital Grants as % of total CAPEX	16.1%	18.2%	20.3%	16.4%	8.7%	10.6%	14.7%

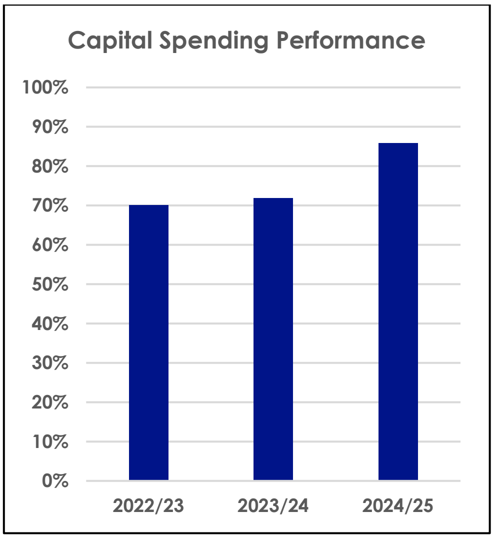
Source: NT GoMuni 2026/27

- The Municipality's capital programme reflects a dominant reliance on internally generated funds, which accounted for 91.0 per cent of the capital funding mix for 2026/27. The AFS 2024/25 confirms a healthy cash position; however, the associated funding pressure to sustain internal contributions of this magnitude over time raises concern.
- No new borrowings are proposed for the 2026/27 financial year indicating a very limited use of borrowing funds for investment in capital for the 2026/27 financial years. Moderate contributions are noted of 23.3 per cent and 22.3 per cent for the 2027/28 and 2028/29 financial years, respectively.
- This pattern is not consistent with the Long Term Financial Plan, likely due to amended assumptions. However, these changes are not clearly articulated in the budget document. It is important that any revised assumptions are explicitly incorporated into short, medium, and long-term planning to ensure a sustained positive financial position. The purpose of the Municipality's Capital Expenditure Framework (CEF) & Long-Term Financial Plan (LTFP) is to establish a coherent, long-term planning and funding framework that guides municipal infrastructure investment and financial sustainability over the medium to long term. The CEF was developed to identify, prioritise and spatially align capital infrastructure projects in a structured manner, ensuring that capital spending supports sustainable service delivery, resolves infrastructure backlogs, and responds to future growth pressures within the municipal area.

Diagram 9 Capital Revenue Trends



	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
% New Assets of Total Capital Expenditure	59.0%	70.6%	67.6%	65.1%	49.7%	44.0%	68.3%
% Renewal of Total Capital Expenditure	10.1%	18.8%	17.8%	13.4%	17.3%	6.5%	7.8%
% Upgrade of Total Capital Expenditure	30.9%	10.6%	14.6%	21.5%	33.1%	49.6%	23.9%



Source: NT GoMun 2026/27 Draft Budget

- The Municipality's capital expenditure reflects an upward trend, increasing from R248.41 million in the 2025/26 adjustment budget to R299.72 million in 2026/27, and further to R535.50 million by 2028/29. While this indicates a stronger focus on infrastructure investment, the sharp escalation over a short period raises concerns regarding the Municipality's capacity to execute projects efficiently, on time and within budget. This risk is compounded by historical underperformance. Although the municipality reported improved capital implementation performance of 86 per cent in 2024/25, significantly higher than in previous years, it remains below the 95 per cent National Treasury norm. There is a need to continue strengthening planning, procurement readiness and project execution.
- 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 maintenance.
- During the 2025/26 MTREF budget, the Municipality budgeted R520 million in Capital expenditure for the 2026/27 budget. The subsequent reduction indicates a realignment and deferral of capital projects. While aligning the budget more closely with current implementation capacity is the most practical way forward, a structured approach is advised to accurately assess the long- term implications of deferred projects on both service delivery and financial sustainability. This should minimise associated risks.
- A risk is further evidenced by the recurring inclusion and subsequent removal of the New Municipal Office Building Phase 1 project across multiple budget cycles. The project has been included in the top 35 capital projects for the 2026/27 MTREF with an allocation of R16.75 million, despite being previously budgeted in 2024/25 (R26.83 million) and 2025/26 (R45.45 million) and removed during each adjustment budget. This ongoing pattern raises concerns regarding the credibility of planning, project readiness, and the Municipality's ability to execute its capital programme effectively. In light of this, it is recommended that a comprehensive cost-benefit analysis be undertaken to assess whether the project \remains aligned with the Municipality's current strategic priorities. This review should also consider whether the associated costs remain accurate and justifiable, taking into account any changes in scope, timing, or external factors. The outcome of this assessment will be critical in informing decision-making and ensuring that limited resources are directed towards projects that deliver the greatest value and impact.

- There appears to be a well-balanced pipeline of capital projects over the 2026/27 MTREF (based on the top 35 CAPEX projects). A large portion of the budget is directed towards housing projects and the municipal buildings project.
- The municipality should actively maximise investment in revenue-generating capital projects to help offset the impact of large-scale projects that do not directly contribute to long-term financial sustainability.
- Repairs and maintenance (R&M) as a percentage of Property, Plant, and Equipment (PPE) is budgeted at 7.1 per cent in 2026/27, declining to 6.6 per cent in 2027/28 and 6.3 per cent in 2028/29. This is below the National Treasury's recommended norm of 8 per cent as outlined in MFMA Circular 71. To prevent asset deterioration and ensure infrastructure longevity, it is imperative that the Municipality prioritise increasing and implementing the R&M allocations.
- Furthermore, the Municipality is commended for allocating a significant portion of its capital budget towards the renewal and upgrading of existing assets, in line with National Treasury guidance. The current allocation meets the minimum 40 per cent benchmark, reflecting a positive focus on sustaining existing infrastructure. Scope remains to further strengthen investment in maintaining and sustaining existing infrastructure towards the reviewed 60 per cent benchmark.

3.7.1 Grants

- The Municipality's capital funding mix reflects limited reliance on external funding, with capital grants contributing 8.7 per cent in 2026/27, increasing to 14.7 per cent by 2028/29. Similarly, operating grants account for 11.3 per cent of total operating revenue, indicating a moderate dependence on intergovernmental transfers.

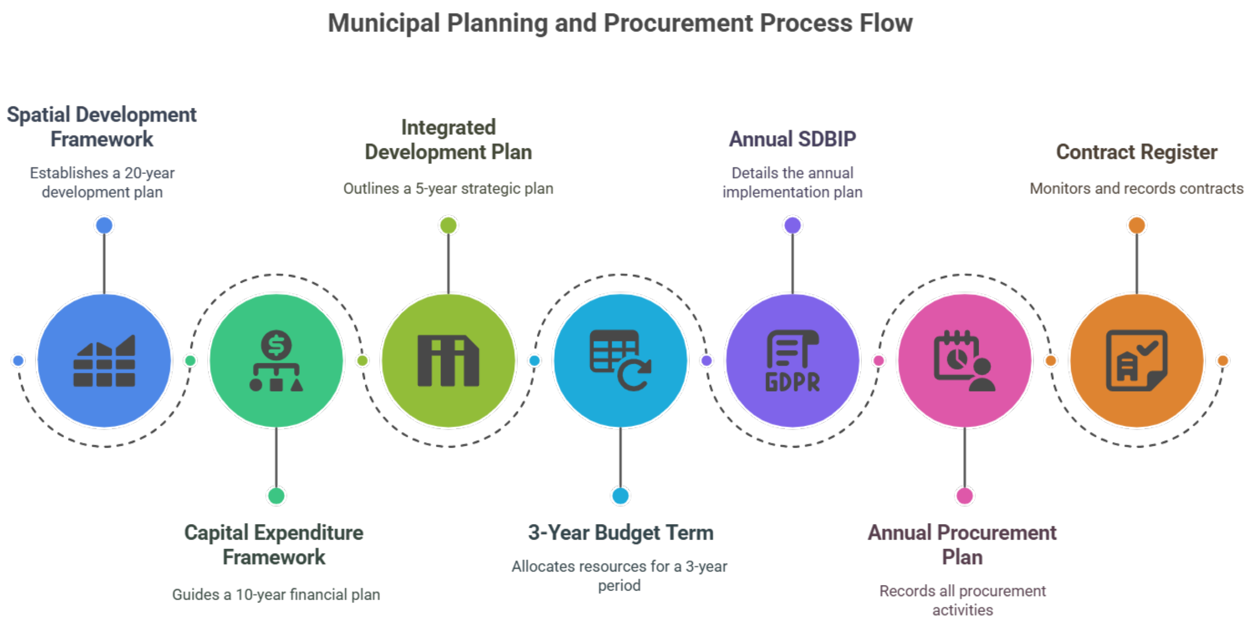
3.7.2 Borrowing

- The Municipality plans to fund capital expenditure from borrowings as indicated on the A5 to the amount of R7.65million in 2026/27 R110.45 million 2027/28 and R119.50 million in 2028/29 MTREF years.
- The gearing/debt ratio is projected to increase over the MTREF years from 3.0 percent (2026/27), 8 per cent (2027/28) to 12.0 per cent (2028/29) 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 R12.54 million, R13.87 million and R21.98 million for 2026/27, 2027/28 and 2028/29 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.
- Disclaimer, it should be noted the bank overdraft and financial liabilities under current liabilities on A6 were not added to the gearing ratio. This could distort the true reflection of the ratio.

3.8 Supply Chain Management and Asset Management

This section includes a review of all SCM-related policies (including Asset Management) to assess the alignment of SCM & Asset Management (AM) to the municipal budgeting and expenditure cycles. Focus areas include:

- SCM and AM **budget-related policy gaps**, which require amendment or review prior to council adoption in June;
- **Comprehensiveness & strategic value of SCM reporting requirements**, incl. quarterly & annual SCM implementation reports;
- Completeness & **strategic value of procurement plans**, ensuring that necessary resource inputs are scheduled and allocated to enable service delivery and value for money;
- Completeness & **strategic value of contract registers** and their interrelationship with procurement plans;
- **Strategic value of asset registers** to inform procurement plans and SDBIP/budget;
- **Audit outcomes** which may inform or influence any of these areas;
- Commodity-specific **opportunities for strategic procurement** for improved efficiency, value-for-money and service delivery, whether at municipal, district, provincial or national level; and
- Regional opportunities for **economic transformation through procurement**.



3.8.1 Saldanha Bay Municipality Assessment – Summary

Table 5 Summary of inputs received from Saldanha Bay Municipality

Item	Provided (Y/N)	Council Adopted? (Y/N)	Last Review Date	Comments
SCM Policy*	Y	No	Mar-26	The SCM Policy was last reviewed in March 2026 and will be formally tabled with the budget in July 2026
SOPs	Y	Unknown	Various	SOPs were provided in line with MFMA Circular 87, **covering the following processes:** -acquisition management, -bid administration, -deviations, -purchase orders, -section 116 processes, -procurement planning, and -AFS reporting and compilation.
SCM + AM Delegations	Y	Unknown	Unknown	Delegations are aligned to MFMA Circular 87
Preferential Procurement Policy*	Y	Unknown	Jul-25	The Policy remained unchanged. Implementation date as from 1 July 2025
FIDPM Policy*	Y	Unknown	Unknown	Annexure A to SCM Policy. Adheres to MFMA Circular 106
Inventory Management Policy	N	Unknown	N/A	The Municipality is encouraged to provide a copy of the inventory management policy for review, *if applicable*
Procurement Plan	Y	No	Mar-26	The Draft Procurement Plan was tabled in Council on 26 March 2026. The Final plan will be tabled with the budget end of May 2026.
Contract Register	Y	Unknown	N/A	Vendor performance document provided that acts as mechanism for contract register. The Contract Register is comprehensive but partially aligned to the CMF
Asset Mgmt Policy	Y	Unknown		Aligned to the GRAP standards but no provision for ISO 55001 practices.
Asset Disposal Policy	N	Unknown	N/A	Moveable Asset Management policy in place
Asset Register	Y	Unknown	Unknown	Asset management Register was submitted

**if not included in the SCM Policy*

Promulgation of Public Procurement Act - Regulations

The National Treasury has circulated the draft regulations for the promulgation of the Public Procurement Act (PPA) for comment. The PPA intends to transform the public procurement landscape and give effect to a more strategic and consolidated use of technology.

Impact of the Public Procurement Act on Municipal SCM Systems

The interrelationship between PPA-related procurement systems and mSCOA reform is being determined at national level and further developments shared with municipalities in due course.

Impact of the Public Procurement Act on Municipal SCM Policies

Municipalities will continue to be audited for compliance to statutory and regulatory requirements until the new legislative requirements are enforced. Policies must be maintained accordingly.

Table 6 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
4	All SCM policies, SOPs or Delegations provided, with areas of improvement identified

Detailed analysis of SCM Governance instruments highlighted the following:

1. Petty Cash

The Petty cash policy makes provision that fuel, daily allowance, and employee costs are prohibited to be procured via petty cash services. This aligns to recent audit findings related to fuel procurement.

2. 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. This is a recurring finding from SIME 2025.

3. Preferential Procurement Policy

Saldanha Bay Municipality's Preferential Procurement Policy aligns with the PPPFA and its 2022 Regulations, incorporating the key provisions, thresholds, and mechanisms required under the current regulatory framework.

4. Delegations

The Municipality's delegation framework aligns to MFMA Circular 73. The 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.

Overall, these arrangements demonstrate a robust and transparent system that meets the key principles outlined in relevant NT guidance.

5. SOPs

Various SCM SOPs were provided covering the acquisition process, bid administration procedures, deviations, purchase orders, section 116 processes, and procurement planning. These SOPs will be reviewed and feedback provided in due course.

6. Cost Containment & Consultant Reduction Strategy

The Municipality made provision for consultancy services as outlined in the Cost Containment Regulations, 2019.

Table 7 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	FIDPM Policy provided, and is compliant & sufficient

There is clear alignment between Annexure A of Saldanha Bay Municipality's SCM Policy (FIDPM) 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.

3.8.2 Asset Management Policy sufficiency & compliance (incl. disposal)

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	AMP provided, with omissions &/or areas of improvement identified

Findings

- The Municipality made no changes to their Asset Management Policy (AMP) for the 2026/27 financial year;
- The AMP makes provision for the disposal of assets in the policy;
- The AMP does not include the ISO 55001 best practice standards; and
- No provision is made for periodic review of the AMP.

3.8.3 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
3	Seperate GRAP-compliant register on ERP system, but outdated ISO55001-oriented registers outside ERP system

Findings

- The asset register provides a strong operational foundation, with asset information that is fit for purpose and clearly structured.
- The register aligns well with GRAP 17 and ISO 55001 asset information and operational control requirements at an operational level, enabling accurate recognition, measurement, depreciation, impairment and disclosure in the Annual Financial Statements. However, there is limited evidence that asset information is used in a strategic, risk-based and lifecycle-oriented manner.

- The register does not yet demonstrate integrated use of asset data across planning, decision-making and performance management.

The PT notes that the promulgation of the new mSCOA business requirements will influence the municipality's ability to implement improved system-based asset management, and that this will be borne out in the municipality's asset register in due course.

3.8.4 SCM Involvement in planning & budgeting cycle (procurement plans)

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	Clear evidence of SCM involvement in IDP

The following specific matters were highlighted in the procurement plan:

- There are clear linkages between the planned procurement and goals identified in the IDP;
- The procurement plan also reflects a number of high-value and strategically important projects aligned with the IDP, with clear IDP-based planning evidenced:
  - 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 in case of procurement delays; and
  - Target dates for various bid process stages are included, which reflects proactive planning, but may not always be realistic for complex tenders.
  - Large framework contracts are in place, which limit the PT's ability to map projects to the IDP (SBM 29/25/26 roads, SBM 43/24/25 buildings, SBM 53/24/25 fencing); however, the municipality is effectively aggregating its procurement through multiple call-offs which is commended.
  - Term contracts are commonly used, highlighting the need for structured contract oversight over extended periods.
  - The allocation of Contract Owner and Contract Manager roles demonstrates strong contract management and alignment between the procurement plan and the contract register.

3.8.5 Strategic Procurement & Economic Transformation Opportunities

Saldanha Bay Municipality's Influenceable Spend

"Influenceable spend" means the expenditure which can be influenced through procurement, i.e. that which represents an opportunity to improve value for money, enable economic transformation and/or unlock enhanced service delivery.

Saldanha Bay Municipality's influenceable spend amounts to approximately **R813 608 947** for 2026/27, compared to approximately **R916 446 853** for 2025/26, broken down as follows:

Spend	2026/27	2025/26
Inventory Consumed	R141 270 231	R145 095 000

Spend	2026/27	2025/26
Contracted Services	R252 760 241	R284 556 000
Operational (excl. Audit)	R119 858 377	R117 150 853
Procurable OPEX	**R513 888 849**	**R546 801 853**
Capital Projects	R299 720 098	R369 645 000
TOTAL	**R813 608 947**	**R916 446 853**
Rep & Maint (R-value in Budget)	R232 222 934	R211 607 000

Source: Municipal A-Schedules

This amounts to a 11 per cent reduction in total procurable expenditure, with Contracted Services seeing a commensurate reduction of 11 per cent, whereas operational expenditure (excluding audit fees) shows a 2 per cent increases. Capital expenditure has the greatest reduction in procurable expenditure of 19 per cent.

Through aggregation of planned projects based on their description or CIDB Class of Work, the following key strategic procurement opportunities are noted:

Commodity/CIDB Class of Work	Nr of Projects
WCG Commodity Strategy for Consulting Engineers	18
FA: Civil Engineering for Water & Waste Water Treatment Works	10
FA: Electrical Engineering Services	10
FA: General Building Works	4
FA: Fencing Services	2
Total	**44**

Source: Tabled Procurement Plan, 2026/27

The projects listed above represent 44 of the 76 planned projects listed on the procurement plan, but the value cannot be determined due to the omission of planned procurement project values. End user departments are encouraged to determine planned project values to enable the SCM unit to include this information in the procurement plan.

The municipality is urged to consider opportunities for economic transformation through strategic procurement, including job creation and skills development in various sectors. This could include employing consulting engineers resident within the municipal area by assessing Engineering Council of South Africa (ECSA) records, as well as enabling phased employment of local labour for roads and housing projects by including this criterion into contractual agreements with service providers.

Proposed Enhanced Procurement Methods for Planned Capital Expenditure

Commodity	Nr of Projects	Proposed Procurement Method
Consulting Engineers	24	WCG Commodity Strategy for Consulting Engineers
Water & Waste Water Treatment Works	11	Framework Agreement: Civil Engineering for Water & Waste Water Treatment Works
Electrical Works	11	Framework Agreement: Electrical Engineering Services
Housing	5	WCG Housing Strategy
General Building	4	Framework Agreement: General Building Works
Fencing	2	Framework Agreement: Fencing Services

Commodity	Nr of Projects	Proposed Procurement Method
Traffic Signals	1	Framework Agreement: Electrical Engineering Services
Roads, Streets & Sidewalks	1	Framework Agreement: Civil Engineering for Roads
Fleet	1	RT57: National Treasury contract for Fleet
CCTV Equipment	1	FA: Electrical Engineering Services
ICT Equipment	1	RT3: National Treasury contract for Multifunctional Devices

3.8.6 Contract Register: Sufficiency and Alignment to Procurement Plan

The Contract Register is partially aligned with the best practice principles outlined in the National Treasury Contract Management Guide (2010).

- The register does not include mSCOA item codes, which are required for full alignment with MFMA Circular 80 requirements.
- Contract variations and extensions are recorded in the contract register, supporting basic continuity and audit trail requirements.

There is a reasonable level of alignment between the Contract Register and the Procurement Plan but there is inconsistent recording of recurring/renewable contracts between the Contract Register and the Procurement Plan.

3.8.7 SCM & AM Audit Outcomes and specific PT support

The PT LGSCM unit will engage the municipality directly on audit findings from the 2024/25 audit and recommend actions which are intended to improve audit outcomes for future audit cycles.

3.8.8 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 and provide strategic value in the IDP and budget cycle.

The PT reiterates its prior recommendation to amend its SCM Policy to reflect the mandatory requirement to appoint an independent and impartial person who is not directly involved in the supply chain management process for the investigation of disputes in terms of par. 46 of its policy (MFMA Regulation 50).

The PT's prior recommendations regarding the Asset Management Policy are also reiterated, i.e. that ISO 55001 best practice and provision for periodic review should be incorporated into the AMP. The recommended improvements to the Asset Register are unlikely to be implementable until the NT has promulgated the pending mSCOA business requirements.

The municipality is encouraged to consider the use of an increased or more specific number of framework agreements and existing National Treasury contracts, as well as opportunities for economic transformation through strategic procurement.

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 2023; 2024 and 2025; however, the table provides a five-year time frame (2021 to 2025) to provide a more comprehensive perspective for evaluating the 2026/27 budget.

The analysis is conducted largely on the National Treasury MFMA Circular No. 71 issued January 2014. PT 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 not** submitted both the 2023/24 (restated) and 2024/25 (audited) ratios on the NT Portal. 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 (MFMA Circular 114 issued February 2022). This report is based on the **Provincial Treasury's** calculations per the guidance of MFMA Circular No. 71.

4.2.1 Asset Management

Table 8 Asset Management

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
1	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): **0%**	0.3%	0.0%	0.0%	0.3%	0.2%	
2	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): **8%**	1.8%	2.0%	2.3%	2.7%	3.8%	

	Favourable
	Unfavourable
	Needs Improvement

- **Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value):** While the impairment levels are relatively low, the Municipality did not consistently meet the required norm. The occurrence of impairments in multiple years suggests that certain assets did not perform as expected, resulting in a loss of value in the asset base.
- The spike observed in 2021, 2024 and 2025, where impairment losses increased significantly to R10.0 million, R8.4 million and R7.1 million respectively, may indicate deteriorating asset conditions, inadequate maintenance, or delays in asset renewal and replacement. Although impairments in 2022 and 2023 were relatively lower, the inconsistency may highlight weaknesses in asset management practices.
- Overall, the impairment ratio reflects a low level of concern, as Saldanha Bay Municipality's impairment relates to PPE and is a fraction of the assets under management. This in turn results in low risk to service delivery even though the municipality is not consistently achieving the expected NT norm. The municipality may improve the outcome by reviewing its impairment triggers to identify assets that may be impaired.
- **Repairs and Maintenance as a Percentage of Property, Plant and Equipment and Investment Property:** The Municipality reported ratio results are significantly below the 8 per cent NT norm across all five years, indicating persistent under usage of repairs and maintenance.
- Although there is a slight upward trend over the period, the improvement is marginal and insufficient to meet the required standard. The continued underspending on maintenance increases the risk of asset deterioration, breakdowns, and higher future repair or replacement costs. This underinvestment is likely contributing to the impairments observed.
- In conclusion, the repairs and maintenance ratio presents a high level of concern, as it reflects inadequate maintenance of municipal infrastructure, which erodes asset useful life and may negatively impact service delivery in the long term.

4.2.2 Working Capital

Table 9 Working Capital

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
1	Net debtors' days: **≤30 days**	48	44	42	45	44	
2	Creditors Payment Period (Trade Creditors): **30 days**	39	45	45	44	43	

- **Net Debtors Days:** The Municipality recorded collection periods consistently above the NT norm, indicating that the Municipality takes significantly longer than expected to collect outstanding revenue.
- The slight improvement over period suggests that the municipality's changes have yielded certain efficiencies in credit control and revenue collection processes. Furthermore, even though there has been a steady increase in gross debtors, from R282.2 million in 2021 to R389.7 million in 2025, the collection of cash from debtors has improved.
- The efficiencies gained in collection may eventually achieve the desired NT benchmark of 30 days provided the municipality's credit control and revenue collection processes continue on the same trajectory.
- Currently the municipality's debtors increase working capital requirements and strains cash reserves that could have been used to fund capital projects and provide improved service delivery.

- Overall, this ratio indicates a moderate level of concern and revenue management, and credit control practices should be continually monitored. While positive, a 44-day collection period in a high-interest-rate environment (2026) means the municipality is effectively financing consumer debt. This is a hidden cost not reflected in the ratio itself.
- **Creditors Payment Period (Trade Creditors):** Saldanha Bay Municipality recorded payment periods of 39 days in 2021, 45 days in 2022 and 2023, 44 days in 2024, and 43 days in 2025. There is a steady decline over the five-year period, and the Municipality has not complied with the 30-day compliance requirement as the ratio still exceeds the norm of 30 days throughout.
- In summary, the municipality's ratios indicate a deteriorating payment term for creditors. A delay in paying creditors may improve overall cashflow however it ignores the legislative compliance requirement to pay creditors within 30 days per S65(2)e of the MFMA. This analysis, combined with high liquidity (Table C), suggests the municipality has the cash reserves to pay on time which exposes the municipality to legal challenges from suppliers and interest claims.

4.2.3 Going Concern

Table 10 Going Concern

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
5	Total Liabilities to Total Assets: **<50%**	18.7%	14.8%	13.8%	14.3%	14.8%	🙂
6	Current Ratio: **1.5 - 2:1**	3.4	3.9	4.0	3.7	3.6	🙂

- The **Total Liabilities to Total Assets** ratio remained consistently within the norm. The ratio showed a generally improving trend, decreasing from 18.7 per cent in 2021 to 14.8 per cent in 2025, with marginal fluctuations in between. This indicates that the Municipality's asset base is significantly higher than its liabilities, reflecting a strong solvency position and limited reliance on external debt. This aligns with Table F (no new borrowings for the last 3 years). While safe, this strategy may be sub-optimal given the infrastructure maintenance backlog noted in Table A.
- Although total liabilities increased in 2025, this was offset by a more significant increase in total assets, resulting in the ratio remaining low. The sustained performance below the benchmark is indicative of financial stability and Saldanha Bay's ability to meet its long-term obligations.
- The **Current Ratio** remained above the recommended norm. This indicates that the Municipality is in a strong position to meet its short-term obligations as they fall due. A decline to 3.4 was observed in 2021, mainly due to a decrease in current assets and an increase in current liabilities. However, the ratio increased significantly to 4.0 in 2023, driven by a substantial rise in current assets before declining to 3.6 in 2025 mainly due to significant increases in current liabilities. Noting the Municipality's current liquidity position, reflected in relatively high cash and short-term investments, it would be helpful to better understand how this aligns with operational priorities. In particular, there appears to be some misalignment where creditor payment timelines (Table B) and expenditure on asset maintenance (Table A) are not meeting expected levels. We would encourage the Municipality to consider whether there is scope to optimise cash management practices to better support service delivery objectives. In this regard, the 2026/27 budget could potentially explore a measured utilisation of excess current assets to address the identified capital maintenance backlog, while maintaining appropriate financial resilience.
- Overall, the analysis of the above ratios indicates that Saldanha Bay Municipality is in a sound financial position with no material uncertainty relating to its ability to continue as a going concern. The Municipality demonstrates both strong solvency and liquidity; however, there is an opportunity to improve the overall efficiency of the current liquidity position.

4.2.4 Expenditure Management

Table 11 Expenditure Management

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
7	Irregular, Fruitless and Wasteful and Unauthorised Expenditure/Total Operating Expenditure: **0%**	0.0%	0.1%	0.1%	2.4%	0.0%	

- The ratio remained above the prescribed norm of 0 per cent for the four years preceding 2025, indicating continued instances of non-compliance with MFMA Circular No. 111. A generally fluctuating trend is evident over time.
- A regression was observed in 2024, where the ratio increased to 2.4 per cent, driven by a rise in irregular, fruitless and wasteful, and unauthorised expenditure to R36.6 million. This suggests weaknesses in the enforcement of supply chain management processes and internal controls during the year. In 2025, the ratio improved to 0.0 per cent, indicating corrective measures may have been implemented as it appears the municipality has dealt with its historical UIFW expenditure in 2025 and incurring no further UIFW expenditure despite its operating expenditure base increasing by a third since 2021. This resulted in the municipality achieving the required benchmark of zero for the 2025 financial year.
- Although operating expenditure increased steadily to R1.6 billion in 2025, the Municipality has shown some improvement in managing UFIW expenditure and has achieved compliance with the prescribed norm. However, UIFW expenditure remains a risk and requires continuous monitoring. Strengthened internal controls, improved oversight, and adherence to MFMA requirements aligned with the latest guidance in MFMA Circular No. 68 (updated 01 April 2026) are essential to sustain the objective of zero UIFWe.
- The 2025 outcome is encouraging and reflects positive progress. However, the assertion that the municipality has dealt with its historical UIFW expenditure may be somewhat premature, pending formal confirmation through Council resolutions regarding condonement or recovery.

4.2.5 Budget Implementation

Table 12 Budget Implementation

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
8	Capital Expenditure Budget Implementation Indicator: 95% - 100%	69.6%	61.2%	70.0%	71.7%	86.8%	
9	Service Charges and Property Rates Revenue Budget Implementation Indicator: **95% - 100%**	96.2%	97.7%	95.2%	100.2%	100.4%	

- The **Capital Expenditure Budget Implementation Indicator** reflects improvement in planning and execution. The Municipality recorded underspending throughout the period under review, indicating potential weaknesses in budgeting accuracy and expenditure control. An improvement in capital spend from 2022 to 2025 indicates the municipality is replenishing its aged assets though not at the required rate which may have an impact on service delivery in the future. Underspending of capital expenditure may yield positive cash flows to the detriment of service delivery.
- Overall, the trend suggests the need for improved alignment between capital planning and implementation with an overhaul of capital maintenance to improve on budget vs actual spend.
- The **Service Charges and Property Rates Revenue Budget Implementation Indicator** demonstrates relatively stable performance, with all five years falling within or close to the prescribed norm. However, the recurring over-collection in 2024, and 2025 indicates possible conservative or inaccurate revenue budgeting. While this supports cash flow, it may affect the credibility of the budget.
- Overall, the Municipality shows adequate revenue budget implementation, but capital budget execution remains a concern. Strengthening budgeting accuracy, project planning, and financial controls will be critical to ensure improved alignment with approved budgets and effective service delivery.

4.2.6 Grant Dependency

Table 13 Grant Dependency

No.	Financial ratios & norms	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited	Overall Rating
10	Own Funded Capital Expenditure (Internally Generated Funds + Borrowings) to Total Capital Expenditure: **no norm**	84.5%	78.3%	81.7%	82.1%	83.1%	

- The analysis of the Municipality's capital funding structure indicates an improving trend in own-funded capital expenditure over the period under review. The ratio increased from 78.3 per cent in 2022 to 83.1 per cent in 2025, reflecting a reduction in reliance on grant funding to finance capital projects.
- In 2021, the Municipality demonstrated a relatively strong ability to fund capital expenditure through internally generated funds, indicating a level of financial independence. With a slight decline in 2022 and a steady improvement thereafter suggests increased capacity to self-fund projects and return to form with less dependence on external grant funding.
- It is further noted that the Municipality did not utilise borrowings for the past three years, which limits exposure to debt but may also indicate underutilisation of available financing options to support infrastructure development unless the municipality has changed its policy on borrowing funds for capital projects.
- The Municipality has aging infrastructure (Table A) and excess liquidity (Table C). By not fully considering leveraging lending facilities, the Municipality may be forcing current ratepayers to pay cash for assets that will last a prolonged period. Future ratepayers benefit from the asset but pay nothing for it now. The 2026/27 budget should include a Debt Financing Strategy to accelerate the 8 per cent Repairs & Maintenance target.

4.3 mSCOA Implementation

MFMA Circular No.122 states that the credibility and accuracy of the data strings must be verified by municipalities before submission as the data strings submitted will be used as the single source for all analysis and publications in the 2023/24 municipal financial year. Municipalities have been given access to the GoMuni portal in April 2022 and should use the reports on GoMuni to verify the credibility of their submissions. It should be emphasized that errors in the data can only be corrected in the next open period. e.g., errors in the tabled budget (TABB) data string can only be corrected in the adopted budget data string (ORGB). Municipalities are not allowed to open closed periods to make corrections.

Table 14 mSCOA Segments Use Analysis

mSCOA Segment Analysis			
No	**Segment**	**ADJB 2025/26**	**ORGB 2026/27**
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	The municipality applied balance sheet budgeting principles minor with misaligned between the A6& A8 were noted. The municipality is encouraged to review these misalignments and make corrections.		

Provincial Treasury will provide the TABB segment tools analysis with the municipality, 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.

ANNEXURE A: MUNICIPAL BENCHMARKING GRAPHS

Diagram 1 Cash coverage

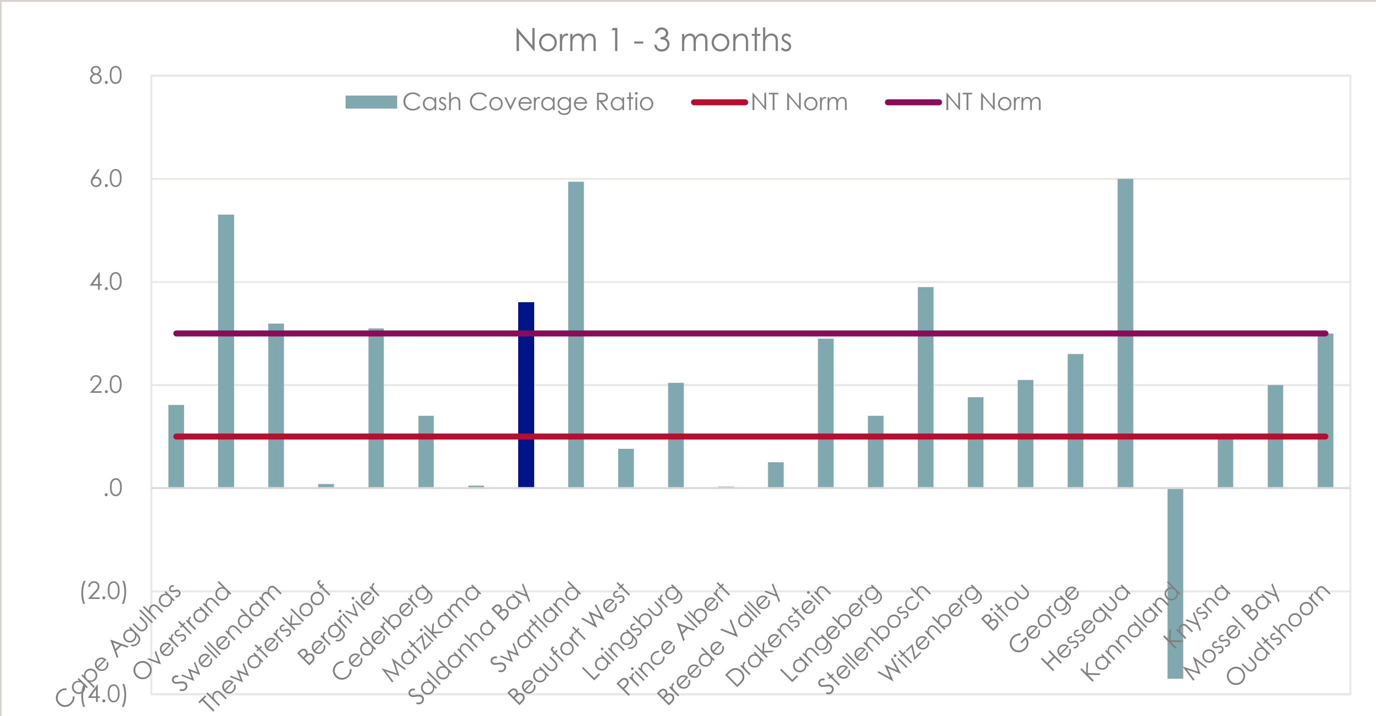


Diagram 2 Current Asset Ratio

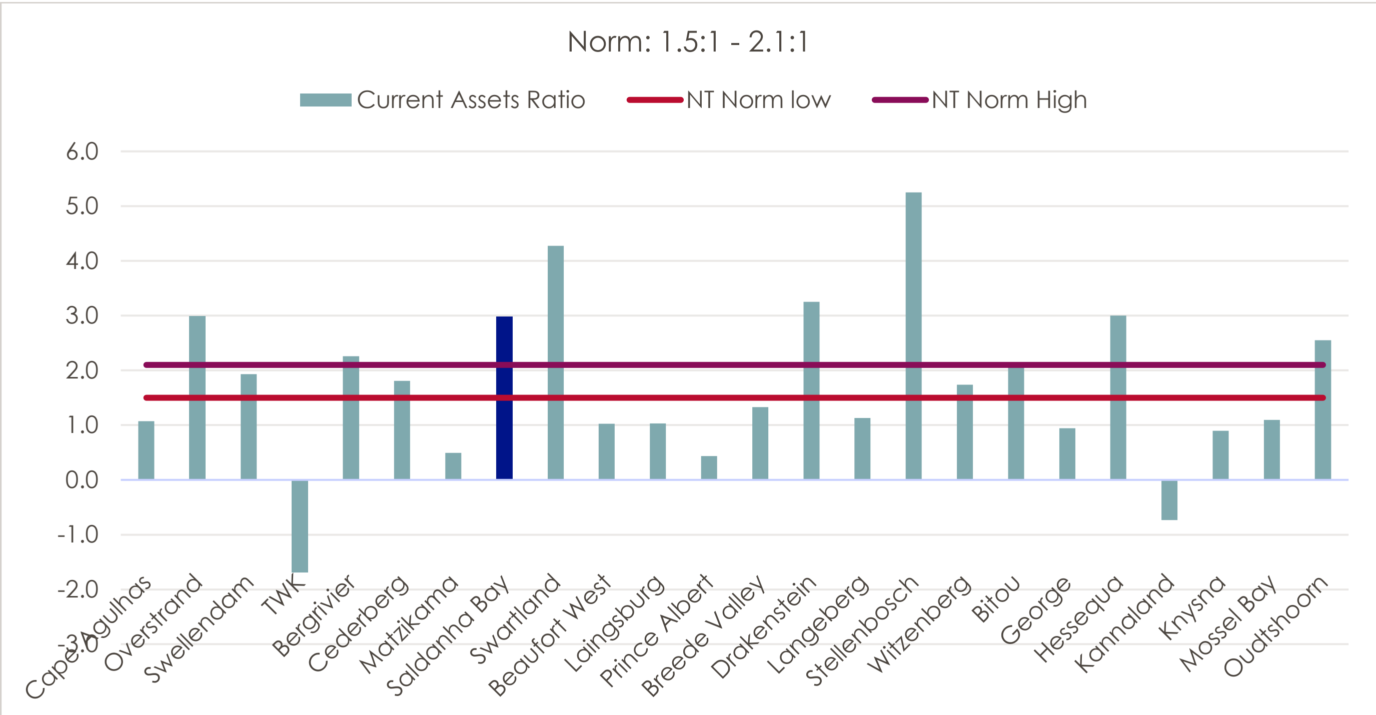


Diagram 3 Collection rate

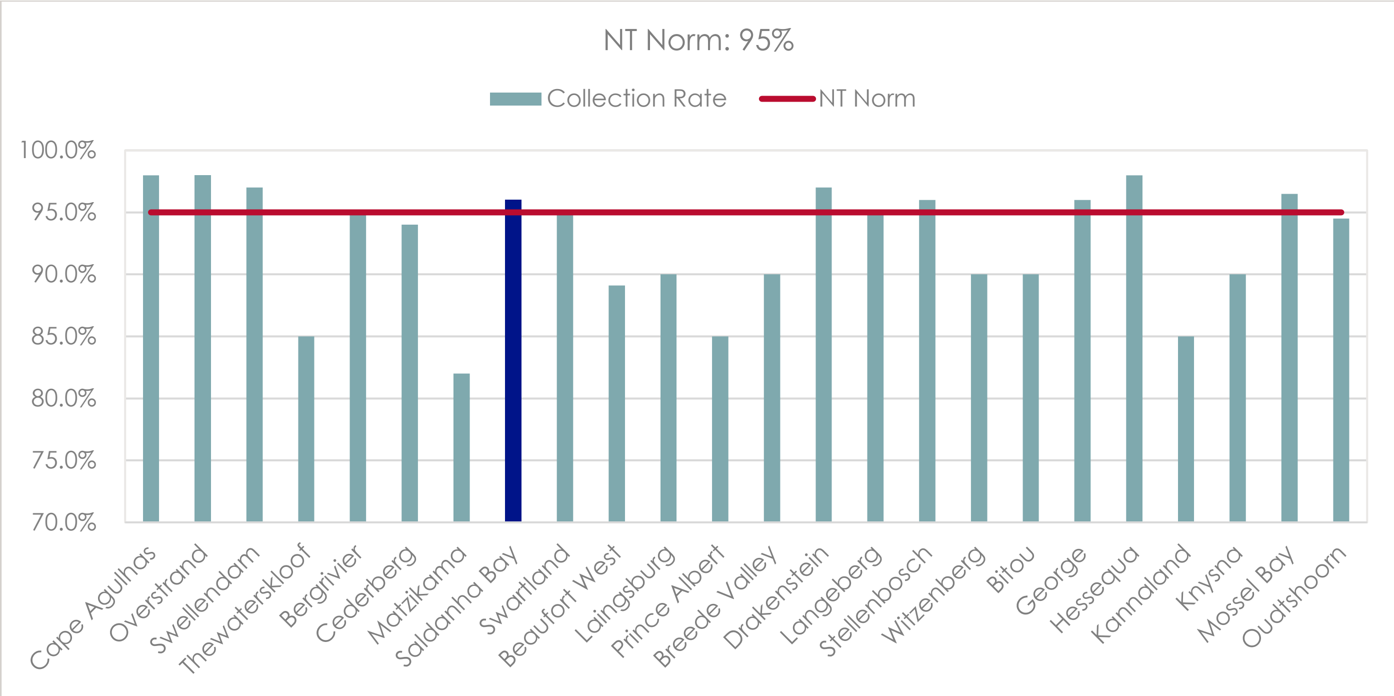


Diagram 4 Percentage Employee Related Costs to Total Opex (excl. Councillors)

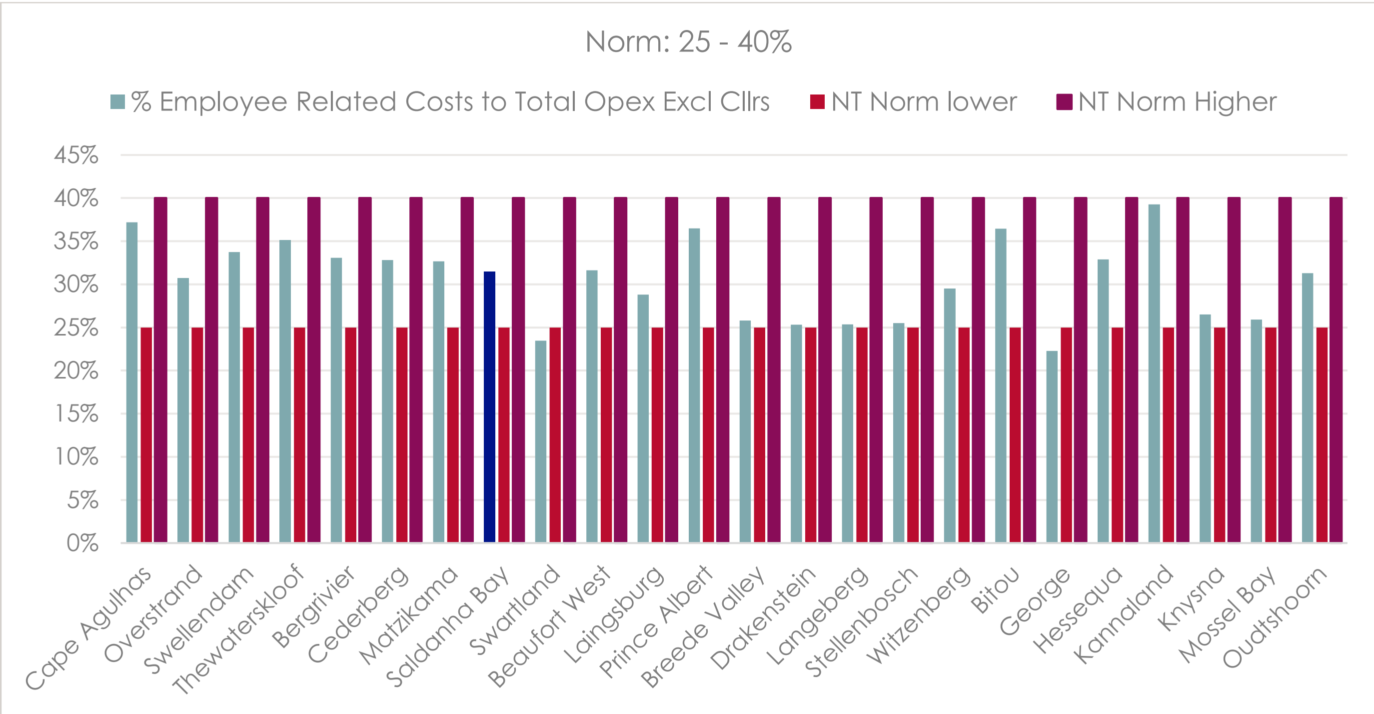


Diagram 5 Repairs & Maintenance as a Percentage of PPE & Investment Property

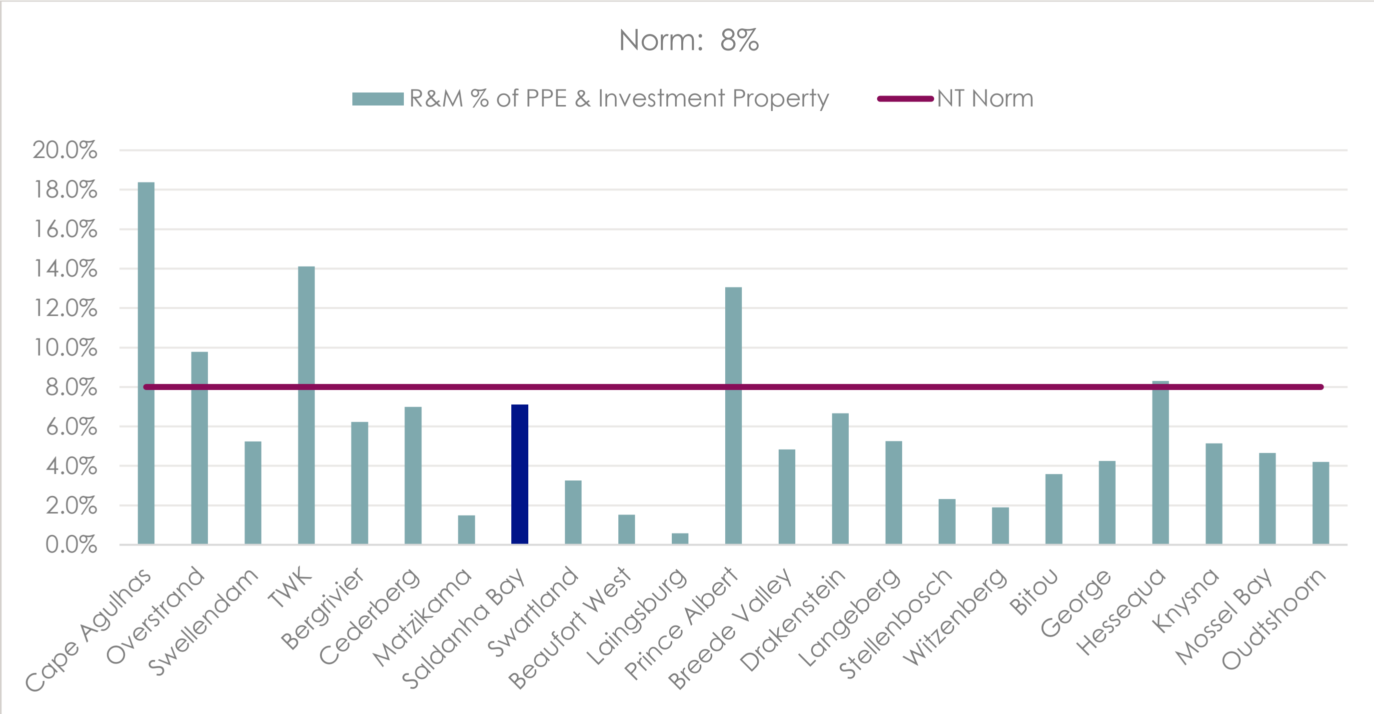


Diagram 6 Renewal and Upgrading Existing Assets as a Percentage of Total Capex

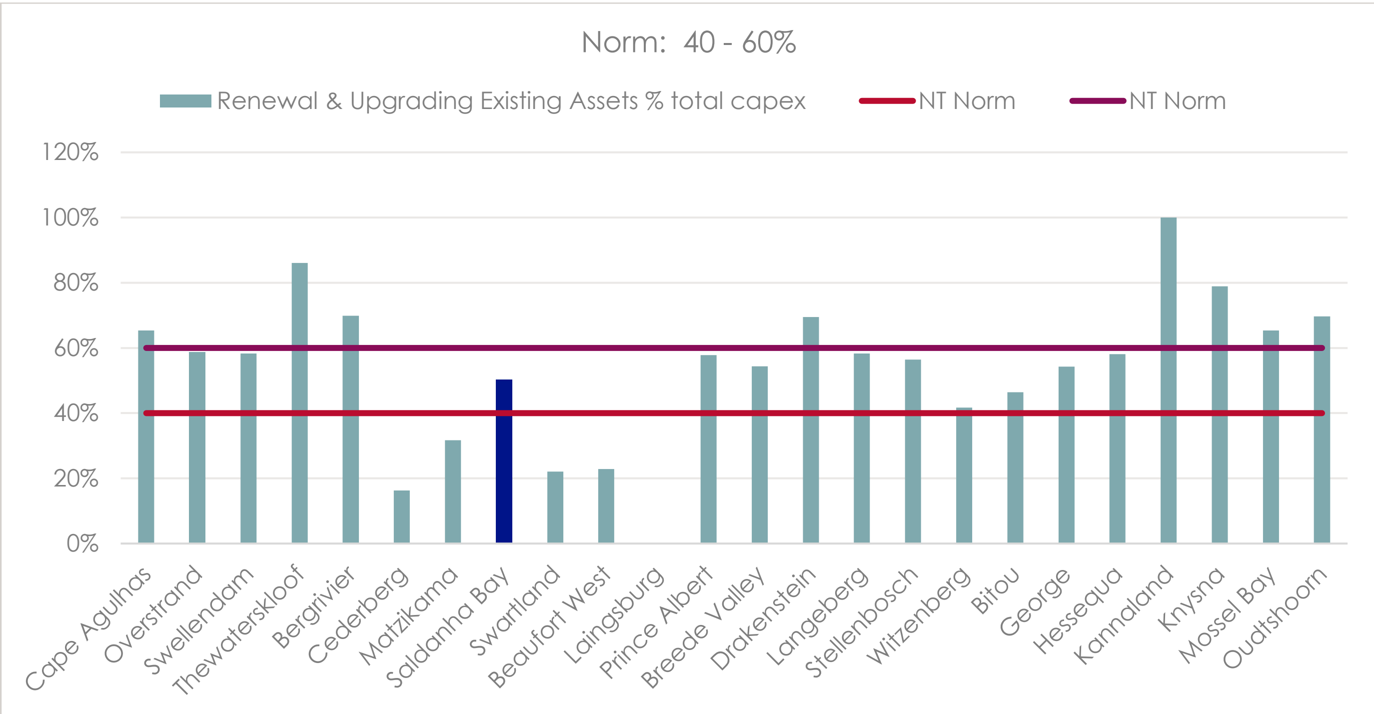


Diagram 7 Percentage Increase/Decrease in Property Rates Revenue vs Tariff increase

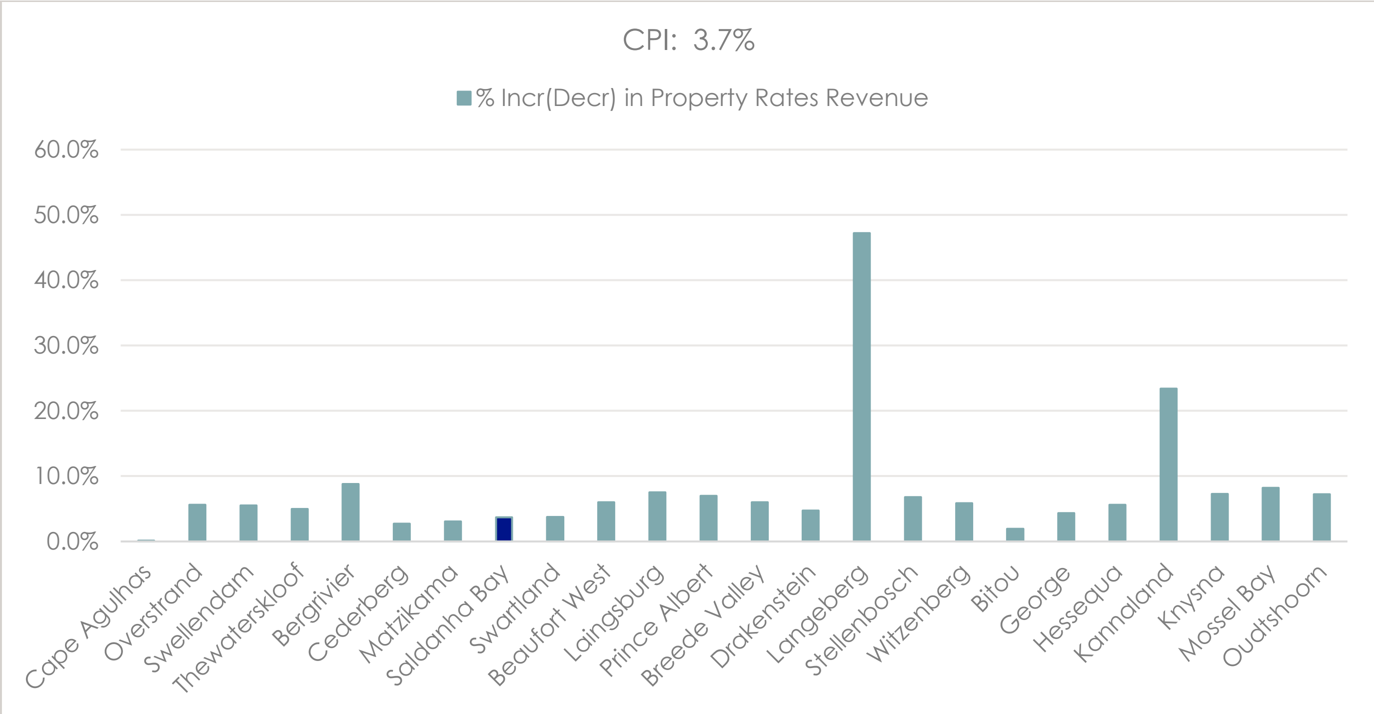


Diagram 8 Monthly Bill - Middle Income

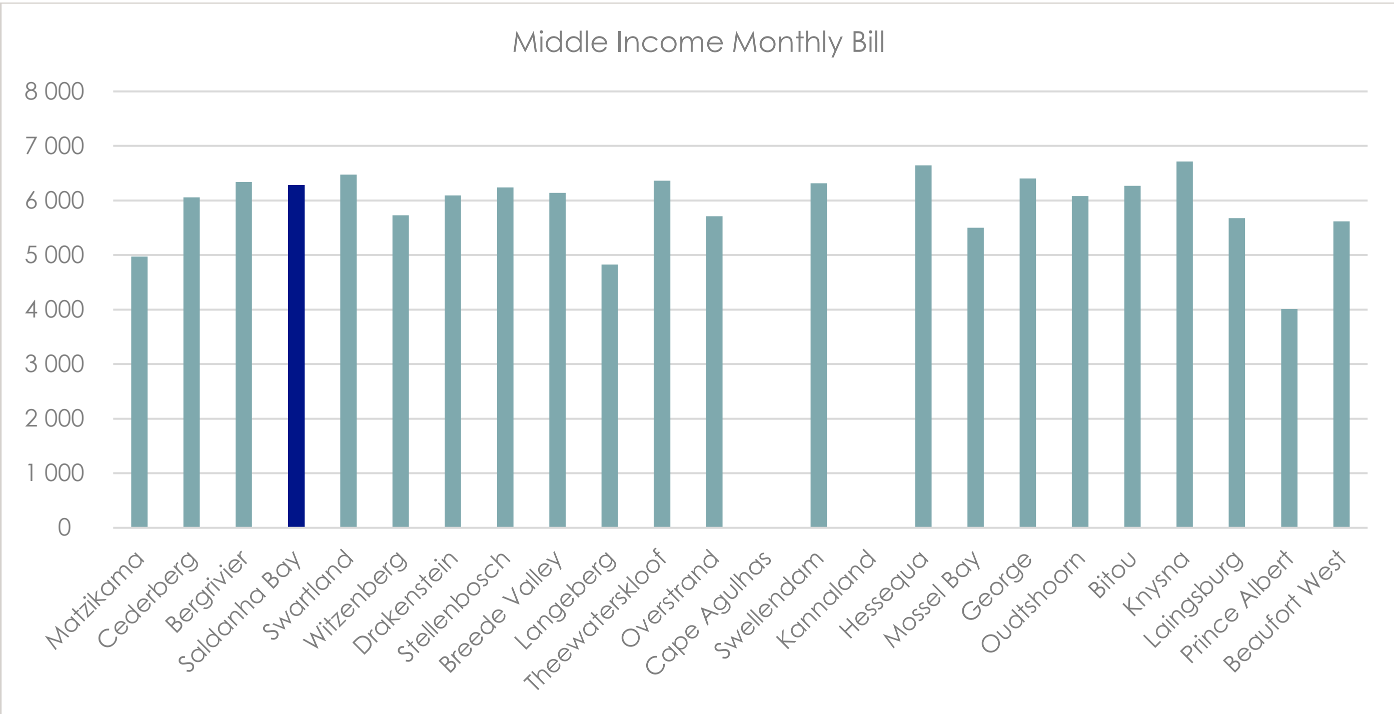


Diagram 9 Monthly Bill - Affordable Income

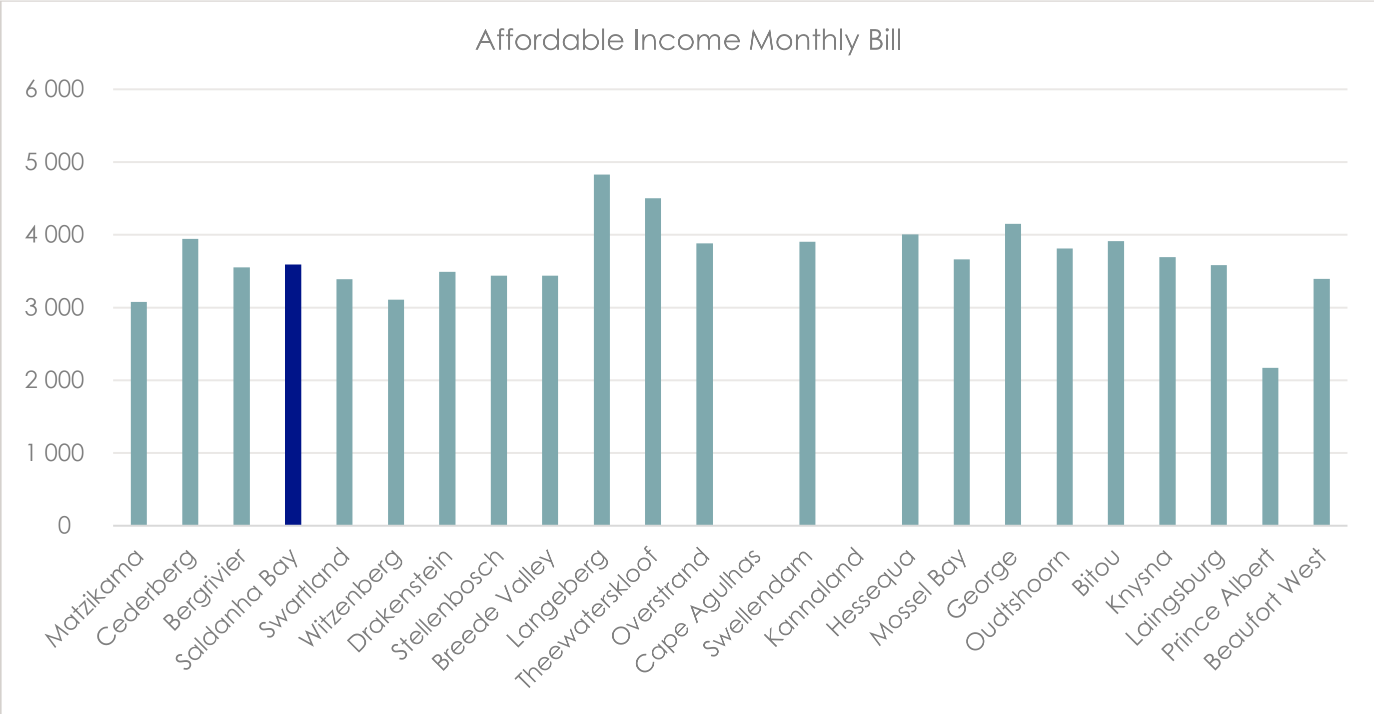
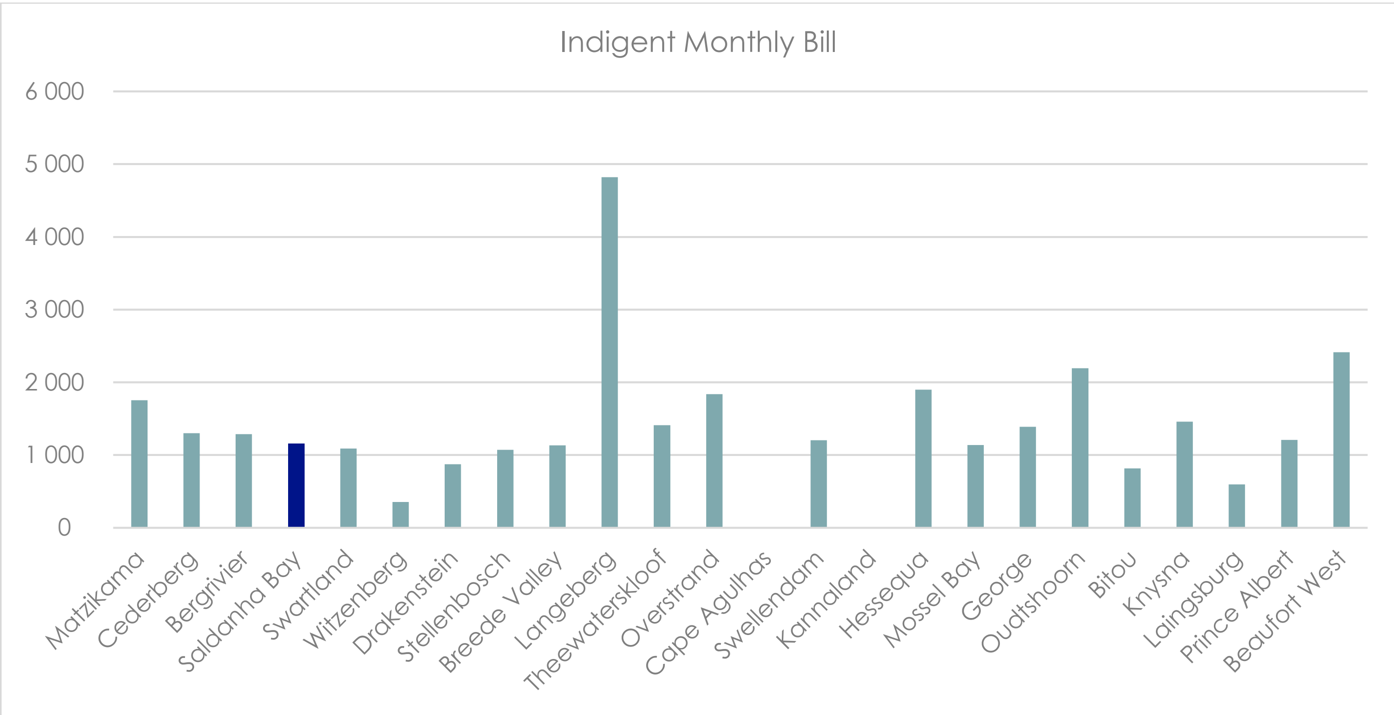


Diagram 10 Monthly Bill - Indigent



Disclaimer: The information used to populate the graphs are based on the Municipal TABB data strings and the 2026/27 MTREF Draft Budget uploaded on GoMUni. The outcome of the ratios may therefore be affected by the quality of the information submitted by the Municipality.