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## MTREF Assessment Response IDP

- **Integrated Development & Spatial Planning**

Acknowledge the findings in respect of alignment and will ensure inclusion of matters and alignment in the final product to council for approval

*Q. Establish an integrated economic recovery and tourism task team to fast-track stalled/delayed initiatives and unlock local tourism potential;*

A. Busy with the review of the LED strategy, last done more than 12 years ago, that will determine the way forward


*Q. Implement a real-time infrastructure delivery tracker, focusing on budget utilisation and physical progress of milestones*

A. Take note, will consider with the move towards a 10-year capital program that the Budget steering committee requested to link with the LTFP funding proposal.


*Q. Undertake a comprehensive skills audit to identify gaps in technical, managerial, and financial capabilities, prioritise the filling of critical vacancies and strengthen human resource development plans*

A. Fully agree, this will be done after a comprehensive work study.

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## MTREF Assessment Response IDP

- **Integrated Development & Spatial Planning** (Address the issues raised by sector departments in 2.1.2 of this report, dealing with IDP alignment.)

Firstly, thank you we are pleased to note that our IDP is compliant with the legislative requirements. With regards to the inputs and comments from sector departments our response is as follow:


A. Human Settlements and Transport: The inputs are noted, and the municipality will wait for the conclusion of the Provincial and District LITP before updating the IDP.

B. Health, Social Services and amenities. The municipality welcomes the proposal of a mini-drug master plan, however, we must highlight the cost implications of developing and implementing such plan, given that health is not a municipal priority function.


C. Safe & Cohesive communities.

- The Municipality has capacity, a leg was established on the organogram 2 persons appointed as co-ordinator and officer. Staffing and funding remain crucial within the continuum as it would allow for the areas to have specific focus, roles and outcomes. These four areas are mitigation, preparedness, response and recovery. (District shared service an option)
- The status of the risk assessment is at final stages with risks identified, to serve at Council by the end of June '25.
- Risk reduction initiatives and strategy are in place, funds allocated are used for various aspects from clearing or maintaining critical fire breaks primarily on the urban and rural edges to protect informal areas. Introduced a storm water and bridgeway clearing for prevention of roads flooding due to blocked lines or debris under bridgeways. We also try to enhance community safety via educational and awareness sessions
- Contingency plans are in place with one or 2 to be finalised by sections or departments. This completed contingency plans will be added to the disaster plan to be presented at the end of July to Council.

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## MTREF Assessment Response (Planning & Development)

- *The incorrect version of the Bitou MSDF proposals map (Figure 56) appears on page 162 of the IDP*
  - The correct figure will be provided to the IDP Office for inclusion in the IDP
- *Develop a robust Capital Expenditure Framework (CEF) for the SDF*
  - CEF to be developed during upcoming SDF amendment process planned for 2026/27
  - An ad-hoc CEF compilation was initially planned for 2025/26 but given the need for a complete SDF amendment by 2026, it would likely have been wasteful.
- *IDP does not reference the findings of the Bitou Housing Market Study (HMS)*
  - The findings of the HMS have not been finalised yet. Municipal comments on the final draft were submitted in December 2025, but no response or final plan has been received to date. That being said, the findings will be incorporated once they are available.
- *Develop an Inclusionary Housing Policy*
  - The need for such a policy is acknowledged. To be initiated once the findings of the Housing Market Study are available.
- *Integrate Local Plans into Capital Planning*
  - The required infrastructure projects/ upgrades as per the approved Ladywood Local SDF have been included in the latest IDP list of priority projects, and will have to be prioritised as per available budget in coming years



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## MTREF Assessment Response (Planning & Development)

*Q. The Municipality must designate a WMO and forward the council resolution to the Department. A budget for waste management must be included in the SDBIP.*

A. Recently appointed a new Waste Manager, will expedite the above


*Q. The Municipality must put waste management systems in place to improve refuse collection to all unserved areas including informal settlements. They must report on the implementation of the IWMP in their annual report and submit the report to DEA&DP for assessment.*

A. The municipality is implementing above strategies, yet further enhancements are necessary, municipality already providing services to informal settlements. Reporting to be ensured as indicated


*Q. Ecological Infrastructure Investment Framework*

A. Bitou Municipality are engaging with the Department of Environmental Affairs and Development Planning regarding the Ecological Infrastructure Investment Framework and are awaiting a presentation from them to Council (dates to be confirmed). Thereafter, how the Municipality wishes to proceed in regards to potential investment in our Ecological Infrastructure will be investigated and determined.

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## Response Economic and Financial Sustainability

### ECONOMIC SUSTAINABILITY

Q. Bitou Municipality has laid important groundwork for economic sustainability through improved infrastructure investment and prudent financial management. However, gaps in operational capacity, project implementation, and long-term infrastructure planning threaten to undermine these gains.

A. Noted

Q. To secure a sustainable economic future, Bitou must now focus on:

Q. Accelerating infrastructure delivery.

A. DMP started earlier to kick off with approval of budget, encourage departments to commence with SCM processes after tabling

Q. Strengthening institutional capacity (especially technical departments)

A. Noted and agreed difficult to attract qualified and experienced staff, affordability (Plett)


Q. Adopting integrated master plans.

A. Agree yet financial considerations mostly guide the implementation


Q. Aligning capital and operational budgets with demographic and environmental realities.

A. Noted, it goes without saying, yet cannot discount affordability, funding, TCO, Section 19 of MFMA

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## Response Economic and Financial Sustainability

### FINANCIAL SUSTAINABILITY

Q. The 2025/26 MTREF budget has been tabled as funded, with an increasing operating surplus projected over the MTREF period, signaling improving financial health.

A. Amen!!!, thanks for noticing

Q. There is an upward trend in indigent support allocations; however, indigent registers require validation and targeting mechanisms must be strengthened to ensure appropriate and efficient support delivery.

1. Indigent vs FBE numbers in DORA 2. Free allocation 50 units to non-indigents a significant burden.


A1. DORA and indigent numbers will never correlate, based on different data sets, census vs. indigent register, the quantum of subsidy vs. cost of rendering a unit of FBS are archaic and outdated, no one in Bitou receives the level of service used in the calculation methodology. Cost of FBS Basket, according to DORA is R 609.70 vs. R1494.60 actual cost to Bitou, it is thus 245% more than what is provided for in the equitable share. A2. Additional FBE allocation R2 mil represents 0.18% of turnover not really a significant burden. (was highlighted in budget narrative, no appetite to do it differently)

Q 2025/26 budget reflects affordability challenges — basic electricity charges remain high impacting household affordability while collection rates fall short of the 95 per cent NT benchmark placing revenue sustainability at risk.

To address the principle of affordability in comparison with others the following:


Electricity: Basic and other electricity charges determined through COS study, different methodology than before, the basic charge is determined by the size of circuit breaker, thus demand driven.

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## Response Economic and Financial Sustainability

### FINANCIAL SUSTAINABILITY


A. Water: Basic water must consider the factors inherent to Bitou as referred to in the guidelines for compulsory National standards issued under Regulation 10 of the Water Services Act in April 2002, Paragraph 8 reference to fixed charge to recover water services cost from holiday homes, such as in the case of Bitou where volume-based recovery is not sufficient. A quick comparison was done in the district with the result as follows:

Municipality	Basic	Cons 25 Kl	Total	% of Average	Rank L- H
Bitou	251.91	236.50	R 488.41	84.15	2.00
George	156.31	501.49	R 657.80	113.33	4.00
Knysna	224.58	531.61	R 756.19	130.29	5.00
Hessequa (20MM Connection)	196.00	291.35	R 487.35	83.97	1.00
Mosselbay (25MM connection)	254.01	258.27	R 512.28	88.26	3.00
<b>Average</b>			<b>R 580.41</b>		


Q. Revenue from waste management remains stagnant, failing to cover operational costs, highlighting a need for tariff review and operational efficiency improvements.

A. Noted, yet moderate increase within CPI, consider that the municipality increased the refuse tariff by 17.2 % in 2023/2024 to cater for the cost of regional landfill that is yet to materialize, buffer to mitigate tariff increases over the MIREF

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## Response Economic and Financial Sustainability

### FINANCIAL SUSTAINABILITY

Q. Continued implementation of enhanced credit control and debt collection measures is necessary, particularly focusing on outstanding debt exceeding 90 days.

A. Noted are focusing as pointed out, dilemma remain Eskom electricity distribution areas where payment ratios vary between 5 % and 15%, example Kranshoek where the monthly billed revenue contribution is 2.83% of total revenue, the cash flow contribution is 0.28% of total cash, but the area owe 28.74% of total outstanding debt (R111 985 281), at current payment rate will take the area 55 years to pay off the debt.


Q. **Fines penalties and forfeits** - According to Circular 71 calculations, collection rates for fines improved from 17.3 per cent in 2021/22 to 26.1 per cent in 2023/24. While the upward trajectory is encouraging, the rate is still far below the 95 per cent norm and well below the rates achieved in other revenue streams such as property rates and service charges.

A. Need to understand the difference between Circular 71 debtor collection ratio calculation and the accounting standard, I-GRAP 1 applicable to fines revenue, furthermore, interest on arrears raised against defaulting debtors add to bad debt as the likelihood of recovery is low. Need to also comprehend the predictability issues and annual impairment calculation methodology etcetera.


Q. The growing closing debtor balances rising from R86.57 million in 2021/22 to R112.62 million in 2023/24 also **highlight a structural weakness in the collection of this revenue stream**, raising questions about the realism of the budgeted figures.

A. Really don't agree with the comment made, assumptions and calculation methodology are solid and cash flow in respect of actual fine receipts are accurate with little variance when compared to total annual revenue.

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## Response Economic and Financial Sustainability

### FINANCIAL SUSTAINABILITY – EXPENDITURE MANAGEMENT

*Q. Contracted Services - While this may be partly influenced by MSCOA classifications, the municipality's reliance on outsourced services (e.g., consultants, contractors) raises sustainability and capacity concerns. There is a need for stringent contract management and embedding skills transfer clauses in all professional service agreements to reduce long-term dependency.*

A. Not partly but mostly or mainly influenced by MSCOA Classifications i.e. the following: Housing top structures, asset maintenance services, security services, traffic management, electrical maintenance, building maintenance, fire fighting, refuse removal and recycling etcetera, take note, don't necessarily agree and we are doing skills transfer.

*Q. Depreciation discrepancies, audited actual vs. budget*

A. Agree, error in the audit actual amount, the budget is accurate

*Q. Inconsistencies A4, A6 and A9*

A. Don't agree with everything, as depreciation in A4 and A9 is exactly the same amount. Total PPE in A6 and A9 also correlate. Thank you for highlighting A9 asset value declining over MTREF will investigate and correct.


*Q. The Municipality should maintain its commitment to stringent cost containment measures to support long-term financial stability.*

A. Done!


*Q. Employee cost 37.3 upper limits of the norm*

A. Agree concerted effort to reduce over the MTREF, review of organogram, work study possible restructuring etcetera

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## Other important matters: MSCOA and SCM


### MSCOA

- Take note and acknowledge the issues and anomalies identified in schedules and data strings.
- Municipality consults excessively with service provider upon critical deadlines, budgeting, revised budgets and reporting.
- Since MSCOA implementation no clear direction or assessment from NT on adequacy of FMS's no system certification to date.
- No clear date on regulation of 14 business processes.
- Huge cost to comply with ERP integrated systems and business processes.

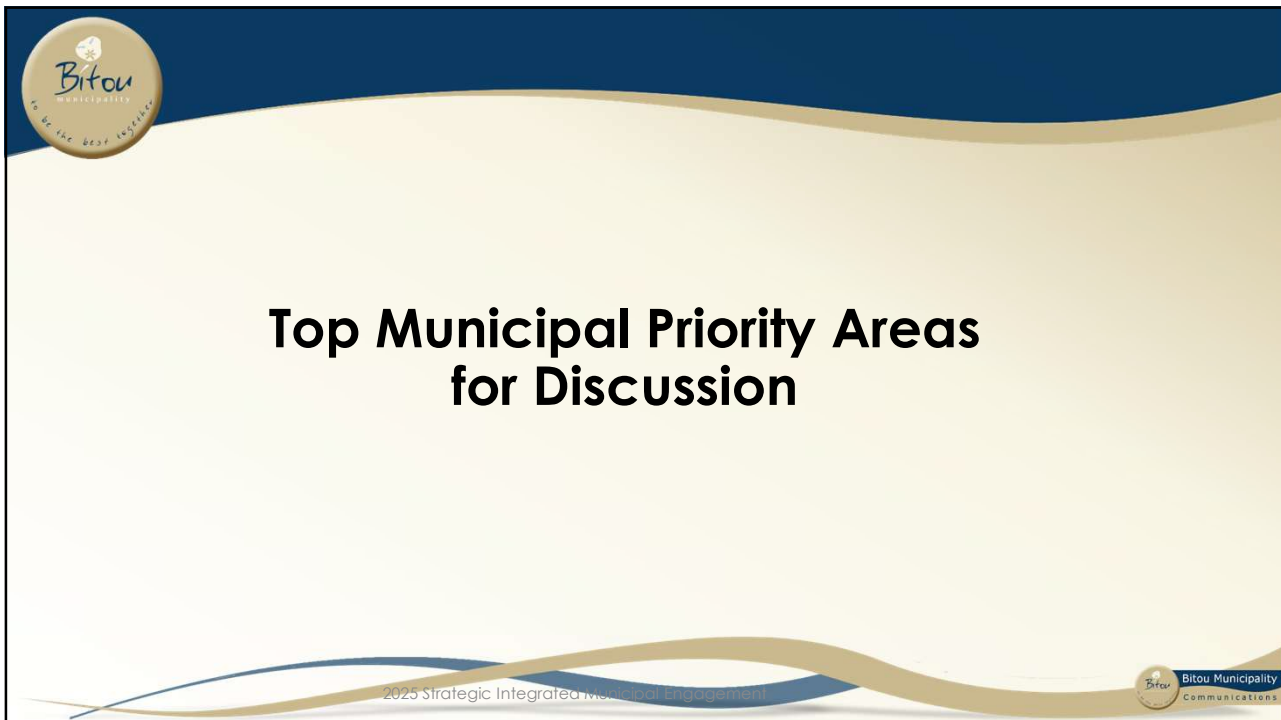
### SCM

- Take note of policy alerts, will consider in final submission where feasible.
- DMP early start planned to ensure timely implementation of the capital expenditure program.

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**Priority 1: Climate Change**

- Climate change steering committee establish with local municipalities and GRDM
- Climate change strategy coordination at Provincial and District level
- Integrated climate change implementation plan, (resources to assist)

**Priority 2: Disasters (Natural or Other)**

- Strategy coordination district wide
- Pooling of resources would be helpful, economies of scale benefits to be gained
- Risk mitigation and contingency plans, collaboration and assistance needed
- Education and awareness, public, community involvement through education and awareness

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## Priority 3: Water Security & Infrastructure funding


- Increase in population growth is a challenge
- Free basic services keep on increasing , Indigent register audit through CAATS
- Role clarification responsibility of spheres of government in respect of bulk water resource services.
- Prepare allocation for BFI (Budget Facility for infrastructure)

## Priority 4: Conditional Grant Security

- Contracting economy and impact on available grants
- Mechanism to prevent withdrawal of grant funding gazetted in prior years where contractual obligations exist.
- Grant framework, access to grant funding sources seem to remain out of reach for smaller municipalities
- Onerous conditions of grants, the spending targets not project specific but generalised




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## Priority 5: Continuity and Stability

- Local Government framework and legislation needs a review
- Legislation governing coalition government is of essence
- Must be a segregation between political and administrative offices
- Upper limits of remuneration, there are proposed changes but it still does not remedy the issue due to incorrect calculations, interpretations or lack of understanding of the LG remuneration structures and business
- Senior management exposed in terms of legislative framework, audit act amendments, MFMA and recent court judgements, and there is no room for error, even with limited resources

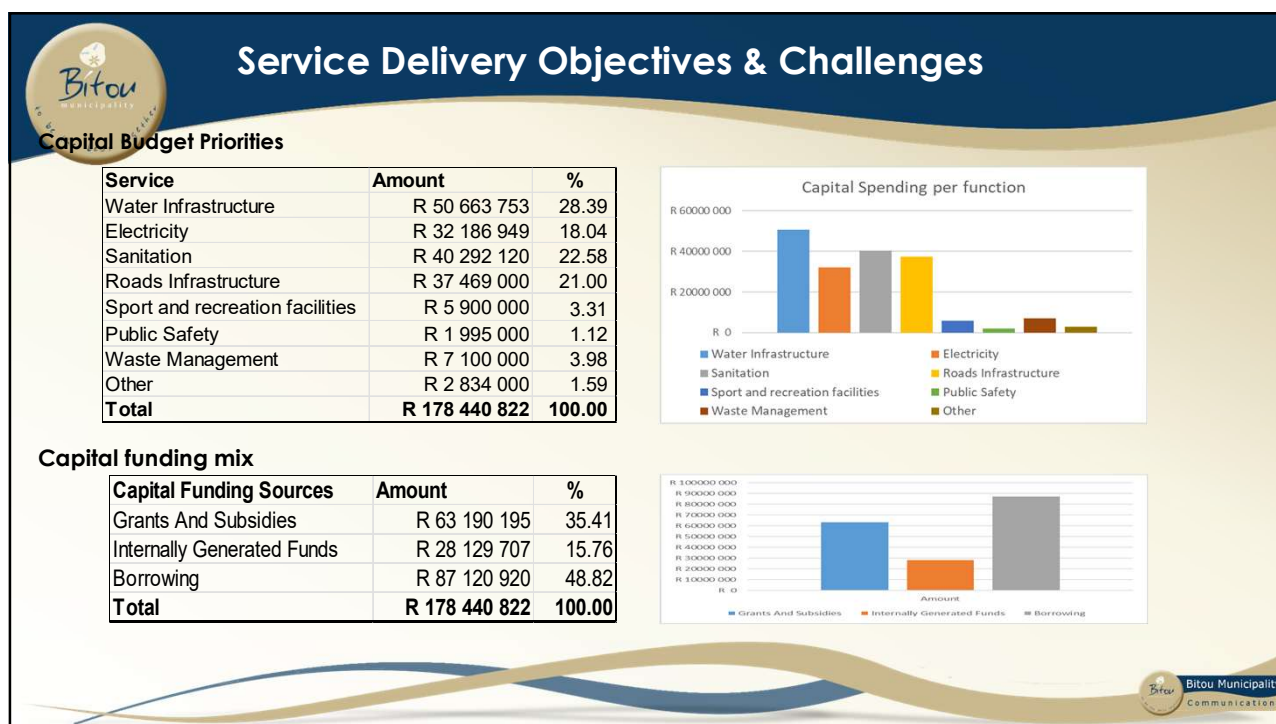


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## Service Delivery Objectives & Challenges Funding Mix & External Borrowing Strategy

**Service delivery Priorities through capital spending**

Basic Service delivery, access to services and infrastructure, enabling Human Settlements developments but also ensure reliability of services and health of assets through upgrades and refurbishments (36.4%)

**Infrastructure pipeline**

Evident from SA36 detail that majority aimed at Human settlements infrastructure and master plan projects over MTREF, busy with preparations for BFI projects and will be ready for submission of applications in 24 months, municipality has reached capacity in WWTW and WTW as well as Electricity where the main substation serving 60% of the area is being upgraded.

**Challenges**


Unpredictability of conditional grants (WSIG) lost more than R20 million over a 3 year period, contractual commitments exist based on past DORA as a result of multi-year projects being awarded. (IGD)

Future maintenance and operational cost associated with grant funded infrastructure, especially Human settlements and MIG, where recipients of services cannot afford future maintenance and operational cost. Need to balance the scale through higher-end development to grow the rates base.

Capital budget spending will be achieved through earlier implementation of DMP and SCM processes.

**Funding mix strategy**

Balanced, guided by LTFP and prudent financial management principles, balancing ratios, of gearing with liquidity requirements, more aggressive borrowing early in MTREF tapering down to 2<sup>nd</sup> outer year, focussed towards borrowing for projects in areas where affordability of services are not in doubt.



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## Key Service Delivery & Fiscal Risks

**Service delivery risks**

- Demand or services outstripping the resources to provide.
- Diminishing and unpredictable grant framework.
- Unfunded mandates – Human Settlements, Costing the municipality in excess of R10 million per annum.
- Human Settlements developments are absorbing all infrastructure and services capacity and the funding doesn't flow in a timely manner to supplement the services (INEP).
- Lack of economic opportunity caused by National Government and the failure of the economy to grow as a result of the energy crisis denied economic opportunities to citizens, direct impact on municipal sustainability.
- Influx / (semigration) of people from other provinces demanding services.

**Financial risks**

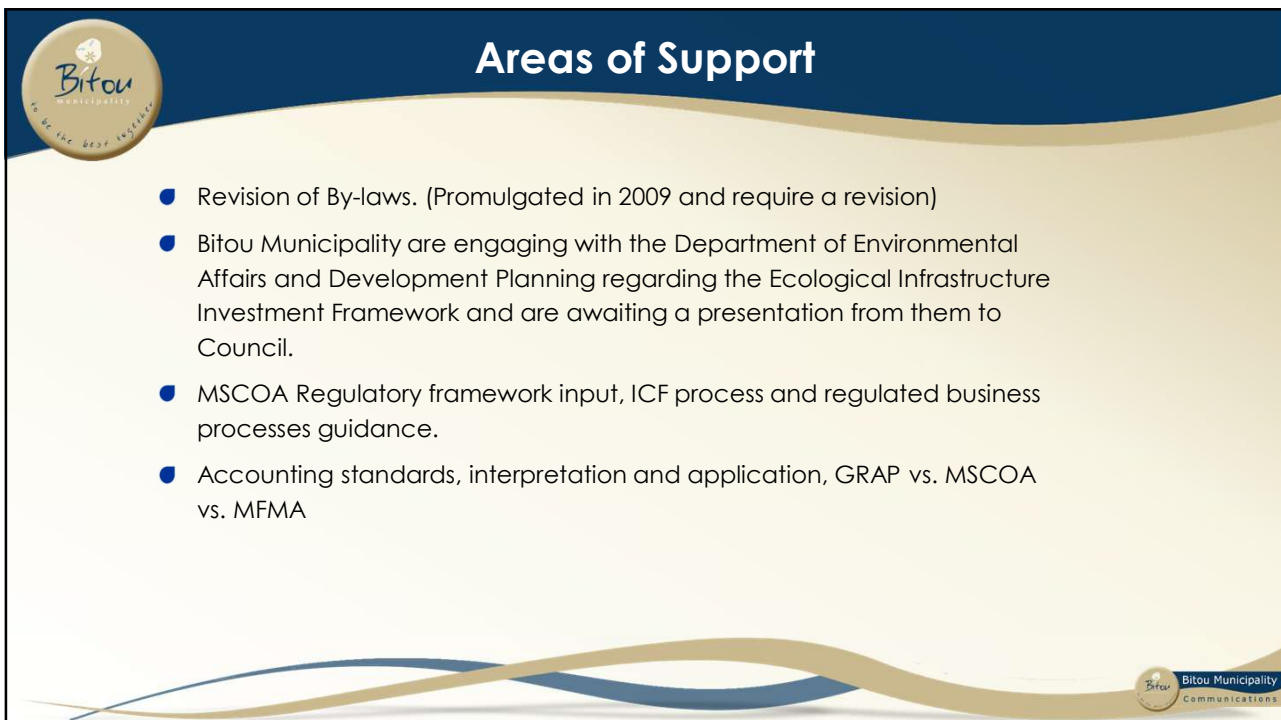
- Affordability of services and Plett in General.
- Impact of political decisions on the financial viability and sustainability is not always understood by decision makers
- Continuity in management and political stability
- Cost of Compliance, GRAP, MSCOA and other legislative frameworks.




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# Conclusion

- Our opinion that Bitou is moving forward administratively, operationally and financially
- Impediment was the political instability, twice in one year that delayed, strategy, direction and caused management continuity issues
- Thank you for the thorough analysis and highlighting some issues that require attention, we will ensure that the matters are addressed.
- Appreciate the input, dedication and work done to assist Bitou to be the best together!

