ANNUAL BUDGET OF BERGRIVIER MUNICIPALITY

2025/26 TO 2027/28

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

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Part 1 – Annual Budget

Mayor's Report

Honourable Speaker, Deputy Executive Mayor, Members of the Mayoral Committee, Aldermen, Councillors, Municipal Manager, Directors, guests, ladies and gentlemen, good afternoon.

The preparation of the original budget was a daunting task under the current economic circumstances, both locally and globally. In drafting this budget, all office bearers and the administration had to find a balance between affordability and the delivery of services.

Speaker, ten einde die begroting as befonds te ag, moes ons uitgawes besnoei maar terselfdertyd ook die verhoging in tariewe beperk tot binne aanvaarbare en bekostigbare vlakke vir ons gemeenskap. Gegewe die agterstande en die vele dienslewerings uitdagings asook die verhoging in insetkoste, is dit 'n haas onmoontlike taak wat net weereens bevestig dat die fiskale model vir plaaslike regering uitgedien is en dringend hersien behoort te word.

Sustainability and good governance are key drivers of investor confidence and in this regard, I can confirm that Bergrivier Municipality is in a sound financial position with a cash coverage ratio of 3 months but are in a decline if sound financial management are not adhered to. We have also obtained our 9th consecutive clean audit, something which bears testimony to the fact that Bergrivier Municipality subscribes to value for money and good corporate governance.

To be more sustainable, the municipality must increase its revenue base. Expenditure always remains a challenge. It is extremely difficult to address all the needs. Requests for funding always exceeds the availability of funds. Therefor difficult decisions have to be made to arrive at expected and realistic outcomes.

INVLOED OP DIE BEGROTING

Speaker, verskeie faktore wat 'n impak op hierdie begroting het, kom van die makro-omgewing en veral:

Met die voorbereiding van die finale begroting moes ons ook die riglyne wat deur die Nasionale Tesourie verskaf is, inkorporeer.

Speaker, ek kan Bergrivier Munisipaliteit se verbintenis bevestig om ekonomies te bestee eerder as om die ekonomie te bestee. Daar sal van die hele administrasie verwag word om voort te gaan om alternatiewe en innoverende maatreëls te vind om dienslewering te verseker sonder dat dit noodwendig die koste vir die belastingbetaler en verbruiker hoef te verhoog.

Speaker, ek gaan nou na die finale begroting vir 2025/26.

Totale bedryfsinkomste uitgesluit kapitaaltoelaes beloop R 649,658 miljoen
Totale bedryfsuitgawes beloop R 663,115 miljoen

Die hoofbronne van ons bedryfsinkomste is soos volg:

Dienstegelde	51%
Oordragte en toekennings	16%
Eiendomsbelasting	20%

Bedryfsinkomste het 'n afname van 3.75% getoon in vergelyking met die 2024/25-boekjaar, hoofsaaklik as gevolg van die toekenning van die behuisingsprojek.

Bedryfsuitgawes het met 4.75% afgeneem van R 696,434 miljoen in 2024/25 tot R663,115 miljoen met die belangrikste uitgawe-items soos volg:
Werknemerverwante koste 32.28%
Voorraad verbruik en grootmaat aankope 32.70%

’n Kapitaalbegroting ten bedrae van R 96,547 miljoen word vir die 2025/26 finansiële jaar voorgestel. Hierdie uitgawe sal soos volg gefinansier word:

Staatstoelaes en -subsidies	R27,012 miljoen
Eksterne lenings	R34,300 miljoen
Eie befondsing	R35,235 miljoen

Die grootste gedeelte van die kapitaalbegroting sal aan water (R34,506 miljoen) en elektrisiteit (R17,507 miljoen) bestee word.

Ten einde die begroting te befonds word die volgende tariefverhogings voorgestel:

Water	5.5%
Elektrisiteit	13.95% (onderhewig aan NERSA goedkeuring)
Vullisverwydering	5.5%
Riolering	5.5%

Ten opsigte van die eiendomsbelasting, word ’n verhoogde koers van 5.5% voorgestel.

Speaker, die konsepbegroting sal nou aan die publiek voorgelê word en sal daar na afloop van die publieke deelname proses en die insette/voorleggings verkry, ’n finale begroting aan die Raad voorgelê word.

Ten slotte bedank ek graag die Begrotingsbestuurskomitee onder leiding van Raadslid Daniels, die Munisipale Bestuurder, die Hoof Finansiële Beampte en die personeel in die Strategiese Dienste Departement en Begrotingskantoor, in samewerking met die Inkomste departement, Direkteure en ander personeel wat betrokke was by die samestelling van die begroting en verwante dokumente.

Ek dank u.

RAADSHEER RAY VAN ROOY
UITVOERENDE BURGEMEESTER

1.2 Council Resolution

1) The Council of Bergrivier Municipality, acting in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

   a) The annual budget of the municipality for the financial year 2025/26 and the multi-year and single-year capital appropriations as set out in the following tables:
      i) Budgeted Financial Performance (revenue and expenditure by standard classification) – Table A2;
      ii) Budgeted Financial Performance (revenue and expenditure by municipal vote) – Table A3;
      iii) Budgeted Financial Performance (revenue by source and expenditure by type) – Table A4; and
      iv) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source – Table A5.

   b) The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
      i) Budgeted Financial Position – Table A6;
      ii) Budgeted Cash Flows – Table A7;
      iii) Cash backed reserves and accumulated surplus reconciliation – Table A8;
      iv) Asset management – Table A9; and
      v) Basic service delivery measurement – Table A10.

2) The Council of Bergrivier Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2025:
   a) the tariffs for property rates,
   b) the tariffs for electricity,
   c) the tariffs for the supply of water
   d) the tariffs for sanitation services
   e) the tariffs for solid waste services

3) The Council of Bergrivier Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2025 the tariffs for other services as contained in the tariff list included in the budget document.

4) That Council specifically take note of the fact that the proposed electricity charges and tariff structure is subject to NERSA approval that may change from that stated in the tariff listing.

5) To give proper effect to the municipality's annual budget, the Council of Bergrivier Municipality approves:
   a) That 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, unspent long-term loans and unspent conditional grants are cash backed as required in terms of section 8 of the Municipal Budget and Reporting Regulations.
   b) That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2025/26 financial year limited to an amount of R 28,300 million in terms of Section 46 of the Municipal Finance Management Act.

c) That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

6) That the Council of Bergrivier Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts the following existing and new policies:

a) Asset Management Policy
b) Cash Management and Investment Policy
c) Credit Control and Debt Collection Policy
d) Indigent policy
e) Property Rates Policy and By-law
f) Tariff Policy
g) Virement Policy
h) Supply Chain Management Policy
i) Borrowing Policy
j) Funding, Reserves and Long-Term Financial Planning Policy
k) Budget Implementation and Monitoring Policy
l) Petty Cash Policy
m) Creditors, Councillors and Staff Payment Policy
n) Cost Containment Policy
o) Preferential Procurement Policy
p) Corporate, Social, Investment and Relief Policy
q) Reduction plan for Consultants
r) UIFW Policy
s) Writing off of Irrecoverable Debt Policy
t) Inventory Management Policy

7) That the service level standards attached as Annexure “D” be approved.

8) That where the tariff and other policy revisions necessitate amendments to relevant By-laws, the amendments be effected and made public in accordance with Section 75A of the Municipal Systems Act, (Act 32 of 2000)

9) That the staff establishment and organogram be revised to make provision for all approved posts that are budgeted for.

1.3 Executive Summary

Section 16(1) of the Municipal Finance Management Act (MFMA) stipulates that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

To achieve this the draft budget must be tabled at least 90 days before the start of the financial year. Over the years it has become extremely difficult to balance the needs of the community with the limited resources. The Budget Steering Committee was again confronted with tough choices in trying to strike a balance between quality service delivery and affordability of the municipal bill. During the preparation of the draft budget, it was again reiterated that the fiscal model for local government is outdated and inadequate to provide the required levels of support to fulfil the needs of our communities.

The **Budget Steering Committee** adopted a set of **budget guidelines** to establish a framework and provide strategic direction for budget holders in preparing their budgets. These guidelines were designed to guide the budgeting process and ensure alignment with key priorities. Among other factors, the guidelines emphasized the following broad principles for consideration in the **2025/26 budget**:

- Reducing cost without jeopardising service levels or productivity, i.e. spend money economically receiving optimal value for every rand spent and reducing wastage.
- The Budget must contribute to achieving strategic objectives
- Tariffs must make provision for reserves and must be cost-reflective and affordable
- Project plans must commence before the start of the financial year to ensure 95% capital spending
- Improving our overall financial position as envisaged in the Long-Term Financial Plan
- Budgets must aim at growing our rates base and developing the local economy
- Collection Rate must increase to 95%
- Greater participation/partnerships must be sourced from the private sector in relation to infrastructure development and maintenance

National Treasury issued MFMA Circular No 129 on 10 December 2024 to guide the compilation of the 2025/26 MTREF. In line with MFMA circular 129, municipalities must consider the following when compiling the 2025/26 MTREF budgets:

The National Treasury has lowered its 2024 economic growth forecast to 1.1 per cent, from the 1.3 per cent projected in the 2024 Budget Review, weighed down by stop-start economic growth and stubborn inflation in the first half of the year. The economy has since strengthened in response to the suspension of power cuts since March 2024, improved confidence following the formation of the government of national unity in June, better than-expected inflation outcomes in recent months and reduced borrowing costs.

All these factors are expected to continue to support the economy over the period ahead. GDP growth is projected to average 1.8 per cent from 2025 to 2027, up from 1.2 per cent in the preceding three years. The pace of growth is still being limited by persistent – though gradually easing – constraints, particularly in logistics infrastructure. Faster growth depends largely on maintaining macroeconomic stability, the continued implementation of structural economic reforms, improving state capabilities and supporting higher infrastructure investment.

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

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

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

Key focus areas for the 2025/26 budget process

Over the 2025 Medium-Term Expenditure Framework (MTEF), the government proposes an allocation of 9.8 per cent to local government.

Local government funding is projected to increase from R184.8 billion in 2025/26 to R197.9 billion in 2027/28. In 2025/26, this comprises R106.1 billion for the local government equitable share, R16.8 billion from the general fuel levy sharing with metros, and R61.8 billion for both direct and indirect conditional grants.

The increased allocations to local government reflect the government’s commitment to social protection as a cornerstone of its fiscal strategy, ensuring ongoing support for indigent populations and the expansion of critical infrastructure through conditional grants.

These figures represent the preliminary fiscal framework outlined in the 2024 Medium Term Budget Policy Statement. The final details will be provided in the 2025 Budget Review.

Government has finalised its review of the conditional grant system and developed a range of reforms based on the results. These reforms are aimed to rationalise conditional grants and enhance their effectiveness and will be implemented from 2025/26.

National Treasury’s MFMA Circular No. 129 was used to guide the compilation of the 2025/26 MTREF.

Municipalities are under pressure to generate and collect revenue for service delivered. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2025/26 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates;
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Automate business services where possible to increase efficiencies and lower customer costs;

- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The main challenges experienced during the compilation of the 2025/26 MTREF can be summarised as follows:

- The decrease in National grants.
- The slow economic growth.
- The electricity availability coupled with periodic load shedding hampering economic growth and damaging investor sentiment.
- The continued rising in unemployment.
- Ageing water, roads, and electricity infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the current cash flow reality of the municipality.
- The increase in the cost of bulk electricity from Eskom which is placing upward pressure on service tariffs to residents and resulting in a decline in units sold.
- The need to fill critical vacancies necessary to ensure service delivery to the community.
- The demand for services that continue to outstrip the available resources.

The following budget principles and guidelines directly informed the compilation of the 2025/2026 MTREF:

- The 2024/25 Adjustments Budget priorities and targets, as well as the base line allocations contained in the Adjustments Budget were adopted as the upper limits for the new baselines for the 2025/26 annual budget, but the approach had to be amended significantly due to all the departments list of priorities vs what the budget can allow and afford;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Cost cutting and austerity measures have been applied in all expenditure categories and value for money considerations are made when expenditure is incurred.
- Tariff and property rate increases should be affordable and should generally not exceed the growth parameters or upper limits of inflation as measured by the CPI, except where there are price increases in the input of services that are beyond the control of the municipality, for instance the continued escalation in the electricity and fuel price increase and the above average increase in specialized goods and services needed in service delivery that are subject to exchange rate fluctuations.
- For the 2025/2026 financial year tariff increases are above average because of prior multi-year lower than cost price increases. The municipality needs to increase tariffs sufficiently to ensure the recovery of cost of the services as well as ensuring the long-term financial sustainability of the municipality.
- The strengthening of the financial position of the municipality and ensuring optimum levels of reserves as well as cash backed reserves and current provisions.
- Cost reflective tariff setting and multi-year tariff strategies where tariffs are found not to cover the cost-of-service rendering.
- Ensuring a cash funded budget and the strict application of prudent financial management principles.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2025/2026 MTREF:

Table 1 Consolidated Overview of the 2025/26 MTREF

Please refer to Annexure A

Total revenue decreased by R25,318 million to an amount of R 649,658 million for the 2025/26 financial year when compared to the 2024/2025 4th adjustments budget. For the two outer years, operational revenue increases by 6.66% percent for the 2026/27 financial year and increase by 11.02% for the 2027/28 financial year.

Total operating expenditure for the 2025/2026 financial year has been appropriated at R 663,115 million and translates into a budgeted surplus of R 13,556 million after capital contributions.

When compared to the 2024/25 Adjustments Budget, operational expenditure has decreased to R 663,115 million in 2025/26 translating to a 4.78% decrease. The expenditure for the two outer years, increase to R 695,558 million for the 2026/27 financial year and increase to R 760,760 million for the 2027/28 financial year.

The capital budget of R 96,547 million for 2025/26 increases by 7.69% when compared to the 2024/25 4th Adjustments Budget. The capital programme decreases to R 79,983 million in the 2026/27 financial year and increase to R 88,957 million in 2027/28 financial year. Borrowing will contribute 35.53% of capital funding for 2025/26. The balance of capital expenditure will be funded from internally generated funds and conditional grants.

Borrowing as a funding source is recommended for capital investment in respect of the replacement and refurbishment of infrastructure to underline the user-pays principle where current and future users of the service will be required to contribute to the cost associated with the raising of funding necessary to execute the programs or projects.

1.4 Operating Revenue Framework

Maintaining financial stability of Bergrivier Municipality is critical to the achievement of service delivery and economic objectives. Revenue generation is fundamental in strengthening the institutional environment for the delivery of municipal basic services and infrastructure. The capacity of generating revenue is challenged by the levels of unemployment thereby impacting on the ability of the household to pay their accounts. In terms of the MFMA, a credible and funded budget must be tabled based on realistic estimates of revenue that are consistent with budgetary resources and collection history.

For Bergrivier Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management principles are fundamental to the financial sustainability of every municipality. The reality is that we are faced with failing infrastructure, development backlogs, poverty and increasing unemployment. The expenditure required to address these challenges will inevitably always exceed available funding hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

In considering the aforementioned, a difficult decision had to be made in respect of proposed tariff increases to ensure the continuation of the quality of services and prevent a further breakdown in the provision of essential services.

The prevailing economic circumstances has had and still has on the National and Local economy are adding to the difficulties in collecting the revenue that is due to the municipality. The promotion of operational efficiencies, revenue enhancement strategies, as well as savings and austerity measures remain a priority in ensuring the availability of sufficient financial resources to fund the MTREF.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. The current reality in respect of inflationary increases as well as other economic factors and price increases such as fuel price and associated taxation make it extremely difficult for municipalities to manage tariff increases within the guidelines set. It must be pointed out that the “basket of goods and services” necessary to provide municipal basic services do not necessarily correspond with the “basket of goods and services” influencing the CPI rate applicable to households in general and therefore this arbitrary prescription for tariff increases are of little value to the municipal decision-making process.

Excessive increases are also likely to be counterproductive, resulting in higher levels of non-payment. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. It is nonetheless of utmost importance to balance service delivery standards on the one hand with the appropriate tariffs to render those high-quality services on the other hand.
It is within this framework that the Municipality has undertaken the tariff setting process in respect of service charges.

The municipality’s revenue strategy is built around the following key components:

- Strengthening the financial position of the municipality.
- Cost reflective tariff setting – The municipality is reviewing the possibility in implementing the principle of cost reflective tariffs for the majority of services and how it will affect households in the current economic circumstances.
- A cost reflective tariff study for water, sewerage and refuse have been completed and various anomalies were found that has directed the municipality to perform an audit of all service points and units of service consumed or used by consumers.
- A revenue enhancement program was implemented, and all physical inspections of the service points were concluded. The revenue enhancement program has ensured that all revenue is correctly billed in accordance with the category, user type and applicable tariffs and number of service units as determined by the municipality;
- Proposed tariff increases are higher than the average tariff increases implemented over the last number of years for the 2025/26 financial year, the Electricity tariff guideline increase is still to be determined by NERSA and will guide the municipality in determining the final electricity tariff. Appropriate tariff increases are of the essence to sustain and improve service delivery standards and to ensure the long-term financial sustainability of the municipality;
- The municipal council has adopted a principle of protecting the poor from excessive tariff increases and will therefore endeavour to limit the increase to lower income consumers in accordance with the

national treasury growth parameters where possible. Subsidization of free basic services are adequate to ensure access to basic services by the poorest of the poor and most vulnerable category of consumers.

- National Treasury's guidelines and growth parameters have been considered where appropriate and possible and an explanation will be provided for increases higher than inflationary predictions, the municipality is however mainly guided by the actual cost of services rendering and financial sustainability considerations in its tariff decision making process.
- Efficient revenue management, which aims to ensure a minimum 95 % annual collection rate for property rates and other key service charges;
- Budgeting for a moderate surplus at the conclusion of the MTREF to enable the municipality to build cash reserves to back statutory funds and provisions and to build an operating as well as capital replacement reserve.

The aforementioned factors collectively contribute to the financial wellbeing of the municipality and the extent to which it is executed or concluded will either aid, or impact negatively on the long-term sustainability of the municipality.

It must be emphasized that, at the current trend, growing expenditure associated with the current quality and the ever-escalating cost of service delivery, the municipality will find it even more difficult to improve its financial position over the MTREF, unless catalytic economic investments and growth opportunities are garnered expediently.

The current rates base can no longer support the cost of services, especially considering the ageing infrastructure and the cost necessary in upgrading and refurbishment of service delivery infrastructure vehicles and equipment. It is of utmost importance to factor these cost factors into the true cost of services to continue delivering high quality services to all communities.

All role-players would need to collectively contribute to ensure not only the financial sustainability of the municipality, but also the economic progression of its citizenry.

Table 2 Major sources of revenue

The major sources of revenue for the 2025/26 financial year can be summarised as follows:

Main Sources of Revenue		
Source	**Amount**	**%**
Property Rates	127,126,000.00	19.57%
Electricity Revenue	211,597,000.00	32.57%
Water Revenue	50,177,000.00	7.72%
Sanitation Revenue	19,762,000.00	3.04%
Refuse Revenue	47,323,000.00	7.28%
Transfers and Subsidies	101,108,912.00	15.56%
Other Revenue	92,564,360.00	14.25%
Total	**649,658,272.00**	**100.00%**

The second largest source of revenue is Property Rates with Transfers and Subsidies making up the 3rd highest contributor to the revenue basket.

Tariff Setting

In terms of S74 (2) of the Municipal Systems Act the following principles should at least be considered when formulating a Tariff Policy,

- The users of municipal services should be treated equitably in the application of tariffs.
- As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- All households, apart from the poor (indigent), should pay the full costs of services consumed.
- Poor households must have access to at least a minimum level of basic services through:
  - Tariffs that cover the operating and maintenance costs,
  - Special lifeline tariffs for low levels of use or consumption of services or for basis levels of service, or
  - Any other direct or indirect method of subsidization of tariff for poor households.
- Tariffs must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement, and interest charges.
- Tariffs must be set at a level to facilitate financial sustainability of the service, considering subsidisation from sources other than the service concerned.
- Provision may be made for the promotion of local economic development through a tariff for categories of the commercial and industrial users.
- The economical, efficient, and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.
- The extent of subsidisation of the poor households and other categories of users should be fully disclosed.
- In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services, and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt by-laws.

Revenue generation is fundamental to the financial sustainability of every municipality. Tariff setting process plays a major role in ensuring desired levels of revenue. When rates, tariffs and other charges are revised, local economic conditions, input costs and the affordability of services are considered to ensure continuous service delivery.
Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised under normal circumstances, local economic conditions, input costs and the affordability of services are considered to ensure the financial sustainability of the Municipality.

An overwhelming fact and consideration for this year's tariff setting was the principle of cost recovery and setting cost reflective tariffs that will support the long-term financial sustainability of the municipality as well as quality of service rendering.

Municipalities also use benchmarking to ensure that the tariffs we apply are within the industry norm as operational requirements and service standards of comparable sizes and demographics of municipalities are similar and a deviation from this norm will give an indication of whether a municipality may be heading for disaster in the application of its tariff strategy. Bergrivier is currently conducting a benchmarking exercise to ensure its rates and expenses align with those of similarly sized municipalities.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rates ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be a minimum of 0,25:1. The implementation of these regulations were done in the previous budget process and the Property Rates Policy of the Municipality was amended accordingly.

The following stipulations in the Property Rates Policy are still relevant and therefore highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- For pensioners, physically and mentally disabled persons, a maximum rebate of 60 percent will be granted to owners of rate-able property. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

- The Municipality may award a 100 percent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a relief.

A new general valuation roll was implemented from 1 July 2023. A growth rate in the rates base of approximately 1.5% is anticipated in the 2025/2026 financial year. The revenue associated with the expansion of the rates base have been factored into the revenue estimates for 2025/2026 and beyond.

To further increase and supplement revenue, additional sources of revenue must be explored on a continuous basis. It is also important that an environment for economic development is created through the provision of high quality reliable municipal services.

Table 3 Comparison of Assessment rate tariff

Category	Current Tariff (1 July 2024)	Proposed Tariff (from 1 July 2025)
Residential Properties	0.00959	0.01012
Municipal Properties	0.00959	0.01012
Institutional Properties	0.00959	0.01012
Agricultural	0.00211	0.00238
Commercial Properties	0.01055	0.01113
Industrial Properties	0.01055	0.01113

The assessment rates tariff is proposed to increase by 5.5%.

The increase is higher than the upper boundary of inflationary targets for 2025/2026 but is unfortunately unavoidable to increase the tariff at the current rate proposed due to factors such as the increase in cost to render services such as the increase in the cost of labour, the fuel price increase, the increase in the price of goods and services necessary to render essential as well as community and general municipal services, the increase maintenance and operational cost of municipal facilities, equipment and infrastructure.

1.4.2 Sale of Water and Impact of Tariff Increases

Although most of the summer rainfall areas received good rainfall, South Africa remains a water scarce country and faces similar challenges regarding water supply as it did with electricity, since demand growth outstrips supply. National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Better maintenance of infrastructure, the replacement of failing water mains, the installation of smart metering devices and cost-reflective tariffs will ensure that the supply challenges are managed to ensure long term sustainability. Since we were fortunate to have received some relief from the drought, the municipality has decided to lift water restrictions we will however continue to implement water tariffs in accordance with the guidelines from the Provincial Disaster management determination for the foreseeable future.

A cost reflective tariff study was undertaken by the municipality to determine whether the tariffs levied for the consumption of water are covering the full cost associated with the rendering of the service, it was found that it did not and that the water tariffs was restructured in the 2025/2026 financial year to ensure that the principles of applying cost reflective tariffs to cover the cost of the service were met.

A comprehensive tariff restructuring has been proposed and will be implemented from **1 July 2025** to align with the reflective study. **Registered indigent consumers** will continue to receive **6 kℓ of water per month** free of charge.

Table 4 Comparison of Commercial water tariffs

CATEGORY	CURRENT TARIFFS 2024/2025	PROPOSED TARIFFS 2025/2026
	15% VAT Inc.	15% VAT Inc.
	Rand per kl	Rand per kl
COMMERCIAL		
(i) 0 to 6 kℓ per 30-day period	10.90	16.40
(ii) 7 to 20 kℓ per 30-day period	26.60	28.00
(iii) 21 to 50 kℓ per 30-day period	28.50	30.10
(iv) 51 to 100 kℓ per 30-day period	31.30	33.10
(v) 101 to 200 kℓ per 30-day period	32.80	34.60
(vi) 201 to 1000 kl per 30-day period	32.80	34.60
(vii) 1001 to 1500 kl per 30-day period	32.80	34.60
(viii) 1501 to 2000 kl per 30-day period	32.80	34.60
(ix) More than 2000 kℓ per 30-day period:	32.80	34.60

The Residential Tariff structure is as follows:

Table 5 Comparison of Residential water tariffs

CATEGORY	CURRENT TARIFFS 2024/2025	PROPOSED TARIFFS 2025/2026
	15% VAT Inc.	15% VAT Inc.
	Rand per kl	Rand per kl
Residential		
Basic Rate	81.70	103.50
(i) 0 to 6 kℓ per 30-day period	10.90	9.50
(ii) 7 to 13 kℓ per 30-day period	23.10	24.00
(iii) 14 to 20 kℓ per 30-day period	27.40	28.50
(iv) 21 to 35 kℓ per 30-day period	34.10	35.50
(v) 36 to 50 kℓ per 30-day period	41.40	43.70
(vi) More than 50 kℓ per 30-day period:	55.20	58.20

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. It has confirmed that the price increase to municipalities will equal 9.36%, this will translate into an approximate increase of 13.95% to municipal customers. The proposed tariff increase is subject to final approval from NERSA and will be implemented from 1 July 2025 as soon as final approval has been received.

It should be noted that given the nature of the continuing electricity tariff increases, it is once again expected to depress growth in electricity consumption as municipal customers are becoming more energy wise and small-scale embedded generation becomes a reality, this will have a negative impact on the municipality's revenue from electricity and will put further pressure on the financial performance of the municipality in these uncertain times.

In accordance with the indigent subsidy policy of the municipality, 50 kWh of free electricity per month will only be granted to registered indigents and households with 20 Ampere connections.

1.4.4 Sanitation and Impact of Tariff Increases

A cost reflective tariff study was performed during the 2023/2024 financial year and the results thereof guided the municipality in determining the tariffs for the 2024/2025 financial year and beyond for sanitation services. A general tariff increase of 5.5% for sanitation is proposed from 1 July 2025. This is based on the input cost assumptions relating to the service and the extent to which customers make use of the service. The higher-than-average increase is necessary as the cost associated with the service have increased exponentially over the last number of financial years and tariff increases have not kept up with the actual cost of rendering the service.

Factors adding to the cost are the continuous plundering and vandalism of the sewer infrastructure, the cost of protecting the assets, the cost to mitigate electricity outages through standby generators, the cost of monitoring the pump stations and associated purification infrastructure as well as the continued rising in the cost of labour, chemicals, and electricity necessary to provide the service within the legislative requirements. It should be noted that electricity costs contribute approximately 20 percent of wastewater treatment input costs, therefore the electricity price increase makes it unavoidable to increase the sewer tariffs by more than the inflationary predictions. A general tariff increases of 5.5% is therefore unavoidable.

The following factors also contribute to the proposed tariff increase:

- Free sanitation will be applicable to registered indigents costing approximately R 5,126 million
- The total revenue expected to be generated from rendering this service amounts to R 19,762,000 for the 2025/26 financial year.

Table 6 Comparison of Sanitation tariffs

	CURRENT TARIFFS 2024/2025	PROPOSED TARIFFS 2025/2026
	15% VAT Inc.	15% VAT Inc.
Sanitation	R 237.90	R 251.00

1.4.5 Waste Removal and Impact of Tariff Increases

A cost reflective tariff study was performed during the 2023/2024 financial year and the results thereof were included in the 2025/2026 tariff structure for the rendering of sanitation services. A general tariff increase of 5.5% for refuse removal is proposed from 1 July 2025. This is based on the input cost assumptions relating to the service and the extent to which customers make use of the service and the volumes of refuse generated.

Consumers will therefore be assessed based on the volumes of refuse generated, especially in respect of commercial and institutional clients and the municipality will engage on a process where the volumes of refuse generated by customers are assessed and billed according to the results of the survey. This will ensure equity in respect of the charges levied versus the volumes generated for all categories of consumers.

It must be emphasized that consumers that fall within the area in which the service is rendered must in accordance with the solid waste removal by-laws make use of the service, there will thus be a charge for the rendering of the service whether refuse is collected or not, consumers are therefore encouraged not to dispose of household or business refuse themselves as it will result in a double charge being made, once for the compulsory use of the service and once for disposal at the transfer station.

The following table compares current and proposed amounts payable from 1 July 2025:

Table 7 Comparison between current waste removal fees and increases

	CURRENT TARIFFS 2024/2025	PROPOSED TARIFFS 2024/2025
	15% VAT Inc.	15% VAT Inc.
Solid Waste Removal	460.40	485.70

The general increase in refuse tariffs to all customers must unfortunately be raised with 5.5% to move towards cost recovery over the MTREF and to ensure that the service becomes financially viable and remains financially sustainable in the long term. The reasons for the tariff increase are as follows:

- The increase in the cost of fuel and transport of refuse to landfill sites.
- The increase in the cost of collection and recycling.
- The replacement of Refuse Compactor trucks necessary to ensure that the standards of service can be met.
- The cost of clean-up of illegal dumping and general littering in all areas.
- The cost of clean-up of transfer stations because of refuse being dumped in contradiction with the rules and by-laws of the municipality.
- The cost of security at transfer stations to protect municipal property plant, equipment, staff and the public in general.
- The cost associated with the rehabilitation of landfill sites that have been closed.
- The cost of adequately providing for rehabilitation cost for future rehabilitation of landfill sites.
- The increase in the general cost of materials and other related goods and services associated with refuse removal.
- The increasing cost of labour for refuse removal and clean-ups of the streets, CBD's and other open spaces on weekends.
- The increase in the cost of refuse bags provided by the municipality.

The above factors coupled with years of moderate and lower than essential increase percentages have contributed to the fact that the refuse service is not financially viable as the actual cost of service rendering have not been recovered by the tariffs charged for several years. The Municipality must therefore implement the sharp increase in the tariff to ensure that the service can become financially viable over the MTREF and remains sustainable over the long term.

Refuse tariffs are charged per category of consumer as per the list of tariffs attached to the budget and it must be emphasized that customers that do not fall under the definition of single residential are to be billed in accordance with the tariff applicable to business consumers.

1.4.6 Overall impact of tariff increases on households.

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

1.5 Operating Expenditure Framework

Bergrivier Municipality's expenditure framework for the 2025/26 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and informed by community needs and priorities;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high-level summary of the 2025/26 budget and MTREF (classified per main type of operating expenditure)

Table 8 A4 – Budgeted Financial Performance

Please refer to Annexure A

The budgeted allocation for employee related costs excluding public office bearer's remuneration for the 2025/2026 financial year totals R214,094 million which equals 32.27% of the total operating expenditure. A provision for a 5.01% general salary increase is made for the 2025/2026 financial year, provision is also made for notch increases equalling approximately 2.4% and is applicable to employees who have not yet reached the maximum notch of their salary scales.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). There has been a provision made for an increase of 6.0% in the 2025/2026 financial year in accordance with prudent financial management principles.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Budget appropriations in this regard total R 29,637 million for the 2025/26 financial year and equates to 4.47% of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 4.66 % or R 30,875 of operating expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom, and water from West Coast District Municipality. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

A concerted effort is underway to curb electricity as well as water losses as it has a direct bearing on the revenue streams of the municipality and ultimately the financial sustainability. The revenue enhancement program will aid in ensuring accurate services and billing data and assist in the reduction of unaccounted consumption of water and electricity. Inaccessible meters are being replaced by smart meters that will enable reading to be taken without access to properties being necessary, meters will also be moved to outside property fences to ensure accessibility by meter readers, the water By-laws will be amended to include the requirement.

Other expenditure comprises of various line items relating to the daily operations of the municipality.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 9 2025/26 Medium-term capital budget per vote (A5)

Please refer to Annexure A

The Capital Budget increases from R89,652 million in 2024/25 to R96,547 million in 2025/26, thereafter it decreases to R79,983 million for 2026/2027 and increases to R88,957 million in the 2027/2028 financial year, and the total amount of capital investment over the MTREF amounts to R 265,487 million.

It is evident from the table herein above that the bulk of municipal spending is aimed at basic service delivery as the Technical Services Vote under which these services resort contribute 84% of total operational expenditure, Community Services contribute 11% of expenditure Institutional, Financial and Support Services make up the remainder of operational expenses.

Further detail relating to asset classes and proposed capital expenditure is contained in Table A9 (Asset Management). In addition to the Table A9, Tables SA34a, b, c, d, e provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. The future operational costs and revenues associated with the capital programme have been included in Table SA35.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Deputy Mayor.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Councils IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

Various Budget Steering Committee meetings were held during the budget preparation process to ensure a co-ordinated approach to budgeting through the linking of the community needs with administrative requirement and ensuring political oversight in the process.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2020) a time schedule that sets out the process to revise the IDP and prepare the budget.

SUMMARY OF KEY ACTIVITIES OF THE TIME SCHEDULE OF KEY DEADLINES FOR THE 2025/26 BUDGET AND IDP REVIEW

<table>
<tr><th>Task</th><th>Date</th><th>Legal Reference</th></tr>
<tr><td colspan="3">Jul - August</td></tr>
<tr><td>Table in Council the IDP Process Plan. The time schedule in terms of Section 21(1)(b) of the Municipal Finance Management Act (MFMA) is replaced annually).</td><td>Aug</td><td>MSA Section 28:
(1) Each municipal council, within a prescribed period after the start of its elected term, must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan.
(2) The municipality must through appropriate mechanisms, processes and procedures established in terms of Chapter 4, consult the local community before adopting the process.
(3) A municipality must give notice to the local community of particulars of the process it intends to follow.</td></tr>
<tr><td>Advertise the amended IDP Process Plan for public inputs/comments. Copies in library and on website</td><td>Aug</td><td>MSA Section 28
(3)A municipality must give notice to the local community of particulars of the process it intends to follow</td></tr>
<tr><td>Table in Council a budget and IDP time schedule of key deadlines (Annually - at least 10 months before the start of the budget year)</td><td>31 Aug</td><td>MFMA Section 21(1)(b): The mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for -
(i) the preparation, tabling and approval of the annual budget;
(ii) the annual review of-
(aa) the integrated development plan in terms of section 34 of the Municipal Systems Act; and
(bb) the budget-related policies;
(iii) the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
(iv) any consultative processes forming part of the processes referred to in subparagraphs (i), (ii) and (iii).</td></tr>
<tr><td>Submit annual financial statements and annual performance report to the Auditor-General for auditing (within two months after the end of the financial year)</td><td>Before 31 Aug</td><td>MSA Section 126(1)(a): The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing</td></tr>
<tr><td colspan="3">September – October</td></tr>
<tr><td>Submit process plan and time schedule to the West Coast District Municipality and the Provincial Government</td><td>Sept</td><td></td></tr>
</table>

Task	Date	Legal Reference
Internal Analysis – ▪ critical issues/challenges with respect to every service ▪ minimum service levels ▪ institutional ▪ financial ▪ performance	Sep & Nov	
Compile a Financial Plan	Nov – Jan	***MSA Section 26(h):*** *An integrated development plan must reflect a financial plan, which must include a budget projection for at least the next three years.*
External Analysis – • Spatial • Social • Economic • Environmental *This process should be combined with the compilation of ward plans and must involve the local community and other stakeholders*	Sep – Nov	***MSA Section 29(1)(b):*** *The process followed by a municipality to draft its integrated development plan, including its consideration and adoption of the draft plan, must through appropriate mechanisms, processes and procedures established in terms of Chapter 4, allow for-* *(i) the local community to be consulted on its development needs and priorities;* *(ii) the local community to participate in the drafting of the integrated development plan; and* *(iii) organs of state, including traditional authorities, and other role players to be identified and consulted on the drafting of the integrated development plan.*
Commence with the multi-year capital and operating budget	Sept	
Ward committee meetings-and public participation-on the IDP	Sept/Oct	
Obtain inputs from directors and division heads on preliminary capital and operating budget (including review of salary, fleet and equipment budget and tariffs)	Sep / Oct	
November		
Finalise the compilation of new ward plans	Nov – Dec	
Strategic sessions of directorate: Alignment with strategic priorities in IDP	Nov	
Receive audit report on annual financial statements from the Auditor-General	Nov	***MFMA Section 126(3):*** *The Auditor-General must-* *(a) audit those financial statements; and* *(b) submit an audit report on those statements to the accounting officer of the municipality or entity within three months of receipt of the statements.*

Task	Date	Legal Reference
Ensure the Accounting Officer addresses any issues raised by the Auditor-General in the audit report - prepare action/audit plans to address and incorporate into the annual report.	Nov	
December		
Finalise inputs from bulk resource providers (and NER) & agree on proposed price increase	Dec	
Strategic session with Management and Mayoral committee	Dec	
Review whether all bulk resource providers have lodged a request with National Treasury & SALGA seeking comments on proposed price increases of bulk resources	Dec	
Finalise first draft of departmental operational plans and SDBIP for review against strategic priorities	Dec / Jan	
Finalise first draft of Annual Report incorporating financial and non-financial information on performance, audit reports and annual financial statements	Dec	
Submit draft adjustments budget to Budget Steering Committee	Dec	
January		
Adjustments Budget - • Submit to Mayoral Committee • Submit to Council • Submit approved adjustments budget to provincial treasury and National Treasury	Jan	

Task	Date	Legal Reference
Ensure any written comments made to bulk resource providers by municipality on proposed increase of bulk resources are included in any submission made by bulk resource providers to the required organs of state	Jan	
Review whether comments from National Treasury and SALGA have been received on proposed price increases of bulk resources	Jan	
Finalise operating & capital budgets in prescribed formats incorporating National & provincial budget allocations, integrate & align to IDP & draft SDBIP, finalise budget policies including tariff policy	Jan / Feb	
Review the KPI's and annual performance targets	Jan/Feb	
February		
Finalise the draft capital and operating budget and budget related policies	Feb/Mar	
Commence with establishment of ward committees	Feb	
Finalise ward plans	Feb	
Note any provincial and national allocations to municipalities for incorporation into budget	Feb	
Finalise corrective measures from audit report	Feb	
Receive notification of any transfers that will be made to the municipality from other municipalities in each of the next three fin years *(by no later than 120 days before the start of its budget year)*	Before 28 Feb	***MFMA Section 37(2):*** *In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for spending of such allocations, the accounting officer of a municipality responsible for transfer of any allocation to another municipality must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 fin years.*
March 2024		
Receive bulk resource providers' price increases as tabled in Parliament or the provincial legislature	Mar	

Task	Date	Legal Reference
Submit draft 90 days budget to Budget Steering Committee	Before 14 March	
Table draft IDP and budget in Council *(at least 90 days before the start of the budget year)* • Submit to Mayoral Committee • Submit to Council	Mar	***MFMA Section 16:*** *(1) The council of a municipality must for each financial year approve an annual budget for the municipality before start of that financial year.* *(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*
Approval of NERSA tariffs	Mar	
April		
Submit the budget and IDP to Provincial Treasury, National Treasury and other affected organs of state	3 - 6 Apr	***MFMA Section 22:*** *Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must* *(a) in accordance with Chapter 4 of the Municipal Systems Act -* *(i) Make public the annual budget and the documents referred to in Section 17(3); and* *(ii) invite the local community to submit representations in connection with the budget;* *(b) submit the annual budget -* *(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and* *(ii) in either formats to any prescribed national or provincial organs of state and to other municipalities affected by the budget.*
Submit the proposed revised IDP to the District Municipality	3 - 6 Apr	***MSA Section 29(3)(b)****: A local municipality must draft its integrated development plan, taking into account the integrated development processes of, and proposals submitted to it by the district municipality.* ***MPPM Regulation 3(6):*** *A local municipality that considers an amendment to its integrated development plan must-* *(a) consult the district municipality in whose area it falls on the proposed amendment; and* *(b) take all comments submitted to it by the district municipality into account before it takes a final decision on the proposed amendment.*
Make public the annual budget and invite the community to submit representations	Apr	***MFMA Section 22:*** *Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must* *(a) in accordance with Chapter 4 of the Municipal Systems Act -* *(i) Make public the annual budget and the documents referred to in Section 17(3); and* *(ii) invite the local community to submit representations in connection with the budget;* *(b) submit the annual budget -* *(i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and* *(ii) in either formats to any prescribed national or provincial organs of state and to other municipalities affected by the budget.*

Task	Date	Legal Reference
Publish the proposed IDP for public comment	Apr	***MPPM Regulation 3(4)(b):*** *No amendment to a municipality's integrated development plan may be adopted by the municipal council unless the proposed amendment bas been published for public comment for a period of at least 21 days in a manner that allows the public an opportunity to make representations with regard to the proposed amendment.*
Process of consultation and meetings with local community and stakeholders, Provincial and National Treasury and other organs of state	Apr	***MFMA Section 23(1):*** *When the annual budget has been tabled, the municipal council must consider any views of –* *(a) the local community; and* *(b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.*
May		
Confirm National budget for provincial and National allocations to municipalities for incorporation into budget	2 - 11 May	
Review provincial & national legislation incl. DoRA to establish potentially new reporting requirements Inc. annual, monthly & quarterly grant & performance reports for specific new allocations & programmes *(10 working days after end of month deadlines)*	2 - 11 May	
Council must give the mayor an opportunity to respond to the submissions and, if necessary, to revise the budget and table amendments for consideration by the council	5 - 19 May	***MFMA Section 23(2):*** *After considering all budget submissions, the council must give the mayor an opportunity-* *(a) to respond to the submissions; and* *(b) if necessary, to revise the budget and table amendments for consideration by the council.*
Completion of Annual Budget amendments / refinements	Before 26 May	
Submit draft 30 days budget to Budget Steering Committee	Before 19 May	
Table final IDP and budget in Council *(at least 30 days before the start of the budget year)* • Submit to Mayoral Committee • Submit to Council	May	***MFMA Section 24(1):*** *The Council must at least 30 days before the start of the budget year consider the approval of the annual budget.* ***MPPM Regulation 3(3):*** *An amendment to a municipality's integrated development plan is adopted by a decision taken by a municipal council in accordance with rules and orders of the council.*
June		

Task	Date	Legal Reference
Place IDP, annual budget, all budget-related documents and all budget-related policies on the website *(within 5 days of the adoption of the plan)*	Before 5 Jun	***MFMA Section 75(1):*** *The accounting officer of a municipality must place on the website the following documents of the municipality:* *(a) the annual and adjustments budgets and all budget-related documents; and* *(b) all budget-related policies* ***MSA Section 21A(1)(b):*** *All documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B.* ***MFMA Section 75(2):*** *A document referred to above must be placed on the website not later than five days after its tabling in the council or on the date on which it must be made public, whichever occurs first.*
Submit a copy of the revised IDP to the MEC for local government as well as Provincial Treasury *(within 10 days of the adoption of the plan)*	Before 9 Jun	***MSA Section 32(1)(a):*** *The municipal manager of a municipality must submit a copy of the integrated development plan as adopted by the council of the municipality, and any subsequent amendment to the plan, to the MEC for local government in the province within 10 days of the adoption or amendment of the plan.*
Give notice to the public of the adoption of the IDP *(within 14 days of the adoption of the plan)*	14 & 15 Jun	***MSA Section 25(4)(a):*** *A municipality must, within 14 days of the adoption of its integrated development plan in terms of subsection (1) or (3) give notice to the public-* *(i) of the adoption of the plan; and* *(ii) that copies of or extracts from the plan are available for public inspection at specified places;* ***MSA Section 21A(1)(a) and (c):*** *All documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community -* *(a) by displaying the documents at the municipality's head and satellite offices and libraries;* *(c) by notifying the local community, in accordance with section 21, of the place, including the website address, where detailed particulars concerning the documents can be obtained.*
Publicise a summary of the IDP *(within 14 days of the adoption of the plan)*	Jun	***MSA Section 25(4)(b):*** *A municipality must, within 14 days of the adoption of its integrated development plan in terms of subsection (1) or (3) publicise a summary of the plan.*
Make public the approved annual budget and supporting documentation (including tariffs) *(within 10 working days after approval of the budget)*	Jun	***BUDGET & REPORTING REGULATIONS 2009, Reg 18:*** *(1) Within ten working days after the municipal council has approved the annual budget of a municipality, the municipal manager must in accordance with section 21A of Municipal Systems Act make public the approved annual budget and supporting documentation and resolutions referred to in section 24(2)(c) of the Act.* *(2) The municipal manager must also make public any other information that the municipal council considers appropriate to facilitate public awareness of the annual budget, including-* *(a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and*

Task	Date	Legal Reference
		(b) information relevant to each ward in the municipality. *(3) All information contemplated in subregulation (2) must cover:* *(a) the relevant financial and service delivery implications of the annual budget; and* *(b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year and the following two years.*
Submit approved budget to the provincial treasury and National Treasury *(within 10 working days after approval of the budget)*	Before 14 Jun	***MFMA Section 24(3):*** *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.* ***BUDGET & REPORTING REGULATIONS 2009, Reg 20:*** *The municipal manager must comply with section 24(3) of the Act within ten working days after the municipal council has approved the annual budget.*
Submit to the Executive Mayor the draft SDBIP and draft annual performance agreements for the next year *(within 14 days after approval of the budget)*	Jun	***MFMA Section 69(3):*** *(a) The accounting officer must no later than 14 days after approval of an annual budget submit to the mayor a draft service delivery and budget implementation plan for the budget year.* *(b) The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers.*
Executive Mayor takes all reasonable steps to ensure that the SDBIP is approved *(within 28 days after approval of the budget)*	Jun	***MFMA Section 53(1)(c)(ii):*** *The mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after approval of the budget.*
Place the performance agreements and all service delivery agreements on the website	Before 18 Jun	***MFMA Section 75(1):*** *The accounting officer of a municipality must place on the website the following documents of the municipality:* *(d) performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act; and* *(e) all service delivery agreements* ***BUDGET & REPORTING REGULATIONS 2009, Reg 19:*** *The accounting officer must place on the website all performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act.*
Submit copies of the performance agreements to Council and the MEC for local government as well as the national minister responsible for local government *(within 14 days after concluding the employment contract and performance agreement)*	Before 27 Jun	***MFMA Section 53(3)(b):*** *Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.* ***PERF REGS 2006 Reg(5):*** *The employment contract and performance agreement must be submitted to the MEC responsible for local government in the relevant province as well as the national minister responsible for local government within fourteen (14) days after concluding the employment contract and performance agreement*

Task	Date	Legal Reference
Submit the SDBIP to National and Provincial Treasury *(within 10 working days approval of the plan)*	Before 27 Jun	***BUDGET & REPORTING REGULATIONS 2009, Reg 20(2)(b):*** *The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan.*
Make public the projections, targets and indicators as set out in the SDBIP *(within 10 working days after the approval of the SDBIP)*	Before 27 Jun	***MFMA Section 53(3)(a):*** *The mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan.* ***BUDGET & REPORTING REGULATIONS 2009, Reg 19:*** *The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the Act.*
Make public the performance agreements of Municipal Manager and senior managers *(no later than 14 days after the approval of the SDBIP)*	Before 27 Jun	***MFMA Section 53(3)(b):*** *The mayor must ensure that the performance agreements of municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan.*

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The amendment following the second revision of the 5th Generation Integrated Development Plan (IDP) for the 2021/22 – 2026/27 financial years was submitted to Council for approval in March 2025. Council has decided to adopt the revised 4th generation IDP as the 5th generation IDP in the first year of their term of office (2023/24).

The Municipality's IDP is its principle strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into strategic goals, strategic objective, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the annual revisions of the Fifth Generation IDP includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental strategic plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the TL-SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2025/26 MTREF, based on the approved 2024/25 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2025/26 MTREF, each department/section had to review the business planning processes, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2024/25 Top Level Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Council, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Council strategically complies with the key national and provincial priorities.

The aim of the Fourth Generation IDP was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Council's response to these requirements.

The Constitution requires local government to relate its management, budgeting, and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2024/25 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Goals and Strategic Objectives

STRATEGIC GOAL	STRATEGIC OBJECTIVES
Strengthen financial sustainability	To budget strategically
	Entrench the Long-Term Financial Plan in the planning, implementation and management of the organisation
	Diversify revenue and ensure value for money services
	Ensure sustainable financial risk and asset management
	Diversify by sourcing grant funding to support projects, programmes and initiatives of Council
	Ensure transparency in financial management by ensuring that all financial records are accurate, reliable and timely

STRATEGIC GOAL	STRATEGIC OBJECTIVES
Ensure good governance	Create an efficient, effective, economic and accountable administration.
	Provide a transparent and corruption free municipality.
	Accountable leadership supported by professional and skilled administration.
	Communicate effectively with the public
	A customer centred approach to everything.

STRATEGIC GOAL	STRATEGIC OBJECTIVES
Sustainable service delivery	Develop and provide bulk infrastructure within the climate change risks.
	Maintain existing bulk infrastructure and services.
	Develop, manage and regulate the built environment.
	Source alternative sources of energy in the context of national electricity provision.
	Conserve and manage the natural environment and mitigate the impacts of climate change.

STRATEGIC GOAL	STRATEGIC OBJECTIVES
	Improve the regulatory environment for ease of doing business.

Facilitate an enabling environment for a diversified economy and growth to alleviate poverty.	Promote tourism.
	Alleviate poverty through job creation in municipal driven projects and programmes.
	Ensure all policies and systems in Bergrivier Municipality support poverty alleviation.
	Attract investment through catalytic infrastructure.

STRATEGIC GOAL	STRATEGIC OBJECTIVES
Empowering people through innovation.	To promote healthy lifestyles through the provision of sport, recreational and other facilities and opportunities.
	Promote continued partnerships for youth development.
	Promote a safe environment for all who live in Bergrivier Municipal Area.
	Develop a Master Plan for "Smart Cities" in Bergrivier Municipal Area.

To ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP process which is directly aligned to that of the national and provincial priorities.

New game changers have been identified and are included in the IDP review document and will also be taken up into the Service Delivery and Budget implementation plan for the 2025/2026 financial year and beyond to ensure the execution of strategic objectives.

The 2025/26 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 10 MBRR SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Please refer to Annexure A

Table 11 MBRR SA5 - Reconciliation between the IDP strategic objectives and budgeted Operating Expenditure

Please refer to Annexure A

Table 12 MBRR SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure

Please refer to Annexure A

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Council has developed and implemented a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

The following table sets out the municipality's main performance objectives and benchmarks for the 2025/26 MTREF.

Table 13 MBRR SA7 - Measurable performance objectives

Please refer to Annexure A

Table 14 MBRR SA8 - Performance indicators and benchmarks

Please refer to Annexure A

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Council. The National Treasury determined the poverty threshold as two times the government old age pension and the indigent subsidy received through the equitable share is intended to subsidise the households that meet the qualification criteria. In the case of Bergrivier municipality, the council has adopted a policy whereby the qualifying threshold was extended to provide subsidies to households earning twice the government old age pension. This level of subsidy is unfortunately unsustainable in the long run and the threshold has again been capped at a combined household income of R5200 per month.

In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, 50 Kwh of electricity, sanitation, and free waste removal once a week, as well as a 100% rebate on their property rates. It is anticipated that approximately 2100 households will receive indigent subsidy in the 2025/2026 financial year.

The subsidy policy is further enhanced to include a subsidy in respect of patients on life support systems where 100 units of free electricity will be allocated per month subject to the qualifying criteria as set out in the indigent policy.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table A10 (Basic Service Delivery Measurement).

2.4 Overview of budget related policies

The Council budgeting process is guided and governed by relevant legislation, frameworks, strategies, and related policies.

Key Financial Indicators

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The assumptions and principles applied in the development of this budget are mainly based upon guidelines from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA) and West Coast District Municipality. The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury determines the ceiling of year-on-year increases in the total operating budget, whilst the National Electricity Regulator (NERSA) regulates electricity tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies as well as their activities within the region.

There are five key factors that have been taken into consideration in the compilation of the 2025/26 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Bergrivier Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of employment for 2025/2026.

An average tariff increase could not be recommended as the principle of cost reflective tariffs are applied where possible and especially where a service is not viable and unsustainable in the long term. Electricity tariffs are still subjected to NERSA guidelines and are therefore determined in accordance with the guidelines given.

The increase in tariffs was required to ensure that the tariffs cover the cost of the services and various cost drivers have been considered. The increases are above the current inflationary trends and exceed the National Treasury guideline therefore a full motivation is provided in respect of each tariff exceeding the guideline. The main cost drivers of the tariff increase are the increase in cost of employment through notch increases, provision for the filling of critical vacancies, and other cost drivers associated with the rendering of goods and services by the municipality such as high fuel price increases, increasing interest rates, increase in the cost of commodities, scarcity of certain products due to the war in the Ukraine, the volatility in the markets, contractual obligations and other pre-determined and regulated price adjustments and legislated tariffs, fees and charges.

The following key assumptions underpinned the preparation of the medium-term budget:

Description	2025/26
	%
Inflation rates - CPI	4.4%
Growth	3%
Provision for Doubtful Debt	4 - 5%
Remuneration increase	5.01% + 2.4% (Notch)
Electricity distribution loss	10.5%
Electricity price increase	9.36%
Water distribution loss	15%

2.4.1 Collection rate for revenue services

The base assumption is that tariffs will increase at a rate higher than CPI over the medium term. The rate of revenue collection is currently expressed as a percentage of annual billing. Cash flow is also assumed to be 95% of billing, it is doubtful whether inroads will be made in the collection of arrears debt over the short term as the current economic circumstances are not supportive of the debt collection efforts.

No additional cash flow from arrears debt is anticipated over the short term and adjustments in this regard will only be reconsidered once revenue trends indicate an upward movement.

It is anticipated that the combined efforts of the revenue enhancement program, coupled to a slight anticipated growth in the area will add approximately 2% in revenue from consumer services.

2.4.2 Salary increases

A collective agreement in respect of salaries and wages for the next 3 years have not been concluded but, the general salary increase for the 2024/2025 financial year amounts to 5.2% in accordance with the circular 129 as issued by National Treasury in December 2024.

Provision is also made for a notch increase of 2.4 percent to employees who have not reached the maximum notch of their respective salary scales in the 2025/2026 financial year.

2.4.3 Ability of the municipality to spend and deliver on the programmes.

It is estimated that a spending rate of at least 80% is achieved on operating expenditure and 95% on the capital programme for the 2025/26 MTREF of which performance has been factored into the cash flow budget.

2.4.4 Cost containment measures

The municipality has developed and adopted a Cost Containment Policy in accordance with the principles contained in the Regulations. Since no baseline existed against which cost reduction or containment could be measured, the reporting is required by the regulation remain an issue that needs to be addressed.

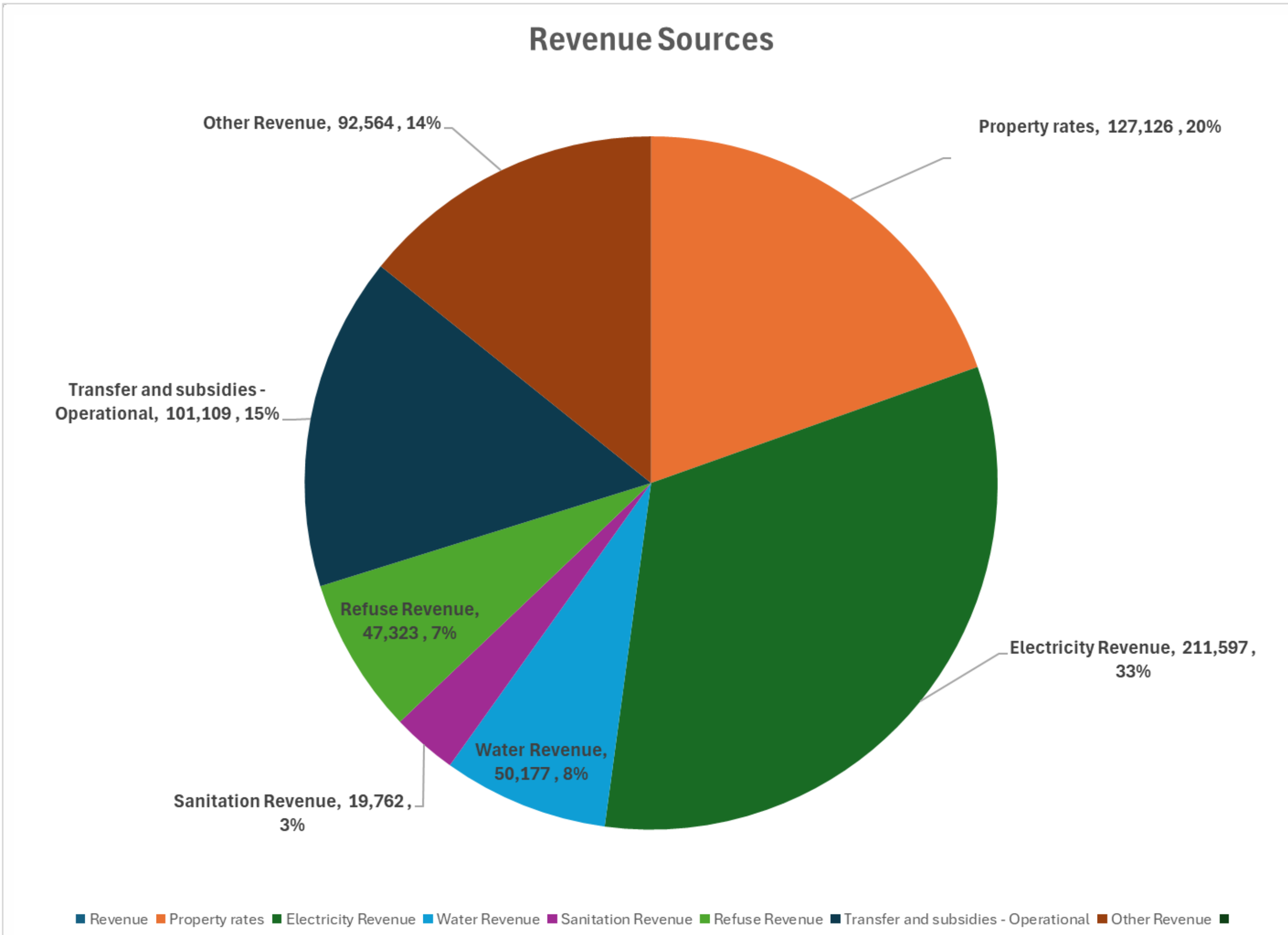
2.5 Overview of budget funding

2.5.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium term:

Table 15 Breakdown of the operating revenue over the medium-term.

Figure 1 Main operational revenue per category



The tables below provide detail investment information and investment particulars by maturity.

Table 16 MBRR SA15 – Detail Investment Information

Please refer to Annexure A

Table 17 MBRR SA16 – Investment particulars by maturity

Please refer to Annexure A

2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2025/26 medium-term capital programme:

Table 18 Sources of capital revenue over the MTREF

Please refer to Annexure A

The table indicates that the bulk of the capital budget is funded through own sources being Capital Replacement Reserve and External Borrowing.

The following table is a detailed analysis of the Council's long-term borrowing liability.

Table 19 MBRR SA17 Borrowing

Please refer to Annexure A

Growth in outstanding borrowing (long-term liabilities)

The graph illustrates the growth in outstanding borrowing for the period 2023/24 to 2026/27 on average of 7%. The gearing ratio remains in a narrow band with gearing not exceeding 28% over the MTREF.

2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and improves the level of understanding for councillors and management.

To enhance cash flow over the MTREF, a new funding mix methodology was adopted, where cash generated from operations are retained to a larger extent over the MTREF than what was previously done. This will add in improving the liquidity position of the municipality and will also ensure that sufficient liquid resources are available to cover operational requirements in the short and medium term.

The funding methodology will also ensure that the "user pays" principle is ascribed to where current users of services are footing the bill for the capital investment required to deliver the service.

Table 20 MBRR A7 Budgeted cash flow statement

Please refer to Annexure A

2.5.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

Table 21 MBRR A8 - Cash backed reserves/accumulated surplus reconciliation

Please refer to Annexure A

2.5.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position, and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. From the assessment the budget of Bergrivier complies with the funding requirements as referred to in the legislative framework.

Table 22 MBRR SA10 – Funding compliance measurement

Please refer to Annexure A

Cash/cash equivalent position.

Bergrivier Municipality's forecasted cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. In the case of Bergrivier this is positive for the over the entire MTREF.

Cash plus investments less application of funds.

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

Monthly average payments covered by cash or cash equivalents.

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of Bergrivier Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection like it have in past. The Municipality needs to achieve at least three month's cash coverage in the medium term, and then gradually move towards five months coverage. This measure will have to be carefully monitored going forward.

Surplus/deficit excluding depreciation offsets.

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year.

It needs to be noted that a budgeted surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) must be increased to offset under-collection of billed revenues.

Capital payments percentage of capital expenditure.

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that creditors be paid within 30 days.

Borrowing as a percentage of capital expenditure (excluding transfers, grants, and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. Bergrivier Municipality has budgeted for all transfers.

Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.6 Expenditure on grants and reconciliations of unspent funds

Table 23 MBRR SA18 Transfers and grant receipts

Please refer to Annexure A

Table 24 MBRR SA19 - Expenditure on transfers and grant programs

Please refer to Annexure A

Table 25 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Please refer to Annexure A

2.7 Councillor and employee benefits

Table 26 MBRR SA22 - Summary of councilor and staff benefits

Please refer to Annexure A

Table 27 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Please refer to Annexure A

Table 28 MBRR SA24 – Summary of personnel numbers

Please refer to Annexure A

2.8 Monthly targets for revenue, expenditure and cash flow

Table 29 MBRR SA25 - Budgeted monthly revenue and expenditure

Please refer to Annexure A

Table 30 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Please refer to Annexure A

Table 31 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Please refer to Annexure A

Table 32 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Please refer to Annexure A

Table 33 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Please refer to Annexure A

Table 34 MBRR SA30 - Budgeted monthly cash flow

2.9 Contracts having future budgetary implications.

In terms of the Council's Supply Chain Management Policy, except for the Banking Services contract and External Loans, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.10 Capital expenditure details

The following three tables present details of the Council's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 35 MBRR SA 34a - Capital expenditure on new assets by asset class

Please refer to Annexure A

Table 36 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Please refer to Annexure A

Table 37 MBRR SA34c - Repairs and maintenance expenditure by asset class

Please refer to Annexure A

Table 38 MBRR SA34d Depreciation by asset class

Please refer to Annexure A

Table 39 MBRR SA34e Capital expenditure on the upgrading of existing assets by asset class

Please refer to Annexure A

Table 40 MBRR SA35 - Future financial implications of the capital budget

Please refer to Annexure A

Table 41 MBRR SA36 Detailed capital budget

Table 42 MBRR SA37 - Projects delayed from previous financial year

There are no projects that have been delayed from previous financial years.

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In-year reporting

Reporting to National Treasury in electronic format was fully complied with monthly. Section 71 reporting to the Executive Mayor (within 10 working days) is done without exception and has progressively improved in quality as well as narrative explanations, the reporting includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Council's is participating in the Municipal Financial Management Internship programme and is currently in the process of recruiting new interns. Since the introduction of the Internship programme the Council has successfully employed and trained various interns through this programme and most of them were appointed either within the municipality or other at Municipalities.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detailed SDBIP document is at a draft stage and submitted with the revision of the IDP it will be finalised after approval of the 2025/26 MTREF in May 2025 and is directly aligned and informed by the 2025/2026 MTREF.

6. Annual Report

The Annual report is compiled in terms of the requirements of Section 127 of the MFMA and National Treasury requirements.

7. Policies

Various policy amendments are proposed as part of the budget process, all policies being revised are to be made available with the budget documentation for public input.

8. Minimum Competency Training

Minimum competency training is underway and all required staff members are enrolled for the completion of the required training. Our participation in this program is in line with the assessment of current skills pool and capacity building to ensure less reliance on consulting services. The filling of critical vacancies will also require compliance by candidates to the minimum competency requirements.

2.12 Other supporting documents

Table 43 MBRR SA1 - Supporting detail to budgeted financial performance

Please refer to Annexure A

Table 44 MBRR SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Please refer to Annexure A

Table 45 MBRR SA3 – Supporting detail to Statement of Financial Positi

Please refer to Annexure A

Table 46 MBRR SA9 – Social, economic and demographic statistics and assumptions

Please refer to Annexure A

Table 47 MBRR SA11 Property rates summary

Please refer to Annexure A

Table 48 MBRR SA12a Property rates by category (current year)

Please refer to Annexure A

Table 49 MBRR SA12b Property rates by category (budget year)

Please refer to Annexure A

Table 50 MBRR SA13a Service Tariffs by category

Please refer to Annexure A

Table 51 MBRR SA21 Transfers and grants made by the municipality

Please refer to Annexure A

Table 52 MBRR SA32 – List of external mechanisms

Please refer to Annexure A

Table 53 MBRR SA38 – Consolidated detailed operational projects

Please refer to Annexure A

2.13 Municipal manager's quality certificate

I, H Linde, Municipal Manager of Bergrivier Municipality, hereby certify that the Final budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Advocate H. Linde

Municipal Manager of Bergrivier Municipality (WC013)

Signature Linde

Date 22 May 2025