FINANCIAL RECOVERY PLAN

WATERBERG DISTRICT MUNICIPALITY

July 2026

Abbreviations **4**

1. EXECUTIVE SUMMARY **5**

1.1 INTRODUCTION 5

1.2 BACKGROUND 6

2. RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN **7**

3. STATUTORY AND LEGISLATIVE CONTEXT **8**

4. PREPARATION, CONSULTATION AND APPROVAL OF THE MANDATORY FINANCIAL RECOVERY PLAN **10**

4.1. OVERVIEW OF THE FINANCIAL RECOVERY PLAN 10

4.2. PREPARATION 12

4.3. CONSULTATION 12

4.4. APPROVAL 12

4.5. IMPLEMENTATION OF THE INTERVENTION AND FINANCIAL RECOVERY PLAN 13

4.6. MONITORING AND OVERSIGHT 13

4.7. COMMUNICATION STRATEGY 13

5. PART TWO: STATUS QUO **14**

5.1. PILLAR 1: FINANCIAL MANAGEMENT FRP FINDINGS AND ACTIVITIES TARGETS 15

5.2. PILLAR 2: SERVICE DELIVERY FRP KEY FINDINGS AND ACTIVITIES 22

5.3. PILLAR 3: GOVERNANCE FRP KEY FINDINGS AND ACTIVITIES. 26

5.4. PILLAR 4: INSTITUTIONAL AND HUMAN RESOURCES FRP KEY FINDINGS AND ACTIVITIES. 28

6. PHASE 1, 2, AND 3: BUDGET PARAMETERS AND FINANCIAL TARGETS: **31**

7. IMPLEMENTATION STRATEGY **39**

8. CONCLUSION **40**

9. RECOMMENDATIONS **41**

10. ENDORSEMENTS **43**

Table Content:

Table 1 Pillar 1: Financial Management FRP Actions and Targets 15
Table 2 Pillar 2: Service Delivery FRP Actions and Targets .... **Error! Bookmark not defined.**
Table 3 Pillar 3: Governance FRP Actions and Targets.. 27
Table 4 Pillar 4: Institutional and Human Resources FRP Actions and Targets....................................... 28
Table 5 Comprehensive Schedule of Reporting and Committee Meeting Dates:..................................... 40

Abbreviations

NO.	ABBREVIATION	FULL FORM
1.	AFS	Annual Financial Statements
2.	AG	Auditor General
3.	AR	Asset Register
4.	BFP	Budget Funding Plan
5.	CFO	Chief Financial Officer
6.	COGHSTA	Cooperative Governance, Human Settlement and Traditional Affairs
7.	CoGTA	Department of Cooperative Governance and Traditional Affairs
8.	CoS	Cost of Supply
9.	DM	District Municipality
10.	DWIIMP	District Wide Integrated Infrastructure Master Plan
11.	FRP	Financial Recovery Plan
12.	FY	Financial Year
13.	GDP	Gross Domestic Product
14.	LPG	Limpopo Provincial Government
15.	HoD	Head Of Department (WDM)
16.	ICT	Information and Communications Technology
17.	IDP	Integrated Development Plan
18.	MEC	Member of the Executive Council
19.	MFMA	Local Government: Municipal Financial Management Act, Act 56 of 2003
20.	MHS	Municipal Health Services
21.	MM	Municipal Manager
22.	MFRS	Municipal Financial Recovery Service
23.	mSCOA	Municipal Standard Chart of Accounts
24.	NT	National Treasury
25.	PMS	Performance Management System
26.	SDBIP	Service Delivery & Budget Implementation Plan
27.	SQA	Status Quo Assessment
28.	Stats SA	Statistics South Africa
29.	UIF&W	Unauthorised, Irregular, Fruitless and Wasteful Expenditure
30.	WDM	Waterberg District Municipality
31.	WSA	Water Service Authority

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

The Waterberg District Municipality (WDM) was formally established in 2000 as a Category C municipality within South Africa's broader local government transformation process.

WDM has been experiencing a financial crisis that resulted in its inability to pay salaries and meet its obligations to pay third parties. These outstanding obligations were subsequently paid during the 2025/26 financial year through the provincial financial support and equitable share allocations. In response to the municipality's deteriorating financial position, the Executive Mayor of WDM formally requested urgent provincial intervention and support through correspondence addressed to the Limpopo MEC for Finance in May 2025 and to the MEC for Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA) in September 2025. These requests were made in accordance with Section 135 of the Municipal Finance Management Act, No. 56 of 2003, which provides for provincial intervention where a municipality experiences financial problems. Consequently, a mandatory intervention has been invoked in terms of Section 139 of the MFMA.

WDM's financial crisis is characterised by recurring unrealistic, unfunded budgets, sustained operating deficits and declining liquidity levels. The underlying causes of the financial crisis largely stem from the high contracted, general and employee-related costs that are not kept within available revenues.

Over the past five financial years, expenditure growth has consistently outpaced revenue growth, resulting in the depletion of accumulated cash reserves. Operating expenditure exceeded revenue throughout, with annual deficits increasing from R15.5 million in 2020/21 to R24.4 million in 2024/25, and a projected deficit of R27.2 million in 2025/26. Employee-related costs remain the municipality's largest expenditure driver and increased from R114.6 million in 2020/21 to R129.3 million. When combined with councillor remuneration, not much is left for service delivery, capital investment, and operational sustainability. One major driver of high personnel costs is a severe structural mismatch in salary scales across different levels. This is caused by a lack of formal job evaluations, which has created deep internal inconsistencies and left several roles compensated well above their actual organisational weight:

- Lower-level employees are overpaid relative to the municipality's actual profile. Even though Waterberg is a Level 4 municipality, junior staff are being remunerated on scale equivalents meant for a larger, Level 5 municipality within the district.
- Senior Managers are under-graded, being remunerated according to a lower Grade 3 scale (while still following the official CoGTA Notice on Upper Limits).
- Meanwhile, political office bearers (Councillors) are correctly compensated at the municipality's actual Grade 4 status.

Ultimately, the failure to implement systematic job evaluations has created an upside-down structure. The municipality pays too much at the bottom, under-grades its administrative leadership packages, and creates an inconsistent baseline against its political grading. Allowances constitute the most material controllable component of the employee cost base.

For a non-water service district like WDM, up to 95 per cent of the total revenue is derived primarily from the Equitable Share and, as a result employee cost naturally constitutes a higher percentage of the total operating expenditure. This fiscal structure is driven by the district's statutory obligations under the Municipal Structures Act, which mandates the provision of firefighting, disaster management, municipal abattoir and health services. These specific functions are inherently labour-intensive rather than capital-intensive and require specialised physical personnel rather than heavy infrastructure. Across South Africa, non-WSA districts routinely record employee cost ratios between 55 per cent and 70 per cent. While Waterberg's 71 per cent ratio sits at the absolute ceiling of this peer group, it reflects a structural reality shared by similar district municipalities across provinces that lack trading services.

Equitable share receipts increased by R12.6 million (8.8 per cent) from 2020/21 to 2024/25, while employee costs excluding councillor allowances increased by R38 million (33.1 per cent). General expenses increased by R3.1 million (7.9 per cent) from R39.4 million to R42.5 million during the same period and are projected to increase by an additional R11 million (26 per cent) from 2025/26 to 2027/28. The disparity between actual revenue and increasing operating expenditure highlights shortcomings in budgeting and ineffective control of expenditure within available revenues.

The municipality's liquidity position deteriorated substantially over the past five years. Cash and cash equivalents declined from R47.7 million in 2020/21 to approximately R201 thousand in 2024/25, while the current ratio decreased from 2.15 to 0.03, indicating severe cash flow constraints and an inability to meet short-term obligations as they fall due. Creditor balances also increased from R3.6 million in 2020/21 to R16.6 million in 2024/25, with the creditor's payment period deteriorating from 31 days in 2023/24 to 125 days in 2024/25, due to liquidity constraints.

During October to November 2025, the municipality had exhausted its available cash resources and was unable to meet several short-term financial obligations. As of 30 June 2025, the municipality had not paid R9.9 million owed to third parties for May and June 2025. Although outstanding salaries, creditors and third-party obligations were subsequently settled during the 2025/26 financial year through equitable share allocations and the provincial financial support, these measures provided only temporary relief. The overall assessment indicates that the municipality remains exposed to significant long-term financial sustainability risks and its ability to continue operating as a going concern unless urgent corrective interventions are implemented.

1.2 BACKGROUND

In response to the municipality's deteriorating financial position, the Executive Mayor of the Waterberg District Municipality requested assistance from the MECs for Finance and Cooperative Governance, Human Settlement and Traditional Affairs (COGHSTA) in the province, requesting urgent financial assistance to address the municipality's impending serious financial crisis. These requests triggered the invocation of a mandatory intervention that ultimately resulted in the preparation of a mandatory Financial Recovery Plan.

The municipality indicated that it may not have been able to pay salaries and third-party expenses for the period from October to November 2025 and may also be unable to pay salaries and third-party expenses for the period from May to June 2026. On 22 October 2025, the MEC for COGHSTA submitted a report to the Provincial Executive Council concerning the financial crisis of the Waterberg District Municipality and recommended that:

- The Provincial Executive Council notes the serious financial crisis and inability to meet its financial commitments;
- The Provincial Executive Council invoke Section 139(5)(a) of the Constitution supported by Section 136(4) and Section 139(1) of the MFMA at Waterberg District Municipality;
- The MEC for Finance requests the Municipal Financial Recovery Service to develop the required mandatory financial recovery plan;
- A R33 million provincial government funding support will be allocated to CoGHSTA to assist the Waterberg District as part of the implementation of Section 139(5)(a) of the Constitution;
- CoGHSTA will administer the funding support, which will be released only when it is clear that the municipality will face cash flow constraints in a particular month.
- Stringent measures be imposed by the Waterberg District Municipality, which include freezing appointments and/or replacement of non-critical posts while the municipality is in the process of developing the financial recovery plan;
- CoGHSTA conducts an assessment prior to WDM filling any vacancies, in line with the

recommendation above.

On 23 October 2025, the Provincial Executive Council adopted the aforementioned recommendations, including a directive for the MEC for Finance to request the Municipal Financial Recovery Service to develop a mandatory financial recovery plan. On 3 March 2026, the Minister of Finance approved the MEC's request to prepare a mandatory Financial Recovery Plan (FRP) for the WDM.

The FRP is preceded by a Status Quo Assessment (SQA), which was submitted to the MEC for Finance in the Limpopo Province on 26 June 2026.

2. RISKS ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

Pillar 1. Financial Management:

The primary challenge is breaking the cycle of an unfunded and non-credible budget while operating under a critical cash shortage.

- Cash flow shortages can delay critical recovery actions due to insufficient liquidity.
- Attachment of bank account due to non-payment of third parties, statutory accruals, and payables.
- Litigation by third parties and employees for lapsing and forfeiture of accrued and future benefits and membership subscriptions.
- Non-payment of salaries due to cash constraints and weak liquidity position.
- Inability to secure credit.
- Inability to repair and maintain critical plant, property and equipment due to financial constraints.
- Penalties and interest charges on overdue accounts may lead to an increase in creditor balances, fruitless and wasteful expenditure, thereby hindering the municipality's efforts to reduce its liabilities and improve its liquidity.
- Contracted services expenditure may increase because the official responsible for preparing the annual financial statement is no longer employed.

Pillar 2. Service Delivery:

- Resistance to new revenue measures may delay levies, fee-sharing and cost-recovery actions needed for financial recovery.
- Weak legal readiness may prevent timely implementation of by-laws, tariffs, agreements and other regulatory instruments required for service-recovery measures.
- Limited institutional and technical capacity may slow execution of key interventions in areas such as PMU, municipal health, and environmental management.
- Insufficient budget reprioritisation may prevent the municipality from putting in place the staff, systems and tools needed to implement the plan.
- Dependence on external stakeholders and slow intergovernmental responses may delay approvals, funding support and implementation agreements with the province, local municipalities and sector institutions.

Pillar 3. Governance:

- Resistance from some stakeholders such as labour, to the implementation of some of the FRP strategies.

Pillar 4. Institutional:

Key challenges likely to affect the implementation of a Financial Recovery Plan (FRP) at Waterberg District Municipality (WDM) include the following:

- Inability to reduce the 71 per cent employee-related cost ratio due to protected staff benefits or a failed moratorium on vacancies.
- Existing staff lack the technical competencies to implement new fiscal discipline measures.
- Failure to hold officials accountable for non-performance or for bypassing new cost-containment policies.
- Severe Institutional Instability - The extremely high vacancy rate in critical positions and continued reliance on acting appointments weakens leadership continuity, accountability, and decision-making. This creates an unstable administrative environment that limits the municipality's ability to drive and sustain recovery initiatives.
- Unsustainable Employee-Related Costs - Employee costs consuming over 70 per cent of expenditure and 82 per cent of revenue severely constrain the municipality's financial flexibility. Implementing cost-containment measures, restructuring staff establishments, or reducing personnel expenditure may face resistance and could be politically and socially sensitive.
- Resistance to Organisational Restructuring - The implementation of workforce rationalisation, restructuring of departments, or abolition of redundant posts may face opposition from organised labour, employees, and political stakeholders. This could delay implementation and create labour instability.
- Weak Financial Management and Internal Controls - Existing weaknesses in financial governance, expenditure management, consequence management, and internal controls may hinder effective implementation of recovery measures. Without strengthening governance systems, the municipality may continue to experience poor budgeting, and weak financial discipline.
- Declining Staff Morale and Productivity - Prolonged institutional instability, uncertainty regarding restructuring, and capacity constraints may negatively affect staff morale and productivity. This can further reduce organisational performance during the recovery process.
- Limited Revenue Base and Fiscal Constraints - High personnel costs leave minimal funding available for infrastructure maintenance, service delivery, and economic development initiatives that could improve revenue generation. The municipality may therefore struggle to create sustainable financial recovery momentum.

3 STATUTORY AND LEGISLATIVE CONTEXT

THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996

The intervention was instituted in terms of S139 (5)(a) of the Constitution of the Republic of South Africa 1996, read in conjunction with section 139 of the MFMA.

Section 139(5)(a) of the Constitution reads as follows: "the Provincial Executive must impose a recovery plan aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, which:

i. is to be prepared in accordance with the national legislation; and

ii. binds the municipality in the exercise of its legislative and executive authority, but only to the extent necessary to resolve the crisis in its financial affairs".

The Limpopo Provincial Executive is responsible for ensuring that the WDM implements the Financial Recovery Plan. Failure of the Provincial Executive to oversee the process and ensure full implementation of the Financial Recovery Plan may result in national intervention in terms of S139 (7) of the Constitution.

THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

Chapter 13 of the MFMA deals with the resolution of financial problems and crisis in municipalities and outlines the processes that must be followed for mandatory interventions invoked in terms of S139(5)(a) of the Constitution.

Section139(1) of the MFMA places the responsibility on the PEC to request the MFRS unit in the NT to prepare an FRP, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).

Only the MFRS may prepare a FRP for a mandatory provincial intervention referred to in S139.

S139(1)(a)(iv) also empowers the MFRS to recommend appropriate changes to the budget and revenue-raising measures that will support the implementation of the recovery plan.

In terms of S139(1)(b), the mayor of the municipality must be consulted on the recovery plan to obtain co-operation for the implementation and ensure that the budget and any other legislative measures to support the implementation of the recovery plan are approved.

Section 142 of the MFMA specifies the criteria for FRPs, irrespective of whether the plan is discretionary or mandatory in nature. In this regard, the following subsections referred to hereunder are important.

Section 142 (1) "A financial recovery plan must be aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, and such a plan, whether for a mandatory or discretionary intervention –

(a) Must **–**

- *(i) Identify the financial problems of the municipality;*
- *(ii) Be designed to place the municipality in a sound and sustainable financial condition as soon as possible;*
- *(iii) State the principal strategic objectives of the plan, and ways and means for achieving those objectives;*
- *(iv) Set out a specific strategy for addressing the municipality's financial problems, including a strategy for reducing unnecessary expenditure and increasing the collection of revenue, as may be necessary;*
- *(v) Identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;*
- *(vi) Describe the anticipated timeframe for the financial recovery, and milestones to be achieved; and*

(vii) *Identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the municipality and actions to be taken by other parties"*

a) Section 142 (2) states that in addition, a financial recovery plan –

(a) *"For a mandatory intervention must –*

(i) *Set spending limits and revenue targets;*

(ii) *Provide budget parameters which bind the municipality for a specified period or until stated conditions have been met; and Identify specific revenue-raising measures that are necessary for financial recovery, including the rate at which any municipal tax and tariffs must be set to achieve financial recovery.*

The municipality's attention is drawn to the following provisions of S146 of the MFMA on the implementation of the financial recovery plan in mandatory provincial interventions:

In terms of section 146(1) of the MFMA, if the recovery plan was prepared in a mandatory provincial intervention referred to in section 139 of the MFMA: –

(a) The municipality **must** implement the approved recovery plan;

(b) All revenue, expenditure and budget decisions **must** be taken within the framework of, and subject to the limitations of, the recovery plan; and

(c) The municipality **must** report monthly to the MEC for Finance in the province on the implementation of the plan in such manner as the plan may determine.

4. PREPARATION, CONSULTATION AND APPROVAL OF THE MANDATORY FINANCIAL RECOVERY PLAN

4.1. OVERVIEW OF THE FINANCIAL RECOVERY PLAN

To promote the stakeholder ownership, ensure buy-in and a holistic approach, the MFRS coordinated the preparation of the FRP in consultation with the Municipal Manager, senior management, the Provincial Treasury, and other relevant stakeholders.

The FRP preparation process was conducted using the four pillars of sustainability, namely (1) Governance, (2) Institutional and Organisational Development, (3) Financial Management, and (4) Service Delivery. This is depicted in the table below :

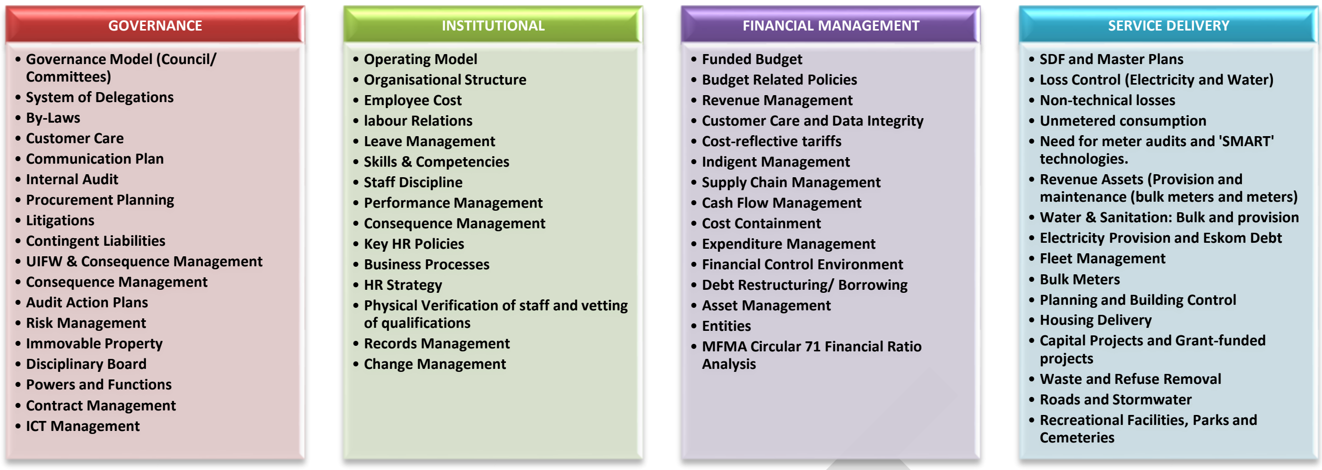

Figure 1: Status Quo Assessment

The status quo assessment was submitted to the MEC for Finance in the Limpopo Province on 26 June 2026. It identified the key challenges and root causes contributing to the municipality's financial crisis, which form the basis of this Financial Recovery Plan. The FRP is prepared according to a phased approach, distinguishing between short, medium, and long-term objectives. Under each phase (rescue, stabilisation, and sustainability), specific activities are identified to assist the municipality in resolving the identified challenges. The phases are time-bound to ensure swift progress and recovery. Therefore, the municipality must fully implement all activities identified by the stipulated timeframes.

Rescue Phase (Phase 1) focuses primarily on cash and restoring the cash position of the municipality. The indicators for the rescue phase include a funded budget (or demonstrating that the municipality is on a credible path to a funded budget), monitoring of the daily cash and cash balances, cost containment measures, and ensuring that creditors are paid timeously and that negotiations are entered into to settle any outstanding debt. There is some focus on service delivery, institutional and governance matters; however, these are limited to addressing the most visible and easy-to-resolve issues. However, as resources become available through better cash management, and the prioritisation of expenditure, service delivery issues can be addressed more comprehensively to secure the revenue base. This is a short-term phase and is anticipated to last up to twelve months from the date of approval of the FRP.

Stabilisation Phase (Phase 2) expands on the financial indicators to be monitored and emphasises key governance and institutional issues which must simultaneously be addressed. The bulk of the recovery process takes place in the second phase of the recovery plan. This phase is referred to as the stabilisation phase. In this phase, a strong focus on cash, finances and financial management is still maintained but greater attention is placed on the underlying service delivery, governance and institutional matters perpetuating the financial problems in the municipality, such as the design of a fit for purpose organogram, plans to address the repairs and maintenance and service delivery agreement concluded with local municipalities and key stakeholders are implemented accordingly and other similar measures. This phase is expected to last between 12 and 24 months or longer, depending on progress made by the municipality.

Sustainability Phase (Phase 3) aims to develop indicators that will give effect to the municipality's long-term financial sustainability. Before concluding the intervention, there must be reasonable assurance that measures implemented in Phases 1 and 2 are sustainable, and that the municipality is committed to ensuring the implementation of good practices. In this phase, it is also important to include indicators that affect the long-term financial sustainability of the municipality. These would be derived from the strategic performance review of the municipality and the long-term financing strategy.

In each of the phases and each of the pillars, appropriate targets have been selected to guide the recovery process. These targets have been identified as most appropriate given the nature of issues confronting the municipality. These targets indicate high-level outcomes that must be achieved, but do not specify the methods to be used to achieve those outcomes.

4.2. PREPARATION

A holistic process was followed in the preparation of the mandatory financial recovery plan as guided by the MFMA. Firstly, a Status Quo Assessment (SQA) was performed, which involved a comprehensive diagnostic assessment, identification of the key findings and root causes that resulted in the municipality being in financial crisis.

The preparation of the SQA was conducted in four functional workstreams composed of officials from NT, PT, Provincial CoGTA, SALGA, the relevant sector departments and officials from WDM. All information in the SQA is based on verifiable documentation submitted by the municipal administration. An Implementation Plan (IP) (refer to Annexure A) was developed for all three phases, which are the Rescue Phase, Stabilisation Phase and Sustainability Phase.

Furthermore, a financial model was developed, setting spending limits, budget parameters, as well as proposing strategic revenue-raising measures. The financial recovery plan was then developed to improve, as a priority, the financial viability of the municipality.

4.3. CONSULTATION

Consultations with the municipality, stakeholders, and organised labour were conducted throughout the process in line with the requirements of the MFMA. The municipality did not have significant creditors outstanding for longer than 30 days as at 30 June 2026. Therefore, no consultative meetings were held with creditors. The MFRS, through the municipality, has attempted to consult principal suppliers where reasonably possible. This request was still being processed when the draft FRP was circulated for public comment. Initial discussions were held between the National Treasury's Municipal Financial Recovery Service (MFRS), Provincial Treasury, and CoGHSTA. This was followed by workshops with the municipality and stakeholders on 12th and 13th March 2026. Further workstream meetings with municipal stakeholders were held on 26 March 2026 and 21 April 2026, where the participants were reminded that they could submit further comments in writing.

In finalising the FRP and IP, consultation meetings (in person and virtually) attended by inter alia WDM Council and Senior Management, Local Labour Forum (LLF), Provincial Treasury, Provincial CoGTA, the South African Local Government Association (SALGA) and sector departments were held on 08 and 09 July 2026. A working session was held with the Chief Audit Executive (CAE), CFO and BTO official on 13 July 2026 to discuss the financial forecasting model and budget parameters. Additional consultations are scheduled in terms of section 141(3)(c) of the MFMA and all stakeholder comments received will be considered in terms of section 141(4) of the MFMA. Following consideration of all stakeholder inputs, the financial recovery plan will be finalised and submitted to the MEC for Finance for approval.

4.4. APPROVAL

The MEC for Finance must first verify that the process set out in section 141 of the MFMA has been followed and that the criteria contained in section 142 of the MFMA are met before approving the financial recovery plan in terms of section 143 of the MFMA.

Once approved by the MEC for Finance, the approved plan will be submitted to:

- The Municipality;
- The Minister and the Cabinet member responsible for local government;
- The Auditor-General; and
- Organised Local Government in the province.

4.5. IMPLEMENTATION OF THE INTERVENTION AND FINANCIAL RECOVERY PLAN

The financial recovery plan binds the municipality in the exercise of both its legislative and executive authority, including the approval of a budget and legislative measures giving effect to the budget, but only to the extent necessary to achieve the objectives of the recovery plan.

Additionally, authority is granted to the Provincial Executive in terms of section 146(3) of the MFMA to dissolve the municipal Council in terms of section 139(5)(b) of the Constitution, if the municipality does not approve legislative measures including a budget or any revenue-raising measures, necessary to give effect to the recovery plan within timeframes specified in the plan.

4.6. MONITORING AND OVERSIGHT

This intervention will be subject to oversight by a Technical Oversight and Monitoring Committee who will report directly to the MECs of CoGTA and Finance and the Provincial Executive of the Limpopo Province. The Oversight Committee will direct the intervention, monitor progress and unblock any challenges that may hinder the success of this intervention. This Committee will have the authority to approve that certain actions from the FRP should be prioritized or delayed, and to refine or amend individual activities. The Committee will also be tasked with assessing progress and approving the shift from one phase of the FRP to another.

The Oversight Committee will consist of the following representatives:

(a) Limpopo Provincial Treasury (Chairperson)
(b) Limpopo CoGTA
(c) National CoGTA
(d) NT MFRS
(e) Limpopo SALGA

A Technical Working Group may be formed with representatives from some or all of these organizations to meet on a more regular basis to coordinate routine support and monitoring of the intervention.

In addition to the Oversight Committee, a Technical Team (together with senior officials) must be assembled to drive implementation and provide written reports to the Oversight and Monitoring Committee. The CFO must submit monthly progress reports to the Oversight and Monitoring Committee. These reports will inform the quarterly progress reports that must be prepared in terms of section 147 of the MFMA and submitted to the municipality, the Minister of Finance, the Cabinet member responsible for local government; the provincial legislature; and organized local government in the province. Representatives from organized labour, business, and community organizations may also be invited to attend these meetings as observers.

4.7. COMMUNICATION STRATEGY

The Municipal Manager should develop and implement an internal and external communication plan to support effective monthly communication throughout the intervention. The communication plan must seek to address and strengthen the relationship between the municipality, stakeholders, beneficiaries, and role-players while supporting the broader organisational change management process.

5. PART TWO: STATUS QUO

STATUS QUO ASSESSMENT

In the status quo assessment, the information provided during the consultation session, as well as a total number of 564 information sources, were reviewed and considered, as reflected in Annexure B.

KEY ISSUES IDENTIFIED

The key issues identified from the status quo assessment are presented in terms of the following four municipal sustainability pillars:

1. Financial health.
2. Service Delivery.
3. Governance.
4. Institutional and Organisational Development .

5.1 Pillar 1: Financial Management FRP Findings and Activities Targets

Table 1 Pillar 1: Financial Management FRP Actions and Targets

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
Budget Management (Funding Status,	• The municipality approved unfunded budgets for the past years, including the current financial year 2026/26, as shown below with negative net cash funding shortfalls: • FY2026/26: (R16.3 million). • FY2026/27: (R27.4 million).	Approve and adopt a funded budget	• Prepare and approve an adjustment budget to contain expenditure within realistically anticipated revenues to reduce the 2026/27 budget deficit to R4.9 million, resulting in a net cash deficit of R9.8 million.	• Prepare and approve the 2027/28 MTREF budget to contain expenditure within realistically anticipated revenues and reduce the budget deficit to R3.6 million and the net cash deficit to R7.8 million.
			• Introduce strict budget controls and monthly budget performance reviews	• None
	• The budget funding plan contains long-term initiatives and lacks short-term interventions that could assist the municipality in addressing its unfunded budget position.	Approve and adopt a funded budget	• Update the budget funding plan for 2026/27 to include short-term strategies to enhance revenue sources and align with FRP approved budget parameters.	• None
			• Redesign the Budget Funding Plan into quarterly measurable actions. - Include SMART	•

			performance indicators. - Assign accountable officials for each intervention. - Monitor implementation monthly through EXCO and Council. - Include corrective actions where targets are missed.	
Revenue Management	• Fire Services are required by law at the district level and play a key role in public safety. However, the current operating model is not financially sustainable if the municipality aims to meet all requirements, as the municipality does not have Service Level Agreements with the local municipalities where they are delivering the services.	Sustainable municipal own sources of revenue.	• None	• None
	• The abattoir operations are running at a loss.	Discontinued and disposed abattoir.	• None	• Dispose of the abattoir in compliance with section 14 of the MFMA. Labor Relations Act and regulations thereon.
	• None	Improved municipal sources of revenue.	• None	• Prepare a business plan and apply for provincial and national disaster management funding.

	• Although norms and standards set a goal, many municipalities across the country fall short because the funding model does not allow for full staffing and fleet requirements.		• Conclude Service Level Agreements with local municipalities for firefighting services.	• None
	• Disaster Management is a core district-wide coordination function and remains one of the municipality's most important public protection responsibilities. • The municipality cannot currently fund the ideal establishment from its present revenue base.		• Introduce equitable cost-sharing arrangements.	• None
	• At the same time, cutting overtime and constraining staffing may save money in the short term, but it weakens emergency readiness, increases operational risk, and places additional strain on already limited personnel		• Recover costs from high-risk industries where legislation permits.	• None
Cost-reflective tariffs	• The district provides technical and institutional support to locals, but the current fee structure neither recognizes nor compensates the district	Improved municipal sources of own revenue.	• None	• Introduce cost-reflective tariffs where legally permissible.
			• None	• Enter into private partnerships with the private sector.

	for this role, e.g., Appeal Authority and Municipal Planning Tribunal (MPT). • Municipal functions are not breaking even and are operating at year–on–year losses.			
Cash Flow Management	• WDM is unable to settle its short-term obligations, as current liabilities exceed current assets by R37.5 million in FY2024/25, and by R17.3 million in the prior year.	Municipality maintains sufficient liquidity to meet obligations.	• Confirm the availability of budget and cash flows prior to commencing with procurement processes.	• • Improve investment management of surplus funds • Build cash-backed reserves over time.
	• Cash/cost coverage ratio has been 0 months in FY2024/25 and FY2023/24, which is below the 1-3-month norm.		• Prepare rolling 12-month cash flow forecasts.	• None
	• Short-term deposits decreased by R23 million, from R68 million in 2020 to R44.9 million in 2021. The deposits further declined by R20 million, reaching R24.8 million in 2022.		• Prioritise expenditure and payments according to cash availability.	• None
	• The current ratio has been significantly below the norm at 0.03 in FY2024/25 and 0.28 in FY2023/24.		• Implement weekly cash budgets, compare against actuals and address significant variances. .	• None
Expenditure management	• The municipality incurred operating deficits for the		• Implement a comprehensive Cost	• Implement a comprehensive Cost Containment Policy

	past five financial years. This resulted in the erosion of a healthy net cash position of R44,2 million held at the end of 2020/21	Sustainable municipal financial performance.	Containment Policy and achieve the following: • Apply to the bargaining council to temporarily freeze salaries and benefits annual increases.	and achieve the following:
			• Spend less than R1.5 million on travel and subsistence in the financial year 2026/27.	• Spend less than R1.5 million on travel and subsistence in the financial year 2027/28 onwards.
			• Adjust the budget to eliminate spending on decorations, entertainment registration fees, long-term service awards, bursaries and cleaning.	• Adjust the budget to eliminate spending on decorations, entertainment registration fees, long-term service awards, bursaries and cleaning.
			• Spend R2.1 million on insurance expenses by not insuring redundant property, plant and equipment items.	• Spend R2.1 million on insurance expenses by not insuring redundant property, plant and equipment items.
			• Spend less than R3.5 million on municipal services in the financial year 2026/27	• Spend less than R3.5 million on municipal services.
			• Spend R800k on license expenses.	• Spend R800k on license expenses.
			• Apply to the Auditor General's office to cap audit fees to R2.9 million	• Apply to the Auditor General's office to cap audit fees to R3.0 million in the

			in the financial year 2025/26 audit.	financial year 2027/28 onwards.
			• Cap spending on communication to R400k in 2026/27FY.	• Cap spending on communication to R400k.
			• Negotiate better terms for computer services and cap spending to R2.7 million.	• Limit spending on computer services to R2.7 million.
			• Reduce spending to R180k on printing, publications and books.	• Reduce spending to R180k on printing, publications and books.
			• Limit spending on outsourced Services to R720k by performing travel agents' services using existing employees within the municipality.	• Limit spending on outsourced Services to R720k by performing travel agents' services using existing employees within the municipality.
			• Cap contracted services to R9.5 million by reducing repairs and maintenance of buildings and redundant vehicles	• Cap contractors' spending to R9.5 million by reducing repairs and maintenance of buildings and redundant vehicles.
			• Obtain a Council resolution to rescind its decision to pay employees a housing allowance of R1.5k instead of R1.1k as approved by the bargaining council.	• Obtain a council resolution to rescind its decision to pay employees a housing allowance of R1.5k instead of R1.1k as approved by the bargaining council.

			• Encourage employees to take their leave days and limit the leave provision to R1.2 million.	• Encourage employees to take their leave days and limit the leave provision to R1.2 million.
			• Review and restrict employee benefits and travel expenditure.	• None
			• Prioritize SARS and third-party payments monthly to avoid penalties and interest.	• None
mSCOA	• Other expenditure includes repair & maintenance costs, contracted services, travel costs, bursaries, and a whole range of expenditure items. • AFS does not include segmented figures for the respective services. • Financial statements do not explicitly disclose contracted services and most of the contracted services are disclosed as part of general expenditure. actual figures in the MTREF are different from those reflected in the detailed general ledger.	Improved credibility of municipal reporting data.	• None	• Fully align the chart of accounts with mSCOA requirements. • Classify expenditure correctly by function and segment. • Improve financial reporting, cash management and expenditure controls. • Train finance officials on mSCOA compliance. • Perform monthly reconciliations between the general ledger, trail balance, income registers and sub-ledger.

5.2 Pillar 2: Service Delivery FRP Key Findings and Activities.

Table 2 Pillar 2: Service Delivery FRP Actions and Targets

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
Capital Programme and PMU	• The PMU is not yet fully capacitated and commercialised.	A functional and commercially oriented PMU that can package projects, unlock grant funding, and generate implementing-agent and project-management fee income for WDM.	• None	• Approve interim PMU mandate, potential services and priority project list.
	• WDM is missing grant and implementing-agent opportunities due to the incapacity of the PMU.		• None	• Develop a grant pipeline and funding calendar for Treasury, DBSA, MISA and sector grants.
			• None	• Negotiate pilot PMU or implementing-agent support agreements with selected local municipalities so that the PMU starts generating project-management and implementation-related income.
Water Services	• Restoring Water Service Authority (WSA) status is not a short-term financial recovery solution.	A low-risk, properly assessed water-services support model that positions WDM to access future revenue opportunities without assuming unsustainable debt or legal liabilities.	• None	• Complete WSA feasibility, legal review and business model.
	• The district water space is already crowded with multiple actors.		• None	• Strictly consider low-risk water support business cases: laboratory, maintenance, package plants, shared services.
	• Without a viable business model, infrastructure funding, legal clarity and debt control, WDM could		• None	• Prepare the district Water-Testing Laboratory implementation plan, engage potential clients and position

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
	inherit liabilities faster than revenue.			the laboratory as a future fee-generating water support service.
Development Planning	• Development Planning does not fully recover the cost of some of the services provided.	A monetised planning function that recovers district service costs, generates planning-related fee income, and unlocks value from underutilised municipal land.	• None	• Conduct a cost-of-service study for MPT, Appeal Authority, building-plan fire comments and spatial data services.
	• WDM provides planning support but does not recover enough revenue from it.		• None	• Negotiate a proportional fee-sharing arrangement with local municipalities so that WDM can begin recovering revenue for planning support services rendered and implement.
	• There is no district share of MPT, Appeal Authority Committee or related planning fees.		• None	• Complete the district land audit and identify monetisation-ready sites.
	• There are no tariff by-laws for spatial planning and land-use applications		• None	• Review and adopt tariff by-laws for planning, land-use and paid spatial-data services to improve revenue and reduce land-related cost leakage.
Economic Development	• The Local Economic Development (LED) function is not sufficiently linked to financial recovery. • There is limited revenue or cost-saving focus in LED. Land and asset opportunities are not fully leveraged, and there is weak packaging of catalytic projects •	A more transaction-oriented economic development function that converts catalytic opportunities into partnerships, investment, PPPs and revenue-supporting district initiatives.	• None	• Prepare catalytic project packaging pipeline for tourism, agriculture, logistics and land-linked opportunities.

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
	• Mining, tourism and agriculture economic opportunities exist, but are not being converted into partnerships, bankable projects or municipal income streams.		• None	• Run a structured partner and funder engagement process and monetise land-linked opportunities through deals, leases, partnerships and PPP-type arrangements.
Abattoir	• The abattoir is being operated as a community service and is financially underperforming and operationally constrained. • It is a costly asset with limited financial value. It recorded operating deficits of R6.7 million in the last FY. • It has been downgraded to Grade B, reducing slaughter capacity to 20 heads, and the tariff charges are too low. • Buildings and equipment are aging and in poor condition. • Facility has no clear bankable operating model and it is not fully optimised as a commercial revenue asset	Disposal of the abattoir as a going concern to eliminate recurring losses, reduce operational risk and release WDM from a financially unsustainable commercial activity.	• None	• Consider selling the abattoir facilities as a going concern
Municipal Health Service	• Municipal Health Service is a core district function, but it is structurally inadequately funded. • The function is performed as a community service and has a weak cost recovery model.	A more sustainable municipal health function with lawful service recovery, stronger partnerships and improved operational capacity to	• None	• Develop service-recovery model for inspections, permits, certificates and enforcement.

Waterberg District Municipality
on the Go for Growth

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
	• Limited revenue recovery from the services provided. • There is inadequate funding for EHPs and inadequate practitioners. • Environmental units not capacitated and have inadequate monitoring equipment, limiting revenue recovery efforts.	support compliance and public health.	• None	• Conclude MOUs with universities and other stakeholders, and plan for permanent offices and environmental units to improve capacity and reduce long-term operating constraints.
Environmental and Air Pollution	• Environmental and Air Pollution control is becoming more important but remains institutionally weak. • Air quality, pollution, climate risks and environmental compliance pressures are growing. • Monitoring, enforcement, staffing and equipment are inadequate. • The function is not yet established enough to contribute meaningfully to short-term recovery.	A strengthened environmental management function with improved monitoring, enforcement and regulatory systems that support compliance, risk reduction and medium-term revenue recovery.	• None	• Review and gazette by-laws and tariff for environmental compliance fees and charges.
	• Revenue from licensing, fines and compliance charges is not fully realised.		• None	• Strengthen implementation of the Air Quality Management Plan (AQMP), improve inspections, and build partnerships for climate finance and related environmental support.
Fire Services	• Fire Services are a mandatory district function, but the current model is inadequately funded and fragile.	A more financially sustainable fire service model with improved cost recovery, district-	• None	• Develop a fire-service recovery model for industrial and commercial levies, standby fees and event fees. •

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
	• There are severe staffing shortages, fleet and equipment problems, limited stations and long response times.	local cost sharing and lower-cost stabilisation measures that protect operational readiness.	• None	• Negotiate annual district-local contributions, leasing and asset-use arrangements to support cost sharing.
	• Overtime reductions and funding pressure are weakening readiness		• None	• Introduce lower-cost stabilisation measures such as mutual aid agreements, volunteer arrangements, skid units and Working on Fire (WOF) support to improve readiness without major permanent cost escalation.
Disaster Management	• Disaster Management is a core district coordination function, but it is inadequately funded and under-capacitated. • It has no direct grant funding and lacks adequate staffing, technology, logistics and early-warning systems. • Weak capacity increases the risk of unplanned emergency spending, asset loss and service disruption.	A better funded and more resilient disaster management function that secures external support, strengthens preparedness and reduces future emergency losses and service disruption.	• None	• Prepare funding motivation to Treasury and COGTA and support Local Government Equitable Share (LGES) review for essential services

5.3 Pillar 3: Governance FRP Key Findings and Activities.

Table 3 Pillar 3: Governance FRP Actions and Targets

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
Information Communication Technology Governance.	• Outdated or inadequate IT hardware and infrastructure.	Modern and integrated ICT and municipal financial system.	• None	• Upgrading of IT hardware, infrastructure and systems within the time frame determined in the tender specifications and using the funding from COGHSTA and ensure all the ICT applications at the municipality are integrated into the municipality's financial system.
	• Business Continuity Plan has not been reviewed	Updated Business Continuity Plan and ICT Policies	• None	• Update the Business Continuity Plan and other relevant ICT policies within eight months after completion of IT hardware, infrastructure and systems upgrade.

5.4 Pillar 4: Institutional and Human Resources FRP Key Findings and Activities.

Table 4 Pillar 4: Institutional and Human Resources FRP Actions and Targets

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
Employee-related cost	• High employee-related cost expenditure due to high salary increases and over-graded positions.	Stabilize the municipality's cash position and restore long-term fiscal viability.	• Secure the Municipal Manager's formal sign-off and Council ratification of the finalized Provincial SALGA TASK Job Evaluation Outcomes Report.	• Conduct an institutional assessment across all directorates to identify and map redundant, overlapping, or non-core administrative posts.
			• Compile an updated, verified financial diagnostic report demonstrating budget	• Migrate employees to the newly graded TASK salary scales and update the staff establishment to

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
			deficits and a negative cash-back position over the MTREF period.	reflect right-sized departmental structures.
			• Prepare and package the formal SALGBC exemption application in strict compliance with the SALGBC Main Collective Agreement criteria.	• Identify and formally expunge all non-critical, redundant, and long-vacant unfunded posts (209 positions) from the active organogram.
			• Convene formal Local Labour Forum (LLF) engagements to consult municipal trade unions (SAMWU and IMATU) on the financial crisis and the necessity of the exemption.	• Review and reconcile all municipal housing allowance payroll data against the official SALGBC circulars to isolate specific overpayments
			• Freeze recruitment for all non-critical, non-technical vacant positions.	• Update and revise the internal Municipal Housing Allowance Policy to strictly match standard SALGBC thresholds and framework conditions.
			• The filling of critical funded vacancies must	• Convene structured consultations within the LLF with SAMWU and

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
			be subject to a verified, positive cash-back position over the MTREF period.	IMATU to present the audit findings, discuss the overpayment corrections, and manage labour relations risk.
				• Effect corrected housing allowance caps directly onto the payroll system and initiate recovery processes for un-entitled overpayments where legally viable.
Physical staff verification	• Verification of staff is never conducted unless directed by AG during audit processes.	Fully secured payroll integrity and proactive prevention of irregular personnel expenditure through institutionalized headcounts.	• Perform an immediate data-match between the physical headcount audit results and the active system payroll register to flag variances.	• Draft and adopt an internal SOP that mandates scheduled, quarterly physical headcount verifications and biometric/payroll cross-checks.
				• Execute automated and physical verification cycles across all municipal directorates, ensuring every employee physically signs in with proof of identity.

FOCUS AREA	KEY FINDINGS	DESIRED OUTCOME	ACTIVITY: RESCUE PHASE	ACTIVITY: STABILISATION PHASE
				• Submit quarterly payroll integrity reports directly to Internal Audit and the Audit Committee for oversight and risk mitigation tracking.

6. PHASE 1, 2, AND 3: BUDGET PARAMETERS AND FINANCIAL TARGETS:

In preparing the Financial Recovery Plan, strict budget parameters, spending limits, and revenue targets were applied to ensure that resources are directed towards increasing the revenue base and reducing expenditure. Revenue will be projected on the available initiatives to increase revenue. On the other hand, expenditure will be limited to affordable levels, with non-essential and non-core costs curtailed, and operational efficiencies actively pursued. Cash flow projections will be monitored monthly to safeguard liquidity.

These budget parameters are designed to create a disciplined financial environment that supports the municipality's legislative mandate while steadily restoring the municipality's financial health.

Table 5 PHASE 1, 2, AND 3: BUDGET PARAMETERS AND FINANCIAL TARGETS

DESCRIPTION	BUDGET PARAMETERS	BUDGET PARAMETERS	BUDGET PARAMETERS	ASSUMPTIONS
	2026/27	**2027/28**	**2028/29**	
REVENUE - Exchange Revenue				
Sale of Goods and Rendering of Services	5% increase in revenue from abattoir compared to 2025.	Zero % revenue due to cease operations and disposal of abattoir asset	Zero % revenue due to cease operations and disposal of abattoir asset	Dispose of the abattoir in compliance with section 14 of the MFMA. Labor Relations Act and regulations thereon.

DESCRIPTION	BUDGET PARAMETERS	BUDGET PARAMETERS	BUDGET PARAMETERS	ASSUMPTIONS
Interest earned from Current and Non-Current Assets	6% Interest from funds in the bank.	6% Interest from proceeds of abattoir sale and funds in the bank	6% Interest from proceeds of abattoir sale and funds in the bank	Interest derived from cash in the bank and disposal of the abattoir in compliance with section 14 of the MFMA. Labor Relations Act and regulations thereon.
Operational Revenue	Per approved MTREF budget.	5% Increase in revenue from fire services, municipal health fines, and MPT	5% Increase in revenue from fire services, municipal health fines, and MPT	Introduce equitable cost-sharing arrangements. Conclude Service Level Agreements with local municipalities for firefighting services. Recover costs from high-risk industries where legislation permits.
Transfer and subsidies - Operational	Increases aligned to 2026/27 DoRA publication	Increases aligned to 2027/28 DoRA publication	Increases aligned to 2027/28 DoRA publication	Municipal revenue is recognized as per the Dora allocation for the financial year.
Total Revenue (excluding capital transfers and contributions)				
EXPENDITURE				
Employee-related costs	0.98% increase in employee-related costs compared to 2025.	Zero % increase in employee-related costs.	Zero % increase in employee-related costs.	Freezing all non-essential vacancies; only critical frontline service delivery vacancies, especially in firefighting and municipal health, may be considered for filling only if funded. Consider transitioning firefighting services from an ordinary hours plus overtime model to a continuous standard 4-shift system. Apply to SALGBC and implement the exemption on annual salary increases after consultation with LLF.

DESCRIPTION	BUDGET PARAMETERS	BUDGET PARAMETERS	BUDGET PARAMETERS	ASSUMPTIONS
Remuneration of councillors	7.68% increase in councillor allowances compared to 2025	Zero % increase in councillors' allowances.	Zero % increase in councillors' allowances.	Apply and implement the exemption on the annual increase on upper limits for councillors.
Debt impairment	Zero % of debt to be impaired compared to 2025.	100% recoverability of debts.	100% recoverability of debts.	There will be no debt to be impaired, assuming the abattoir is to be disposed of and fines and service fees are collected monthly or when due.
Depreciation, Amortisation, and Impairment	100% Depreciation and asset impairment in line with conditions and FAR calculations.	100% Depreciation and asset impairment in line with conditions and FAR calculations.	100% Depreciation and asset impairment in line with conditions and FAR calculations.	Accounting of depreciation and asset impairment in line with the provisions of GRAP 17.
Grant Expenditure	100% as per Dora and NT payment schedule for 2026/27.	100% as per Dora and NT payment schedule for 2027/28	100% as per Dora and NT payment schedule for 2028/29	Expenditure recognised in line with grant conditions.
Contracted services	Reduce contracted services by 23% from the 2025/26 financial year.	2026/27 MTREF budget with an annual 6% increase in general expenses.	2027/28 MTREF budget with a 5% annual increase.	Implement a compliant Cost Containment Policy to achieve a reduction in remuneration, cell phone allowances, vehicle allowances, housing allowances, contracted and other controllable general expenses.
Operational Cost and Other Cost	Reduction in repairs and maintenance and other general expenses by 70%.	2026/27 MTREF budget with an annual 6% increase in general expenses.	2027/28 MTREF budget with a 5% annual increase.	Implement a compliant Cost Containment Policy to achieve a reduction in remuneration, cell phone allowances, vehicle allowances, housing allowances, contracted and other controllable general expenses. Review and restrict employee benefits and travel expenditure.

Financial forecasting model for the implementation of the Waterberg District Municipality Financial Recovery Plan

A financial forecasting model has been developed to set financial targets for the WDM FRP over the MTREF period. Grounded on adherence to the above budget parameters, it is anticipated that the municipality will progressively move towards a position of improved financial sustainability over the 3-year period, as illustrated in the table below. If key operational efficiencies are achieved in line with the FRP Implementation Plan, it could be expected that the projected cash surplus of R1.3 million at the end of the 2028/29 Financial Year will be achieved from R10.3 million in 2025/26. The net cash position should improve to levels sufficient to boost the cash coverage ratio to within acceptable norms over the MTREF period. Any surplus cash, over and above the required levels, should also be prioritised towards investments to generate finance income.

The forecasting model is flexible, and figures will be adjusted annually to align with the revised FRP activities and facilitate sustained financial health improvement. The municipality's adherence to the Financial Recovery Plan will be monitored in terms of its achievement of the targets for revenue and expenditure set out in the financial forecasting model.

Table 6 **FINANCIAL FORECASTING MODEL**

REVENUE	Reference Source	FORECAST PERIOD	Target 1	FORECAST PERIOD	Target 2	FORECAST PERIOD	Target 3	ASSUMPTIONS
R'000	**2025/26 Preliminary BASELINE**	**2026/27 TARGET**	**Variance %**	**2027/28 TARGET**	**Variance %**	**2028/29 TARGET**	**Variance %**	
Revenue								
Sale of Goods and Rendering of Services	251	1 458	5,00%	-	-	-	-	Dispose of the abattoir in compliance with section 14 of the MFMA. Labor Relations Act and regulations thereon.
Interest earned	994	1 023	-55,21%	1 084	6,00%	1 149	6%	Interest derived from cash in the bank and disposal of the abattoir in compliance with section 14 of the MFMA. Labor Relations Act and regulations thereon.
Operational Revenue	2 733	2 200	60,37%	2 310	5,00%	2 425	5%	Introduce equitable cost-sharing arrangements. Conclude Service Level Agreements with local municipalities for firefighting services. Recover costs from high-risk industries where legislation permits.
Transfer and subsidies – Operational	195 116	164 697	2,75%	168 696	4,70%	176 617	5%	Municipal revenue is recognized as per the Dora allocation for the financial year.
Total Revenue (excluding capital transfers and contributions)	**199 096**	**169 378**	**-0,36%**	**172 090**	**4,71%**	**180 191**	**5%**	
Expenditure								
Employee-related costs	137 136	138 485	0,98%	138 485	-	138 485	-	Freezing all non-essential vacancies; only critical frontline service delivery vacancies, especially in firefighting and municipal health, may be considered for filling only if funded. Consider transitioning firefighting services from an ordinary hour plus overtime model to a continuous standard 4-shift system. Apply to SALGBC and implement the exemption on annual salary increases after consultation with LLF.
Remuneration of councillors	10 689	11 510	7,68%	11 510	-	11 510	-	Apply and implement the exemption on the annual increase on upper limits for councillors.

REVENUE	Reference Source	FORECAST PERIOD	Target 1	FORECAST PERIOD	Target 2	FORECAST PERIOD	Target 3	ASSUMPTIONS
Depreciation, Amortization and Impairment	4 684	5 404	15,37%	5 674	5,00%	5 958	5%	-
Contracted services	11 364	8 742	-23,08%	9 266	6,00%	9 729	5%	Implement a compliant Cost Containment Policy to achieve a reduction in remuneration, cellphone allowances, vehicle allowances, housing allowances, contracted and other controllable general expenses.
Operational Cost and Other Cost	33 881	10 164	-70,00%	10 774	6,00%	11 312	5%	Implement a compliant Cost Containment Policy to achieve a reduction in remuneration, cellphone allowances, vehicle allowances, housing allowances, contracted and other controllable general expenses. Review and restrict employee benefits and travel expenditure.
Total Expenditure	**197 756**	**174 306**	**-11,86%**	**175 710**	**0,81%**	**176 996**	**1%**	
Surplus/(Deficit)	**1 340**	**- 4 927**		**- 3 620**		**3 195**		

The municipality received R33 million in financial support from the Limpopo Provincial Government during the 2025/26 financial year to cover salaries and payments to third parties. This increased operational transfers and subsidies from R164.8 million to R195.1 million. As a result, the municipality recorded an operating surplus of R1.3 million for the period, which would have been a deficit without this support. The financial support was limited to the 2025/26 financial year, and it is uncertain whether similar assistance will be available in the future. The financial forecast assumes no further support of this kind. The municipality should therefore manage available revenues conservatively and implement major austerity measures on employee-related costs, councillor allowances, contracted services, and operational expenses throughout the 2026/27 MTREF period.

Table 7 **FINANCIAL FORECASTING MODEL**

SURPLUS / DEFICIT	Reference Source	Reference Source	FORECAST PERIOD		
SCHEDULE A8	2024/25 Audited	2025/26 Preliminary	2026/27 TARGET	2027/28 TARGET	2028/29 TARGET
	HISTORIC	BASELINE	MTREF	MTREF	MTREF
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts	**171 194 023**	**199 096 880**	**169 478 503**	**172 090 399**	**180 191 963**
Service charges	2 760 833	251 757	1 458 485	1 084 399	1 149 463
Other revenue	4 661 761	3 728 507	2 200 000	2 310 000	2 425 500
Transfers and Subsidies - Operational	160 287 615	195 116 616	164 697 000	168 696 000	176 617 000
Transfers and Subsidies - Capital	1 200 000	-	100 000	-	-
Interest	2 283 814	-	1 023 018	-	-
Payments	**187 621 598**	**193 071 955**	**168 902 132**	**170 036 515**	**171 038 554**
Suppliers and employees	187 621 598	193 071 955	168 902 132	170 036 515	171 038 554
Finance charges	-	-	-	-	-
Transfers and Grants	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	**- 16 427 575**	**6 024 925**	**576 371**	**2 053 883**	**9 153 409**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	- 1 200 000	1 028 926	- 100 000	-	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	**- 1 200 000**	**1 028 926**	**- 100 000**	**-**	**-**
NET INCREASE/ (DECREASE) IN CASH HELD	**- 17 627 575**	**7 053 851**	**476 371**	**2 053 883**	**9 153 409**

SURPLUS / DEFICIT	Reference Source	Reference Source	FORECAST PERIOD		
Cash/cash equivalents at the year begin:	201 005	- 17 426 570	- 10 372 719	- 9 896 347	- 7 842 464
Cash/cash equivalents at the year end:	**- 17 426 570**	**- 10 372 719**	**- 9 896 347**	**- 7 842 464**	**1 310 945**

7. IMPLEMENTATION STRATEGY

As this is a mandatory intervention, the municipality must implement the Financial Recovery Plan. All revenue, expenditure and budget decisions must be taken within the framework of and subject to the limitations of the Financial Recovery Plan (MFMA: S146(1) (a) and (b)).

The municipality is also required in terms of S146(1)(c) to report monthly to the MEC for Finance on the implementation of the financial recovery plan.

It must be emphasised that the strategies set out in this Financial Recovery Plan relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties and tasks. Those appointed to such positions, even in acting capacities, must be given specific roles and responsibilities, which must be captured in a revised performance agreement.

The **financial resources** required to support the implementation of the Financial Recovery Plan will be realised through restructuring of the budget, implementing the revenue collection strategy and revenue enhancement initiatives and a commitment to stringent expenditure controls, with particular emphasis on the elimination of non-essential expenditure, limitations on appointment of staff and non-revenue generating activities. Limited additional financial support for some projects could be provided through the provincial support package.

As was outlined in the preceding sections, this Mandatory FRP will be subject to oversight by an Oversight and Monitoring Committee which will report directly to the MECs of CoGTA and Finance and the Provincial Executive of the Limpopo Province. Thus, the Oversight Committee will direct the intervention, monitor progress and unblock any challenges that may hinder the success of this intervention. This Committee will have the authority to approve that certain actions from the FRP should be prioritized or delayed, and to refine or amend individual activities. Consequently, the reporting and oversight measures recommended in this Mandatory FRP shall be deemed mandatory, thus necessitating strict adherence to the prescribed approach.

- The Municipal Manager must submit Monthly Progress Reports to NT MFRS, the Municipal Council, and the Oversight and Monitoring Committee. In this function, the Municipal Manager must:
    - Conduct necessary quality assurance processes to verify performance.
    - Confirms/certifies that decisions of the Council/EM/Mayor are consistent with the Mandatory FRP.
    - Maintain a record of decisions on Mandatory FRP implementation.
- The Municipal Manager must submit quarterly implementation progress reports to the Executive Committee, Council, NT MFRS and the Oversight and Monitoring Committee;
- The Oversight and Monitoring Committee must conduct quarterly reviews on the effectiveness of the Mandatory FRP and whether the root causes are being progressively addressed;
- The Municipal Manager must submit a Portfolio of Evidence for claimed performance on a quarterly basis to MFRS and to the Oversight and Monitoring Committee for review;
- The Municipal Manager and heads of the directorate must sign individual performance scorecards/ agreements for each financial year that incorporate the Mandatory FRP;
- The SDBIP and IDP and 'Strategic Plan' must be revised for alignment with the Mandatory FRP;

- All monthly Mandatory FRP Progress Reports must be tabled and discussed in monthly Top Management meetings;
- No decision (Executive, Legislative or Administrative) should be approved by Council, Executive Mayor and Accounting Officer that contravenes or defeats the Mandatory FRP and its objectives;
- The Municipal Manager must assign an official in his office to coordinate implementation and reporting on the Mandatory FRP; and
- The Municipal Manager must sign off all Mandatory FRP implementation progress reports before submission to Executive Committee, Council, NT MFRS and Oversight and Monitoring Committee.

A schedule of reporting and meetings is provided in the table below.

Table 8 Comprehensive Schedule of Reporting and Committee Meeting Dates:

No.	Report for month OF	Report due from municipality ON	Report considered by War Room ON	Considered by LP Executive BY	Considered by Political Oversight Committee
1	September 2026	14 October 2026			
2	October 2026	15 November 2026	30 October 2026	06 November 2026	16 November 2026
3	November 2026	14 December 2026			
4	December 2026	15 January 2027	29 January 2027	08 February January 2027	16 February 2027
5	January 2027	15 February 2027			
6	February 2027	15 March 2027	30 April 2027	08 May 2027	15 May 2027
7	March 2027	18 April 2027			
8	April 2027	14 May 2027			
9	May 2027	14 June 2027	30 July 2027	06 August 2027	13 August 2027
10	June 2027	14 July 2027			
11	July 2027	14 August 2027			
12	August 2027	14 September 2027	29 October 2027	07 November 2027	14 November 2027
13.	September 2027	14 October 2027			

8. CONCLUSION

The status quo assessment confirms that Waterberg District Municipality is in a state of financial distress that meets the threshold for mandatory provincial intervention under Section 139(5) of the Constitution. Operating deficits have grown steadily over the past five financial years, cash reserves have been depleted from over R47 million to approximately R201 thousand, and the municipality was unable to meet salary and third-party obligations between October and November 2025. These outcomes are the product of recurring unfunded budgets, expenditure growth that has consistently outpaced revenue, and a structural over-reliance on the equitable share and conditional grants, which is compounded by employee and councillor costs that account for 71 per cent of total expenditure.

The assessment across the four recovery pillars shows that the municipality's difficulties are not confined to the balance sheet. The absence of formal job evaluations has resulted in an inconsistent salary structure in which junior staff are remunerated above their grading while senior managers are under-graded; core district functions such as fire services, disaster management and municipal health services are structurally under-funded and have weak cost-recovery models; revenue generating assets such as the abattoir are operating at a loss; and institutional capacity in areas such as the Project Management Unit and information and communications technology remains limited. Governance and oversight mechanisms, including the Business Continuity Plan and supporting ICT policies, also require updating to support the recovery effort.

The Financial Recovery Plan sets out a phased approach comprising the Rescue Phase, Stabilisation Phase and Sustainability Phase. The Rescue Phase focuses on immediate expenditure containment, cash flow discipline and creditor management. The Stabilisation Phase aims at embedding sustainable revenue management practices, right-sizing the institutional structure and strengthening governance, while the Sustainability Phase seeks to secure the municipality’s long-term financial viability. None of these interventions is, on its own, sufficient to restore financial sustainability. Their cumulative and disciplined implementation, supported by consistent oversight from Council, the War Room, the Limpopo Provincial Treasury and the National Treasury's Municipal Financial Recovery Service, is what will determine whether the municipality returns to a stable financial footing within the recovery period.

9. RECOMMENDATIONS

It is recommended that:

- Council approve and immediately implement the Rescue Phase financial management actions, including the adjustment budget, monthly budget reviews and rolling 12-month cash flow forecasts, to reduce the projected 2026/27 deficit;
- The Municipal Manager finalise and secure Council ratification of the SALGA TASK job evaluation outcomes, migrate staff to the corrected salary scales, freeze non-critical vacancies and expunge unfunded posts from the organogram;
- Housing allowance and other benefit overpayments be reconciled against the applicable SALGBC circulars and corrected on the payroll system, following consultation with organised labour through the Local Labour Forum;
- Revenue management be strengthened by ring-fencing the equitable share for legislated district functions and pursuing cost-recovery and service level agreements for services rendered to local municipalities, including fire services, planning support and the Municipal Planning Tribunal;
- Cash flow, creditor and expenditure management be tightened through weekly cash management meetings, prioritisation of statutory payments, monthly creditor ageing reviews and negotiated payment arrangements with SARS, pension funds and major

suppliers;

- Governance and information technology capacity be strengthened, including review and approval of the Business Continuity Plan and ICT policies and completion of the planned upgrade of IT hardware, infrastructure and financial systems;
- Institutional capacity be built in priority areas, including the Project Management Unit and grant management function, and quarterly physical and biometric verification of staff and qualifications be instituted;
- Decisions to expand or reclaim functions such as roads maintenance or Water Service Authority status be deferred until a viable funding and business model has been confirmed, given the risk that unfunded expansion would worsen the municipality's financial position;
- The monitoring and oversight arrangements set out in this Plan, including the War Room, quarterly reporting by the Municipal Manager to Council, the National Treasury's Municipal Financial Recovery Service and the Oversight and Monitoring Committee, and alignment of the SDBIP and IDP with the Financial Recovery Plan, be established and maintained without interruption for the duration of the recovery period; and
- Close coordination be sustained between the Waterberg District Municipality, the Limpopo Provincial Treasury, the National Treasury's Municipal Financial Recovery Service, CoGHSTA and SALGA throughout the implementation and monitoring of the Financial Recovery Plan.

ENDORSEMENTS

APPROVAL BY MEMBER OF THE PROVINCIAL EXECUTIVE COUNCIL (MEC)

I, ……………, MEC of Finance in the Limpopo Province hereby approve this Financial Recovery Plan for the Waterberg District Municipality in terms of section 143(2)(a) of the Municipal Finance Management Act, No. 56 of 2003 ("the MFMA"), as a binding Financial Recovery Plan for the mandatory intervention approved by the Provincial Cabinet on ……………, and confirm that I have verified that the processes set out in section 141 of the MFMA has been followed and that the criteria contained in section 142 of the MFMA were met in the preparation of this financial recovery plan.

………………………………………………………

MEC OF FINANCE

LIMPOPO PROVINCIAL GOVERNMENT

DATE:

NOTING BY THE MUNICIPAL COUNCIL

The approved Financial Recovery Plan was tabled in the Waterberg District Municipal Council on …………………………………………… and Council noted that in terms of section 146 of the MFMA Act. No. 56 of 2003, the Municipality must implement this approved Financial Recovery Plan; that all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of the recovery plan; and the Municipality must report monthly to the MEC for finance on the implementation of the plan. The Financial Recovery Plan binds the municipality in the exercise of both its legislative and executive authority, including the approval of a budget and legislative measures giving effect to the budget, but only to the extent necessary to achieve the objectives of the recovery plan.

………………………………………………………………..

SPEAKER

WATERBERG DISTRICT MUNICIPAL COUNCIL

DATE: