Annexure E

SIME Assessment

Provincial Treasury

Western Cape Government

FOR YOU

Strategic Integrated Municipal Engagement (SIME 2) 2025

West Coast District

Bergrivier Municipality

BERGRIVIER MUNICIPALITY

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

Western Cape Government

APRIL/MAY 2025

BERGRIVIER MUNICIPALY DIAGNOSTIC AND SUMMARY OF KEY RECOMMENDATIONS

Integrated Development & Spatial Planning	• Strengthen implementation strategies and capacity in the strategic goals where performance remained moderate or declined, particularly in SG3: "Sustainable Service Delivery" and SG1: "Strengthen Financial Sustainability". • Design and implement economic development programmes that promote entrepreneurship, support small businesses, and directly contribute to job creation and poverty alleviation to ensure that SG4: "To Facilitate an Enabling Environment for Economic Growth", reflects a stronger focus on measurable and impactful project outcomes. • It is important for the Municipality to prepare an Inclusionary Housing Policy (IHP), to actively pursue spatial transformation and address historical spatial inequalities and the exclusionary property market. • The Municipality needs to greatly improve landfill compliance ratings. Groundwater monitoring infrastructure, access control, end-tipping, stormwater diversion, slope stability, leachate collection and burning of waste are among the characteristic issues that need much closer attention by the Municipality. • It is anticipated that an annual performance review will be undertaken in future, in accordance with Section 34(a)(1) and 41(1)(c) of the MSA.
Economic Sustainability	• Increase Capital Investment in Infrastructure, reassess and scale up budget allocations specifically for wastewater and sanitation projects to reflect the urgency of service delivery backlogs and infrastructure deficits. • Explore public-private partnerships (PPPs), donor funding, and national grants (e.g. Municipal Infrastructure Grant, Water Services Infrastructure Grant) to supplement limited municipal resources. • Establish robust monitoring systems to track infrastructure performance, project implementation, and service delivery outcomes. • Maintenance and upgrading of infrastructure are key to unlock development potential.
Revenue and Expenditure	• 2025/26 MTREF tabled budget is funded. • Operating Deficit Budget for 2025/26 – depreciation charges must be funded. • All service charges tariff increases exceed the CPI inflation rate - carefully balance tariff increase with affordability – NT cost-reflective tariff tool to be completed. • The effect of NERSA revised 11.32 per cent for 2025/26 electricity tariff - the outer years, initial revenue projections for the two outer years remain unchanged, subject to be revision next year. Issuing of RFPs to attract IPPs to invest in alternative sources of energy. • Should review strategies to address the decline in fine collection rates and enhance overall recovery efficiency. • Depreciation and asset impairment be reviewed based on the potential increase/decrease of assets and their useful lives and consider past trends. • Proactive measures to manage the environmental and financial impact of the landfill rehabilitation postponement. • Ensure that non-payment provision is recognised as impairment losses and when an irrecoverable debt written off has been planned. • Continue with stricter credit control measures and debtor's data cleansing – debtors in excess of 90 days. • Continue implementing stringent cost containment measures.
Capital Budget & Infrastructure	• Access the impact of unspent borrowings on consumers, as repayment costs influence tariff-setting decisions. • Aligning its expenditure with long-term strategic objectives to support and prioritise infrastructure upgrades. • Upgrading of existing assets and infrastructure renewal should be given adequate priority in budget planning and decision-making processes.

Strategic Procurement	• Framework for Infrastructure Delivery and Procurement Management (FIDPM) Policy and Asset Register not submitted for analysis. • High volumes of infrastructure-related procurement emanating from IDP projects necessitate good governance in infrastructure procurement. • Unable to determine whether Asset Register informs the IDP and/or Procurement Plan and/or Budget.
mSCOA Compliance	• Data credibility: Balance sheet and cash flow budgeting remain an issue. • VAT accounting for services is not adhered to. • Continue to implement municipal mSCOA roadmap.

TABLE OF CONTENTS

SECTION 1: INTRODUCTION 7

SECTION 2: INTEGRATED PLANNING 9

SECTION 3: ECONOMIC AND FINANCIAL SUSTAINABILITY 17

SECTION 4: REVIEW OF THE HISTORICAL FINANCIAL INFORMATION 45

SECTION 5: CONCLUSION 49

LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CAPEX	Capital Expenditure
CBA	Critical Biodiversity Areas
CBD	Central Business District
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
FIDM	Framework for Infrastructure Delivery Management
HSP	Human Settlements Plan
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
ISDF	Integrated Strategic Development Framework
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
IYM	In-year Monitoring
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
MER	Municipal Energy Resilience
MFMA	Municipal Finance Management Act
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)
NDHS	National Department of Human Settlements
NRW	Non-revenue Water
NT	National Treasury
O&M	Operations and Maintenance
OPEX	Operating Expenditure
PMS	Performance Management Systems
RMP	Road Management Plan
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: INTRODUCTION

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

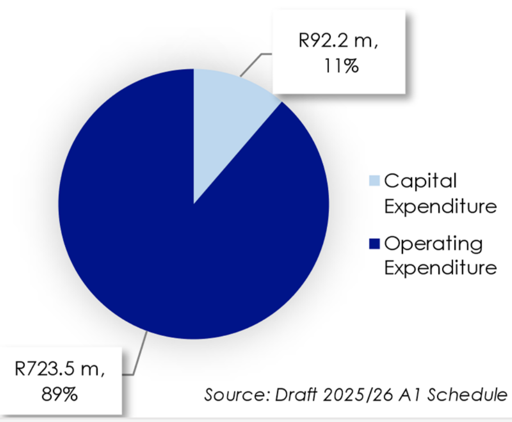
The assessment covers the following key areas; conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR); an integrated, spatial, and environmental planning analysis of the IDP and SDF and the responsiveness, credibility and sustainability of the tabled budget.

The WCG intends meeting the executives of your Municipality in May 2025, where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as presented in the draft budget, IDP, LED, SDF and 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 **Bergrivier Municipality** in relation to the regional economy.

BUDGET SNAPSHOT

2025/26 Municipal Expenditure



Source: Draft 2025/26 A1 Schedule

GDPR
MERO 2024

GDPR 2021 Constant Prices 2023	GDPR Growth 2024f	2025f	2026f
R4.3 billion	1.9%	1.6%	1.7%

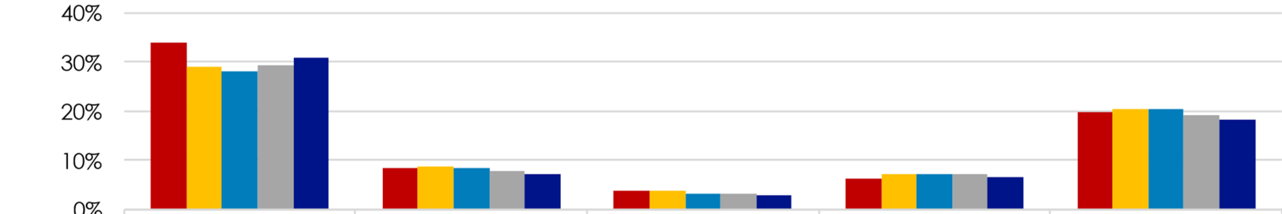
Inflation
NT MFMA Budget Circular 130

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

Total Population (Census 2022)	Population Growth % (Est average annual 2024 - 2029)	No. of Households (Census 2022)	No. of Indigent Households (AR 2022/23)
*70 276	*1.4%	*20 412	1 983

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

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

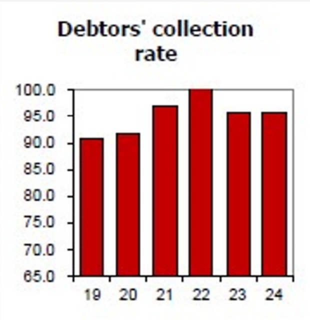


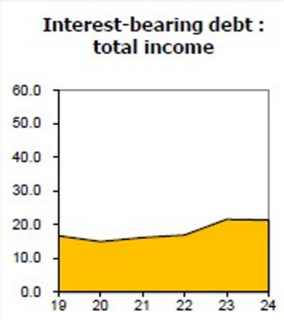
	Electricity	Water	Waste Water	Waste	Property rates
2021/22	34.0%	8.5%	3.7%	6.3%	19.8%
2022/23	29.2%	8.6%	3.8%	7.1%	20.6%
2023/24	28.0%	8.5%	3.3%	7.1%	20.5%
2024/25	29.5%	7.9%	3.0%	7.3%	19.2%
2025/26	30.9%	7.1%	2.8%	6.7%	18.1%

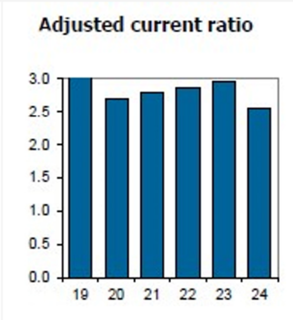
Source: Draft 2025/26 A1 Schedule

Ratings Afrika MFSI ®

Financial Sustainability Index Score	2022	2023	2024
Bergriver	62	62	64
WC Average	53	53	55







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

SECTION 2: INTEGRATED PLANNING

2.1 INTEGRATED DEVELOPMENT PLANNING

Section 32 of 2000 (MSA) requires that every municipal council must review its IDP annually in accordance with an assessment of its performance measurements and to the extent that changing circumstances demand. Further provision is made for every municipal council to amend such IDP following a prescribed process outlined in Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations of 2001 (MSA Regulations).

During the 2024/25 financial year, the Bergrivier Municipality (the Municipality) conducted the annual review of its IDP, which is the third review of the 2022 - 2027 IDP. In accordance with Council Resolution number RVN013/03/2025, it is confirmed that no changes were made to the amended IDP adopted in May 2024. The Municipality plans to publish a notice to inform the public that no changes have been made to the IDP. Therefore, there is no need to assess it for compliance or alignment in line with the requirements of the MSA.

2.1.1 IDP Implementation

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

The following Municipal documents were utilised to inform this section:

- The 2022-2027 IDP, including any subsequent reviews thereto;
- The 2022/23 Annual Report and the draft 2023/24 Annual Report;
- The 2022/23, 2023/24 and 2024/25 Service Delivery and Budget Implementation Plans (SDBIPs), including any subsequent amendments thereof; and
- The 2024/25 Technical Integrated Municipal Engagement (TIME) Report compiled by the Provincial Treasury (PT).

The Municipality adopted a 2022 – 2027 IDP in May 2022, which was amended in 2023/24. The Amended IDP included redrafting the municipal vision and mission statements, refining the strategic goals and strategic objectives and updating the chapter reflecting the municipal programmes linked to these goals and objectives. These strategic objectives are outlined below:

The 2022/23 IDP Strategic Goals

- SG1: Strengthen financial sustainability and further enhancing good governance
- SG2:Sustainable service delivery
- SG3: Facilitate an enabling environment for economic growth
- SG4: Promote a safe, healthy, educated and integrated community
- SG5: A sustainable, inclusive and integrated living environment

The Amended 2024/25 IDP Strategic Goals are reflected below:

- SG1: Strengthen Financial Sustainability
- SG2: Ensure good governance
- SG3: Sustainable service delivery
- SG4: Facilitate an enabling environment for diversified economy and growth to aliviate poverty
- SG5: Empowering people through innovation

During the 2022/23 financial year, the SDBIP comprised 81 Key Performance Indicators (KPIs), and the Municipality adjusted the SDBIP in January 2023, but no amendments were made to the number of KPIs. However, the performance targets were revised to ensure that the Municipality could realistically achieve its objectives by the end of the financial year. For the 2023/24 financial year, the number of KPIs increased to 96, following an amendment of the IDP. This amendment included the revision of strategic objectives and the incorporation of additional projects and programmes to be implemented during the financial year. The Amendment of the 2023/24 IDP resulted in an increase in the number of KPIs from 96 to 122. The number of KPIs had steadily increased, reflecting the Municipality's commitment to service delivery, better planning, and better performance management. As a result, the Municipality had developed and implemented a comprehensive set of programs and projects aimed at achieving its long-term vision, while also aligning its strategic objectives with community needs.

In order to keep track of the progress made on implementation of the SDBIP, the Municipality reports on the progress of implementation through quarterly reports, mid-year reports and Annual Reports. These reports were utilised to assess municipal performance since the beginning of the 5-year IDP cycle.

Figure 1 The Municipality's performance during the 2022/23 financial year

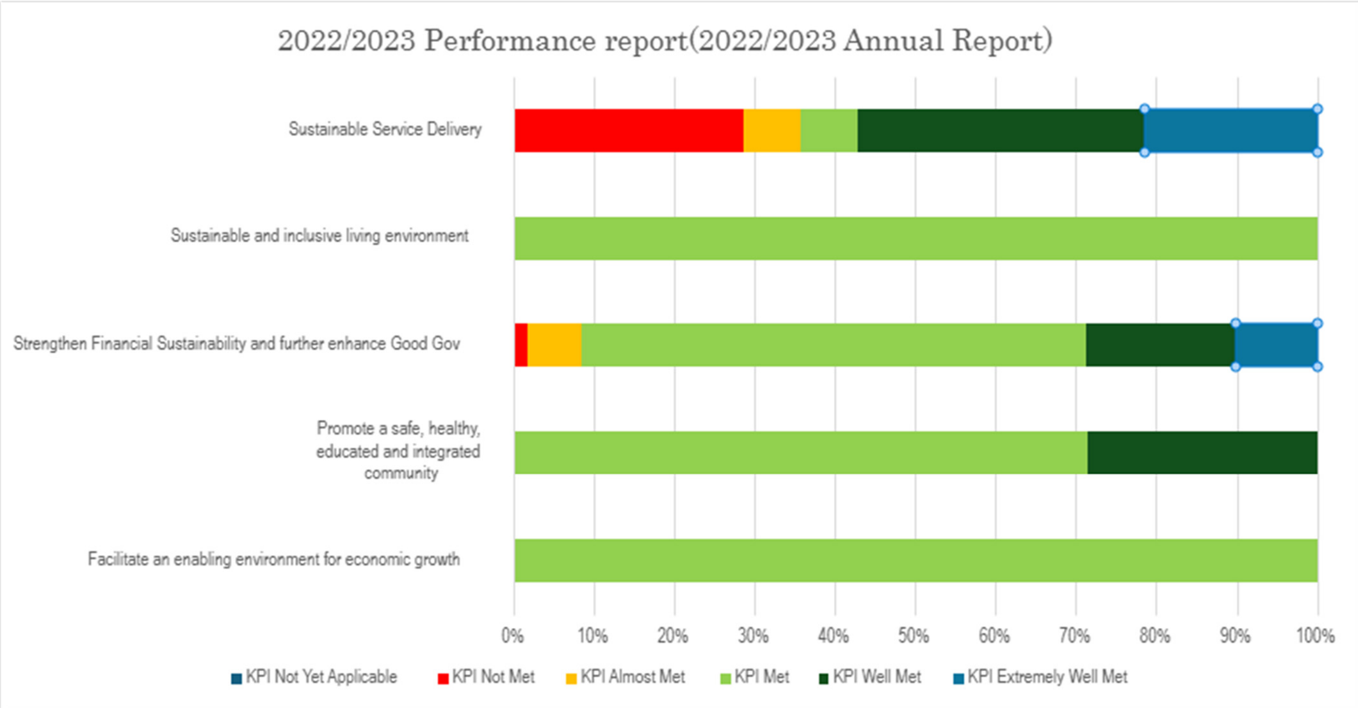
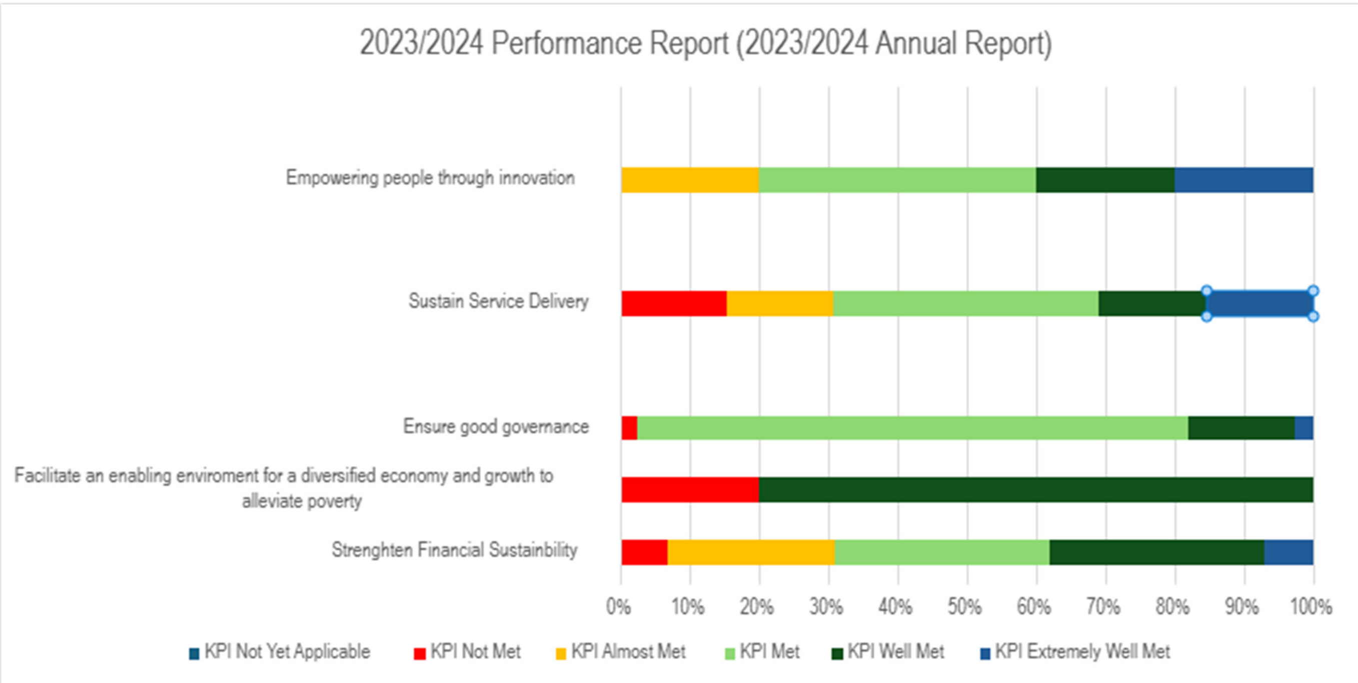


Figure 2 The Municipality's performance for the 2023/24 financial year



The 2022/23 Annual report reflects on the progress of implementation of 81 KPIs across five strategic goals and out of these 81 KPIs, 6 per cent were not met, while 6 per cent were almost met and 88 per cent of KPIs achieved their targets or performed above expectation. During the 2022/2023 financial year, the top three performing strategic goals were identified based on the proportion of KPIs that were achieved or exceeded.

The highest performing strategic goal was SG4 "Promote a Safe, Healthy, Educated and Integrated Community," with a 100 per cent achievement. This was followed by SG3 "Facilitate an Enabling Environment for Economic Growth," which also achieved 100 per cent, although it had only one KPI for the year. The third-best performing strategic goal was SG1 "Strengthen Financial Sustainability and Further Enhance Good Governance," with a 91.5 per cent (54 out of 59 KPIs) achievement, including several that were well met or extremely well met.

The SG2 "Service Delivery" strategic goal showed a moderate level of performance, and out of the 14 KPIs allocated to this goal, 9 were achieved, resulting in a 64.3 per cent. This includes 1 KPI that was met, 5 that were well met, and 3 that were extremely well met. The overall percentage suggests that there is room for improvement in ensuring more consistent delivery across all service delivery-related indicators to enhance the quality of basic services provided to communities.

During the 2023/24 financial year, the Municipality increased the number of KPIs from 81 to 91 and the top three performing strategic goals were led by SG2 "Ensure Good Governance," which achieved a performance rate of 97.4 per cent, with 38 out of 39 KPIs either met or exceeded. This high level of achievement reflects the Municipality's continued emphasis on transparency, accountability, and administrative efficiency. The second-best performing goals were SG5: "Empowering People Through Innovation" and SG4: "Facilitate an Enabling Environment for a Diversified Economy and Growth to Alleviate Poverty", which achieved 80 per cent. These results highlight the Municipality's progress in promoting good governance, supporting innovation, and fostering inclusive economic development.

The performance of SG3: "Sustainable Service Delivery" remained consistent, with slight variations in outcomes. In the 2022/23 financial year, a total of 14 KPIs were measured under this goal and the Municipality achieved 64.3 per cent of its targets. In the subsequent 2023/24 financial year, 13 KPIs were evaluated, and achieved and increase of 69.2 per cent and the Municipality improved by 5 per cent in overall achievement.

During the 2022/23 financial year, SG4: "To facilitate an Enabling Environment for Economic Growth", only had one KPI, which was achieved, reflecting a 100 per cent. However, this result is not a strong indicator due to the limited number of indicators assessed. In contrast, in 2023/24, the number of KPIs increased to five and achieved 80 per cent of its targets. This suggests a need to strengthen implementation efforts and ensure that economic growth strategies yield more measurable and impactful outcomes, particularly in reducing poverty and creating employment opportunities.

The 2024/25 TIME Report provides an assessment of the Municipality's performance at the mid-financial year, assessing the 122 KPIs of which 89 were relevant to the first 2 quarters of the fiscal year. The report revealed that 33 targets were considered not applicable during this period. Out of the 89 targets assessed, the Municipality successfully met 84, resulting in a 94.4 per cent achievement rate at mid-year for the 2024/25 financial year. This reflects a significant improvement from the 2023/24 performance.

2.2 KEY FINDINGS AND RECOMMENDATIONS

2.2.1 Key Findings

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

- SG3: "Sustainable Service Delivery" and SG4: "Strengthen Financial Sustainability" showed a decline in number of KPIs achieved between 2022/23 and 2023/24 although the Municipality decreased number of KPIs.

2.2.2 Recommendations

It is recommended that the Municipality:

- Strengthen implementation strategies and capacity in the strategic goals where performance remained moderate or declined, particularly in SG3: "Sustainable Service Delivery" and SG1: "Strengthen Financial Sustainability".
- Design and implement economic development programmes that promote entrepreneurship, support small businesses, and directly contribute to job creation and poverty alleviation to ensure that SG4: "To Facilitate an Enabling Environment for Economic Growth", reflects a stronger focus on measurable and impactful project outcomes.

2.3 ENVIRONMENTAL AND PLANNING ANALYSIS

2.3.1 Spatial Planning

- MSDF Performance Review

With the recent adoption of the Bergrivier MSDF, it is important to note that there is now a need to review the actual implementation of the MSDF on an annual basis, which is a legislative requirement in terms of Section 34(a)(i) of the Municipal Systems Act (Act 32 of 2000), in order to determine the extent to which the Municipality is working towards achieving the spatial objectives and principles set out in the MSDF and monitoring progress. This monitoring can be done through: assessing alignment between the budget and the SDF; spatialising the budget to determine the extent to which the budget is being targeted in priority areas; monitoring land use applications and approvals, assessing alignment between the SDF and the various sector plans – this is especially important for those sector plans which have been revised/drafted since the approval of the latest SDF; and lastly by documenting completed and planned amendments to the Municipality's Land Use Scheme in response to the SDF. (More information on Annual Performance Reviews of the Implementation of SDF's, can be found in the Practice Note which accompanied Provincial Circular 0005/ 2023).

The Bergrivier IDP acknowledges that there is a need to integrate the municipal planning processes more closely with the IDP, budget, and performance management systems, and notes that the newly drafted TL SDBIP speaks to the strategic goals and strategic objectives of the IDP.

It is anticipated that an annual performance review will be undertaken in the future, in accordance with Section 34(a)(1) and 41(1)(c) of the MSA.

2.3.2 The Municipality's Response to Strategic Pressures and Risks

- **Capital Expenditure Framework**

Bergrivier Municipality adopted a new MSDF on 25 March 2024, which includes a Capital Expenditure Framework (CEF). The Municipality is reminded that the MSDF and the CEF should be used as a budget decision-making tool in the preparation of the 2024/25 capital budget, and this should be championed by the manager responsible for spatial planning in the Budget Steering Committee.

The Municipality is commended for taking the initiative towards further alignment between the various master plans, the MSDF, and the IDP. The CEF has made significant progress in determining priority investment areas, where urban growth can be accommodated, quantifying infrastructure demand, and identifying infrastructure investment requirements. The CEF notes that the priority investment areas at a municipal scale are the Piketberg CBD, industrial areas, and residential areas as well as the Velddrif CBD, industrial areas, residential areas and the thoroughfare road linked to the Carinus Bridge. The CEF also speaks to the Municipality's 10-year affordability envelope for capital infrastructure investment and maintenance. This information should be the foundation for the determination of the 10-year prioritised portfolio of capital investments, which should act as a key informant to the IDP and annual capital budget.

The IDP is clearly aligned to the MSDF/CEF in terms of priority investment areas, upgrading areas, consolidation areas and long-term development areas. It is noted that there is a strong correlation between the development priorities highlighted in Chapter 8 of the IDP and the CEF as well as the development proposals of the MSDF. Chapter 8 of the IDP speaks to the planned municipal programmes and projects (aligned to the strategic goals and objectives) over the MTREF period. The development priorities linked to Infrastructure projects are of specific relevance.

While the CEF, as contained in the MSDF, does not explicitly indicate a prioritised portfolio of capital investments/ prioritised list of projects, the CEF does provide adequate guidance in respect of where urgent attention is required in terms of the capital budget. There appears to be clear alignment between the IDP and the MSDF in terms of the development priorities and its relation to the priority investment areas, upgrading areas, consolidation.

- **Inclusionary Housing Policy**

While the MSDF does not explicitly speak to inclusionary housing policy, the Bergrivier MSDF does promote the provision of a multiple range of affordable entry-level housing in general settlement directives.

It is, however, important for the Municipality to prepare an Inclusionary Housing Policy (IHP), to actively pursue spatial transformation and address historical spatial inequalities and the exclusionary property market. In terms of SPLUMA, it is important to implement policies that promote affordable housing and spatial justice as outlined in the MSDF. These local policies, informed by housing market studies, allow municipalities to tailor solutions to their specific context and leverage the value of development rights to create more integrated and inclusive settlements without relying solely on public funding. Ultimately, an Inclusionary Housing Policy is a crucial tool for municipalities to meet their obligations towards spatial justice and the right to adequate housing.

To develop an Inclusionary Housing Policy, a municipality must follow an evidence-based, multi-step process aimed at promoting affordability while avoiding unintended consequences. To begin with foundational studies should be undertaken i.e. a Housing Market Study to identify affordability gaps and target beneficiaries, and an Economic/Financial Feasibility Study to set feasible developer contribution thresholds based on land use value. Lastly, the municipality must determine where inclusionary housing should be applied using their MSDF. (The MSDF may need to be amended to address this).

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

Waste Management

The Operating waste management facilities within this municipality include Aurora DOF, Piketberg Recycling, Piketberg WDF, Porterville WDF, Redelinghuys WDF, Velddrif Recycling and Velddrif WTS.

Latest Departmental audit scores are very low, with Porterville WDF at 32.74 per cent and Redelinghuys at 6.94 per cent.

The Municipality needs to greatly improve landfill compliance ratings. Groundwater monitoring infrastructure, access control, end-tipping, stormwater diversion, slope stability, leachate collection and burning of waste are among the characteristic issues that need much closer attention by the Municipality.

Annual topographic surveys are not conducted as required by the WMLs, as this is an important assessment to be carried out to establish the remaining disposal airspace at the Municipality's WDF that is still receiving waste.

The Municipality uses the Highland Waste Disposal Facility in Swartland and the Vredenburg WDF in Saldanha Bay for disposal of certain waste streams.

Ecological Infrastructure

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

To guide municipalities in investing in EI, the Western Cape Government developed the **Western Cape Ecological Infrastructure Investment Framework**. This framework highlights EI's potential to lower service delivery costs and enhance community well-being. Municipalities are encouraged to integrate EI into their service delivery planning, using one or more of the following approaches:

- **Collaboration & Participation**: Many municipalities support landscape initiatives aimed at reducing environmental risks (e.g., Boland Groot Winterhoek Collective, Outeniqua to Tsitsikamma Water Working Group) where important EI is identified and a "whole of society" approach to safeguarding or improving this EI is refined, often with real benefits to municipalities.

- **Identification & Planning**: Some municipalities have mapped key EI areas and developed investment plans, which can attract external funding and boost service delivery effectiveness.

- **Direct Investment**: Others are directly funding EI projects—for example, to secure water supply or reduce flood risks—often in partnership with the private sector for co-investment.

Guiding materials and examples are available from the Department of Environmental Affairs and Development Planning. Municipalities are urged to tailor EI investment to their local context as a complementary strategy to enhance service delivery and human wellbeing within their administrative domains.

2.3.3 Key Findings and Recommendations

- It is important for the Municipality to prepare an Inclusionary Housing Policy (IHP), to actively pursue spatial transformation and address historical spatial inequalities and the exclusionary property market.
- The Municipality needs to greatly improve landfill compliance ratings. Groundwater monitoring infrastructure, access control, end-tipping, stormwater diversion, slope stability, leachate collection and burning of waste are among the characteristic issues that need much closer attention by the Municipality.
- It is anticipated that an annual performance review will be undertaken in future, in accordance with Section 34(a)(1) and 41(1)(c) of the MSA.

SECTION 3: ECONOMIC AND FINANCIAL SUSTAINABILITY

3.1 INTRODUCTION

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

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

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

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

3.2 SUSTAINABLE ECONOMIC DEVELOPMENT

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

Strategic Objective	2025/26 Medium Term Revenue & Expenditure Framework OPEX				2025/26 Medium Term Revenue & Expenditure Framework CAPEX			
R thousand	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28	Average Annual Growth	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28	Average Annual Growth
SG1 Strengthen financial sustainability and further enhancing good governance	137 637	145 148	151 916	5.1%	7 370	20 452	23 560	78.8%
SG2 Ensure good governance	2 000	2 090	2 142	3.5%	-	-	-	#DIV/0!
SG3 Sustainable service delivery	471 505	443 564	468 403	-0.3%	65 167	50 616	47 226	-14.9%
SG4 Facilitate an enbling environment for a diverse economy and growth to alleviate povert	96 772	102 704	106 893	5.1%	19 625	8 700	18 172	-3.8%
SG5 Empowering peple through innovation	15 630	17 085	17 448	5.7%	-	-	-	#DIV/0!
Total Expenditure	723 542	710 591	746 802	1.6%	92 163	79 768	88 957	-1.8%

Source: Bergrivier Municipality, A-Schedules

- The strategic objectives outlined in the budget tables SA5 and SA6 for the 2025/26 Medium-Term Revenue and Expenditure Framework (MTREF) do not correspond with the strategic goals set out in the Integrated Development Plan (IDP). It does, however, reflect financial allocations for all five strategic goals. This suggests some misalignment between the strategic goals/objectives in the budget compared with the IDP.

- The budget allocation for the 2025/26 MTREF clearly indicates that the majority of resources are directed towards Strategic Goal (SG) 3, 'Sustainable Service Delivery.' This includes an operating budget of R471.505 million, representing 65.1 per cent of the total allocation. Similarly, the largest portion of the capital expenditure budget, R65.167 million (70.7 per cent), is also allocated to this strategic goal for the 2025/26 financial year.

- The Municipality's Strategic Goal 3 (SG3), "Sustainable Service Delivery", encompasses three key strategic objectives, namely, development of infrastructure services, provision and maintenance of infrastructure services, and addressing community development needs. These objectives span across essential functional areas such as trading services (water, sanitation, solid waste, electricity) and infrastructure (roads and stormwater systems). The Municipality's 2025/26 MTREF budget clearly prioritizes spending in this area, indicating a strong focus on fulfilling its core service delivery responsibilities.

- The capital expenditure allocation for the 2025/26 financial year reveals a strong emphasis on sustaining and improving core service delivery infrastructure. With R65.167 million (or 70.7 per cent of the total capital budget) directed towards key service sectors, namely water, sanitation, and electricity. The Municipality is prioritizing investments that have a direct impact on the socio-economic well-being of its residents.
- The Bergrivier Municipality's capital investment strategy for the MTREF period reflects a deliberate focus on enhancing the quality of life through improved basic services and infrastructure. This approach supports both social development and economic inclusion, particularly in vulnerable communities. However, the relatively low average growth rate in capital allocations may need to be revisited to ensure that service delivery keeps pace with population growth, urban expansion, taking into account socio-economic challenges such as unemployment, inequality, and poverty. Accelerated, targeted investment, especially in high-need areas could yield greater long-term social and economic returns.

3.3 REVENUE AND EXPENDITURE ANALYSIS AND RISKS (BENCHMARKING WILL FORM PART OF ALL ITEMS)

3.3.1 Budget Overview

Table 2 Budget overview for the 2025/26 MTREF Budget

Bergrivier	MEDIUM TERM REVENUE					
Description R thousand	2025/26 Budget Year +0	2025/26 Treasury Calculation	2026/27 Budget Year +1	2026/27 Treasury Calculation	2027/28 Budget Year +2	2027/28 Treasury Calculation
Total Operating Revenue (excluding capital transfers and contributions)	707 050	707 050	706 164	706 164	752 822	752 822
Total Operating Expenditure	723 542	723 395	710 591	710 932	746 802	747 013
Surplus/(Deficit)	(16 492)	(16 345)	(4 428)	(4 769)	6 020	5 809
Non Cash Items						
Depreciation & asset impairment	29 637	29 637	31 265	31 265	32 470	32 470
A4: Total Operating Budget Restated Result	13 145	13 292	26 837	26 496	38 490	38 279
A5: Total Capital Expenditure	92 163	92 163	79 768	79 768	88 957	88 957
Funded by:						
Transfers recognised - capital	22 927	22 927	17 472	17 472	22 466	22 466
Borrowing	28 300	28 300	36 692	36 692	34 590	34 590
Internally generated funds	40 935	40 935	25 603	25 603	31 902	31 902
A7 - Cash/cash equivalents at the year end:	158 191	162 124	139 622	164 800	134 239	178 775
A8 - Surplus / (shortfall) after application of cash and investments	166 026	104 976	170 312	98 377	181 049	97 676
BUDGET FUNDING POSITION	FUNDED	FUNDED	FUNDED	FUNDED	FUNDED	FUNDED

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

- The A1-Schedule submitted to Council and mSCOA data string submitted to National Treasury indicate that the 2025/26 MTREF draft budget is funded across the MTREF period, however, the margin of the projected funded shows discrepancy. Credibility of data is questioned given the discrepancies between the mSCOA data strings Budgeted Cash Flows (table A7) and the A1-Schedules presented to the Council on the 20th of March 2025. The municipality is encouraged to continue to implement the steps identified on the mSCOA roadmap to ensure credibility of data to all spheres of government.
- As per the Budget Funding Tool Assessment, Bergrivier Municipality 2025/26 MTREF is funded, without any threats to its going concern and sustainability over the 2025/26 MTREF. Which demonstrates compliance with section 18 of the Municipal Finance Management Act (MFMA).

- Although the projected funded budget for the upcoming MTREF years reflect commitment to financial growth, the anticipated operating expenditure budget deficits in 2025/26 and 2026/27 raise concerns about the sustainability of the operating budget. Whilst the operating deficit may be affected by the non-cash items like depreciation, the Municipality is reminded of the guidance provided in MFMA Circular No. 115, that depreciation charges must be funded from operational funds. When deprecation is funded, it will enable the Municipality to accumulate sufficient surpluses that must be allocated to cash backed reserves.

- A trend analysis of the average collection rate over the past two audited years shows a consistent performance of 95 per cent and above, aligning with National Treasury's norm. As of the end of February 2025, debtors over 90 days category continue to be the largest contributor, making up 56.1 per cent of the total outstanding debtors of R111.43 million. The February 2025 debtors report indicate a month-on-month decrease of R52.85 million, attributed to bad debt write-offs. However, the data strings lack the accounting treatment for impairment reversal. Prior to GRAP, municipalities would reduce the debtor's account and subsequently reduce the impairment loss when an irrecoverable debts write-off takes place.

- The Budgeted Financial Performance (table A4) data strings for February 2025 does not reflect the reversal of impairment loss, which should account for the R52.85 million write-off. The municipality is encouraged to review the accuracy of the debt impairment calculation, ensuring that non-payment provision is recognised as impairment losses and when an irrecoverable debt written off has been planned, the provision for reversal of impairment must be created.

- Provincial Treasury acknowledges the Municipality's financial sustainability strategy, with a proactive revenue management framework aimed at boosting cash inflow. The continued implementation of the financial sustainability strategy is of importance, given that the economic challenges that may impact households' ability to pay municipal accounts.

- All service charges tariff increases are projected to exceed the CPI inflation rate of 4.3 per cent for 2025/26 and are expected to generate a surplus. The budget document narrative indicates that tariff increases align with the Municipal cost reflective study, as the municipality is moving towards cost reflective tariffs for service charges, to be phased in over the MTREF.

- The Municipality is encouraged to complete the Cost Reflective Tariff Tool before finalising the 2025/26 budget, as required by MFMA Circular MFMA Circulars No.s (122(5.2), 129(3.3) and 123(3.3)). Using the latest format of the Cost Reflective Tariff Tool, will enhance the municipality's current cost reflective study by providing a clearer understanding of the tariffs structure and future adjustments for all the service charges. Once completed, the Cost Reflective Tariff Tool must be uploaded on the GoMuni Upload Portal.

- The Municipality intends to invest in infrastructure projects through additional borrowing, as indicated in the capital budget (table A5), totalling to R99.58 million over the MTREF period from 2025/26 to 2027/28. According to the 2025/26 budget narrative, the gearing or debt ratio is expected to remain sound at 28 per cent throughout the MTREF, indicating the Municipality's capacity to secure further funding. However, such borrowings should be considered within the Municipality's cash flow requirements.

- According to 2023/24 AFS, the Municipality reported unspent borrowings of R3.82 million for 2023/24 and R6.5 million for 2022/23 financial years. Before securing additional borrowings, it is recommended that the Municipality assess the impact of these unspent borrowings on the consumers, as repayment costs influence tariff-setting decisions.

- The Municipality has budgeted for a positive cash position and cash flows over the MTREF period, which is required to meet obligations as and when they are due. The positive cash balance is sufficient after considering other commitments as per the Cash backed reserves/accumulated surplus reconciliation (table A8) of the A1 Schedules. This indicates that there is no immediate or significant threat to financial health and liquidity for 2025/26.

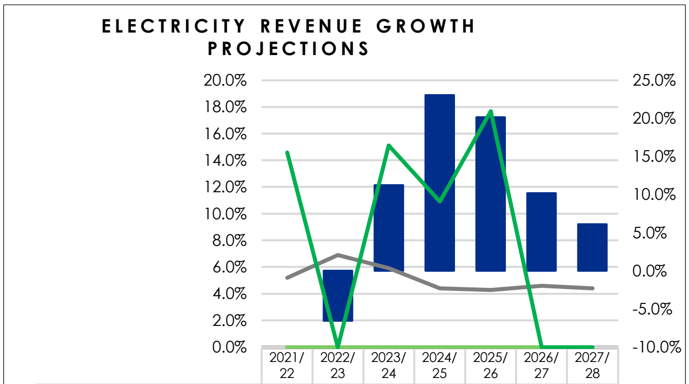
- The Municipality should continue to adopt strategic measures that support sustainable financial management, emphasising revenue protection, prudent spending, and effective resource allocation.

3.4 TRADING SERVICES

3.4.1 Energy Services

3.4.1.1 Energy Services Credibility and Sustainability

Figure 3 Energy trading service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Electricity Growth %		-6.6%	11.2%	23.0%	20.2%	10.2%	6.1%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Electricity Consumption Growth	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Service Charges: Electricity Tariff Increase	14.59%	0.00%	15.10%	10.90%	17.70%	0.00%	0.00%

Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R225 702	R238 109	R252 881
	Revenue	R227 107	R249 171	R265 119
	Surplus/ Deficit	R1 405	R11 062	R12 238

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Basic Charge (WC Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R1 828.94	R781.95	17.70%	11.50%
Households	R512.44	R313.72	17.70%	11.50%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Electricity Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	-	R2 622	R2 981	R3 262
Indigent (LGES)	9 563	R17 219	R18 287	R19 114

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- Figure 3 illustrates that electricity revenue growth over the MTREF is projected to decline, with a 2,8 per cent in 2025/26 when compared to 2024/26, followed by decreases of 10.2 and 6.1 per cent respectively over the two outer years. The budget document narrative states that this lower growth is expected due to decrease in consumer consumption, as municipal customers are becoming more energy wise and small-scale embedded generation becomes a reality, impacting negatively on revenue and will put pressure on the financial performance of the municipality.

- In accordance with the Municipality's 2023/24 cost reflective study, a 17.7 per cent tariff increase application was submitted to the Energy Regulator to sustain and improve on service delivery standards and to ensure long-term financial sustainability and is still awaiting approval. This proposed increase was based on a 5 per cent increase over and above NERSA's initially approved 12.74 per cent bulk purchase price increase for the 2025/26 financial year. However, under Eskom's new Tariff Plan, NERSA revised the 12.74 per cent down to 11.32 per cent for 2025/26. No announcements have been made regarding municipal bulk purchase price increases for the outer years, so initial revenue projections for the two outer years remain unchanged, though they are subject to revision next year.

- Material losses for electricity distribution increased from 10.72 per cent in 2022/23 to 12.43 per cent as reported in the 2023/24 AFS. These ratio's remain material, as it is above the NT norm of 7-10 per cent. According to the AFS, contributing factors are attributed to a combination of factors, i.e., transformer and losses associated with ageing meter infrastructure. It is recommended that the municipality conduct meter management audits, with the objective of monitoring any further losses.

- Despite these challenges, cost recovery mechanisms demonstrate operational efficiency, with a projected surplus of R1.41 million in the 2025/26, increasing significantly over the two outer years with R11.06 million and R12.24 million respectively. Electricity revenue is expected to achieve a 95 per cent collection rate, with a debt impairment provision of R10.91 million. However, the absence of a budget provision for the reversal of impairment loss may affect transparency and decision-making processes.

- The municipality is encouraged to continue to exploring strategies to mitigate revenue risks, including enhancing services, improving billing data, and reducing unaccounted consumptions. Additionally, the ongoing meter replacement program for electricity meters will help curb unaccounted losses. The Municipality is reminded of MFMA Circular no.130, section 3, which emphasises that Municipalities must prioritise funds for a Revenue Protection Unit for Electricity and that the municipality need to demonstrate in its 2025/26 MTREF submission.

- The A1 Schedule support schedule indicates that the cost of free basic electricity services is R2.62 million in 2025/26. The Municipality receives R17.22 million from the basic component of the LGES for the provision of free basic electricity services. Revenue cost on Free Basic Services (FBS) is expected to increase over the outer MTREF years, and the number of households receiving FBS is also estimated to increase from 2021/22 till 2027/28 in Table A10. The constrained fiscal environment driven by rising food price inflation and increasing interest rates, continues to impact heavily on disposable household income. The larger impact on municipal budgets is likely to come from an increase in indigent household applications and the municipality should anticipate this trend and make necessary provisions for the cost in the budget.

- According to the NT data strings for the TABB the electricity revenue table A4 does not reconcile with the billings table A6. Prepaid electricity makes up R125.27 million or 57.3 per cent of the total electricity revenue. The Municipality did not make provision for output VAT on the service charge. Movement accounting continues to be a challenge, and it is not being applied correctly on the tables C6 and C7. The Municipality need to correct with the final budget.

3.4.1.2 Responsiveness to Energy Demand and Provision

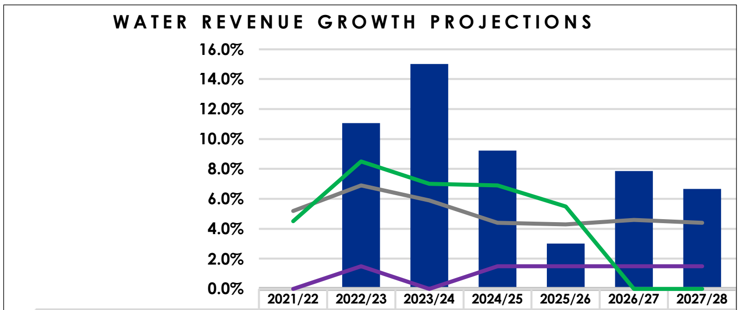
Municipal challenges	• Maintain maintenance standards on networks; • Limited budget to maintain existing infrastructure to achieve electricity losses below 10%; • Theft and vandalism of networks; • Loadshedding; • Network capacity constraints in all three major towns**.**
Electricity Expenditure Analysis	• The ongoing electricity crisis has far-reaching implications, affecting not only the functioning of municipal services but also exerting significant social and economic pressures on the broader population. • Bergrivier Municipality has increased its operating budget for energy provision by R22.582 million (an 11.1% rise) for the 2025/26 financial year, exceeding the inflation projections over the Medium-Term Revenue and Expenditure Framework (MTREF) period. This budget increase aligns closely with the concerns/challenges outlined in both the Annual Report and the Integrated Development Plan (IDP). Amid ongoing energy-related challenges, the additional allocation demonstrates the municipality's financial responsiveness to tackling the electricity crisis.

	• Given that ageing infrastructure has been identified as a key challenge by Bergrivier, the Municipality has allocated a capital expenditure budget of R14.907 million towards energy infrastructure, representing 16.1% of the total capital budget for trading services. Bergrivier has made substantial capital investments in the energy sector, including R8.957 million earmarked for the upgrading of RDP houses, R2.0 million allocated to replace mini substation and transformers, and a further R1.100 million set aside specifically for electrical infrastructure improvements. • Additional projects planned for the outer years of the MTREF period include the upgrading of electricity infrastructure with an allocation of R2.592 million, along with R2.710 million earmarked for electricity infrastructure upgrades. • These budgetary allocations are essential for tackling the pressing energy infrastructure challenges currently affecting the municipal area.

3.4.2 Water Services

3.4.2.1 Water SERVICES CREDIBILITY AND SUSTAINABILITY

Figure 4 Water trading service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Water Growth %		11.1%	15.0%	9.2%	3.0%	7.9%	6.7%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Water Consumption Growth	0.00%	1.50%	0.00%	1.50%	1.50%	1.50%	1.50%
Service Charges: Water Tariff	4.50%	8.50%	7.00%	6.90%	5.50%	0.00%	0.00%

2025/26 Tariffs	Basic Charge	Basic Charge (Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R172.50	R397.80	5.5%	6.4%
Households	R103.50	R147.33	5.5%	6.4%
Source: Municipal Budget Assumptions				

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Water Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	-	R3 629	R3 961	R4 325
Indigent (LGES)	9 563	R24 533	R26 054	R27 232
Source: A1 schedules				

Source: NT GoMuni 2025/26 Draft Budget

- Figure 4 illustrated a decrease in water revenue growth from the current year's 9.2 per cent to 3 per cent for the 2025/26.However, water revenue growth is expected to improve in 2026/27, with a slight decline in 2027/28. With a 5.5 per cent tariff increase combined with a 1.5 per cent growth in consumption, a 7 per cent revenue growth would be expected.

- Additionally, the municipality conducted cost cost-reflective tariff study to assess whether the tariffs charged for water consumption fully covered the cost-of-service delivery. The findings indicated that they did not, prompting a restructuring of water tariffs in the 2025/26 to ensure alignment with cost-reflective principles and achieve full cost recovery. Given these considerations, the municipality should provide clarity on the factors contributing to the projected 3 per cent revenue growth outlined in the budget.

- According to Figure 4, water service is projected to generate an operating surplus of R14.59 million for 2025/26, with a slight increase over outer MTREF years. Factors that are contributing to the increase in expenditure relate to capital projects for the replacement of critical portions of current water networks that have reached the end of their useful life and are burdening the Municipality with excessive maintenance and overtime costs due to continued breakages.

- The 2023/24 AFS reports that water distribution losses slightly decrease from 14.6 per cent in 2022/23 to 12.1 per cent in 2023/24. The losses are mainly due to a combination of major pipe bursts, field leak ages and ageing meter infrastructure. According to supporting table SA36, R1.8 million has been budgeted for the upgrading of metering equipment over the entire MTREF period, confirming the commitment to address water losses.

- Furthermore, the Municipality is commended for its concerted efforts to address water losses, to deploy flow water meters and smart prepaid meters, coupled with the adoption of a comprehensive smart meter policy, signify a positive step toward addressing water losses and promoting financial sustainability. These initiatives have the potential to yield long-term benefits for both the municipality and the community by enhancing service delivery, reducing losses, and ensuring equitable access to essential utilities. In addition, the Municipality is commended for having a clause within the Debt Collection and Credit Policy, as guided in MFMA Circular no.123, to use the restriction/ interruption of supply of both water and electricity services as a collection tool.
- Figure 4 indicates that the Municipality will receive R24.53 million from the basic component of the LGES for the free basic water services. While the A1 Schedule supports schedule SA1, estimate the cost at R3.63 million for 2025/26. The revenue cost on Free Basic Services (FBS) is expected to increase over the outer MTREF years, and so will the number of households receiving FBS as it is estimated to increase from 10 403 in 2025/26 to 10 824 in 2027/28 according to Table A10. The projected increase in FBS costs over the MTREF underscores the need for strategic planning, cost containment, and efficient service delivery. The municipality should review the indigent register to ensure there's full accountability. While LGES funding provides stability, shifting economic and demographic trends will require municipalities to remain adaptive and financially resilient to sustain services without compromising quality.
- According to the data strings, the Billings A6 does not reconcile with the Collections A7. The municipality did not make provision for output VAT on the service charge. Movement accounting continues to be a challenge, and it is not applied correctly on the C6 and C7. The Municipality needs to correct this with the final budget.

3.4.2.2 RESPONSIVENESS TO WATER SERVICES DEMAND AND PROVISION

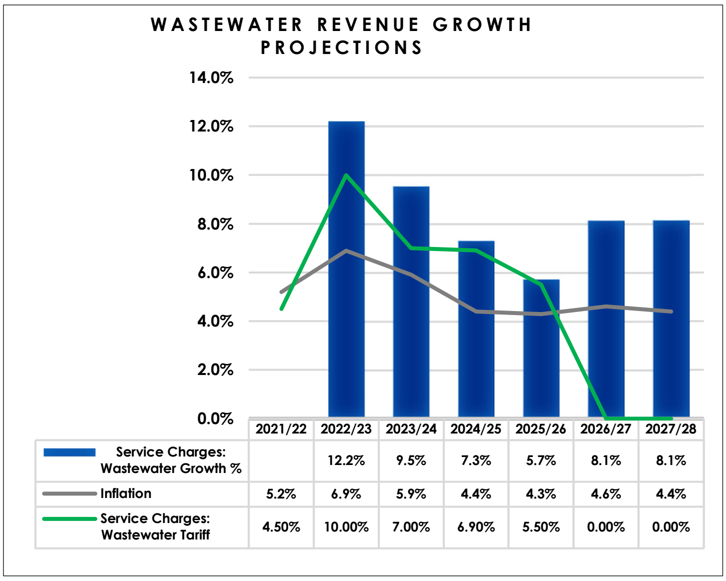
Municipal challenges	• To reduce water losses below 12 per cent. • Challenges with ageing infrastructure resulting in water losses and disruption in water supply. • Insufficient budget to ensure pipe replacement program is executed as should be and to perform proper maintenance. • Ageing infrastructure, thus most of the pipe distribution networks are older than 50 years which make them fragile and requires upgrades. • Theft and vandalism. • Load shedding. • Vacancies and unfunded positions make it difficult to ensure maintenances is performed and disruptions to the communities are limited. • The demand for services that continue to outstrip the available resources. • Budgetary constraints.
Water Expenditure Analysis	• The ageing infrastructure within the Municipality poses significant challenges and is likely to hinder future development efforts in the Municipal area. During the 2024/25 financial year, the Municipality undertook the installation and replacement of water meters; however, it remains critical to achieve a significant reduction in water losses. • An operating budget of R43.122 million has been allocated for water infrastructure in the 2025/26 financial year. This allocation is set to increase to R47.312 million in 2026/27 and R49.650 million in 2027/28 as part of the Medium-Term Revenue and Expenditure Framework (MTREF). However, despite these increases, the funding remains inadequate to fully address the significant infrastructure challenges faced by the Municipality.

	• Due to ageing infrastructure identified as challenges, the total capital expenditure budget for water management stands at R 34.071 million or 37 per cent of the trading services budget in 2025/26 financial year. The allocations increase by R 12.236 million or 16.5 per cent. This is above inflation in the 2025/26 MTREF period. • Significant municipal capital expenditure allocations for water include R10.105 million for pipe replacement in Noordhoek, R 8.0 million for water treatment, R3.865 million for replacement of bulk water pipelines and R3.0 million for VD pipe replacements in Noordhoek (Multi Year). Water infrastructure is foundational to service delivery. Without adequate investment, the Municipality risks frequent supply interruptions, affecting households, schools, and healthcare facilities.

3.4.3 Wastewater Services

3.4.3.1 Wastewater Services Credibility and Sustainability

Figure 5 Wastewater trading service trends



Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R21 957	R23 263	R24 630
	Revenue	R28 896	R31 239	R33 780
	Surplus/ Deficit	R6 939	R7 976	R9 150

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	5.5%	6.20%
Households		5.5%	6.20%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Wastewater Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	-	R5 127	R5 596	R6 105
Indigent (LGES)	9 563	R15 350	R16 302	R17 039

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- Figure 5 illustrates that the wastewater revenue growth slowed to 5.7 per cent in 2025/26 but is expected to increase over the two MTREF outer years to 8.1 per cent in 2027/28. This growth exceeds the predicted CPI over the MTREF period. This projected increase is based on cost cost-reflective study, relating to the input cost assumptions relating to the service, like electricity costs, the extent to which customers make use of the service and tariff increase of 5.5 per cent in 2025/26.

- Surplus operating margin of R6.94 million is projected for 2025/26, indicative of effective financial management and opportunities for reinvestment in infrastructure or service enhancements.

- The Municipality will receive R15.35 million from the basic component of the LGES for the provision of free basic wastewater services, while the estimated cost of free basic wastewater services is R5.13 million in 2025/26 according to the A1 Schedule support schedule SA1. The increase is attributed to a growing number of households registering for indigent support. Revenue costs for Free Basic Services (FBS) are expected to rise over the MTREF period, with beneficiary households increasing from 10,576 in 2025/26 to 11,092 in 2027/28, as shown in Table A10. Continuous collaboration and targeted interventions with stakeholders are essential to resolving disparities in indigent household distribution, reducing financial strain, and ensuring equitable service delivery while maintaining fiscal responsibility.

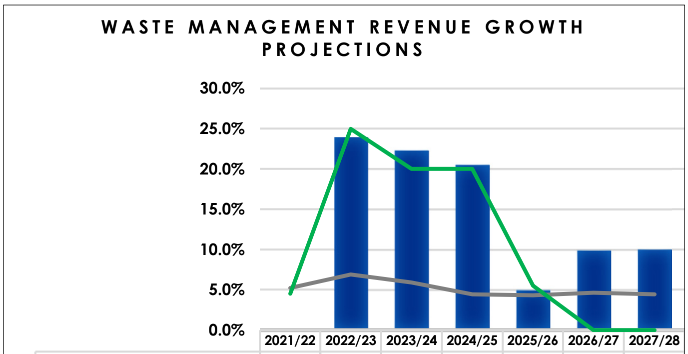
3.4.3.2 Responsiveness to Wastewater Services Demand and Provision

Municipal challenges	• Ageing infrastructure. • High cost of bulk services. • Increase of backyard dwellers have an impact on service delivery. • Theft and vandalism at the plants are a major concern. • Ageing of fleet is of a concern. Maintenance of vehicles is expensive, and no backup is in place to support breakdowns; • Budget constraints: Additional security measures are required which is not funded as well as theft and vandalism applying additional stress on the budget. Green Drop has also been revived and requires additional measures in place to ensure good scores; • Velddrif WWTW current capacity exceeds its design and requires upgrading to sustain the increasing population; • Loadshedding; • The high construction cost of WWTW's and the operation/maintenance thereof bring new challenges and alternative means of treating sewage water are continuously under investigation, such as package plants.
Wastewater Expenditure Analysis	• The wastewater infrastructure in many parts of the Bergrivier is in a state of significant disrepair, resulting in a marked decline in service quality, which excessively impacts community well-being and hinders socio-economic development. • To address the ongoing challenges in wastewater management, Bergrivier has raised its operating budget from R19.777 million to R21.957 million, an 11.0 % increase that exceeds inflation over the MTREF period. This reflects a strategic financial commitment aimed at improving service delivery and infrastructure resilience. • In response to the challenges associated with aging infrastructure, the Municipality has allocated R15.580 million towards capital expenditure for wastewater management, accounting for 17% of the total trading services budget for the 2025/26 financial year. • A significant portion of the capital budget of R9.0 million has been allocated for upgrades and general improvements to wastewater treatment works (WWTWs) in the 2025/26 financial year. Additional allocations include R2.0 million for sewerage networks in Velddrif and R2.0 million for upgrade of pumpstation; in 2026/27 financial year, the Municipality has allocated R3.0 million for sewerage network. • The current capital project allocations fall short of addressing the pressing service delivery needs and existing sanitation backlogs within the Municipality. The budget is insufficient to meaningfully tackle the scale of infrastructure challenges, particularly in underserved areas. Furthermore, the ongoing impact of loadshedding is expected to place additional strain on wastewater treatment facilities, further compromising their operational efficiency and the Municipality's ability to provide reliable sanitation services.

3.4.4 Waste Removal Services

3.4.4.1 Waste Removal Services Credibility and Sustainability

Figure 6 Waste removal service trends



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Service Charges: Waste Growth %		23.9%	22.3%	20.5%	5.0%	9.9%	10.0%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Service Charges: Waste Tariff	4.50%	25.00%	20.00%	20.00%	5.50%	0.00%	0.00%

Cost Recovery	Direct and Indirect	2025/26	2026/27	2027/28
	Revenue Required	R58 088	R62 131	R65 512
	Revenue	R65 348	R71 545	R78 442
	Surplus/ Deficit	R7 260	R9 414	R12 930

Source: A1 schedules

2025/26 Tariffs	Basic Charge	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	Yes	5.5%	8.7%
Households		5.5%	8.7%

Source: Municipal Budget Assumptions

Basic Service Delivery	Number of Households (LGES)	Operational Cost of Waste Services (R'000)		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	-	R10 962	R11 971	R13 082
Indigent (LGES)	9 563	R12 868	R13 666	R14 284

Source: A1 schedules

Source: NT GoMuni 2025/26 Draft Budget

- Figure 6 illustrates that the waste removal revenue growth will decrease to a 5 per cent growth in 2025/26 from the 20.5 per cent in 2024/25, then increase to 10 per cent in 2027/28. Despite the slight decline in revenue growth, the Municipality projects an operating surplus across the 2025/26 MTREF, with expected revenue of R12.87 million after accounting for the cost of free basic services and revenue forgone, while costs are expected to be R10.96 million.

- The Municipality has proposed a waste removal tariff increase of 5.5 per cent for the 2025/26, which is a significant decline when compared to the 2022 – 2024 phased-in approach to ensure that the service can become financially viable and remains sustainable over the long term. The Municipality should continue to focus on effectively communicating the reasons behind the tariff increase to the community, emphasising the long-term benefits it will bring to waste management and environmental sustainability.

- According to the 2023/24 AFS, the Municipality requested a postponement in the commencement dates of the rehabilitation of all landfill sites at the end of its useful life. Provincial Treasury acknowledges that extending of the dates will result in a decrease for the provision, due to the discount rate being applied over an extended five-year period. In the interim, the Municipality should take proactive measures to manage the environmental and financial impact of the landfill rehabilitation postponement. By maintaining service efficiency, managing financial risks, and upholding environmental responsibility while preparing for the eventual rehabilitation of landfill sites.

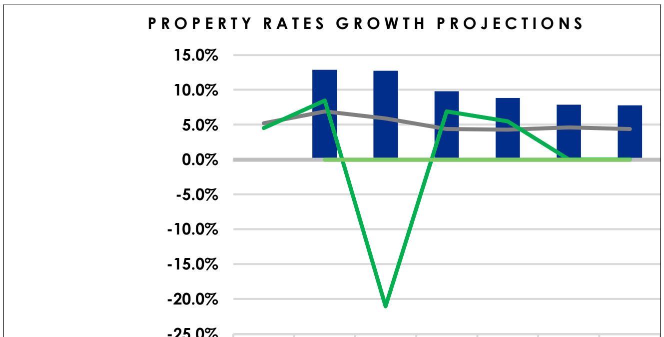
- The debtors for waste services amount to R20.05 million or 17.99 per cent of total debtors' amount of R111.43 million as at the end of February 2025, of which 53.5 per cent is older than 90 days. The Municipality should continue with the implementation of credit control processes, given that the tariff increase will be above inflation, which raises the question on the balance between consumer affordability and maintaining sound financial sustainability. Revenue.

3.4.4.2 Responsiveness to Waste Removal Demand and Provision

Municipal challenges	• Improving recycling volumes to lower transport cost; • The roll out of an aggressive and effective recycling program to minimize waste quantities and increase diversion rates; • The reduction of all types of refuse (at source); • Budget constraints to upgrade facilities and fleet, as well as the closure and rehabilitation of the old landfill sites; • Vacancies and unfunded positions make service delivery difficult; • The roll out of an aggressive and effective recycling program to minimize waste quantities and increase diversion rates; • A key challenge is the rehabilitation of the landfill sites at Piketberg and Porterville, due to the high cost involved.
Waste Expenditure Analysis	• As per the 2024 SEP- LG, 88.6 per cent of residents in the municipal area have access to refuse removal services. Waste management receives the second largest allocation in the operating expenditure budget with R58.088 million allocated in 2025/26. These allocations increase in the outer years of MTREF, from R62.131 million in 2026/27 to R65.512 in 2027/28 financial year. • Waste management infrastructure receives the smallest share of the trading services infrastructure budget in 2025/26 financial year. The Municipality's allocation to waste infrastructure amounts to R1.0 million or 1.0 per cent of the trading services budget for the 2025/26 financial year. • In the 2025/26 financial year, R500 000 has been allocated for fencing at landfill sites as part of the capital expenditure on waste management. For the two outer years of the MTREF, R1.5 million is earmarked for solid waste removal, with an additional R1.5 million set aside for other related projects. These investments aim to tackle the challenges faced by the Municipality, particularly in light of the proportion of households without access to refuse removal services.

3.5 PROPERTY RATES

Figure 7 Property rates



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Property Rates % Movement		12.9%	12.7%	9.8%	8.8%	7.8%	7.8%
Inflation	5.2%	6.9%	5.9%	4.4%	4.3%	4.6%	4.4%
Property Rates Tariff Increase	4.50%	8.50%	-21.00%	6.90%	5.50%	0.00%	0.00%
% Growth in Market Value		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2025/26 Tariffs	Rate in Rand (Mun)	Rate in Rand (WC Avg)	Tariff Increase (Mun)	Tariff Increase (WC Avg)
Business	R0.01113	R0.06995	5.5%	5.4%
Households	R0.01012	R0.03640	5.5%	5.4%

Source: Municipal Budget Assumptions

Property Rates Rebates	Number of Indigent HH	Rebates		
		2025/26	2026/27	2027/28
Indigent (A10,SA1)	-	R4 998	R5 562	R6 189
Last GV date	01-07-22			

Source: A1 schedules

Source: A1 Schedules

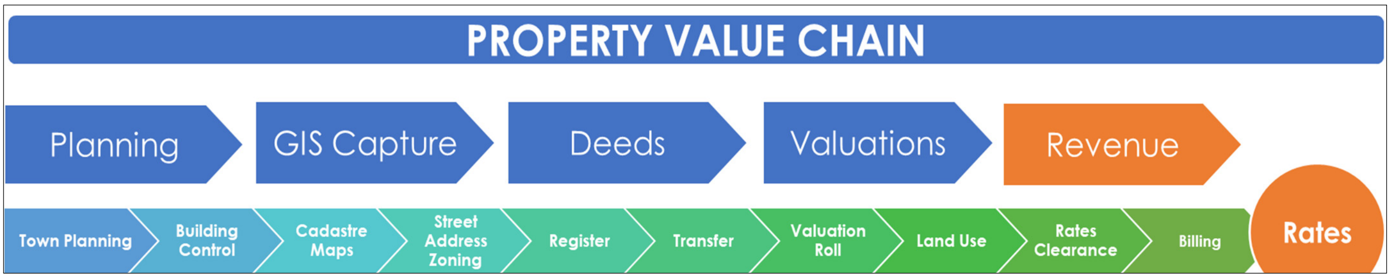
- Figure 7 illustrates that the property rates revenue growth is expected to decrease over the 2025/26 MTREF from 9.8 per cent in 2024/25 to 7.8 per cent in 2027/28. This projected revenue growth is informed by the proposed tariff increase of 5.5 per cent, the projected increase in the number of properties in the municipal area, and an anticipated growth in the total market value linked to the general valuation roll that was implemented from 1 July 2023. According to supporting Tables SA12(a) and 12(b), no changes are projected in the number of properties.

- Property rates is the second largest contributor to the source of general revenue, and according to the budget document narrative cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions are cash backed as required in terms of section 8 of the MPRA. As of February 2025, property rates debtors amounted to R37.75 million, constituting 33.88 per cent of the total debtors of R111.43 million, with R23.49 million or 62.2 per cent is over 90 days. The municipality should continue addressing growing debt and arrear debt, to ensure outstanding debtors are converted into cash, securing the financial resources to maintain long-term financial sustainability.

- The Municipality's main asset is its property. Its main source of income is derived from charging for property rates. Municipalities must reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. In addition, MFMA Circular No.129 requires that the standardised billing report has the required specifics on the municipal financial system, to be able to report the minimum billing report requirements.

- The Municipality should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing. Figure 8 highlights the key inputs into the Property Value Chain to realise maximum revenue from property rates.

Figure 8 Property Value Chain



- In accordance with MFMA Circulars No. 93 and 129, the municipality is reminded to submit the quarterly reconciliation of Valuation Roll and Part A register of the billing system to the 10th National Treasury no later than the first working day after quarter-end. Any noted variances must be accompanied by a detailed action plan. The Valuation Roll Reconciliation Tool template must be uploaded to the GoMuni Upload Portal.

3.6 TRADING SERVICES

3.6.1 Outcomes Of The Cost Reflective Tool

Table 3 Outcome of the Cost Reflective Tool

Operating Expenditure and Income Across Functions (Figures in Rand)

Demarcation Description	Demarc Code	CAP	Period			Energy sources	Water management	Waste water management	Waste management
Bergrivier	WC013	M	2025/26 Tabled Budget	2900	Total Revenue (excluding capital transfers and coı	227,107,478	57,710,000	28,896,000	65,348,000
Bergrivier	WC013	M	2025/26 Tabled Budget	4400	Total Expenditure	225,702,000	43,122,000	21,957,000	58,088,000
Bergrivier	WC013	M	2025/26 Tabled Budget	4500	Surplus/(Deficit)	1,405,478	14,588,000	6,939,000	7,260,000

Source: (GoMuni)

- Bergrivier Municipality has not provided the outcome of the Cost Reflective Tool as part of their document submission in support of their tabled budget, as required and specified in the National Treasury MFMA Circular No. 129.

- Operating expenditure and income across functions, from GoMuni as depicted above in Table 3 shows that all-trading services demonstrate surplus margins of 0.6 per cent and 33.8 per cent, 31.6 per cent and 12.5 per cent for energy sources (electricity), water management, wastewater management and waste management respectively.
- Bergrivier Municipality's trading services for the 2025/26 financial year are fully cost reflective, producing a total operational surplus of R30.2 million across services. The municipality is well-positioned to maintain service standards, support infrastructure investment, and meet cost recovery goals. However, electricity margins warrant strategic monitoring to ensure resilience amid external volatility, while surpluses in water and wastewater could be leveraged for broader developmental or social support objectives.
- Electricity's marginal surplus indicates a narrow cost margin surplus of only R1.4 million (0.6 per cent). This may leave little buffer against fluctuations in supply costs, non-technical losses, or payment defaults, particularly in this sensitive context of rising Eskom tariffs.
- The Municipality proposed electricity tariff is 17.70 per cent increase, whereas the increase in electricity bulk purchases for the 2025/26 financial year is 11.32 per cent as approved by NERSA, this increase is above the provincial average of 11.83 per cent. The Municipality indicated in their tabled budget that this increase is based on their Cost of Supply study, which was submitted in the 2023/24 financial year and granted a 5.00 per cent increase over and above the NERSA increase of 11.32 per cent and a new study is also in the process and will take effect from the 2026/27 financial year onwards.
- A 5.50 per cent increase for water tariff, wastewater tariff and waste removal has been proposed by Bergrivier Municipality for the 2025 MTREF, below the provincial average, which is 6.42 per cent for water, 5.95 per cent for wastewater and 8.70 per cent for waste removal of and above the recommended range as per the National Treasury MFMA Circular No. 129.

3.6.2 Land Value Capture and Alternative Financing

3.6.2.1 Development Charges

- On the 11th of June 2024, the President of the Republic of South Africa signed into law the Municipal Fiscal Powers and Functions Act (MFPFA) (Act No: 4 of 2024), with the insertion of Chapter 3A: Development Charges.
- Prior to the MFPFA, municipalities levied development charges in an inconsistent and sometimes biased manner. This lack of standardisation confused developers, leading to disputes and reducing investment attractiveness. The MFPFA will provide a clear, legal framework that standardised the levying and application of DCs, bringing greater transparency and predictability for both developers and municipalities.
- Therefore, municipalities that are already levying DCs in terms their pre-existing DC policy or DC by-law, as at the date of commencement of this Act, must ensure that it complies with this amended Act within 36 months after the date of commencement of the Act, While municipalities intending to levy DCs, their municipal councils must adopt a resolution for the municipality to levy the DCs, and thereafter develop their policy that is compliant with the Act.
- Annexture 2 in the guidelines for the implementation of municipal DC in South Africa, offers a DCs policy guidance and model policy that municipalities can adapt to their unique contexts, when updating or developing their DC policies and PT could assist by sharing examples of successful DC policies from other municipalities to serve as benchmarks.

3.6.2.2 Other Revenue Risks

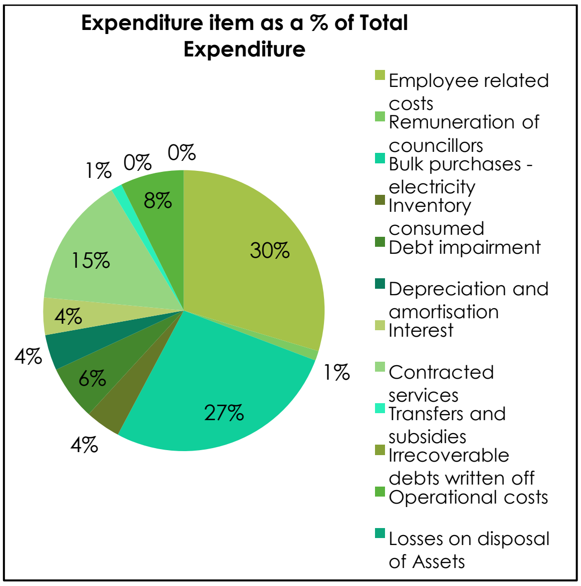
- **Transfers recognised - Operational** contributes 21.35 per cent of 2025/26 operating budget of R707.05 million, which is the third largest contributor, indicating a limited dependence reliance on grant funding to sustain its operations. It was further found that this line item will increase by 32 per cent in 2025/26 and then a decline of 32.8 per cent is projected for the 2026/27 budget year. The fluctuation is primarily attributed to the allocation of the Human Settlements Development Grant.

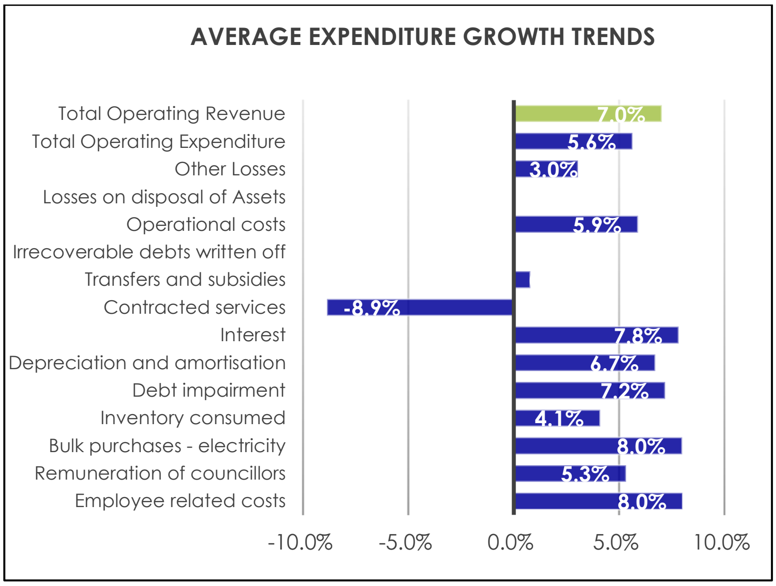
- As per supporting table SA18, the conditions met does align with Table A4. The municipality is commended for this alignment. However, it was noted in supporting Table SA20 that historically the Municipality recorded underspending of grants; therefore in view of fiscal constraints to persist over the MTREF, the Municipality is urged to put controls or measures in place to fully spend grant allocations to avoid retention of grant monies.

- **Fines and Penalties** amount to R22.81 million for 2025/26, which indicates a revenue growth of 3.1 per cent from 2024/25 financial year. This revenue growth is projected to remain constant across the 2025/26 MTREF. It must however be noted that the Municipality reported an average collection rate of 27.7 period for the past three audited years, and based on the projected collections on SA30, the collection rate is projected to decline to an average of 18.31 per cent over the MTREF period. The Municipality didn't provide any plans or strategies on how they are planning to improve the declining collection rate of Fines.

3.7 OPERATING EXPENDITURE

Figure 9 Operating expenditure trends





Source: NT GoMuni 2025/26 Draft Budget

- Operating expenditure budget for 2025/26 amounts to R723.54 million and is projected to increase by 13.8 per cent when compared to 2024/25 adjusted budget of R635.64 million. Figure 9 illustrates that in 2025/26, average operating revenue budget growth amounts to 7 per cent, which is above the average operating expenditure budget growth of 5.6 per cent. The difference in the growth rates in still not enough to results in generating a surplus operating budget over the 2025/26 MTREF, this is based on the fact that the Municipality have budgeted for an operating budget deficit before capital transfers and contributions for the first two years of the MTREF period, however, this deficit is decreasing and will be a surplus in 2027/28.

- The projected increase in operating expenditure growth of 5.6 per cent over the MTREF, coupled with the anticipated growth in operating revenue of 7 per cent over the MTREF, suggests a potentially positive trajectory for the municipality. The incremental growth in operating expenditure indicates a strategic approach to accommodate rising costs and expand operational capacity over the MTREF.

- Concurrently, the projected revenue growth outpacing operating expenditure growth reflects a promising financial outlook, indicating the municipality's ability to generate sufficient income to cover its increasing expenses. However, careful monitoring and management of expenditure growth relative to revenue generation will be essential to ensure that the municipality maintains a healthy financial position and effectively addresses evolving community needs and priorities.

- The primary cost drivers of the operating expenditure draft budget in the 2025/26 fiscal year include costs related to employment (29.6 per cent), bulk purchases (26.9 per cent), and contract services (14.8 per cent). These projections remain relatively consistent across the outer years of the 2025/26 MTREF, except for contract services which show a significant decrease in the 2026/27.

- **Bulk electricity purchases** remain the second largest cost driver and make up 26.9 per cent of the total operating expenditure of R723.54 million. The budget has increased by 12.5 per cent from the 2024/25 adjusted budget and proposes an average increase of 8 per cent over the 2025/26 MTREF. Bulk purchases are directly informed by the purchase of electricity from Eskom, and expenditures also account for distribution losses. Increases in electricity bulk purchases is beyond the Municipality's control, as NERSA has approved a 11.32 per cent tariff increase on electricity for municipalities. Budget allocations have a direct impact on revenue provisions, with expenditure covering electricity distribution losses totalling around 12.43 per cent as per 2024 AFS, this is slightly above the acceptable threshold of 10 per cent.

- Furthermore, the municipality's recognition of the evolving nature of these expenditures and their potential impact on operational efficiency is essential for informed decision-making. The reliance on revenue from electricity sales to offset these costs highlights the interconnectedness of financial management framework within the municipality.

- However, given that operating electricity service is projected to just about covering cost for 2025/26, given the fact that the Municipality failed to submit a NT Tariff tool the recalculated cost for electricity services results in a surplus of R1.4 million, thus implementing risk management practices and fostering collaboration with stakeholders, including consumers and regulatory bodies, will be essential to navigate the complexities of bulk purchases and ensure the sustainable delivery of essential services to the community.

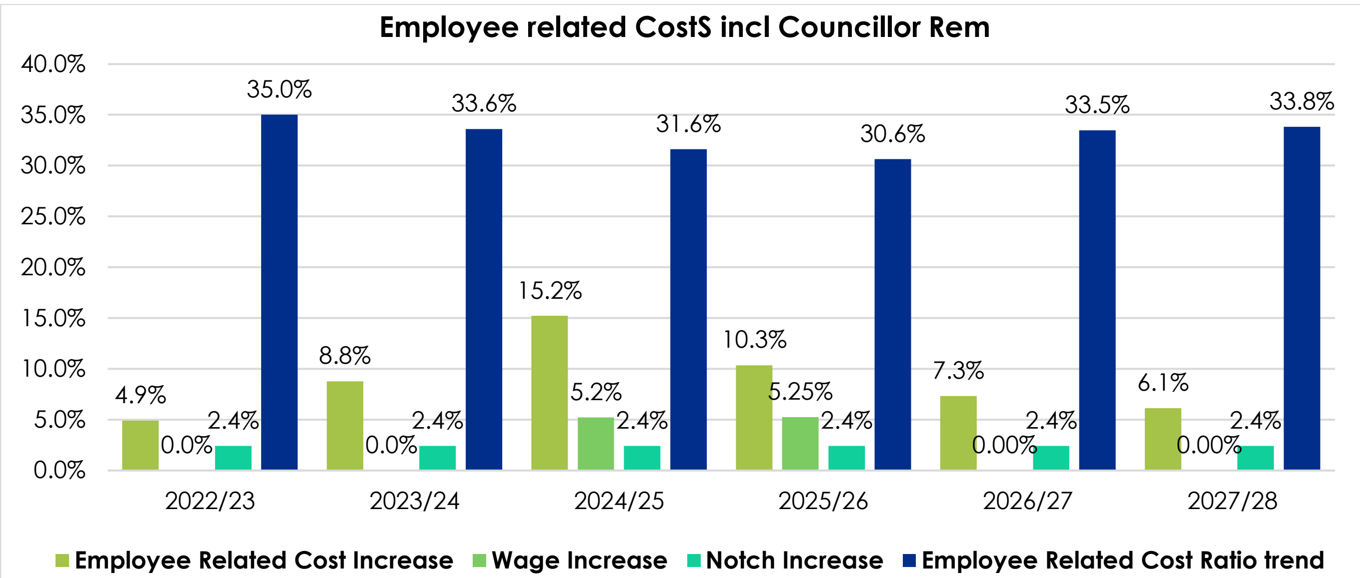
- **Contracted services** are budgeted at R107.33 million with an increase of 40.3 per cent from the adjusted budget of R76.51 million, mainly due to engineering services that are budgeted at R60.88 million for the Housing project that will be funded from the Human Settlements Development grant. The majority of the budget is allocated to engineering: Housing Project (56.7 per cent), refuse removal (14.78 per cent), and maintenance of equipment (8.07 per cent).

- It will be essential for the municipality to continue monitoring expenditure patterns and evaluating the effectiveness of contracted services arrangements. While cost savings is important, it's equally important to ensure that service quality and delivery standards are upheld. The municipality may consider conducting periodic reviews of contracted services contracts, exploring opportunities for renegotiation or consolidation, and leveraging technology and innovation to enhance service delivery and optimise costs further. By adopting a proactive and strategic approach to managing contracted services, the municipality can continue to achieve its service delivery objectives while maximising value for its constituents.

- The **provision for debt impairment** in figure 9 was determined based on an annual collection rate of 95 per cent according to the draft budget document narrative. The calculation in the NT funding tool was based on the average audited collection rate of the previous financial years which equates to 93.6 per cent for service charges and 95.2 per cent for property rates. Looking at the total outstanding debt for the end of February 2025 amounts to R111.43 million and 56.1 per cent thereof is in excess of 90 days. Households is the largest contributor with 66.2 per cent.
- The debt impairment is made up of two parts, one of which is the recognised impairment loss and reversal of impairment loss. If the municipality estimates a collection rate of 95 per cent, then the remaining 5 per cent must be provided as an impairment loss under the debt impairment as that portion constitute non-payment provision. The second component is the accounting for impairment reversal, which was missing from the data strings. Prior to GRAP, municipalities would reduce the debtor's account and subsequently reduce the impairment loss when Irrecoverable debts written off has been anticipated. The 2024/25 data strings for Funding Tool Summary (table A4) indicate that the municipality has not included the reversal of impairment loss on their data strings, there was a huge portion of the arrear debtors over 1 year was written off during 2024/25. The high arrear debtors raise concerns in the municipality's financial landscape. The municipality is encouraged to review the accuracy of the debt impairment calculation for 2025/26 MTREF, ensuring that the non-payment provision be recognised as impairment loss. When planning to write off irrecoverable debts, a corresponding provision for the reversal of impairment should be created. This reversal amount would not necessarily be the same as the Irrecoverable debts written off, but we must see the reasonable amount being reversed when a write off is planned.
- **Depreciation and asset impairment** for the 2025/26 MTREF was budgeted at R29.64 million, reflecting an increase of 10.9 per cent from the 2024/25 adjusted budget, of which the main contributor being the new applications submitted to postpone the commencement dates for the rehabilitation of all landfill sites as per the AFS 2024. The depreciation should be reviewed based on the potential increase/decrease of assets and their useful lives and considering past trends. Further, the MFMA Circular No.115 guidance is that depreciation charges should be funded from operational funds. When deprecation is funded, it will assist the Municipality to accumulate sufficient surpluses that must be transferred to cash-backed reserves.

3.7.1 Employee Related Cost

Figure 10 Employee related cost including councillor remuneration

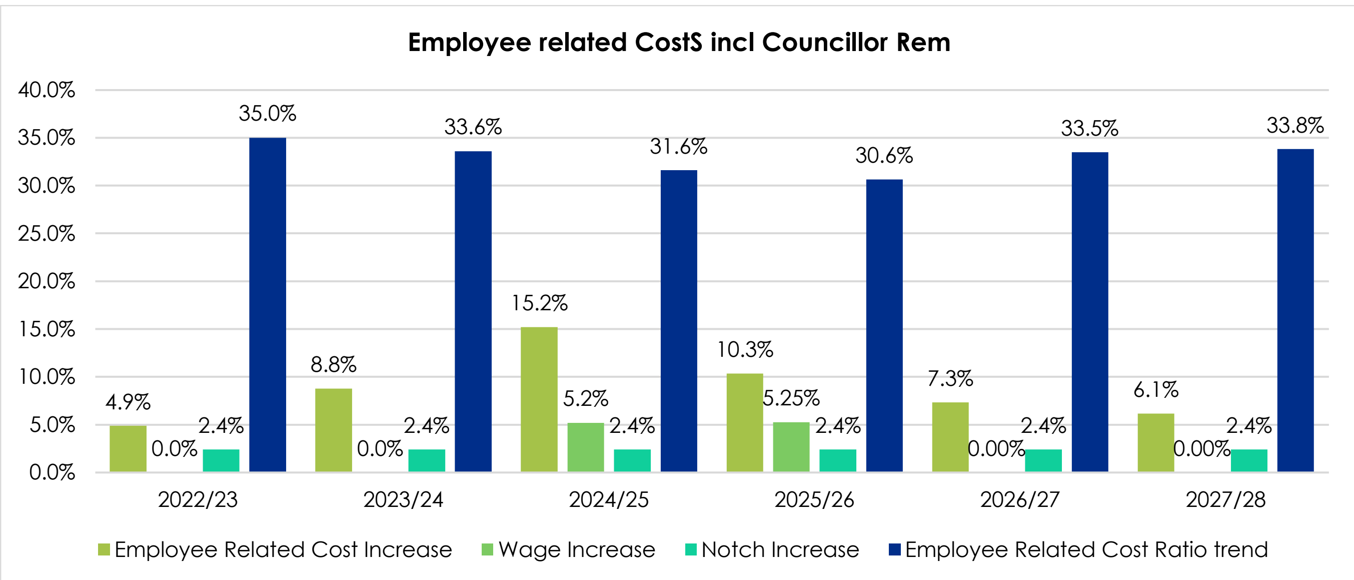


Source: NT GoMuni 2025/26 Draft Budget

- Employee-related costs, including councillor remuneration, are the largest cost driver at 30.6 per cent of the total operating expenditure budget of R707.05 million, with councillor remuneration accounting for R7.92 million, or 1.1 per cent. This also considers the upper limits and is within the acceptable NT norm of 25-40 per cent.
- Employee-related cost will increase by 10.7 per cent during 2025/26 when compared to 2024/25 and project an average growth of 8 per cent over the MTREF period. The provision of 5.27 per cent general salary in accordance with the collective agreement and provision of 2.4 per cent notch increase for qualifying officials for 2025/26.
- As per supporting table SA24 the municipality is planning on increasing the number of employees for the 2025/26 financial year, the total number of personnel positions is set to increase to 497 from 480 in 2024/25, and this increase is in relation to permanently employed staff. The budget document does indicate that the municipality will prioritise the filling of critical vacant posts, especially linked to the delivery of basic services. As core functions a balance should be found between affordability and service delivery.
- The comparison between the percentage changes in employee-related costs (ERC) and wage increases over the years underscores increase in expenditure patterns for Bergrivier Municipality. Notably, from 2025/26 to 2027/28, ERC experienced a decrease from 13.8 per cent to 5.1 per cent respectively, while there was a marginal increase that remains at 5.2 per cent in wages over the MTREF. This may raise concerns about sustainability of this line item. These variances can have several impacts on the municipality, including potential strains on financial resources, challenges in maintaining service delivery standards, and implications for long-term fiscal sustainability. Addressing these discrepancies effectively will be crucial for ensuring prudent financial management and efficient utilisation of resources within the municipality.
- **Overtime** as a percentage of employee-related costs amounts to 3.1 per cent, which is still within the overtime threshold of 5 per cent. The budget amounts to R6.83 million, which shows a slight decrease from the adjusted budget for 2024/25. The Municipality is encouraged to continue managing overtime and standby hours as per budgeted figures and ensure optimal financial management and operational efficiency.

3.8 CAPITAL FUNDING MIX

Figure 11 Capital funding mix



Source: NT GoMuni 2025/26 Draft Budget

- Figure 11 illustrates that the capital funding mix has primarily been funded through borrowings and capital grant transfers over the seven-year horizon. For the 2025/26 MTREF the capital budget is expected to be primarily funded through internally generated funds and borrowings.
- This transition indicates a decreased reliance on external funding, potentially enhancing the Municipality's financial stability and enabling greater investment in capital projects for improved service delivery. However, it may limit financial flexibility in the short term, necessitating careful financial management to maintain operational stability. To mitigate this risk, the Municipality should diversify revenue sources, enhance operational efficiency, and enforce strict budget discipline to ensure sustainable financial practices amid evolving funding conditions.
- The Municipality is planning on taking up borrowings of the amount of R99.58 million over the MTREF, making it the largest contributor to the capital budget funding mix. In 2025/26, borrowings amount for R28.30 million, representing 31 per cent of the capital budget, making it the second largest contributor to funding source. These funds will primarily be for capital investments for the replacement and refurbishment of infrastructure.
- Provincial Treasury is aware that the Municipality submitted a borrowing proposal during January 2025, however, this amount is still not reflecting on the Municipality's in-year monitoring reports as at end February 2025. Given the fact that the Municipality has reported unspent borrowings in the past two audited years, this is a concern for the current financial year as its already month 8 of the financial year and the amount of R23.78 million that was budgeted for in 2024/25 financial year is still not reflecting and allocated during the current financial year. The Municipality needs to consider the impact that these unspent borrowings will have on the consumers as the cost of repaying these borrowings does impact the tariff setting decisions.
- It's essential for the municipality to carefully manage its borrowing practices, considering factors such as debt affordability, repayment capacity, and alignment with long-term financial sustainability goals. Moving forward, the municipality could explore strategies to diversify its funding sources and prioritize initiatives that offer long-term returns on investment. This could include enhancing revenue generation through innovative financing mechanisms, optimizing asset utilization, and strengthening financial management practices to ensure prudent debt management and sustainable growth.
- While borrowing can provide immediate access to funds for critical initiatives, the fluctuating trend underscores potential challenges in managing debt levels and repayment obligations. Moreover, excessive reliance on borrowing may expose the municipality to financial risks such as increased debt service costs and vulnerability to interest rate fluctuations.
- The Municipality will maintain a capital replacement reserve amount of R54.16 million as per Financial Position (table A6) and, according to the budget documentation, cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves are cash backed. The Municipality is urged to maintain a healthy CRR to manage the demands of infrastructure requirements and the impact on future operational budgets while considering the sustainability thereof. The opportunity cost for utilizing own funding must be carefully assessed to maintain the lowest financial impact to current and future consumers.
- Despite the fluctuations over the horizon, internally generated funds offer several advantages, including autonomy and control over financial resources, reduced reliance on external financing, and potential for cost recovery through service fees and charges. However, challenges such as economic downturns, revenue volatility, and limited capacity to expand revenue streams may constrain the municipality's ability to rely on own funds for capital funding during the MTREF period.

- Therefore, as part of strategic financial planning, it's essential for the municipality to continue developing and implementing a comprehensive revenue enhancement strategy that aligns with MTREF objectives. This strategy should involve exploring innovative revenue generation opportunities, optimizing existing revenue streams, and strengthening financial management practices to ensure effective utilization of internally generated funds for sustainable development and service delivery throughout the MTREF period.

3.8.1 Borrowing

- The Municipality plans to fund capital expenditure from borrowings as indicated in Table A5 to the amount of R22.92 million in 2024/25, R17.47million in 2025/26 and R22.46 billion in 2026/27 financial years.
- The gearing/debt ratio is projected to increase over the MTREF years from 19.0 percent (2025/26), 22.1 per cent (2026/27) to 23.4 per cent (2027/28) over the MTREF period and reported that the municipality can take on additional increase funding from borrowings. Also, it indicates that the municipality still can increase funding from borrowings. However, this should be considered within the cash flow requirements of the Municipality. The ratio is within the National Treasury norm of 45 per cent.
- The Municipality projected a positive closing cash and cash equivalents, which includes repayment obligations as indicated on the A7 throughout the MTREF. The repayment on borrowings amounts as indicated for the financial years are R13.64 million, R14.92 million, and R14.73 million for 2025/26, 2026/27 and 2027/28, respectively. A net decrease in cash held is projected over the MTREF period. A year-on-year decrease in 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 that 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 that 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.

	2025/26		2026/27		2027/28	
Line Item	**Municipality**	**Treasury Recalculation**	**Municipality**	**Treasury**	**Municipality**	**Treasury**
Cash/Cash Equivalents (A7)	158 191	162 124	139 622	164 800	134 239	178 775
Surplus/Deficit (A8)	166 026	152 991	170 312	158 5014	181 049	170 931

- The Municipality reported an increasing year-on-year positive cash and cash equivalents balance over the MTREF period of R158.19 million in 2025/26, R139.62 million in 2026/27, and R134.23 million in 2027/28, respectively.
- The analysis of table A6 (Budgeted Financial Position) projects that the Municipality will realise a positive working capital over the MTREF period, indicating that the Municipality will have sufficient funds to meet its short-term liabilities, and will be able to sustain its financial health position.
- The Municipality is demonstrating that it has adequate cash resources to meet its monthly fixed operating commitments from available cash and investments. The Municipality has considered the required applications to the reported cash and investments reflected in table A8. The Municipality is

cautioned that any omission or non-commitments would provide a distorted view of the net surplus cash position achieved. It is important to note that any omissions or uncommitted provisions would reflect a distorted view of the actual cash position.

- The Municipality projected its liquidity ratio to decrease from 1.44:1 (2025/26), to 1.27:1 (2025/26), and to 1.21:1 (2026/27) over the MTREF period. Notwithstanding, the decreasing ratio, the Municipality anticipates having adequate financial resources to settle its short-term debt when it is due for payment. The Municipality shows no sign of liquidity risk based on the favourable liquidity ratios reported throughout the MTREF period, which is above the NT acceptable norm of 1:1.

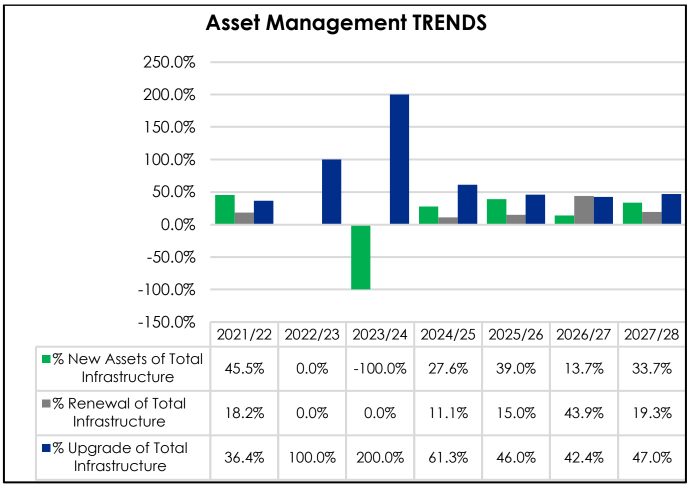
- The Municipality projects a cost coverage ratio of 3.14. times in 2025/26, 2.86 times in 2026/27 and 2.60 times in 2027/28 over the MTREF period, demonstrating that the Municipality has adequate cash resources to meet its monthly fixed operating commitments from available cash without collecting any additional revenue. The anticipated cash coverage ratio is above the NT acceptable norm of between 1 - 3 months.

- Property rates of R122.29 million are reported in the 2025/26 budgeted monthly cash flow statement (SA30), compared to R128.30 million in the Budgeted Financial Performance (A4), reflecting a 95.0 per cent collection rate and is realistic.

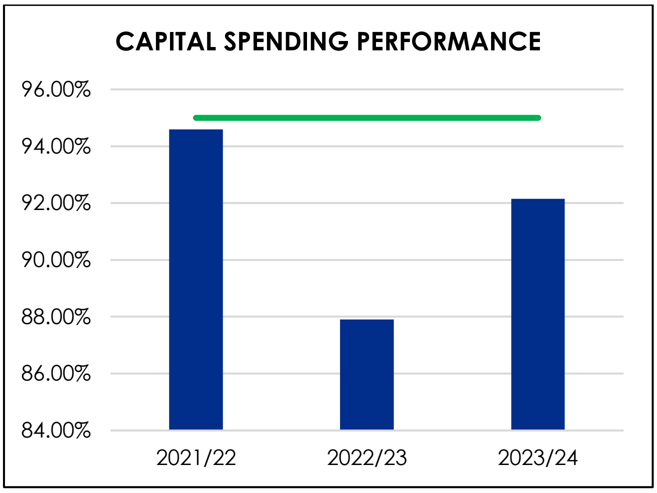
- Service charges of R327.73 million reported on the 2025/26 budgeted monthly cash flow statement (SA30) compared to R335.54 million in the Budgeted Financial Performance (A4), reflecting a 97 Per Cent collection rate and is realistic. While this may improve short-term cash flow, it is important to evaluate the sustainability of these collections to ensure it does not distort the Municipality's financial position.

3.9 CAPITAL EXPENDITURE TRENDS

Figure 12 Asset Management



	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
% New Assets of Total Infrastructure	45.5%	0.0%	-100.0%	27.6%	39.0%	13.7%	33.7%
% Renewal of Total Infrastructure	18.2%	0.0%	0.0%	11.1%	15.0%	43.9%	19.3%
% Upgrade of Total Infrastructure	36.4%	100.0%	200.0%	61.3%	46.0%	42.4%	47.0%



Source: NT GoMuni 2025/26 Draft Budget

- Over the past 3 audited years, there has been a fluctuation in the municipality's capital expenditure patterns, advancing from 94.4 per cent in 2021/22 to 87.9 per cent in 2022/2023 and then increasing to 92.15 per cent at the end of June 2024. The trend indicates that the Municipality has progressed in terms of its capital budget implementation to the level where they almost reach the NT norm of 95 per cent. However, the Municipality is encouraged to prioritise the capital budget spending in the current year, as only R33.25 million or 40.12 per cent of the adjusted capital funding budget has been spent as at end of February 2025. The capital spending will increase to 60.13 per cent when the capital commitments of R16.59 million are considered. The Municipality is encouraged to work according to the procurement plan and do monthly monitoring and progress tracking against the SDBIP.

- The Municipality budgeted for a total Capital Expenditure budget of R92.163 million in 2025/26, which will mainly consist of infrastructure projects of R73.31 million or 79.5 percent of the total capital budget.

- Figure 12 illustrates that new infrastructure assets of total infrastructure capital expenditure over the 3 audit years has a varying trend, which increased from 2023/24 till 2025/26 MTREF. 2025/26 increased from 27.6 per cent for 2024/25 adjusted budget to 39 per cent in 2025/26. The total budget for new infrastructure assets over the MTREF will amount to R60.16 million. Majority of the new infrastructure budget will be for the Water Supply Infrastructure which will be R33.06 million or 54.95 per cent of the R60.16 million. The budget document also noted that the Asset Management Policy is considered a strategic guide in ensuring a sustainable approach to new assets as well as asset renewal, repairs and maintenance.

- Figure 12 illustrated that the upgrading existing assets of total capital expenditure is fluctuating over the 7-year horizon, however, remains the primary investment focus within the capital budget. According to supporting table SA34e, the 2025/26 expenditure on upgrading existing infrastructure assets budget is R33.7 million, of which R12.81 million or 37.4 per cent is for electrical infrastructure and R9 million or 26.7 per cent is allocated to sanitation infrastructure. This is consistent with the multi-year appropriations of existing projects of 2025/26 and spending priority over the MTREF. The municipality should continue to prioritise infrastructure upgrades, aligning its expenditure with long-term strategic objectives to support sustainable growth and community well-being.

- According to supporting SA34b **renewal of existing assets** will mostly be used for water supply infrastructure distribution project, with R8.97 million or 45.3 per cent of the renewal of existing assets 2025/26 total budget of R19.80 million. The municipality should ensure that infrastructure renewal is given adequate priority in budget planning and decision-making processes as it is illustrated in the diagram above that only 15 per cent of the total infrastructure budget will be used for the renewal of existing assets. This illustrated that the 2025/26 is below the NT guideline of 40 per cent as illustrated in MFMA Circular no.55. The municipality should continue with the investment in asset renewal, as underinvestment can lead to infrastructure degradation, increased maintenance costs, and service delivery disruptions. The municipality should also continue to prioritise infrastructure upgrades, aligning its expenditure with long-term strategic objectives to support sustainable growth and community well-being.

- The **repair and maintenance** as percentage of PPE has remained stable during the past three years averaging 5.3 per cent. After which it significantly increased to 14.5 per cent during the current financial year, followed by a 7 per cent growth over the MTREF period. The 2025/26 ratio of 16.6 per cent is above the acceptable norm of 8 per cent. According supporting table SA34c of the budget, community assets accounts for the largest expenditure (40.77 per cent) of the total repair and maintenance budget of R43.53 million for 2025/26 financial year. Asset maintenance should continue as it is pivotal to prevent breakdowns of infrastructure assets and to avoid interruptions to service delivery. Additionally, neglected maintenance can accelerate asset degradation, potentially resulting in more extensive and costly repairs or even premature asset replacement, placing further strain on the municipality's financial resources.

3.10 OTHER CAPITAL INFRASTRUCTURE RESPONSIVENESS

Municipal challenges	• The upgrading of all gravel roads to paved/hardened standard, especially in the smaller towns; • Maintenance and upgrades of main roads; • Vacancies and unfunded positions make it difficult to perform any preventive maintenance; • Replacement of ageing fleet (construction machines and vehicles) to maintain and upgrade existing road network; • Ageing internal road networks need urgent attention; • Budget constraints with regards to the upgrade of internal roads as well as the replacement of outdated fleet; • The shortage of available land; • The cost of upgrading of existing bulk infrastructure services is extremely high; • The challenge of housing accessibility opportunities for the gap market is a pressure point for the government and remains a challenge; • Illegal erection of informal settlements structures on municipal storm water and other municipal bulk services networks exacerbates the devastating impact of flooding incidents; • Human resources insufficient in the housing department; • The high cost of infrastructure and construction discourages developers from spending in the municipal area; • Ageing road infrastructure and the challenge to secure enough funding for the maintenance of roads.
Capital Expenditure Analysis	• Aligned with Strategic Goal 3 (SG3) on 'Sustainable Service Delivery,' both the Bergrivier community and the Municipality have highlighted several pressing needs related to road transport infrastructure. • In the 2025/26 financial year, the Bergrivier Municipality has allocated R7.750 million towards road transport infrastructure. This represents a reduction of R1.400 million compared to the previous year's allocation of R9.150 million in 2024/25. The reduced funding may impact the ability to maintain, upgrade, or construct critical road infrastructure, leading to deterioration of road conditions. • As part of its capital expenditure on road transport, the Municipality has allocated R300 000 for the upgrade of sidewalks in the 2025/26 financial year. A similar allocation of R300 000 is planned for sidewalk upgrades in the outer years of the MTREF. However, these limited allocations fall short of addressing the broader and more pressing road infrastructure challenges faced by the Municipality. • While sidewalk upgrades are important for pedestrian safety and urban mobility, the low funding level indicates a narrow focus that does not match the scale of road infrastructure needs across the Bergrivier municipal area. Investing in comprehensive road infrastructure (including paving, resurfacing, and stormwater systems) could significantly improve traffic flow, safety, and resilience to climate-related events such as flooding. • Housing backlogs are a persistent challenge in many South African municipalities due to historical inequalities from apartheid spatial planning, urbanization, with people moving to towns for work or better living conditions, high unemployment and low-income levels, making home ownership unaffordable for many and limited state resources and bureaucratic delays in housing delivery. To address housing backlogs within the Municipal area, Bergrivier allocated R 63.712 million operating budget. • The Bergrivier Municipality has acknowledged the significant housing needs and challenges it faces. Despite this, no capital budget has been allocated for housing in the 2025/26 financial year. This absence of funding is concerning, especially given the housing backlogs highlighted in both the Integrated Development Plan (IDP) and the Annual Report. Substantial investment in housing is critical to addressing these long-standing shortages.

3.11 SUPPLY CHAIN MANAGEMENT AND ASSET MANAGEMENT

Introduction

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

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

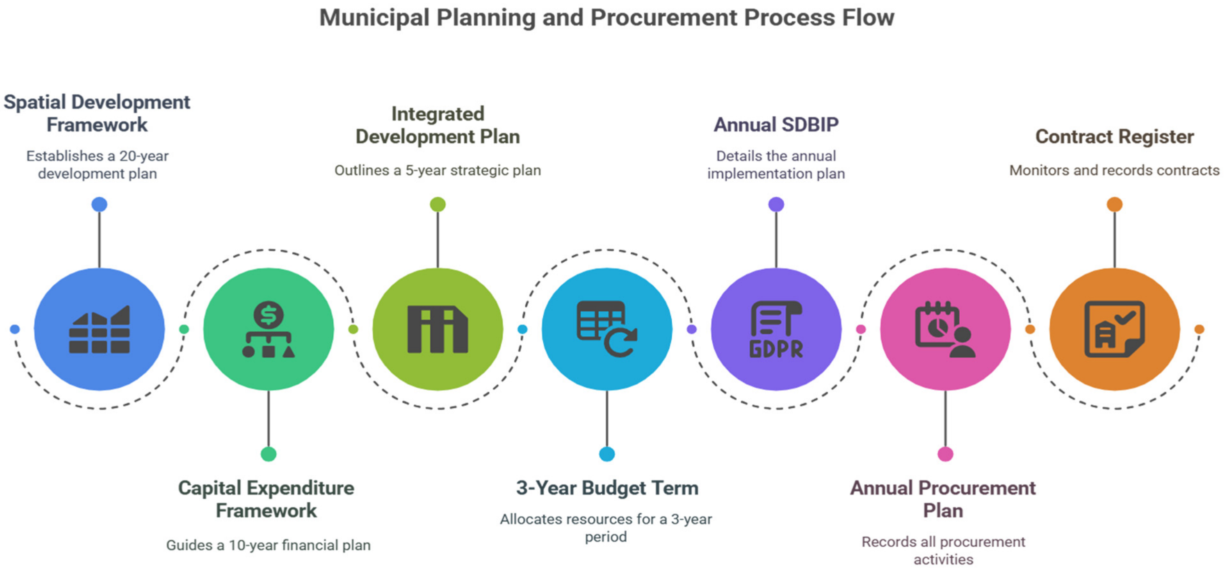


Table 4 Summary of inputs received from Bergrivier Municipality

Item	Provided (Y/N)	Council Adopted? (Y/N)	Last Review Date	Comments
SCM Policy*	Y	Y	29-May-2023	Last reviewed in 2023 and approved by council on the 29 M ay 2023.
SOPs	Y	n/a	n/a	Only Inventory management manual provided.
SCM + AM Delegations	Y	27-Oct-2020	05-Nov-2011	Makes provision for both SCM and AM delegations & is aligned to Circular 73; last modified on 5 November 2021; last approved on 27 October 2020; Unable to trace back to council resolution.

Item	Provided (Y/N)	Council Adopted? (Y/N)	Last Review Date	Comments
Preferential Procurement Policy*	Y	Y	Feb-25	Last reviewed in February 2025; Unable to make a determination on council adoption as no council resolution was provided.
FIDPM Policy*	N	N	unknown	No evidence of inclusion in SCM Policy.
Procurement Plan	Y	unknown	unknown	A draft procurement plan for 25/26 is provided but only relevant to the capital budget.
Contract Register	Y	n/a	13-Mar-2025	Last reviewed date as per Contract register dated 13 March 2025.
Asset Mgmt Policy	Y	unknown	28-Mar-2025	Last revised on 28 M arch 2025.
Asset Disposal Policy	n/a	n/a	n/a	Disposals included in the SCM policy and AM policy.
Asset Register	N	n/a	n/a	No Asset Register is provided; however, PT conducted an assessment based on information provided by the Municipality during a recent engagement.

**if not incl. in SCM Policy*

Table 5 SCM Policy sufficiency & compliance

Rating	Measure
1	No SCM policies, SOPs or Delegations provided
2	Some SCM policies, SOPs and/or Delegations provided, but not compliant or sufficient
3	Some SCM policies, SOPs and/or Delegations provided, with omissions &/or areas of improvement identified
4	All SCM policies, SOPs or Delegations provided, with areas of improvement identified
5	All SCM policies, SOPs and Delegations provided, and all are compliant & sufficient
	Municipal assessment & comments
4	SCM policy & delegations inconsistently apply the amended thresholds as per the SCM Regulations of December 2023.
	The PPR policy includes a typographical error which may lead to incorrect awards for income-generating contracts >R50m, and lacks the definition from the PPRs 2022.
	The inventory management SOP does not provide a procedure for purchasing inventory.

Detailed analysis of SCM Governance instruments highlighted the following:

1. SCM Policy Assessment:

a) The introductory paragraph of the SCM Policy does not refer to the amended SCM Regulations published in December 2023.

- SCM Policy clause 12: procurement thresholds -- doesn't align to SCM Regulations, Dec 2023.
- Clause 12(1)(b) lists, "written price quotations for procurement transactions of a value over R2 000 up to R30 000 (incl. VAT)" - this provision must be deleted due to its repeal.
- Clause 12(1) states, "Formal written price quotations for procurement transactions of a value over R30 000 up to R300 000 (Incl.VAT)", in which the lower threshold must be corrected to R2,000.

- Clause12(1) states, "Formal written price quotations for procurement transactions of a value over R30 000 up to R300 000 (Incl.VAT)", in which the lower threshold must be corrected to R2 000.
- Clause 17(1)(b) stipulates the procedure for procuring goods or services through formal written price quotations from R30 000. This must also be corrected to R2 000 as outlined above.

b) SCM Policy Clause 17: formal written price quotations

- Clause 17(1)(c), which states that "re-imbursements to personnel are subject to emergency situations only and have to be authorized by the relevant Director as well as the Chief Financial Officer" is an addition to the SCM Policy and should be highlighted as open for potential abuse.
- Clause 17(5)(iii) - Strip and quote: in the event that a municipality is not able obtain formal written price quotations, the procurement must be categorised as a deviation.

c) SCM Policy Clause 28: Bid Adjudication Committee

- NT SCM Regulation 29 refers to 'senior managers'; however, the SCM policy of the municipality makes reference to 'Directors'. Government Gazette 43281 also refers to 'senior managers'. The municipality is recommended to amend the highlighted wording to align to NT regulation.

d) SCM Policy Clause 51-55: Contract Management

- The PT notes the municipality's inclusion of provisions emanating from s. 33 of the MFMA, and the inclusion of Annexure A - Code of Conduct SCM Practitioners.

2. Preferential Procurement Policy:

The Bergrivier Preferential Procurement (PP) policy doesn't include the definitions listed in the PPRs of 2022.

For income-generating tenders above R50 million, the Bergrivier PP policy states that the award will be to the highest bidder. s. 7(4) of the PPRs 2022 stipulates that, "Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points." This discrepancy must be corrected.

3. Delegations:

The list of delegations was last reviewed 27 October 2020 and makes provision for both SCM and AM.

Aligned with the requirements of the SCM Regs and MFMA Circular 73.

The delegations have not been aligned to the amended SCM Regulatory thresholds that came into effect on the 14 December 2023, i.e. Delegation No. 1897 - SCM Policy: Reference 18(d) which still relates to "written or verbal quotations".

The delegations do not make provision for Contract Management activities.

4. SOPs: Inventory Management

The Inventory Management SOP for Bergrivier Municipality aligns with the principles and procedural areas outlined in the inventory management S7.6 of the Standard Operating Procedures Cycle 2 Expenditure guideline from National Treasury.

Both documents address key aspects of inventory management such as receipt, issuance, and stocktaking; however, the municipality's SOP doesn't make provision for the procurement of inventory as per to procedure 7.6.1 of National Treasury guideline for Inventory management SOP.

The Inventory Management SOP for Bergrivier Municipality is more comprehensive and specific to the Municipality and includes the procedures for manual, emergency inventory issues, replenishment, stock returns, store transfers and monthly reporting.

Table 6 Infrastructure Procurement Policy sufficiency & compliance

Rating	Measure
1	FIDPM Policy not provided
2	FIDPM Policy provided, but not compliant or sufficient
3	FIDPM Policy provided, with omissions &/or areas of improvement identified
4	FIDPM Policy provided, with areas of improvement identified
5	FIDPM Policy provided, and is compliant & sufficient
	Municipal assessment & comments
1	The Municipality advised that the FIDPM policy is incorporated within its Supply Chain Management (SCM) Policy. However, upon reviewing the SCM Policy, it was observed that the policy does not sufficiently address the infrastructure delivery phases outlined in the Local Government FIDPM framework and lacks reference to infrastructure procurement requirements as stipulated in MFMA Circular 106.
	The SCM Policy does not include provisions regarding delegated authority responsible for managing the infrastructure delivery management process.

Table 7 SCM Involvement in planning & budgeting cycle

Rating	Measure
1	No evidence of SCM involvement in IDP
2	No explicit evidence of SCM involvement in IDP, but implied in documents provided
3	Some evidence of SCM involvement in IDP, with gaps to be addressed
4	Evidence of SCM involvement in IDP, but gaps identified
5	Clear evidence of SCM involvement in IDP
	Municipal assessment & comments
4	Key projects identified in the IDP could be matched up to the budget and Procurement plan and the municipalities key strategic project objectives
	Evidence of SCM integration in the IDP and budget
	Procurement plan doesn't reflect operational expenditure

The following specific matters were highlighted in the procurement plan:

- 3x separate fencing projects (i.e. Fencing at Landfill Sites: R500 000; Fencing WWTW: R400 000; and Fence new cemetery: Porterville R1 300 000) could potentially be aggregated with a total value of R2.2m;
- 3x separate sidewalk projects with a total value of R650 000 (i.e. Upgrade Sidewalks (PB) - R200 000; Upgrade Sidewalks (PV) - R150 000; Upgrade Sidewalks (VD) - R300 000) could be aggregated into a single procurement requirement;
- 2x Water Tower Refurbishments projects could be consolidated subject to service provider capacity;
- A framework agreement for civil engineering may provide a more wide-reaching strategic procurement solution;
- 3x telemetry projects could be consolidated into a single transaction, though the need for sole supplier acquisition is noted;
- No operational expenditure is listed in the procurement plan.

Bergrivier's Municipality's influenceable spend amounts to approximately R277.3 million for 2025/26, compared to approximately R211.0 m for 2024/25, broken down as follows:

	2025/26	2024/25
Inventory Consumed	29 158 000	25 731 000
Contracted Services	107 326 000	63 208 000
Operational Costs (excl Audit	48 682 000	46 493 000
Procurable Opex	**185 166 000**	**135 432 000**
Capital Projects	92 163 000	75 594 000
TOTAL	**277 329 000**	**211 026 000**
Rep & Maint (R-value in Budget)	43 532 000	37 658 000

This amounts to a total increase of 31 per cent for procurable expenditure, with Contracted Services seeing the largest increase of 70 per cent, and Capital Projects seeing a 22 per cent increase.

Contract Register: Sufficiency and Alignment to Procurement Plan

Rates and quantity-based contracts do not include a field for capturing expenditure incurred to date, which represents a potential risk if not subject to regular monitoring and review.

There is no clear evidence that Section 116(3) of the MFMA has been applied in respect of contracts and agreements exceeding a three-year period.

The contract register does not reflect evidence of regular reviews, to ensure ongoing compliance and contract performance monitoring.

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

Rating	Measure
1	No AMP provided
2	AMP provided, but not compliant or sufficient
3	AMP provided, with omissions &/or areas of improvement identified
4	AMP provided, with areas of improvement identified
5	AMP provided, compliant and sufficient (incl. best practice)
	Municipal assessment & comments
3	No provision is made for periodic review of the policy.
	The AMP contains best practice for asset accounting, but does not include best practice emanating from ISO 55001 is not incorporated into the AMP.
	The PT is process of developing a Model policy for Asset Management, which the municipality's policy was assessed against, understanable there will be challenges with the implementation of such a policy. Therefore further engagements will take place with municipalities to ensure the necessary improvements are made to the policy.

Table 9 Completeness of Asset Register

Rating	Measure
1	No Asset Register
2	Outdated GRAP-oriented asset register, not on ERP
3	Seperate GRAP-compliant register on ERP system, but outdated ISO55001-oriented registers outside ERP system
4	Seperate GRAP & ISO55001-compliant asset registers, regularly updated with only financial register housed on the ERP system
5	Integrated, GRAP & ISO55001-compliant asset register, regularly updated and housed on the ERP system
	Municipal assessment & comments
2	There were AG issues raised on investment properties found on the asset register from the 23/24 financial period.
	The municipality is still Excel-reliant and has not migrated their asset registers into an asset management system.

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

Conclusion

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

Given the value of infrastructure-related procurement planned for the financial year, the municipality is encouraged to review its FIDPM policy and consider expanding its asset register to make provision for more operational records. This will enable the asset register to inform the procurement plan and IDP more systematically in future years, while optimising asset utilisation.

SECTION 4: REVIEW OF THE HISTORICAL FINANCIAL INFORMATION

4.1 THE FINANCIAL PERFORMANCE AS PER THE AUDITED ANNUAL FINANCIAL STATEMENTS

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

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

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

4.2 SUMMARY AND FINDINGS FROM HISTORICAL TRENDS

NT Web-Based Portal Status

The Municipality **has submitted** both the 2022/23 (restated) and 2023/24 (audited) ratio on the NT Portal and PT is in the process of validating the ratios with the Municipality. Note that in order for PT to engage, it is essential that the ratio analysis submission occur on the NT web-enabled system for the FMCMM (MFMA Circular 114 issued February 2022). This report is based on the PT calculations.

4.2.1 ASSET MANAGEMENT

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
1	Impairment of Property, Plant and Equipment, Investment Property and Intangible Assets (Carrying Value): **0%**	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	
2	Repairs and Maintenance as a % of Property, Plant and Equipment, Investment Property (Carrying Value): **8%**	1.9%	1.9%	2.2%	2.0%	1.9%	-0.3%	1.9%	

- The ratio results reflect no impairment for the past 5 years at the municipality, which implies that there are efficient and effective asset management strategies in place to ensure service delivery to its citizens. The elimination of impairment is an indication that the municipality has put measures in place to diminish impairment of assets or identify indicators of impairment and either write-off, repair or restore assets to use. In addition, this also implies that the municipality has sufficient assets to meet demand for service delivery, that assets are well maintained and that estimated useful life for assets are adequate. The carrying value of property, plant and equipment, investment property and Intangible assets has increased by 12.19 percent from R527.87 million in 2022/23 to R592.23 million in the 2023/24 financial year. Repairs and Maintenance as a Per cent of Property, Plant and Equipment, Investment Property (Carrying Value): In the 2023/24 financial year repairs and maintenance increased by 9.29 per cent or R0.99 million, whilst the carrying amount of assets increased by 12.19 per cent or R64.36 million. New assets acquired over the past two years represent 17.70 per cent or R104.84 million of the carrying value of property, plant and equipment, and investment property which do not require repairs and maintenance. The risk of impairment could be mitigated by the Property, plant and equipment acquisitions which have improved the asset base. It is noted however that the capital spend will reduce over the MTREF period. It is recommended that the municipality review its maintenance plans to effectively manage the longevity of its assets base.

4.2.2 Working Capital

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
7	Net debtors' days: **≤30 days**	92 days	69 days	72 days	71 days	72 days	-5.7%	68 days	
8	Creditors Payment Period (Trade Creditors): **30 days**	29 days	30 days	28 days	33 days	41 days	9.0%	44 days	

- Net debtor's days: The ratio results reflect year-on-year fluctuations of debtor's collection period after impairment over the years of assessment. In the 2023/24 financial year, the municipality took 72 days to collect revenue from debtors, which is a slight deterioration from the previous financial year. In the 2023/24 financial year, the consumer debtors increased by 19.98 per cent (R21.01 million) from R105.17 million to R126.19 million, whilst actual billed revenue increased by 13.37 per cent (R41.58 million) from R311.14 million to R352.72 million. Furthermore, Bad debts Provision increased by R11.65 million from R44.62 million to R56.27 million. The result indicates that the municipality is experiencing challenges in the collection of outstanding amounts due, and a significant amount of potential cash is tied up in consumer debtors.

- Creditors Payment Period (Trade Creditors): The municipality took 41 days to settle its Creditors in 2023/24 financial year. The ratio results indicate that the municipality's controls are ineffective to ensure prompt payment of creditors. The municipality has sufficient funds to cover its monthly operating expenditure as they become due even though settlement takes longer than expected. The deteriorating trend is due to significant increases in bulk purchases (21.19 Per cent - R26.71 million) and trade creditors (49.73 Per cent - R13.22 million).

4.2.3 Going Concern

No.	Financial ratios & norms	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Audited	*CAGR	Projection	Overall Rating
12	Total Liabilities to Total Assets: **<50%**	35.0%	37.3%	37.2%	40.5%	39.8%	3.2%	41.1%	
13	Total Debt to Total Assets	9.6%	9.8%	10.2%	12.8%	13.6%	9.0%	14.8%	
14	Current Ratio: **1.5-2:1**	3.3:1	3.1:1	3.4:1	3.2:1	2.8:1	-3.9%	2.7%	

- The net asset position of the Municipality is sound, indicating that the municipal assets can cover the liabilities. The Municipality appears to be maintaining solvency and manages its liabilities well when compared to its asset base. There is also acceptable liability management across the financial years assessed.

- Current ratio results are favourably more than the acceptable norm of 1:1. These results indicate that the Municipality will be able to settle its short-term obligations as they become due by utilising Current Assets.

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

	Favourable
	Unfavourable
	Needs Improvement

4.2.4 Credibility of mSCOA Data Strings

MFMA Circular No.129 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 2025/26 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 10 mSCOA Segments Use Analysis

mSCOA Segment Analysis WC013 Bergrivier Municipality			
No	**Segment**	**ADJB 2024**	**TABB 2025**
1	**Project Segment**		
1.1	Use of the Project Segment	Limited use of the Project Segment	Used Correctly, with few limitations
2	**Fund Segment**		
2.1	Use of Fund Segment	Limited use of the Project Segment	Used Correctly, with few limitations
3	**Function Segment**		
3.1	**Use of Function Segment**	Limited use of the Project Segment	Used Correctly, with few limitations
4	**Costing Segment**		
4.1	**Use of Costing Segment**	Limited use of the Project Segment	Used Correctly, with few limitations
5	**Region Segment**		
5.1	**Use of Region Segment**	Used correctly	Used Correctly
6	**Item Segment:**		
6.1	Some improvement in the use of balance sheet budgeting and cash flow budgeting issues. Accounting movements are mostly populating in the contra accounts automatically, however, there are still some that do not populate and do not correspond to the amounts presented on the Income Statement. The treatment of VAT still remains a issue. More detail in terms of usage of the segments was done on the segments tools and will be shared with the Municipality		
8.	**Inventory Consumed**		Municipality is commended for the accounting of this tool however the inventory consumed is not balancing.

mSCOA Segment Analysis WC013 Bergrivier Municipality			
No	**Segment**	**ADJB 2024**	**TABB 2025**
9	**Water Inventory**		Municipality is commended for the accounting of this tool however the inventory consumed is not balancing.
10	**Fines**		The fines issued are not reconciling with the receivables from non-exchange fines, the treatment of this tool still requires some attention.
11	**VAT**		No VAT was accounted for services. And Municipality must specify the VAT tool per service

Provincial Treasury has provided 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.

SECTION 5: CONCLUSION

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

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

Western Cape Government

FOR YOU

2025 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENT (SIME 2)
BERGRIVIER MUNICIPALITY

2025/26 MTREF BUDGET, IDP, SDF & OTHER ASSOCIATED DOCUMENTS

7 May 2025

Weathering the Storm

Municipal Planning & Budget Assumptions

Fiscal & Economic Reality

- South Africa faces a constrained fiscal environment shaped by global economic stagnation, domestic revenue pressures, rising debt costs, and expanding social demands, further complicated by political uncertainty.

2023/24 Budget Performance

- Western Cape municipalities have demonstrated resilience amid ongoing fiscal and socio-economic pressures, but continue to face structural challenges in cost recovery, tariff affordability, and rising operating costs.
- Improved communication on tariff adjustments, stronger debt collection, and unlocking capital investment—possibly through responsible borrowing—are key to sustaining service delivery and infrastructure development.

Integrated Municipal Engagements

- SIME 1 (October 2024) focused on Infrastructure Pipeline & Spatial Planning, Violence Prevention & Community Safety, Climate Change & Disaster Management, and Youth Development.
- TIME (February 2025) built on this by addressing Governance (Resilience, Agility, and Performance), Financial Sustainability, Strategic Procurement for Service Delivery and Growth, and Infrastructure Performance.
- Engagements are deliberately sequenced, with outputs from one process feeding into the next, ensuring continuity and coherence across the municipal performance cycle and reinforcing the crucial link between planning, budgeting, implementation, and reporting.

2025–2030 Provincial Strategic Plan (PSP)

- Emphasises the importance of alignment between planning and budgeting priorities across all spheres of government to enable effective, responsive service delivery. The Plan is structured around four Integrated Impact Areas—Households & Human Development, Cohesive Communities, Youth Agency & Preparedness, and Economic & Growth Opportunities—which shape government interventions across the life course.
- These are operationalised through three priority portfolios: Growth for Jobs, Safety, and an Educated, Healthy & Caring Society, with work enabled and supported by Innovation, Culture, and Governance (ICG) to drive integration and performance.

Integrated Planning

- At this point in the five-year planning cycle, it is important to analyse statutory reporting documents to identify IDP implementation trends. This analysis will help determine if a municipality is at risk of not achieving its strategic objectives for the remainder of the municipal council's term.

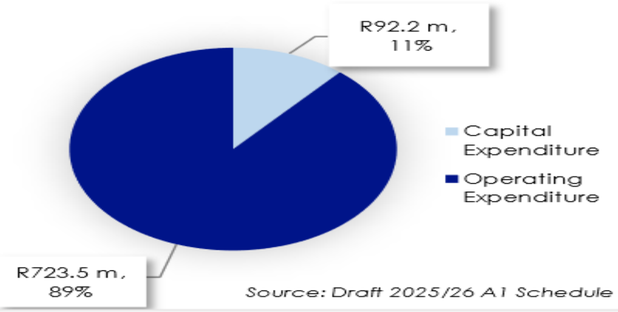
Additional Risks

- Fiscal Framework, Climate Resilience & Disaster Management, VAT, Loadshedding, Debt Collection, Functional Assignments, Unfunded mandates, AARTO, Cost of Supply, Political Instability, Population growth, Growing informality, Skills & capacity constraints, mSCOA.

BUDGET SNAPSHOT

BUDGET SNAPSHOT

2025/26 Municipal Expenditure



Source: Draft 2025/26 A1 Schedule

GDPR
MERO 2024

GDPR 2021 Constant Prices	GDPR Growth		
2023	2024f	2025f	2026f
R4.3 billion	1.9%	1.6%	1.7%

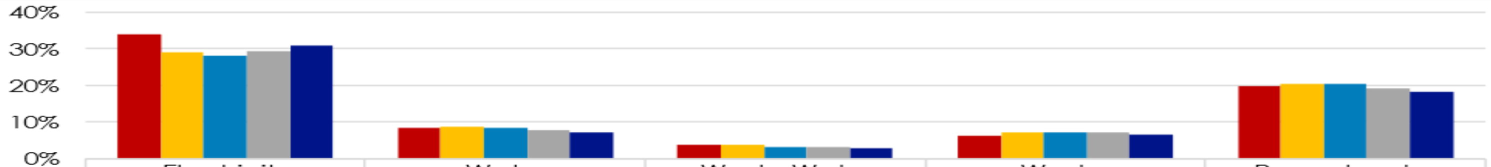
Inflation
NT MFMA Budget Circular 130

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

Total Population Census 2022	Population Growth % Est average annual 2024 - 2029	No. of Households Census 2022	No. of Indigent Households AR 2022/23
*70 276	*1.4%	*20 412	1 983

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

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



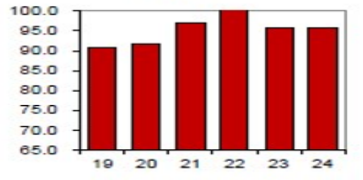
	Electricity	Water	Waste Water	Waste	Property rates
2021/22	34.0%	8.5%	3.7%	6.3%	19.8%
2022/23	29.2%	8.6%	3.8%	7.1%	20.6%
2023/24	28.0%	8.5%	3.3%	7.1%	20.5%
2024/25	29.5%	7.9%	3.0%	7.3%	19.2%
2025/26	30.9%	7.1%	2.8%	6.7%	18.1%

Source: Draft 2025/26 A1 Schedule

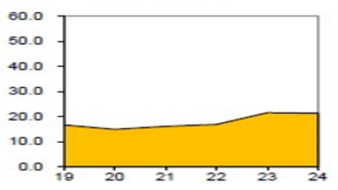
Ratings Afrika MFSI ®

Financial Sustainability Index Score			
	2022	2023	2024
Bergriver	62	62	64
WC Average	53	53	55

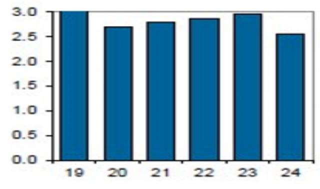
Debtors' collection rate



Interest-bearing debt : total income



Adjusted current ratio



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

Western Cape Government

2025/26 SIME 2 Assessment

Key Findings

INTEGRATED DEVELOPMENT PLANNING - IDP Implementation

Status of tabled IDP: Review with no changes to IDP

IDP Implementation

- The Municipality **developed** and **implemented** comprehensive **programs** and **projects** to achieve its long-term vision and align its **strategic goals** with **community needs**.
- The Municipality achieved **88 per cent** of its targets in **2022/23** and **76 per cent** in **2023/24**. At **mid-year in 2024/25**, as reflected in the TIME Report, the Municipality achieved **94.4 per cent** of its targets.
- Given this strong performance, there is **no foreseeable risk** that the Municipality may fail to **achieve its strategic goals** over the **remainder of the Council's term of office.**
- Some challenges in performance in two of the strategic goals in 2023/24, namely **SG3: Sustainable Service Delivery** (30 per cent of targets not met or almost met) and **SG4: Facilitate an enabling environment for diversified economy and growth to alleviate poverty** (20 per cent of targets not met).
- It is recommended that the Municipality **strengthen** its implementation strategies and capacity in the **two strategic goals** where performance declined in 2023/24 compared to 2022/23.

ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING – Key considerations

SDFs as a tool to direct planning and budget spending:

- Note that the Western Cape Government is in the process of drafting a new **Provincial SDF** to give effect to long-term planning and the Provincial Strategic Plan (2025-2030). Intergovernmental Steering Committee established and inaugural meeting date to be communicated.

- Municipality commended for adopting an **updated MSDF and CEF during 2024** – use as budget decision-making tool.

- In the next revision of the MSDF, the Municipality is encouraged to:

    - Consider drafting and adopting an **Inclusionary Housing Policy,** noting that the IDP & MSDF does recognise the various housing needs.
    - Consider **Western Cape Ecological Infrastructure Investment Framework** & include outcomes of the new **WC Biodiversity Spatial Plan** in the MSDF.

RSEP: Extension of the Noordhoek Business Hub Phase 1 project – R800K

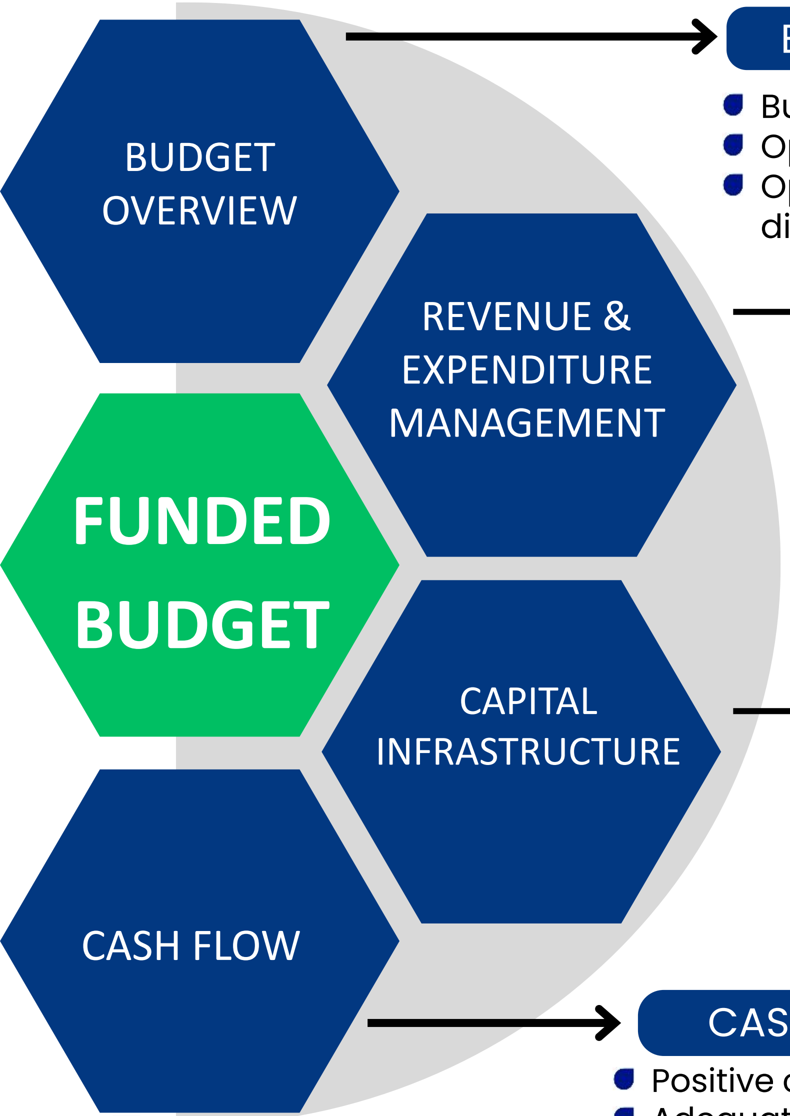
Waste Management:

- Challenges remain for many Municipalities. The DEA&DP remains available for advice and support.
- DEA&DP is actively engaging other spheres of Government to facilitate change to funding models & regulatory challenges.

ECONOMIC SUSTAINABILITY

- **Increase Capital Investment in Infrastructure:** reassess and scale up budget allocations specifically for wastewater and sanitation projects to reflect the urgency of service delivery backlogs and infrastructure deficits.
- **Aging infrastructure challenges**: Threatens service reliability and raises maintenance costs, underscoring the need for timely upgrades and replacements.
- **Need for long-term infrastructure investment**: To maintain current service levels but to meet the growth needs and peak seasonal pressures. In order to address some of the infrastructure challenges, the Municipality must invest in infrastructure, by dedicating adequate resources.
  - In particular, need to ensure adequate long-term bulk wastewater /sanitation services provision to meet increasing demand from population growth and new developments.
- **Waste management: Limited but strategic allocation?**: Focused mainly on landfill sites as part of capital expenditure on waste management
- **Tracking infrastructure over time** (Ratings Africa infrastructure index): Performance on infrastructure development has steadily improved, reaching a score of 69 in 2024.
- **Improving budget-planning alignment**: Improve alignment between the budget and IDP by ensuring budget tables SA5 and SA6 do correspond with strategic objectives set out in the IDP.
- **Balancing present and future needs**: Ultimately, achieving economic sustainability means balancing current needs with future growth/service pressures, ensuring infrastructure keeps pace with demographic change while delivering efficient, equitable, and reliable services.

FINANCIAL SUSTAINABILITY



BUDGET OVERVIEW

- Budget is Funded.
- Operating budget deficits in 2025/26 and 2026/27 raise concern of sustainability.
- Operating revenue growth over the MTREF of 7% exceeds the operating expenditure growth of 5.6% difference in the growth rates still not enough to results in generating a surplus operating budget.

REVENUE & EXPENDITURE

- Tariff increases exceeds the CPI inflation rate of 4.3% - waste removal tariff phase-in approach significant decline to 5.5% from 20% previous year.
- Electricity tariff increase of 17.7% exceeds the NERSA Bulk Purchases tariff increase.
- All services will generate an operating surplus.
- Decline in fine collection rates – review recovery efficiency.
- Employee-related cost growth aligns with revenue growth for 2025/26 and remains below it throughout the MTREF period.

CAPITAL INFRASTRUCTURE

- Renewal of assets is 15% below 40% in 2025/26. However, upgrading of existing assets is 46% of total capex in 2025/26. Aligning its expenditure with long-term strategic objectives.
- R&M as a percentage of PPE is 16.6%, above the norm of 8% in 2025/26.
- The sustainability of internally generated funds must be monitored to mitigate risk.
- Evaluate impact of unspent borrowings on consumers, as repayment costs influence tariff-setting decisions.

CASH FLOW

- Positive cash flow and adequate financial resources to settle its short-term debts when it is due.
- Adequate cash resources is available to meet its monthly fixed operating commitments .
- No immediate or significant threat to financial health and liquidity for 2025/26.

SUPPLY CHAIN MANAGEMENT

Determining whether the policy framework is compliant, so that SCM planning and monitoring can contribute to effective budgeting and planning …

Assessment Area	Score *(out of 5)*
SCM + Preferential Policies	4
FIPDM Policy	1
Alignment of Procurement plan to IDP	4
Contract Register alignment	2

FIPDM policy not submitted

Alignment of the Procurement plan to the IDP & Budget

R211.0m for 2024/25

Influenceable spend

R277,3m for 2025/26

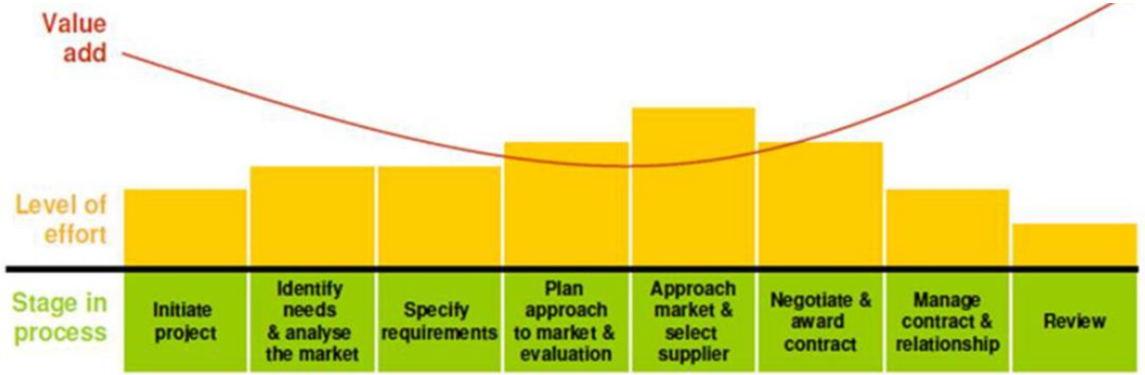
Compliance to MFMA Circ. 62, 94, 130

Strategic Procurement recommendations

The municipality is commended for the strategic alignment of the procurement plan to the IDP and budget. Key focus on the OPEX to improve procurement planning.

The PT will be initiating the following within the 2025/26 FY:

- *Increase uptake of national contracts (NT, SITA)*
- *Increase exposure of municipal officials to transversal processes*
- *Introduce Framework Agreements for infrastructure*
- *Development of a strategic procurement toolkit*



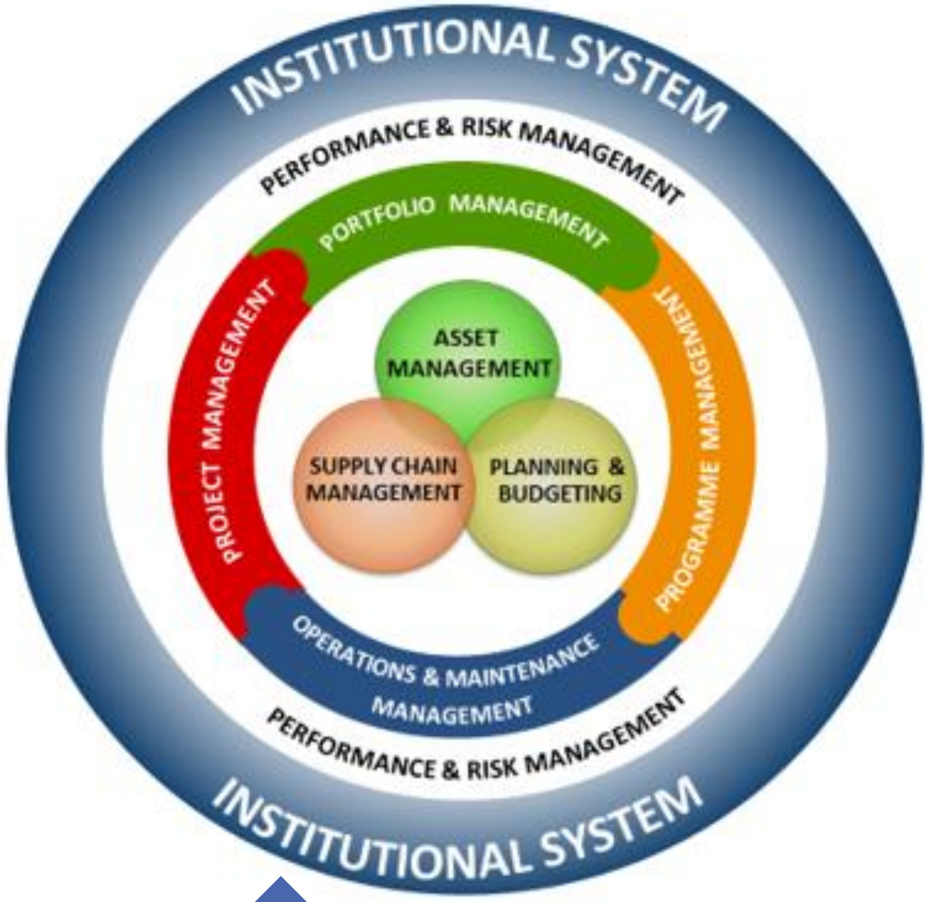
Asset Management

Determining whether the policy framework is compliant, so that the AR influence the IDP, budget and procurement plan

Assessment Area	Score *(out of 5)*
Asset Management Policy	4
Asset Register	2

Why IDMS? **To deliver services to the communities**

Completeness of Asset Register → Link procurement activities → Integrate planning, budgeting, SCM and AM → SCM a key driver within the budget process



Improve procurement planning and infrastructure spending

mSCOA COMPLIANCE

- **Submit credible financial data**
- **Roadmaps:** The roadmaps must be uploaded **to GoMuni>mSCOA>GoDocuments**
- **SteerComs:** Progress against the roadmap must be submitted to NT/PT as NT/PT uses this as an indication that SteerComs are in place and active.
- **BUSINESS PROCESSES / SOPS**
  - NT has gone live with a project that is reviewing/developing SOPs that underpin the mSCOA business processes (as articulated in MFMA Circular No. 80). This will be a 2-year project that will include regulating the minimum business processes and system specifications for mSCOA and will be a consultative process. NTs OAG has issued several municipal SOPs previously and these are available on the OAG webpage.
- **STAFF CAPACITATION**
  - MFMA Circular No 112 dated 09 December 2022, highlights the mSCOA eLearning Course that was developed by the National Treasury and hosted by the National School of Government.

FAQ MGT – ISSUES LOGGED BY MUNICIPALITY

- The FAQ management tool optimises improvement of mSCOA implementation and mSCOA chart. All issues logged by users must be resolved / rejected and a solution determined to ensure a way forward and for the complexity to be dealt with.

Thank you

BERGRIVIER
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

Ons dien met trots!
We serve with pride!
Sisebenza Ngokuzingca!

STRATEGIC INTEGRATED

MUNICIPAL ENGAGEMENT

07 MAY 2025

Municipal Offices Piketberg

CONTENTS

SIME 2025/26 – BERGRIVIER MUNICIPALITY

❑ VISION AND STRATEGY

MUNICIPAL MANAGER

❑ PRESENTATIONS

FINANCIAL RESPONSE – ACTING CFO MR. MARTIN CROUS

TECHNICAL RESPONSE – ACTING DIRECTOR TECHNICAL SERVICES MR. LEON JANSE VAN RENSBURG

CORPORATE RESPONSE – DIRECTOR CORPORATE SERVICES MR. VIVIAN KOTZEE

INTERNAL AUDIT RESPONSE – MSIZI MSELENI

OUR VISION

ONS VISIE

10 CORE VALUES OF BERGRIVIER MUNICIPALITY

- We are all part of Bergrivier Municipality
- We strive to render good service to ensure that all people can live together in a dignified manner
- We are disciplined
- We believe in social and economic development of the area
- We are unashamedly pro-poor
- We care about our work and our colleagues
- We believe in good relationships
- We serve with pride
- We believe in close innovative partnerships
- We believe in ethical behaviour

2025 THEME:

Wen saam! Together we conquer!

Siphumelele kunye!

VISION

Bergrivier! A prosperous community where all want to live, work, learn and play in a dignified manner.

VISIE

Bergrivier! 'n Vooruitstrewende gemeenskap waar almal wil werk, leef, leer en speel op 'n menswaardige manier.

A FEW SERVICE DELIVERY AREAS

APPROVED TL SDBIP 2023 / 2024

ZERO	Develop a culture of zero tolerance
95%	95% of capital budget effectively implemented
	Monitor service delivery to customers
	WiFi at Municipal Offices
	Improve debt collection rate
2	Develop disaster Management contingency plans
	Review Public Amenities By-Law
10%	Limit Electricity losses
12%	Limit water losses
	Focus on recycling to reduce household waste
95%	Keep water quality above 95%
	Promote business opportunities
	Maintenance of side walks and open spaces
	Review of staff establishment and implementation of Staff Regulations
	Backyarders survey in all towns

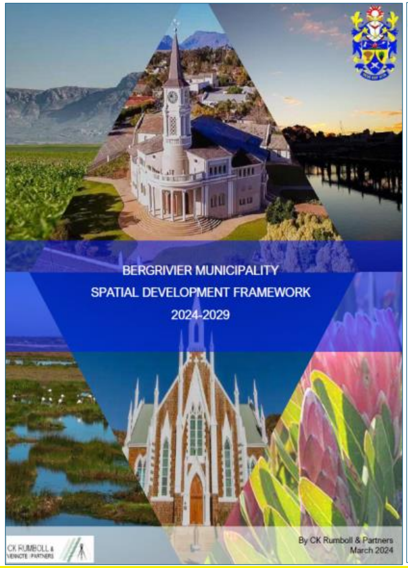
Strategic Goals

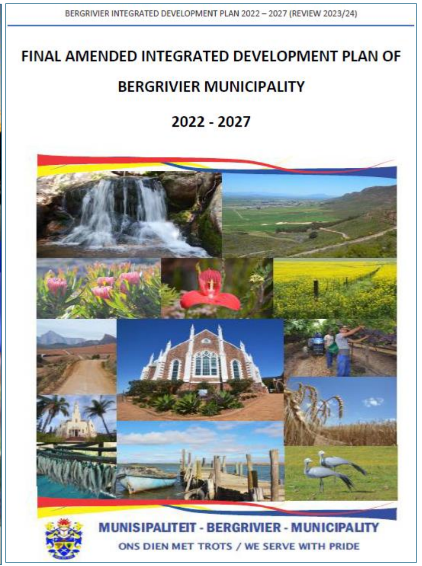
- Strengthen financial Sustainability
- Facilitate *an Enabling* environment for a diversified economy and growth to alleviate poverty
- Sustainable service delivery
- Ensure good governance
- Empowering people through innovation

ONS DIEN MET TROTS / WE SERVE WITH PRIDE / SISEBENZA NGOCUZINGCA

LONG-TERM INFRASTRUCTURE PLANNING

- Long-Term Financial Plan: INCA since 2022 and updated annually
- Municipal Spatial Development Framework (MSDF) 2024-2029
- IDP 2022-2027: reviewed annually
- West Coast 2050 – JDMA ONE PLAN





LONG-TERM FINANCIAL PLAN

Latest updated November 2024 to January 2025

Maintenance and replacement on existing infrastructure – R1,108 billion

Long term budget: (over 10 years)

Best case scenario: R970 million	SHORTFALL = R138 million
Most probable scenario: R830 million	SHORTFALL = R278 million

Handover to Acting Director Financial Services

2025/26 MTREF ASSESSMENT RESPONSE

Six key factors have been taken into consideration in the compilation of the 2025/26 MTREF:

- Maintain stability with rising costs and limited revenue streams.
- A focused budget on operating and capital for service delivery.
- The general inflationary outlook and the impact on Bergrivier Municipality's residents and businesses.
- Curbing the impact of municipal cost drivers (cost of vandalism, security, overtime, increase on maintenance costs due to old infrastructure).
- The increase in prices for bulk electricity and water.
- The increase in the cost of employment for 2025/2026 (1% over the prime rate plus 2.5% for notch increases) Too expensive for sustainability. ***

2025/26 MTREF ASSESSMENT RESPONSE

Other assumptions and key considerations in compiling the budget

- Collection rate of 95%. (Currently 92% - 93%)*** Biggest risk - normal residential areas.
- Water (12%) and electricity (10.5%) distribution losses.
- Affordability of a municipal account by the community.
- Cost reflective tariffs except for Refuse Removal and electricity.
- A Cost of Supply study has been submitted to NERSA with no feedback as yet.

2025/26 MTREF ASSESSMENT RESPONSE

- Reliance on surpluses generated by trading services & non-cash items to fund the original budget.
- Funding mix on capital acquisitions are more stable to finance critical infrastructure needs.
- Depreciation fully cash backed so that the municipality can build on it's internal surpluses to fund future capital projects.
- Key ratios remain within the targets set as per the long-term financial plan.
- Cash surpluses being posted over the MTREF improving cash reserves.

Funding Mix & External Borrowing Strategy

- The Municipality is currently funding its operations and capital expenditure primarily through own revenue (44%), external loans (31%) and grant funds (25%).
- External loans should not exceed 35% of own revenue and are primarily for revenue generating assets. A new policy has been formulated to ringfence loans on Capital acquisitions primarily for revenue generating assets. Policy is part of Budget document for approval on 27 May 2025.
- Term of borrowings are coincided with the life expectancy of the capital asset acquisition.
- Consolidation of external loans to reduce debt service cost are also being looked at.
- Finance charges on external loans do not exceed the NT norm of 6% to 8%.

Long-term Financial Planning

- A revised Long-Term Financial Plan will be tabled to council end of May 2025, to accommodate the current year's actual revenues & expenditure as well as the new 3-year MTREF. Current approved LTFP (2024/2025).
- Funding mix on capital acquisitions are more stable to finance critical infrastructure needs.
- Key ratios remain within the targets set as per the long-term financial plan.
- Depreciation fully cash backed so that the municipality can build on it's internal surpluses to fund future capital projects.
- Councillors and Administration constantly made aware of provisions and direction in LTFP.

Long-Term Financial Planning

- Cash surpluses being posted over the MTREF improving cash reserves.
- Continued influx of low-income households into the area.
- The cost of servicing the landfill site rehabilitation – unfunded provision projected at R125m as at the end of 2023/24.

Key Service Delivery & Fiscal Risks

ESKOM

- Tariff increases between purchase price and selling price.
- Loadshedding's uncertainty and impact on Municipal budget.
- Delayed confirmation of approved electricity tariffs from NERSA.

REVENUE

- Collection of 95% not feasible in current economical climate. (Currently only reaching 92% - 93% even with extensive efforts.)
- R 62 million bad debts written off – sufficient provision was made.
- Affordability of a municipal account by the community.
- Decline in electricity income due to alternative energy sources.

Key Service Delivery & Fiscal Risks

CAPITAL FUNDING

- The rapid development of property in the coastal areas has a huge positive effect on the area, but a negative impact on long-term infrastructure planning.
- Abnormal increase in the cost of capital infrastructure.

Areas of Support

Directorate Financial Services:

- Re-consider our application on the procuring, installation and monitoring of smart prepaid water meters to curb water losses and improve revenue collection
- Bergrivier needs guidance on the formulation of a Capital Development Charge Policy.
- Focus on improving the collection rate with a new GIS system that is currently being tested for implementation from 01 July 2025. **Financial assistance is required from Provincial Treasury. R500 000**

Handover to Director Corporate Services

- **ICT Infrastructure:** The municipality requires server hardware capacity to implement a GIS system. The cost of this is for licensing and hardware it amounts R1m for the licensing and R850 000 for the hardware.

- **Smart City:** to follow a structured approach in line with ISO 37106 to develop a smart city concept for Bergrivier Municipality. Initial cost estimation for a smart city plan R1,5 million. ISO 37106 provides resilient and sustainable smart city planning. (ISO = International Organization for Standardization)

- **Public Wi-Fi:** Bergrivier Municipality launched its own Public Wi-Fi programme. Members of the public receives free of charge an amount of data per day. We would like to extend this programme to other towns as funding was only available to launch the project in Piketberg. An additional R500 000 is required to roll this project out to at least one hotspot in each town.

Handover to Acting Director Technical Services

Service Delivery Objectives & Challenges

Objectives

- To upgrade existing bulk services and existing infrastructure to sustain current services and to accommodate growth.

Challenges

- Upgrade of aged infrastructure essential to ensure service delivery.
- Funding for compilation of technical reports to apply for funding. (WSIG & MIG)
- Financial challenge for closure of landfill sites.
- Long lead times for delivery of mechanical equipment.

WATER AND SANITATION CAPITAL PROJECT PLAN

Town	PROJECT	Funding Source	FINANCIAL YEAR (PROJECT COST)							
			2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	WATER AND SEWERAGE									
VD	Pipe replacement of midblock lines Noordhoek	MIG (100%)	R5 532 534	R6 088 684						
RH	Bulk Pipeline Replacement	MIG / CR	R12 094 357	R1 045 663						
VD	WWTW Sewage treatment works	WSIG / CR	R50 000 000	R50 000 000	R50 000 000					
EK	Upgrading WTW and Reservoir	CR	R7 000 000	R10 000 000						
EK	Deepen raw water dam	CR		R5 000 000						
PV	Replacement of AC Pipeline	MIG (100%)		R9 134 100						
AUR	Upgrade WTW establish additional 0,2ml/d	MIG / CR		R2 000 000	R17 892 775	R8 168 626				
DKB	Additional Reservoir and Pumpstation upgrading	CR			R8 000 000					
EK	Upgrade oxidation dam	MIG / CR				R12 000 000				
PV	Upgrade WTW	MIG / CR					R10 000 000			
RH	New WWTW	WSIG				R20 000 000				
AUR	New WWTW	WSIG					R20 000 000			
DKB	Upgrade WWTW	WSIG						R20 000 000	R20 000 000	
PV	Construct additional reservoir	WSIG								R13 000 000
			R74 626 891	R83 268 447	R75 892 775	R40 168 626	R30 000 000	R20 000 000	R20 000 000	R13 000 000

WATER SECURITY

- On-line monitoring of springs/boreholes in Redelinghuys and Aurora.
- Update water use certificates to water use licenses.
- Application for increase of raw water allocation to Piketberg.
- Increase of water supply to Velddrif and Dwarskersbos.
- Drought response plan to curb consumption.

ELECTRICITY CAPITAL PROJECT PLAN											
			FINANCIAL YEAR (PROJECT COST)								
Town	PROJECT	Funding Source	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	ELECTRICITY										
VD	Velddrif Main Feeder line replacement	INEP/CR	R750 000	R6 000 000							
VD	Velddrif NMD upgrade Eskom	INEP/CR	R3 500 000								
PIK	Piketberg NMD upgrade Eskom	INEP/CR	R3 500 000								
POR	Porterville NMD upgrade	CR	R350 000								
EK	Eendekuil Network take over Eskom	CR	R450 000	R3 000 000							
BR	Metering Main intake substation	CR	R400 000								
BR	Power Quality metering at Main intake substations	CR	R300 000								
PIK	Piketberg Main Feeder line replacement	INEP/CR		R750 000	R4 000 000						
POR	Porterville Dorp feeder replacement and upgrades	CR		R1 000 000	R1 000 000						
PIK	Replace MV cable to Koelkamers RMU	CR		R600 000							
PIK	Replace MV cable to Loop street RMU	CR		R1 000 000	R1 000 000						
BR	Replace aged MV cables	CR		R1 200 000	R1 500 000	R1 500 000					
VD	Velddrif Main Substation Upgrade	INEP/CR			R1 500 000	R15 000 000					
BR	GIS route mapping	CR			R800 000	R1 200 000					
RED	Redelinghuys NMD upgrade Eskom	CR				R2 000 000					
AU	Aurora NMD upgrade Eskom	CR					R2 000 000				
EK	Eendekuil NMD upgrade Eskom	CR						R2 500 000			
POR	Porterville Main Substation upgrade	INEP/CR						R1 200 000	R10 000 000		
VD	Velddrif 66 kV Substation (From 20MW)	MIG/CR								R2 000 000	R60 000 000
			R9 250 000	R13 550 000	R9 800 000	R19 700 000	R2 000 000	R3 700 000	R10 000 000	R2 000 000	R60 000 000

BERGRIVIER MUNICIPALITY - State of Wastewater Treatment Works

1	Velddrif WWTW		Seen as a critical project by Bergrivier LM as site has a pre-directive
	Green Drop Status of the plant (Critical, poor, average etc)	66% - average	CRR for the plan grew from 64,7% in 2021 to 80% in 2023, therefor this a high risk plant
	Current Capacity of the plant	1,995 Ml/d	Currenty operating at 140% of the flow capacity
	Proposed/Additional Capacity required for the plant	Additional 2,4 Ml/d (Upgrade to 4,4 Ml/d)	Plant will run on 63% capacity after upgrades
	Proposed/Required Budget for the upgrade	R163 000 000	As per technical report
2	Eendekuil WWTW		Oxidation ponds system
	Green Drop Status of the plant (Critical, poor, average etc)	61% - average	CRR for the plan at 80% in 2023, thus making this a high risk plant
	Current Capacity of the plant	0,14 Ml/d	Currenty operating at 80% capacity
	Proposed/Additional Capacity required for the plant	Additional 0,11 Ml/d	Upgrading of inlet works and additional ponds
	Proposed/Required Budget for the upgrade	R12 000 000	As per technical report
3	Redelinghuys WWTW		
	Green Drop Status of the plant (Critical, poor, average etc)	NA	New System to eradicate septic tanks
	Current Capacity of the plant	NA	Currently in process with compiling technical reports
	Proposed/Additional Capacity required for the plant	New	Upgrading of inlet works and additional ponds
	Proposed/Required Budget for the upgrade	R20 000 000	As per technical report
4	Aurora WWTW		
	Green Drop Status of the plant (Critical, poor, average etc)	NA	New System to eradicate septic tanks
	Current Capacity of the plant	NA	Currently in process with compiling technical reports
	Proposed/Additional Capacity required for the plant	New	Upgrading of inlet works and additional ponds
	Proposed/Required Budget for the upgrade	R20 000 000	Estimation to follow in technical report

5	Dwarskersbos WWTW		Oxidation ponds system to be upgraded
	Green Drop Status of the plant (Critical, poor, average etc)	59% - average	CRR for the plan at 80% in 2023, thus making this a high risk plant
	Current Capacity of the plant	0,294 Ml/d	Currently in process with compiling technical reports
	Proposed/Additional Capacity required for the plant	Additional 0,306 Ml/day	Upgrading to conventional system - limited space
	Proposed/Required Budget for the upgrade	R40 000 000	Estimation
6	Piketberg WWTW		
	Green Drop Status of the plant (Critical, poor, average etc)	73% - average	CRR for the plan at 70,6% in 2023, thus making this a high risk plant
	Current Capacity of the plant	3,15 Ml/d	
	Proposed/Additional Capacity required for the plant	No additional - compliance	Upgrading of the old inlet works and refurbishments
	Proposed/Required Budget for the upgrade	R20 000 000	Estimation
7	Porterville WWTW		
	Green Drop Status of the plant (Critical, poor, average etc)	81% - average	CRR for the plan at 58,8% in 2023, thus making this a medium risk plant
	Current Capacity of the plant	1,5 Ml/d	
	Proposed/Additional Capacity required for the plant	No additional - compliance	Construction of sludge drying beds
	Proposed/Required Budget for the upgrade	R15 000 000	Estimation

DRAFT 10 YEAR HOUSING PLAN: DIRECTORATE COMMUNITY SERVICES								
NR	TOWN	PROJECT NAME	ESTIMATED YIELD	INDICATIVE PROJECT APPROVALS				NOTES
				2023/24	2024/25	2025/26	2026/27	
1	PB	PIKETBERG 1000 (ERF 241)	280	R1 180 000	R666 000	-	R9 000 000	DEPENDENT ON THE AVAILABILITY OF ELECTRICITY SUPPLY AND INCREASE RAW WATER ALLOCATION
2	PB	TRAJEKTE KAMP	75	R239 000	R467 000	R6 400 000	-	
3	PB	WATSONIA	98	NONE	NONE	NONE	NONE	
4	PB	N7	47	NONE	NONE	NONE	NONE	
5	VD	VELDDRIF 137	137	NONE	NONE	NONE	NONE	DEPENDENT ON THE AVAILABILITY OF ELECTRICITY SUPPLY AND EXTENSION WWTW
6	VD	ALBATROS EAST	1500	NONE	NONE	NONE	NONE	DEPENDENT ON THE AVAILABILITY OF ELECTRICITY SUPPLY AND EXTENSION WWTW
7	PB	ERF 3359 PIKETBERG	7	NONE	NONE	NONE	NONE	DEPENDENT ON THE AVAILABILITY OF ELECTRICITY SUPPLY AND INCREASE RAW WATER ALLOCATION
8	PB	ERF 1292	17	NONE	NONE	NONE	NONE	

Catalytic Roads Projects:

1. **Upgrade of Carinus Bridge and Intersection Velddrif (PGWC).**
2. **Church Street, Velddrif rebuild (BRM / PGWC).**
3. **Industrial Area Access Road Piketberg – Aloe Street (BRM).**
4. **Entrance to Velddrif from Piketberg side (PGWC).**
5. **R399 through Dwarskersbos and Velddrif – De-proclamation and upgrade with traffic calming and law enforcement (Under negotiations).**
6. **N7 upgrade with SANRAL – first entrance from N7 to Piketberg – turning of big trucks (WCDM).**

Handover to Internal Audit

Internal Audit & Risk Management:

- Acquisition of an advanced software solution to enhance compliance with regulatory requirements, streamline audit processes, and improve risk identification and mitigation. The software will align with the Municipal Standard Chart of Accounts (mSCOA) by integrating with other municipal systems, ensuring compliance with national financial reporting standards.
- R 500 000 per annum including licensing fees.

THANK YOU FOR ATTENDING | DANKIE DAT U GELUISTER HET | ENKOSI NGOKUMAMELA

9th Consecutive Clean Audit

2nd Best Municipality in Smaller Town Category Nationally

6th Best Municipality in South Africa in All Categories

DASHBOARD: FINANCIAL SUSTAINABILITY: BERGMUN

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
CASH COVERAGE (IN MONTHS) IDEAL > 3	0,58	0,78	1,93	2,54	3,10	3,56	3,21	2,89	3,73	4,81	4.16	5.16	5.05
TOP 5% OF MUNICIPALITIES IN SOUTH AFRICA													
CASH BALANCE	R 9,6m	R 11,3m	R 33,7m	R 48,3m	R 65,6m	R 82,0m	R 77,9m	R 71,4m	R 101,8m	R 141,6m	R143,6m	R174,7m	R194,3m
20% HIGHER THAN SIMILAR SA MUNICIPALITIES													
CAPITAL SPENDING	65,77%	98,75 %	92,24 %	109,82%	91,75 %	99,21 %	95,67 %	90,49 %	83,27 %	88,64 %	94,59%	87,59%	92,91%
SIMILAR MUNICIPALITIES IN SA AVERAGE 81%													
FRUITLESS AND WASTEFUL EXPENDITURE	R14,57m	R1,05m	R5,48m	R2,69m	R1,82m	R 0	R 0	R18 568	R255 570	R297	R1 026	R27 545	R 0
SIMILAR MUNICIPALITIES 21,6% MORE ON AVERAGE OVER LAST 10 YEARS													
CURRENT RATIO : 1	-1,35	1,71	1,22	1,34	2,03	2,49	2,34	4,19	3,27	3,17	3,42	3.42	2.79
NATIONAL TREASURY NORM 1,5:1 IMPROVED BY 275% FROM 2012 - 2023													

DASHBOARD: HUMAN RESOURCES PLANNING AND SUSTAINABILITY: BERGMUN

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
NUMBER OF PERM STAFFMEMBERS	360	361	384	380	375	388	378	385	367	384	379	381	410
2025 - 426													
TURNOVER RATE	6.38%	6.09%	1.9%	0.5%	3.73%	3.86%	7.67%	4.67%	8.17%	2.86%	5.13%	6.59%	4.88%
TOTAL SALARY EXPENDITURE AS % OF TOTAL MUN OPERATIONAL EXPENDITURE	33,42%	38,55%	37,43%	37,83%	37,50%	36,96%	37,65%	37,55%	35,84%	34,92%	35,19%	33,51%	32,33%
TOTAL EXPENDITURE ON OVER-TIME	2 420 915	2 699 436	2 934 755	3 354 254	4 007 925	4 677 993	4 340 301	5 009 016	5 250 991	5 298 934	6 555 999	7 159 602	8 318 962
TOTAL EXPENDITURE ON ACTING ALLOWANCES	-	657 310	359 461	595 412	835 731	778 349	654 343	844 322	551 411	670 139	813 132	873 907	988 589
RATIO : STAFF TO POPULATION	0.58%	0.58%	0.62%	0.61%	0.61%	0.58%	0.56%	0,57%	0.54%	0.57%	0.51%	0,52%	0.55%

The population stats is based on StatsSA numbers. We know they are not based on reality in WC

DASHBOARD: FINANCIAL SUSTAINABILITY: BERGMUN

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
OWN SOURCE REVENUE	Unknown	Unknown	75,83%	74,79%	77,63%	81,64%	78,87%	77,82 %	79,82%	76,59%	80,09%	79,81%	76,30%
AUDIT OUTCOME	Qualified	Unqualified – 18 matters	Unqualified – 3 matters	Unqualified – 1 matter	Clean	Clean	Clean	Clean	Clean	Clean	Clean	Clean	In progress
23 clean audits out of 257 Municipalities in SA – 18 sustained clean audits in SA													
STABLE COUNCIL													
National and Provincial Ranking	Not measured	Not measured	In top 10 Municipalities in SA	In top 10 Municipalities in SA	In top 10 Municipalities in SA	8th in SA Nationally	No evaluation	In top 10 Municipalities in SA	2nd in SA Nationally	No evaluation	2nd in SA Nationally	3rd in SA Nationally	2nd National in Category; 6th Overall
Indigent as % of account holders													

DASHBOARD: FINANCIAL SUSTAINABILITY: BERGMUN

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
COLLECTION RATE	Unknown	Unknown	93,75%	95,40%	97,86%	94,81%	91,74%	90,51 %	91,56%	96,73%	95,01%	95,77%	92,85%
STRIVE FOR AT LEAST 95% VERY VERY VERY IMPORTANT FOR FINANCIAL SUSTAINABILITY > 93%													
INTEREST PAID TO TOTAL COSTS (CAPITAL COSTS)	Unknown	Unknown	4,91%	4,54%	3,85%	3,61%	3,71%	3,58%	3,17%	3,27%	3,62%	3.82%	4.48%
NORM: LESS THAN OR EQUAL TO 7,5%													
DEBT TO REVENUE RATIO	Unknown	Unknown	33,76%	21,93%	21,09%	19,74%	19,97%	18,63 %	16,43%	18,05%	18,50%	23,57%	25%
NORM: LESS THAN OR EQUAL TO 50%													
NETT DEBTOR DAYS	Unknown	Unknown	123,24	125,53	116,59	123,31	139,74	116,90	111,82	90,47	86,71	86.90	82.63
NORM: 30 DAYS													
WATER LOSSES ELECTRICITY LOSSES	Unknown	10,09% 13,24%	7,57% 10,68%	8,88% 10,50%	10,53% 10,13%	9,93% 8,92%	6,98% 9,65%	9,42% 11,81 %	13,22% 8,32%	15,90% 12,29%	15,12% 12,58%	14,59% 10,72%	12,14% 12,43%
NORM: WATER LOSSES BETWEEN 15% AND 30%; ELECTRICITY LOSSES BETWEEN 7% AND 10%													

*** Unknown due to current financial system commencing in 2013

FINANCIAL IMPACT DUE TO ESKOM (LS AND TARIFFS): BERGMUN

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Electricity bulk purchases per year	R44 mil	R49 mil	R49,8 mil	R56 mil	R66 mil	R73 mil	R73,8 mil	R80 mil	R92 mil	R100 mil	R118 mil	R118,6 mil	R143,9 mil
Annual increases much more than CPI – price hikes not given through to public													
Total electricity purchases as a % of expenditure operating budget	25,85%	25,35 %	23,52 %	23,98 %	22,02 %	23,04 %	22,98 %	23,94 %	23,52 %	24,75 %	26,04 %	25,77%	27,91%
Sale of electricity as % profit	35,66%	28,94 %	42,39 %	38,33 %	31,01 %	29,36 %	28,06 %	27,19 %	26,20 %	24,60 %	18,60 %	11,02%	-1,12% ???????
The profit that a Municipality can make on electricity was totally cut in 10 years													
Units of electricity sold	67,4 mil	65,6 mil	68,9 mil	68,8 mil	70,3 mil	73 mil	72,1 mil	72,2 mil	74,9 mil	72,5 mil	72,6 mil	64,9 mil	65.7mil
The units sold in 2022 is much less than the previous years even with extensive new residents in the Municipality. No growth in sales due to loadshedding													
Escalation of overtime in Technical Services	R1,3 mil	R1,6 mil	R1,8 mil	R2 mil	R2,2 mil	R2,5 mil	R3 mil	R2,8 mil	R3 mil	R3,2 mil	R3,8 mil	R4,5 mil	R5.003 mil
Mainly due to loadshedding and disasters (2023/2024)													
Whole function of electricity as profit/(loss)											3,27%	-(7,4%)	-(14,95)