



Western Cape
Government

FOR YOU

2026 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENT (SIME 2) THEEWATERSKLOOF MUNICIPALITY

2026/27 MTREF BUDGET, IDP, SDF & OTHER ASSOCIATED DOCUMENTS

18 May 2026



Cloudy with a chance of rain...

Emerging Municipal Planning & Budget Risks for 2026



Pressure System Building

- A low-growth, high-pressure economic environment is expected to limit meaningful expansion in municipal revenue bases.
- Global instability, including conflict and energy market volatility, is likely to sustain unpredictability in key input costs.
- Inflation is currently relatively contained but is expected to begin edging upward, introducing renewed cost pressure.
- Interest rates may increase or remain elevated in response, keeping borrowing costs high and limiting financial flexibility.
- Limited fiscal space at national level suggests no significant expansion in support to local government.

Political Economy

- Election-year dynamics likely to constrain implementation of fully cost-reflective tariff increases. Ongoing pressure to prioritise visible service delivery outcomes over financial sustainability.
- Budgeting and planning decisions are likely to reflect a short-term bias.
- Hung-councils post-election.

Planning Environment

- New IDP cycle requires municipalities to reassess priorities and align planning to evolving fiscal and service delivery realities.
- Alignment to the new Provincial Strategic Plan (PSP) will be required, placing additional demands on coordination and strategic prioritisation.
- Risk that planning processes may not fully reflect emerging financial constraints, leading to misalignment between plans and budgets.

Financial Sustainability

- Operating positions expected to tighten, even where budgets appear balanced. Municipalities are likely to continue using cash reserves to smooth budgets rather than reset cost structures.
- Partial tariff under-recovery in key services is expected to persist.
- Household affordability constraints are expected to intensify, weakening consumers' ability to absorb tariff increases and placing downward pressure on collection rates and trading service revenues.
- Ageing infrastructure will continue to drive maintenance requirements faster than available funding.

Climate Risks

- Increasing climate variability expected to place pressure on municipal planning and infrastructure resilience.
- Risk of natural disasters, including floods, droughts, and fires, introduces potential for sudden and unplanned expenditure shocks.
- Limited climate responsiveness & adaptation capacity may heighten fiscal exposure and recovery costs.

Silver lining...

- **Review of the White Paper on Local Government** provides an opportunity to establish a clearer and more realistic roadmap toward a more stable and sustainable local government system.
- The continued strengthening of financial management systems, including mSCOA, is improving data quality, transparency, and the ability to support more informed decision-making.
- **Growing use of alternative and blended finance** approaches is beginning to unlock new funding sources for infrastructure, reducing sole reliance on constrained public finances.
- **Increased focus on infrastructure asset management and maintenance planning** is gradually shifting municipalities toward more sustainable long-term service delivery models.
- Ongoing national and provincial reform initiatives are placing **greater emphasis on accountability, governance, and financial sustainability** within the local government system.

2026/27 SIME 2 Assessment

Key Findings

INTEGRATED DEVELOPMENT PLANNING - Alignment and Implementation

Status of tabled IDP: Sec 34 of the MSA – Proposed Amendments

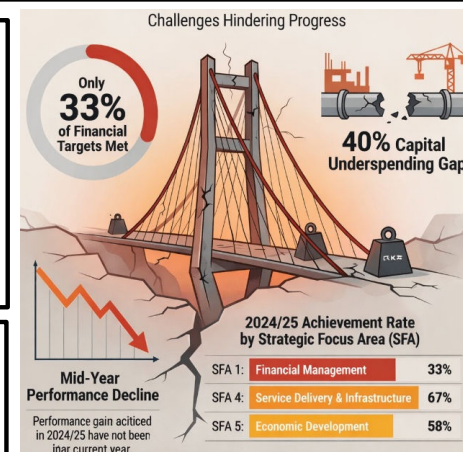
IDP ALIGNMENT

- **Infrastructure:** Incorporate the **Western Cape Government Infrastructure Framework 2050**.
- **Mobility:** Enhance transport integration through improved public transport access, investment in non-motorised infrastructure, and the phased assumption of municipal transport functions.
- **Health and Wellness:** Align with the Overberg District Health Plan 2026/27.

IDP IMPLEMENTATION

Key Considerations

- **Infrastructure Delivery and Project Implementation:** Improve procurement turnaround times and contract management processes to **ensure timely delivery of capital projects in line with FRP milestones**, particularly addressing service delivery backlogs under SFA4.
- **Financial Recovery:** Implement targeted financial recovery measures under SFA1, focused on revenue collection, liquidity management, and creditor payment performance, aligned to FRP requirements and 2026/27 actions.
- **Local Economic Development (LED):** Develop an LED recovery approach for the 2027–2032 IDP, to enhance implementation capacity.
- **Strategic Planning:** Utilise performance trends from the 2021–2026 IDP cycle as baseline conditions to inform the **development of the 2027–2032 IDP**.



ENVIRONMENTAL AFFAIRS & DEVELOPMENT PLANNING:

SPATIAL TRANSFORMATION AND HOUSING

Strength - MSDF identifies specific Priority Development Areas (PDAs) for in-situ upgrading.

Gaps:

- No annual MSDF performance review conducted.
- Capital Expenditure Framework (CEF) is incomplete due to missing data.



Actions:

- Initiate a formal MSDF review process and incorporate a spatial performance report. Complete the CEF data and adjust the MTREF to increase asset renewal. Prioritize drafting an Inclusionary Housing Policy

CLIMATE CHANGE & BIODIVERSITY

Strengths: Risk assessments for municipal operations are well-entrenched.

Gaps:

- Current focus is often reactive disaster response rather than proactive risk reduction.

Actions:

- Shift to proactive resilience by reducing structural vulnerabilities in infrastructure and systems.
- Promote energy efficiency and renewable energy opportunities to manage disasters like loadshedding.



WASTE MANAGEMENT

Strengths: 100% reporting frequency on IPWIS

Gaps:

- Local waste facilities rated "poor and below average" with significant environmental and operational failures.
- No formally designated Waste Management Officer.

Actions:

- Fast-track the decommissioning of non-compliant historic disposal sites. Formally adopt the draft Waste By-law and Organic Waste Diversion Plan.



ECONOMIC SUSTAINABILITY

Socio-Economic Climate

- Steady population growth with rising service demand pressures
- Moderate economic growth, but persistent poverty and inequality
- Basic services relatively strong, but sanitation and refuse lagging
- Mixed social outcomes: strong education, but retention and crime concerns
- Infrastructure backlogs and ageing assets constrain development capacity

Fiscal Response

- Budget prioritises core service sustainability (water, wastewater, electricity)
- Strong focus on infrastructure maintenance and rehabilitation
- Targeted capital investment in water and sanitation infrastructure
- Operational spending supports service continuity under fiscal constraints
- Incremental expansion approach over MTREF due to limited capital space

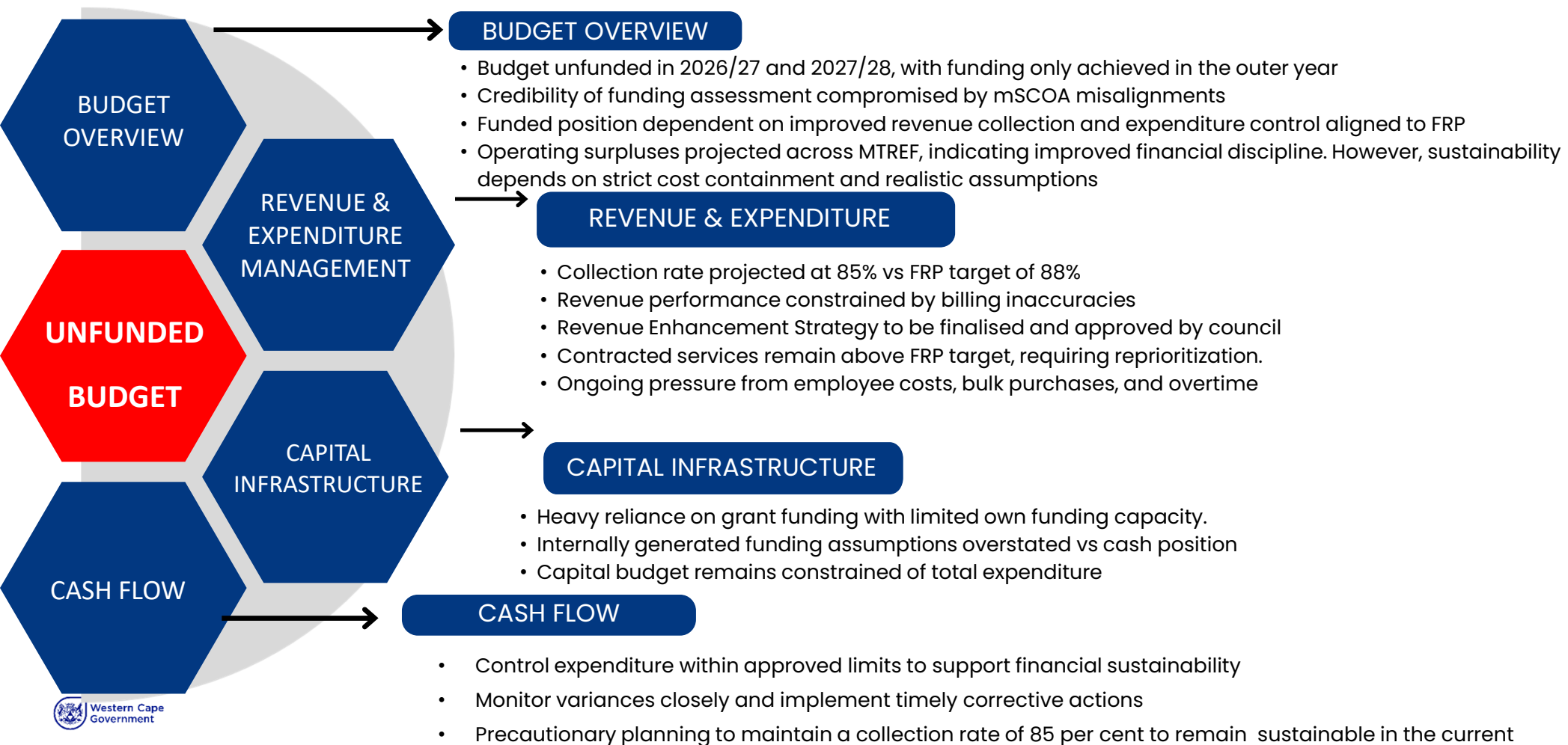
Sustainability & Infrastructure Risks

- Mismatch between planning data and actual household/service demand
- Ageing infrastructure increasing service delivery failures and losses
- Limited capital funding constraining infrastructure expansion
- High dependency on maintenance
- Social pressures (crime, housing demand, service inequality) escalating

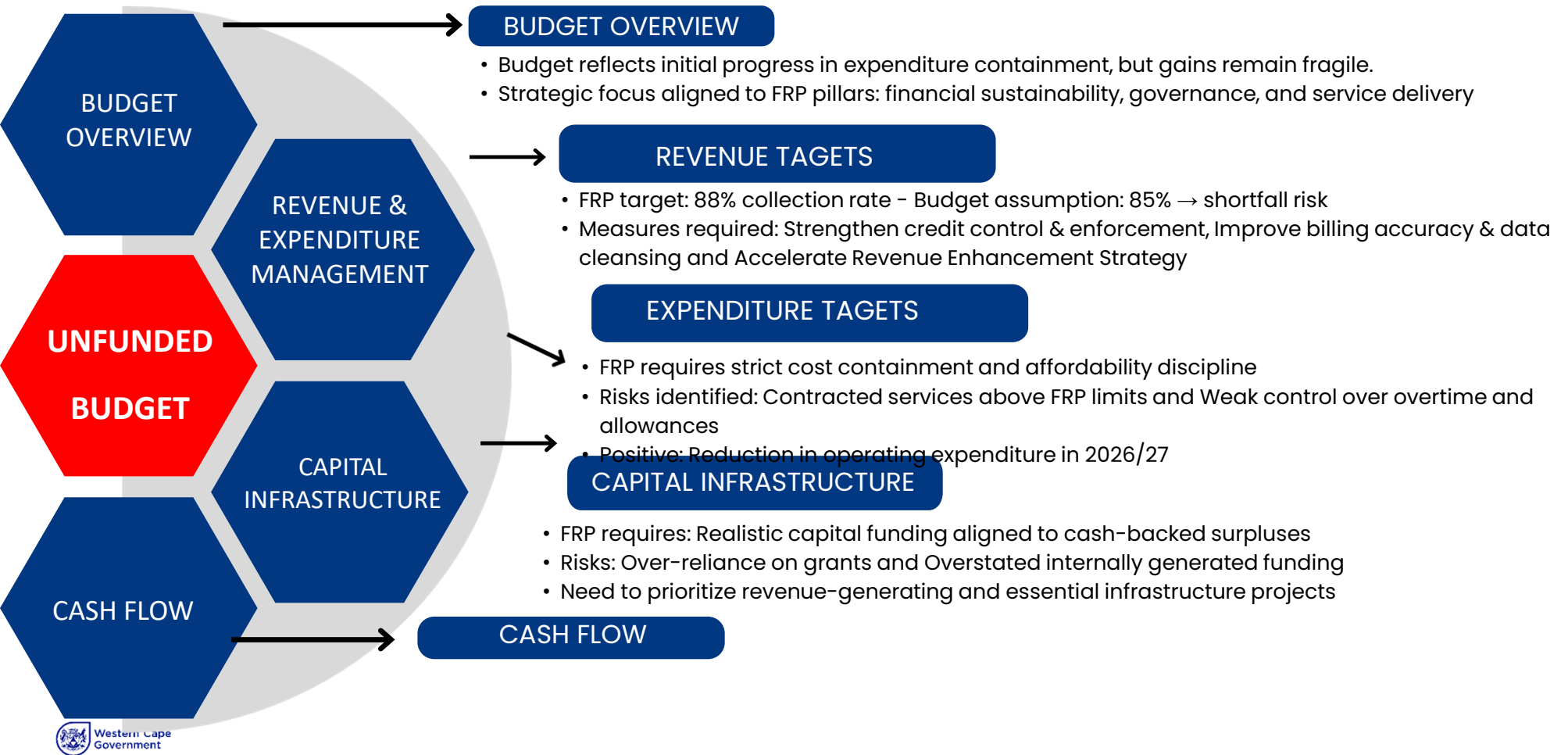
Strengthening Long-Term Sustainability & Resilience

- Strengthen alignment between IDP, budget, and service demand data
- A balanced maintenance-and-capital investment approach
- Accelerate integrated infrastructure planning across sectors
- Improve realism and consistency of performance targets
- Leverage external funding and partnerships for infrastructure expansion

FINANCIAL SUSTAINABILITY



ALIGNMENT WITH FRP TARGETS



Supply Chain & Asset Management

1) Summary of Governance

- The Municipality has reviewed and approved key SCM-related policies, including the SCM, Preferential Procurement, FIDPM, and Asset Management Policies, **demonstrating commitment to governance compliance and policy oversight.**
- The **asset management framework** further **reflects positive lifecycle management** and control practices.
- **However, the municipality is encouraged to:**
 - **Strengthen governance**, including the absence of SCM SOPs, delegation registers, and certain supporting policies.
 - **To ensure alignment** with current **MFMA regulations and National Treasury requirements.**
- **Therefore**, ensure all SCM and related policies are aligned to MFMA, SCM Regulations, and applicable Treasury prescripts.

2) Procurement Planning & Contract Monitoring

- The draft **Procurement Plan broadly aligns** with **IDP priorities** relating to core service delivery areas such as water, sanitation, electricity, and housing.
- **However**, the Municipality **is encouraged to strengthen the alignment** between **budget allocations, procurement timelines** and **project scheduling** to further support effective implementation and proactive contract management.

3) Strategic Procurement Recommendations

- The Municipality continues to prioritise repairs and maintenance expenditure, **reflecting focus** on infrastructure sustainability and long-term asset management.
- Going forward, the Municipality **is encouraged to enhance contract management** and **strategic procurement practices further** to strengthen oversight, improve risk management and maximise value for money outcomes.

Thank you