

WC 047: BITOU MUNICIPALITY: STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENT

SIME ASSESSMENT: KEY RECOMMENDATIONS

INTEGRATED PLANNING

The tabled IDP complies with the Municipal Systems Act (MSA) and its Regulations however future amendments to the IDP should more clearly identify which communities do not have access to basic services in line with section 26(b) of the MSA, as well as reflecting the status of all sector plans developed and integrated into the IDP.

- The Council's long-term commitment and planning towards human settlements development should also be reflected into the IDP and the Capital Investment Framework/Priority project list updated to reflect the current status of housing development projects as well as the outdated Integrated Transport Plan reviewed.
- Spatial Planning: A Capital Expenditure Framework (CEF) should be developed to articulate the investments required to implement the spatial intent and development proposals of the Bitou Municipal Spatial Development Framework (2022).
- Waste Management: The Municipality should consider aligning its new solid waste by-law to the NEM: Waste Act and prioritise its plans to divert organic waste from the local landfill sites. Targeted awareness campaigns are also needed to raising awareness in low-income areas as well as informal settlements specifically where there is low participation in recycling.

ECONOMIC AND FINANCIAL SUSTAINABILITY

The Bitou Municipality has tabled an unfunded budget as per Provincial Treasury's assessment. The outcome of the funding tool analysis is concerning. The Municipality has proactively resolved to implement a revenue enhancement program to improve the financial position and sustainability of the institution.

- Bitou Municipality should strengthen and reinforce its collection strategies with the intention of improving its debtors and revenue management and ensuring a benchmark collection rate of 95 per cent is achieved. This will ensure the Municipality strengthens its cashflow position, enabling the Municipality to meet its short-term obligations.

- Above inflation tariff increases, especially in respect of property rates which are projected to increase by 7.2 per cent for 2023/24 financial year are of concern, and greater relief to indigent consumers is advised.
 - The Municipality's ability to implement capital spending remains a risk to the overall credibility of the capital budget and the overall sustainability of the long-term funding model.
 - The Municipality is commended for undertaking a cost of supply study on its electricity services. The purpose of this study is to determine whether tariffs are cost reflective. The Municipality could further identify the actual costs necessary to provide the service, forecasting how to cost the tariffs and what trade-offs may be identified, rather than merely increasing tariffs annually in line with inflation projections. The Municipality indicated in its draft budget document it intends to do a cost of supply study on its water service and is advised to pursue this on its refuse and wastewater services.
 - When formulating a renewable energy policy the Municipality should consider the cost implications of renewables against non-renewables, implications for consumers, production, development and infrastructure cost implications.
 - Bitou Municipality should ensure greater alignment between the Municipal Procurement Plans, the IDP, the approved Budget and SDBIP to give full effect to integrated procurement planning.
 - The Municipality should utilise a commodity-based strategy for standardisation of item expenditure, which will assist in determining the sourcing strategies and achieve economies of scale. This will further assist the Municipality to identify certain commodities for alternative procurement decisions such as District Transversal Contracts, framework agreements and bulk procurement.
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- Debt levels are well managed, and it appears that Bitou Municipality has additional capacity to take on additional borrowings, however the already strained liquidity position is noted.
 - The Municipality needs to accelerate the implementation of both its Debt and Credit Policies to ensure that the legislative requirements to pay creditors within 30 days are met and release some cash tied up on debtors within the reasonable time.
 - The Municipality should further strengthen its revenue collection strategies in order to ensure timely collection of revenue.
 - Declining current financial ratios suggest that the Municipality should consider reducing its liquidity risk so that it has adequate financial resources to settle its short-term debts when they are due.

SIME ASSESSMENT: MUNICIPAL RESPONSE ON THE KEY RECOMMENDATIONS

INTEGRATED PLANNING

The municipality takes note of the assessment and will ensure that the commitment towards human settlements development receive greater emphasis in the next IDP revision, the municipality will as part of its capital planning for the future budget years draft a capital expenditure framework to illustrate the spatial intent of the development framework.

Consideration will be given to the alignment of the solid waste by-law to the NEM: Waste Act, waste management strategies will receive consideration in an attempt to divert organic waste from landfill and to increase recycling initiatives in the broader community.

ECONOMIC AND FINANCIAL SUSTAINABILITY

The municipality do not agree with the assessment by the Provincial Treasury that an unfunded budget was tabled, after the mid-year budget analysis report was received, and in accordance with the municipal budget and funding strategy, the municipality ensured that the draft budget that was submitted for the 2023/2024 financial year was appropriately funded.

We attach an extract from the A-Schedule, more specifically A4 in support of our view in this regard:

Total Expenditure		648 393	763 546	799 736	818 774	855 301	855 301	584 173	900 274	986 046	1 029 951
Surplus/(Deficit)		17 232	(26 704)	(411)	3 919	(50 239)	(50 239)	144 041	780	69 382	87 267
Transfers and subsidies - capital (monetary allocations)	6	26 187	33 032	48 270	46 335	53 041	53 041	12 521	37 468	59 234	45 161
Transfers and subsidies - capital (in-kind)	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		43 419	6 328	47 859	50 254	2 802	2 802	156 562	38 248	128 616	132 428
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		43 419	6 328	47 859	50 254	2 802	2 802	156 562	38 248	128 616	132 428
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		43 419	6 328	47 859	50 254	2 802	2 802	156 562	38 248	128 616	132 428
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	43 419	6 328	47 859	50 254	2 802	2 802	156 562	38 248	128 616	132 428

From the above it should be clear that the municipality is budgeting for a small surplus before capital contributions and that the surplus after capital contributions is R38,2 million for 2023/2024.

The municipality take note of the recommendations in respect of credit control and debt collection and is currently busy with credit control initiatives as well as implementing a revenue enhancement strategy to increase revenue without burdening the ratepayers and consumers even more.

The municipality notes the remark regarding the tariff increases and would like to point out that more than sufficient information and reasons are provided in the main budget narrative that gives context to the tariff increases that exceed inflation.

The municipality agree with the risk of not spending the capital and has as part of the Service Delivery and Budget Implementation Plan for 2023/2024 adopted a target of 95% in respect of capital spending from own funds and 100% in respect of grant funded capital items. Management is committed to ensure that spending targets will be met over the MTREF. Adequate procurement planning is already underway for the next budget cycle, and we are confident that the capital program for 2023/2024 will be executed successfully.

We take note of the finding in respect of the capacity of the municipality in respect of borrowing as a source of capital funding, this is supported by the recommendations in the Long Term Financial Plan and the municipality is using borrowing as capital funding to a larger extent than in the previous 5 years. The liquidity risk of the municipality is also mitigated by this funding decision and the borrowing program over the MTREF will therefore aid in the improvement of the municipal liquidity.

Response drafted by the Acting CFO: Mr F M Lötter