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Dear Sir / Madam

Buffalo City Metropolitan Municipality:
DRAFT INTEGRATED DEVELOPMENT PLAN 2026/2027; AND
2026/2027 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)
Comments from the South African Property Owners Association (SAPOA)

The comments below are submitted by Urban-Econ Development Economists on behalf of the South Africa Property Owners Association (SAPOA).

1. Introduction

The South African Property Association (SAPOA) is an organisation founded in 1966 aimed at uniting stakeholders and the commercial and industrial property sector and creating a platform for property investors. SAPOA is a representative body and voice of the commercial and industrial property industry in South Africa and is dedicated to advocating for its members' interests within the industry in a proactive and responsible manner. It aims to represent, protect, and advance the interests of its members by providing them with access to relevant information, networking opportunities, and industry insights.

Integrated development planning involves a thorough analysis of a community's needs and using the resources available to address these needs. This development planning is aimed at ensuring that the municipality's planned interventions are aligned with the planning efforts of the national and provincial governments.

The Municipal Systems Act 32 of 2000 governs the operations of municipalities. One of its key requirements is that municipalities must have an Integrated Development Plan (IDP) guiding development, budgeting and service delivery priorities. Therefore, the Buffalo City Metropolitan Municipality has developed a five-year municipal IDP in compliance with the Municipal Systems Act.

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2. Participation in the IDP Processes of Municipalities

Public participation has been a central priority for National, Provincial, and Local Government since the introduction of the Integrated Development Plan (IDP) process. Public meetings across cities and towns serve as key platforms through which residents can engage with municipal representatives, thereby contributing to inclusive planning and supporting the broader objectives of growth and development in South Africa. In addition, the IDP Representative Forum functions as an important legislative mechanism to facilitate ongoing stakeholder engagement, enabling the monitoring of progress and the raising of concerns and policy-related matters on a regular basis.

We acknowledge and support the efforts undertaken by the City of Johannesburg Metropolitan Municipality to strengthen its public participation processes. The role played by Ward Councillors in communicating with communities and encouraging participation is also commendable. These initiatives have contributed to broader community involvement, improved transparency, and more effective incorporation of public input into municipal decision-making and policy implementation.

Urban-Econ Development Economists will be attending the stakeholder engagement session held on 14 May on behalf of SAPOA. However, it should be noted that the public participation meetings were held after the submission dates for public comments on the draft IDP and budget, which is problematic.

3. Views and Inputs for Consideration

3.1. Economic Development and Socio-Economic Challenges

Buffalo City Metropolitan Municipality continues to face severe and worsening socio-economic challenges, which fundamentally constrain economic growth and undermine the viability of property investment across the metro. The IDP highlights a marked increase in poverty levels, rising from approximately 55.5% in 2014 to nearly 69.6% in 2024, equating to a substantial portion of the population, over 600 000 residents, living below the poverty line. This reflects a deepening structural crisis within the local economy, where income inequality, limited job creation, and weak economic diversification persist. High unemployment levels remain a critical concern, particularly in historically disadvantaged sub-metro areas such as Mdantsane and Chalumna, where unemployment levels exceed 40%, further entrenching poverty and limiting household spending power. The IDP further notes that more than 55% of households are reliant on social grants, highlighting the extent to which economic activity is not sufficiently generating sustainable livelihoods.

In addition, the IDP and supporting review commentary point to a lack of clear, consolidated economic strategy that effectively aligns infrastructure investment, spatial planning, and sector development priorities. While assets such as the East London Industrial Development Zone (ELIDZ) and port infrastructure are acknowledged, there is limited evidence in the IDP of how these catalytic assets are being optimally leveraged to stimulate broader economic growth and private sector participation.

Furthermore, the SAPOA review of the IDP indicates that persistent service delivery failures, infrastructure unreliability, and urban management challenges, such as illegal land use and informal economic expansion, are directly undermining the Municipality's ability to attract and retain investment. These factors create an unstable operating environment for businesses and property owners, contributing to declining investor confidence and negatively impacting property values in affected areas.

From a spatial and market perspective, these economic challenges manifest in declining demand across key property sectors. Retail nodes, particularly in lower-income areas, are experiencing reduced consumer spending and increasing tenant turnover, while office markets remain under pressure due to limited business expansion and weak employment growth. Informal economic activity continues to expand in areas such as Duncan Village and parts of Mdantsane, often operating outside formal regulatory frameworks, further constraining municipal revenue collection and distorting competitive conditions within the formal property sector. This growth in informality, while reflective of economic necessity, ultimately limits the municipality's ability to broaden its rates base and reinforce long-term fiscal sustainability.

Moreover, the absence of clearly defined, implementable economic development programmes with measurable outputs, such as investment targets, job creation benchmarks, and sector growth indicators, reduces the effectiveness of the IDP as a strategic tool for guiding economic transformation. Without these measurable outcomes, it becomes difficult to assess whether interventions are yielding tangible improvements or whether resources are being optimally allocated.

SAPOA recommendations:

- Prioritise spatially targeted economic development interventions focused on high-potential nodes, including East London CBD, ELIDZ corridor, and Bhisho/Qonce.
- Introduce investment incentives, such as rates rebates, bulk infrastructure support, and fast-tracked approvals, to stimulate private sector development.
- Establish a formalised public-private partnership (PPP) platform, incorporating SAPOA and other stakeholders, to facilitate coordinated investment and urban regeneration initiatives.
- Develop an integrated economic development strategy that clearly links spatial planning, infrastructure investment, and sector-specific growth opportunities, ensuring alignment across municipal departments.
- Implement sector-focused development programmes (e.g. automotive, logistics, agro-processing) to leverage existing competitive advantages such as the port and ELIDZ.
- Define and incorporate measurable economic performance indicators within the IDP (e.g. investment value attracted, jobs created, SMME participation rates).
- Improve development approval efficiency and reduce administrative delays to unlock private investment.
- Strengthen formalisation strategies for the informal economy, including support mechanisms and regulatory integration, to broaden the municipal rates base and improve economic inclusivity.

3.2. Infrastructure Backlogs and Service Delivery Failures

Infrastructure backlogs and persistent service delivery failures remain one of the most significant structural constraints facing Buffalo City Metropolitan Municipality, with direct implications for economic performance, investor confidence, and the sustainability of the property sector. The IDP identifies road infrastructure as the most critical service delivery concern, having been raised as the top priority across 39 wards, reflecting widespread dissatisfaction with road conditions, maintenance backlogs, and accessibility challenges. In practical terms, deteriorating road networks continue to constrain economic mobility, increase transport and logistics costs, and reduce connectivity between residential and economic nodes. This is particularly evident in peri-urban and township areas, where limited maintenance of gravel and surfaced roads affects both residential accessibility and commercial activity.

In addition, the IDP highlights ongoing challenges in water and sanitation provision, including backlogs in access to piped water and sanitation services, as well as capacity constraints within wastewater treatment systems. Environmental concerns, such as pollution affecting river systems including the Nahoon River, are indicative of

infrastructure stress and insufficient treatment capacity. Electricity service delivery is further undermined by high levels of technical and non-technical losses, including theft, illegal connections, and ageing infrastructure, which collectively reduce system efficiency and increase financial losses for the Municipality. The SAPOA review further notes that frequent service interruptions, infrastructure vandalism, and unreliability of supply continue to disrupt business operations and negatively impact property values.

Furthermore, the available IDP review commentary highlights a lack of sufficiently detailed and implementable project pipelines for critical infrastructure upgrades, particularly in relation to wastewater treatment works and bulk infrastructure expansion. While challenges are acknowledged, the absence of clearly defined interventions, timelines, and funding mechanisms reduces the credibility of the Municipality's ability to address these backlogs effectively.

From a property sector perspective, these infrastructure constraints result in increased operational costs, as businesses and property owners are forced to invest in alternative service provision (e.g. generators, water storage, boreholes), while also facing increased risk related to tenant retention and long-term asset performance.

SAPOA recommendations:

- Develop and implement a prioritised, spatially aligned infrastructure investment plan focusing on key economic nodes.
- Ring-fence funding for bulk infrastructure upgrades and backlog eradication programmes.
- Implement preventative maintenance programmes to reduce infrastructure deterioration.
- Introduce real-time monitoring systems to manage water losses, electricity theft, and network failures.
- Expand utilisation of PPP and blended financing models to support infrastructure rollout.
- Strengthen enforcement and asset protection mechanisms to reduce vandalism and illegal connections.
- Develop a detailed, transparent infrastructure project pipeline (including WWTWs and bulk services), with clear timelines, budgets, and implementation responsibilities.
- Align infrastructure delivery with spatial planning and economic development priorities to ensure infrastructure supports investment-led growth.

3.3. Housing, Informal Settlements, and Land Use Challenges

The expansion of informal settlements and the persistence of a significant housing backlog continue to present major spatial, economic, and governance challenges within Buffalo City. The IDP confirms that a substantial number of households reside in informal settlements, while the housing demand backlog remains extensive, placing ongoing pressure on the Municipality's ability to provide adequate and well-located housing opportunities. In addition, the Municipality acknowledges a growing trend of land invasions, particularly on strategically located vacant land, driven by housing shortages and increasing socio-economic pressures.

These patterns are particularly evident in areas such as Mdantsane, Qonce, and surrounding peri-urban zones, where informal settlements continue to expand beyond the reach of formal planning frameworks. This unregulated spatial growth places additional strain on existing infrastructure systems, including water, sanitation, and electricity networks, while also complicating long-term infrastructure planning. Furthermore, unregulated land use activity undermines the Municipality's spatial development framework and disrupts efforts to promote compact, integrated urban development.

The IDP review further highlights that slow progress in formal housing delivery, combined with limited availability of serviced land, is exacerbating the expansion of informal settlements and reducing the Municipality's ability to

proactively manage urban growth. This results in reactive, rather than planned, development patterns that are both costly and inefficient to service in the long term.

From a property market perspective, these challenges create significant uncertainty, particularly in relation to land availability, zoning enforcement, and development feasibility. The encroachment of informal settlements into strategic development areas can sterilise land intended for investment, reduce surrounding property values, and increase the perceived risk associated with long-term development projects.

SAPOA recommendations:

- Accelerate serviced land release programmes, with clearly defined timeframes and delivery targets.
- Strengthen implementation of the Informal Settlement Upgrading Programme (ISUP).
- Enhance land invasion response and enforcement mechanisms, particularly in strategic areas.
- Introduce inclusionary housing policies to support spatial integration.
- Improve alignment between housing delivery and infrastructure provision.
- Establish proactive land management systems to protect strategic land parcels.
- Develop a clear housing delivery pipeline with quantified outputs, funding sources, and implementation milestones.
- Improve intergovernmental coordination (province and national) to accelerate human settlements delivery and reduce project delays.

3.4. Urban Management, Safety, and CBD Decline

Urban management challenges, including crime, declining infrastructure conditions, and weak regulatory enforcement, are contributing to the deterioration of key economic nodes within Buffalo City, particularly within the East London CBD and surrounding precincts. The IDP identifies a significant increase in contact crimes, including violent offences such as murder and kidnapping, which are concentrated in key urban areas such as Quigney, Southernwood, and Duncan Village. These locations are not only residential areas but also important economic and commercial nodes, meaning that rising crime has a direct impact on the functioning of the urban economy.

In addition to crime, inadequate urban management practices, such as poor enforcement of by-laws, unmanaged informal trading, and the proliferation of illegal land uses, have contributed to visible urban decay. This is reflected in deteriorating building conditions, reduced public safety, and declining public realm quality. As a result, businesses and tenants are increasingly relocating to better-managed suburban areas, leading to rising vacancies and disinvestment within traditional CBD areas.

The IDP review indicates that while urban management challenges are acknowledged, there is limited evidence of structured, place-based interventions aimed at reversing urban decline in priority areas. The absence of clearly defined urban regeneration programmes, supported by dedicated funding and stakeholder collaboration, limits the Municipality's ability to restore economic activity within CBD and inner-city areas.

From a property perspective, these conditions increase the cost of ownership through higher security and maintenance requirements, while simultaneously reducing rental income potential and long-term asset appreciation.

SAPOA recommendations:

- Establish City Improvement Districts (CIDs) or managed precincts in priority areas.
- Strengthen law enforcement and by-law compliance mechanisms.
- Invest in urban surveillance systems and public safety infrastructure.

- Develop and implement a CBD-focused urban regeneration strategy.
- Introduce incentives for refurbishment and redevelopment of buildings.
- Strengthen public-private partnerships for urban management initiatives.
- Implement targeted place-based interventions with dedicated budgets in high-risk nodes (e.g. CBD, Quigney).
- Enhance coordination between municipal departments responsible for safety, planning, and infrastructure to improve urban management outcomes.

3.5. Institutional Capacity and Governance Constraints

Institutional capacity constraints and governance challenges continue to undermine service delivery and development implementation within Buffalo City. The IDP highlights significant vacancy rates across key departments, particularly in technical and infrastructure-related functions, with some directorates experiencing vacancy levels of approximately 37%. This lack of capacity severely limits the Municipality's ability to plan, design, implement, and maintain critical infrastructure projects. The presence of a Section 154 intervention further reflects underlying governance weaknesses, including challenges related to financial management, oversight, and administrative performance.

These constraints have practical implications, including delays in project implementation, slow development approvals, and inconsistent engagement with private sector stakeholders. In addition, audit findings relating to financial controls, asset management, and reporting continue to impact the Municipality's credibility and institutional stability.

The IDP review also suggests that there is insufficient alignment between organisational capacity and the scale of infrastructure and development programmes being proposed, creating a gap between planning and implementation. Without addressing this capacity deficit, the likelihood of achieving IDP targets remains low.

For the property sector, these institutional weaknesses translate into increased uncertainty, delays in approvals, and reduced confidence in the Municipality as a reliable development partner.

SAPOA recommendations:

- Prioritise filling critical vacancies, especially in infrastructure and technical departments.
- Strengthen performance management and accountability frameworks.
- Establish a centralised Project Management Office (PMO).
- Improve interdepartmental coordination and planning processes.
- Implement transparent performance reporting mechanisms.
- Strengthen audit compliance and financial governance systems.
- Align organisational capacity planning with IDP delivery targets to ensure realistic implementation.
- Introduce targeted skills development and retention strategies to address technical capacity shortages.

3.6. Financial Sustainability and Revenue Weaknesses

The financial sustainability of Buffalo City remains a critical concern, with the IDP indicating declining cash reserves, increasing outstanding debtors, and ongoing challenges in revenue collection. The Municipality's financial pressures are further exacerbated by rising operational costs, including employee-related expenditure and bulk service purchases, which limit the availability of funds for capital investment and infrastructure maintenance. The growing reliance on tariff increases to balance the budget places additional strain on consumers and businesses, potentially reducing affordability and compliance.

High levels of outstanding debt, coupled with suboptimal collection rates, undermine the Municipality's ability to maintain a stable and predictable revenue stream. This has direct implications for infrastructure funding, as well as the Municipality's ability to access external financing for capital projects.

The IDP review further highlights that there is limited evidence of a comprehensive, long-term financial sustainability strategy that addresses both revenue enhancement and expenditure efficiency in a structured manner. Without a clear financial roadmap, the Municipality's ability to support long-term development objectives remains constrained. From a property sector perspective, ongoing financial instability introduces uncertainty regarding tariff increases, service delivery reliability, and the Municipality's ability to maintain infrastructure, all of which influence investment decisions.

SAPOA recommendations:

- Strengthen revenue collection systems and billing accuracy.
- Implement targeted strategies to reduce outstanding debtors.
- Diversify revenue sources through economic development and investment attraction.
- Introduce cost-containment and expenditure efficiency measures.
- Prioritise infrastructure-related capital and maintenance expenditure.
- Improve financial planning and forecasting processes.
- Develop a comprehensive long-term financial sustainability strategy aligned to IDP priorities.
- Improve transparency in financial reporting to strengthen investor and stakeholder confidence.

3.7. Infrastructure Maintenance and Asset Management

The ongoing deterioration of infrastructure due to insufficient maintenance and weak asset management practices remains a major concern within Buffalo City. The IDP highlights that ageing infrastructure, combined with vandalism and inadequate maintenance funding, continues to result in frequent service disruptions across water, sanitation, and electricity networks. These disruptions manifest in real terms through water leaks, sewer overflows, and power outages, all of which negatively impact both residents and businesses.

In addition, the IDP and associated audit findings highlight significant weaknesses in asset management systems, including incomplete or inaccurate asset registers, as well as insufficient lifecycle planning. These shortcomings limit the Municipality's ability to plan for infrastructure renewal and to allocate resources effectively over the long term.

The IDP review further suggests that maintenance expenditure is not adequately prioritised relative to new infrastructure development, resulting in a growing backlog of deteriorating assets. This creates a cycle of reactive maintenance, where failures are addressed only after they occur, rather than through preventative interventions.

For property owners and investors, unreliable infrastructure and poor maintenance practices increase operational risks, disrupt business continuity, and reduce the overall attractiveness of the Municipality as an investment destination.

SAPOA recommendation:

- Develop and implement a comprehensive infrastructure maintenance strategy.
- Ring-fence funding for repairs and maintenance.
- Adopt a lifecycle asset management approach.
- Implement predictive maintenance systems and condition assessments.
- Explore PPP models for infrastructure maintenance support.
- Strengthen security measures to reduce vandalism and theft.
- Rebalance capital budgets to ensure adequate allocation towards maintenance relative to new infrastructure.

- Improve asset register accuracy and integrate asset management into financial and planning systems.

3.8. Accessibility of the Draft IDP Document

In undertaking the review of the Buffalo City Metropolitan Municipality's Draft 2026/2027 Integrated Development Plan (IDP), it was noted that the document was not readily accessible via the Municipality's official website or other publicly available platforms. Despite efforts to locate the IDP through standard channels, the document could not be easily identified or downloaded, which presents a concern in the context of public participation and transparency.

The IDP serves as a statutory planning instrument intended to guide development and inform stakeholders, and as such, it is critical that it is made freely, clearly, and easily accessible to the public and key stakeholders, including the property sector. In this instance, access to the document was only facilitated after direct telephonic engagement with the Municipality, following which the relevant documents were provided upon request.

This accessibility challenge may inadvertently limit meaningful stakeholder engagement, as interested and affected parties may not be aware of the availability of the draft IDP, or may face barriers in accessing it within the prescribed public participation period. This is particularly concerning given the importance of inclusive participation in the IDP and budget review process, as required by the Municipal Systems Act and the MFMA.

SAPOA recommendations:

- The Municipality should ensure that all draft IDP and budget documents are:
 - Prominently published and easily accessible on the official website
 - Clearly categorised and searchable, with direct download links
 - Accompanied by public notices and communication indicating availability
- Introduce standardised digital access protocols, ensuring that all statutory documents are uploaded timeously during public participation periods
- Improve stakeholder communication channels, including notifications to key stakeholders such as SAPOA, to ensure broader engagement
- Monitor and ensure compliance with legislative requirements relating to transparency and public participation.

4. Budget

This submission provides comments on Draft Medium- Term Revenue and Expenditure Framework (MTREF) 2026-2027 for the Buffalo City Metropolitan Municipality. The MTREF is framed around the municipality's strategic goal of good governance and financial sustainability. The budget document states that the budget is anchored in 6 core pillars, which include the following:

1. Infrastructure Development and Basic Service Delivery
2. Local Economic Development and Job Creation
3. Human Settlements and Social Development
4. Financial Sustainability and Sound Governance
5. Spatial Integration and Environmental Sustainability
6. Good Governance and Public Participation

4.1. Property Rates

The proposed increase in property rates of 2% for the 2026/2027 financial year is below the National Treasury CPI benchmark of 3.7%, indicating a relatively conservative approach by the Municipality. While this is a positive signal for both households and property owners, particularly given constrained income growth and high levels of poverty, it should be noted that the low increase may also reflect underlying revenue collection challenges and limitations in expanding the rates base.

From an affordability perspective, the lower-than-inflation increase provides relief to households and property owners, particularly landlords who are already facing pressure from weak rental growth and tenant affordability constraints. However, given the Municipality's financial pressures, including rising operational costs and infrastructure backlogs, the sustainability of such modest increases must be carefully considered.

SAPOA recommendation:

- Ensure that rates revenue is efficiently managed and protected, reducing leakages and inefficiencies.
- Improve billing accuracy and valuation roll credibility to strengthen revenue without increasing tariffs.
- Strengthen revenue collection mechanisms, particularly within higher-value properties.
- Expand the rates base through formalisation and new developments, rather than relying on tariff increases.

4.2. Electricity Tariff

The proposed electricity tariff increase of 11.1% for the 2026/2027 financial year is significantly above the CPI benchmark of 3.7%, and also exceeds the NERSA guideline of 9.01%, representing a substantial real increase in electricity costs for households and businesses. This level of increase is particularly concerning given the prevailing socio-economic conditions within the Municipality, where affordability remains a key constraint.

A critical factor underpinning this concern is the persistently high level of electricity distribution losses within the Municipality, which are anticipated to reach approximately 27.5% in 2026/2027. These losses include both technical losses (due to ageing infrastructure and network inefficiencies) and non-technical losses (such as illegal connections, electricity theft, and billing inaccuracies).

While it should be acknowledged that the Municipality has implemented several interventions, such as network upgrades, smart metering initiatives, revenue protection programmes, and broader turnaround strategies to address these challenges, the current level of losses remains significantly above acceptable norms and continues to undermine the financial sustainability of the electricity service. Importantly, the Draft IDP explicitly highlights that electricity losses amounting to approximately R547 731 516 were disallowed by NERSA for tariff-setting purposes, meaning that these losses cannot legally be passed on to consumers through tariffs. This is a critical point, as it indicates that the Municipality is unable to recover a substantial portion of its inefficiencies through regulated tariff structures. As stated in the IDP, the achievement of financial sustainability is therefore highly dependent on the Municipality's ability to reduce these losses through improved infrastructure, revenue protection, and enhanced billing and collection systems.

This creates a structural dilemma for the Municipality: while tariff increases are being proposed above inflation, a significant portion of system inefficiencies (i.e. losses) are not recoverable through the tariff framework. As a result, increasing tariffs alone will not resolve underlying financial pressures, and may instead place an undue burden on paying consumers while inefficiencies persist within the system. From an affordability perspective, the impact on households, particularly lower-income households, is severe. Electricity is a fundamental service, and above-inflation increases disproportionately affect vulnerable households, many of whom already rely on free basic electricity allocations. For middle-income households and businesses, the increase contributes to rising utility costs that may not be recoverable, particularly in a constrained economic environment.

From a property sector perspective, higher electricity tariffs directly increase operating costs for commercial, industrial, and residential developments. This places pressure on landlords who may not be able to fully pass these costs onto tenants, particularly in markets characterised by weak rental growth and high vacancy levels. Furthermore, unreliable electricity infrastructure and high losses reduce confidence in the Municipality's ability to provide stable and efficient services, discouraging long-term investment.

Ultimately, the combination of high electricity losses (27.5%), the inability to recover R547 million in losses through tariffs (as per NERSA), and the proposed above-guideline tariff increase of 11.1% strongly suggests that the current tariff approach is not sufficiently aligned with operational efficiency improvements. Without substantial reductions in technical and non-technical losses, tariff increases will continue to place pressure on consumers without addressing the root causes of financial instability within the electricity network.

SAPOA recommendation:

- Align electricity tariff increases with or below NERSA-approved guidelines (9.01%), rather than exceeding them.
- Prioritise aggressive reduction of electricity losses (currently $\pm 27.5\%$), including:
 - Upgrading ageing infrastructure
 - Reducing technical losses through network optimisation
 - Addressing illegal connections and electricity theft
- Strengthen implementation of smart metering systems and advanced monitoring technologies.
- Improve revenue protection strategies, including billing accuracy and enforcement mechanisms.
- Ensure that tariff increases are not used as a substitute for operational inefficiencies, particularly those disallowed by NERSA.
- Enhance transparency in reporting electricity losses and reduction targets.
- Accelerate implementation of the Electricity Business Improvement and Investment Plan.
- Introduce targeted support measures for low-income households to mitigate affordability impacts.

- Improve collection rates and reduce non-payment levels, particularly within high-consumption user groups.

4.3. Water Tariff

The proposed water tariff increase of 8.33% for the 2026/2027 financial year is significantly above the CPI benchmark of 3.7%, representing a substantial real increase in the cost burden for consumers. While the Municipality indicates that this increase is partially driven by the bulk water increase of 5.33% from Amatola Water, the difference between the bulk input cost and the proposed tariff increase suggests that additional costs, likely associated with inefficiencies within the system, are being passed on to consumers.

A key concern in this regard is the persistently high level of Non-Revenue Water (NRW) within the Municipality, which is recorded at approximately 36%. This represents a significant loss of treated and distributed water that does not generate revenue, largely due to leaks, infrastructure failures, illegal connections, and metering inaccuracies. It should be acknowledged that the Municipality has undertaken various interventions, including infrastructure upgrades, leak detection programmes, and system improvements aimed at reducing these losses. However, despite these efforts, the current NRW level of 36% remains substantially high and continues to place financial strain on the system.

As a result, consumers, particularly households and businesses, are effectively bearing the financial burden of these losses through above-inflation tariff increases. This is especially concerning in a socio-economic context where a large portion of the population already faces affordability constraints and relies on basic services. For lower-income households, the increase in water tariffs disproportionately affects their disposable income, given that water is a non-negotiable essential service.

From a property sector perspective, the increase has direct operational implications, particularly for multi-residential developments, commercial properties, and institutional facilities where water usage is high. Increased tariffs translate into higher utility costs, which may not be recoverable from tenants, especially in a constrained rental market. In addition, unreliable water infrastructure and losses undermine confidence in the Municipality's ability to provide sustainable and efficient service delivery, further discouraging investment.

Importantly, the continued reliance on tariff increases to compensate for NRW losses indicates that underlying operational inefficiencies are not being sufficiently addressed at scale. Without a significant reduction in water losses, tariff increases will remain a recurrent measure, further compounding affordability challenges over time.

SAPOA recommendations:

- Prioritise aggressive reduction of Non-Revenue Water (NRW) through:
 - Leak detection and repair programmes
 - Infrastructure rehabilitation and replacement
 - Pressure management systems
- Ensure that tariff increases are not used to compensate for system inefficiencies, particularly water losses.
- Align water tariff increases more closely with bulk input cost increases (5.33%) rather than exceeding them significantly.
- Improve metering accuracy and billing systems to reduce commercial losses.
- Implement transparent reporting on NRW reduction progress, including clear annual targets.
- Strengthen enforcement against illegal connections and water theft.
- Provide targeted tariff relief or cross-subsidisation mechanisms for low-income households.
- Accelerate implementation of the Water & Sanitation Business Improvement and Turnaround Strategy.

4.4. Sanitation Tariff

The proposed sanitation tariff increase of 4.7% exceeds the CPI benchmark, indicating a real increase in cost for consumers. While not as high as water or electricity increases, it still places additional pressure on households already facing rising service costs across multiple categories.

Given the IDP's reference to wastewater treatment capacity constraints and environmental risks, including pollution concerns, there is a strong case for investment in sanitation infrastructure. However, tariff increases without clear improvements in service delivery or infrastructure reliability may erode public trust and compliance.

SAPOA recommendation:

- Link tariff increases to clear, measurable improvements in sanitation infrastructure and services.
- Improve the efficiency of wastewater treatment works (WWTWs).
- Ensure transparent reporting on how sanitation revenue is utilised.
- Explore cost optimisation measures within sanitation operations.
- Protect low-income households through subsidies and equitable tariff structures.

4.5. Refuse Removal

The refuse removal tariff increase of 4.7% also exceeds the CPI benchmark, placing additional cost pressure on households and businesses. While moderate in percentage terms, when combined with increases in other services, the cumulative impact on affordability becomes significant.

The budget document indicates that the Municipality is transitioning toward solid waste trading services reform, which is aimed at improving financial sustainability and operational efficiency. However, these reforms are still in progress, and it is unclear whether immediate tariff increases are justified without demonstrable improvements in service quality.

SAPOA recommendation:

- Ensure tariff increases are linked to improved service delivery and operational efficiency.
- Accelerate implementation of the Solid Waste Performance Improvement Action Plan (PIAP).
- Improve waste management efficiency to reduce operational costs.
- Introduce cost recovery mechanisms for high-waste generators (commercial sector).
- Enhance transparency and reporting on waste management expenditure.

4.6. Budget Sustainability, Financial Management Pressures, and Infrastructure Investment Risks

The Draft 2026/2027 Medium-Term Revenue and Expenditure Framework (MTREF) of Buffalo City Metropolitan Municipality reflect a municipality that is attempting to balance significant service delivery demands with constrained financial resources. While the operating budget shows nominal balance, evidenced by the close alignment between operating revenue and expenditure (both increasing by approximately 5.15%), a deeper review of the budget reveals a number of structural concerns that collectively pose a risk to long-term financial sustainability, infrastructure delivery, and overall economic performance.

A key concern is the decline in capital expenditure, which has reduced by approximately 8.63% in the 2026/2027 financial year. This reduction is particularly problematic given the Municipality's significant infrastructure backlogs and ageing asset base, as previously highlighted in the IDP. Reduced capital investment limits the Municipality's ability to expand, rehabilitate, and modernise critical infrastructure networks, directly undermining service delivery and the Municipality's ability to support economic growth and attract investment. From a property sector perspective, the availability and reliability of infrastructure is a fundamental determinant of development feasibility, and sustained underinvestment in capital projects is likely to constrain future development activity and reduce investor confidence. Closely linked to this is the continued underinvestment in infrastructure maintenance, with repairs and maintenance expenditure currently estimated at approximately 4% of total operating expenditure, well below the recommended benchmark of 8–10%. This reflects a structural imbalance in budget allocation, where insufficient emphasis is placed on maintaining existing infrastructure relative to new development or operational expenditure. The consequence of this approach is the accelerated deterioration of infrastructure assets, resulting in increased service failures, higher long-term replacement costs, and the perpetuation of reactive rather than preventative maintenance practices.

At the same time, the Municipality continues to face significant revenue collection challenges, with projected collection rates of approximately 77.25% for 2026/2027. This relatively low level of collection places pressure on cash flow and limits the Municipality's ability to fund both operational and capital expenditure effectively. Furthermore, it increases reliance on tariff increases as a means of revenue generation, rather than addressing inefficiencies within the revenue management system. The budget guidelines themselves emphasise the need to strengthen revenue management and improve collection, highlighting this as a critical area of concern for financial sustainability.

These pressures are compounded by rising operating expenditure, particularly in relation to bulk purchases (electricity and water) and employee-related costs. While employee costs remain within acceptable norms at approximately 27.4% of operating expenditure, the upward trend requires careful monitoring to prevent further fiscal strain. In combination with increasing bulk service costs, these expenditures reduce the fiscal space available for infrastructure investment and maintenance, further reinforcing the structural imbalance within the budget.

Importantly, the budget reflects a continued reliance on a tariff-led cost recovery model, whereby above-inflation increases in service tariffs are used to support financial sustainability. While National Treasury guidelines emphasise the need for cost-reflective tariffs, they also highlight the importance of affordability and the need to strengthen revenue protection and reduce system losses. In the case of Buffalo City, the reliance on tariff increases is occurring in a context of high service delivery inefficiencies, including significant water and electricity losses, which are not fully recoverable through tariffs. This suggests that consumers are increasingly expected to absorb the cost of inefficiencies within the system, rather than these inefficiencies being addressed directly through operational improvements.

Additional risks identified within the budget further reinforce these concerns, including the impact of high unemployment levels on consumers' ability to pay for services, increasing levels of indebtedness, and the ongoing challenge of infrastructure-related service disruptions. These factors collectively create a high-risk financial environment, where revenue projections may not be fully realised, further exacerbating fiscal pressures.

From a holistic perspective, these issues highlight a structural misalignment between revenue generation, expenditure priorities, and infrastructure investment needs. The combination of declining capital investment, insufficient maintenance expenditure, weak revenue collection, rising operating costs, and reliance on tariff increases suggests that the Municipality's current financial model may not be sustainable over the medium to long term.

For the property sector, these challenges translate into increased uncertainty, rising operational costs, and reduced confidence in the Municipality's ability to provide reliable and cost-effective services. This, in turn, impacts investment decisions, tenant affordability, and long-term asset performance within the metro.

SAPOA recommendations:

- Rebalance the budget to prioritise capital investment in critical infrastructure, particularly in key economic nodes.
- Increase repairs and maintenance expenditure toward the 8–10% benchmark to protect existing assets.
- Strengthen revenue management and collection systems to improve the collection rate beyond current levels.
- Reduce reliance on tariff increases by prioritising efficiency gains and reduction of system losses (water and electricity).
- Implement cost containment measures to control growth in operational expenditure.
- Align expenditure more closely with core service delivery and infrastructure priorities, reducing non-essential spending.
- Develop a long-term financial sustainability strategy that integrates revenue, expenditure, and infrastructure investment planning.
- Enhance financial transparency and reporting, particularly in relation to trading services and infrastructure spending.
- Leverage external funding sources, including Development Finance Institutions (DFIs) and PPPs, to support infrastructure delivery.
- Improve asset management and lifecycle planning systems to ensure sustainable infrastructure investment over time.

5. Conclusion

The IDP's public participation process remains a critical component in promoting transparency and informed decision-making. While these processes have yielded notable progress, some concerns remain. Greater detail on performance and progress in specific areas would enhance the overall effectiveness of the document.

Continued engagement in the IDP review process is encouraged, and the municipality's ongoing efforts to fulfil its mandate are acknowledged.

Should any further information be required, please do not hesitate to contact the undersigned using the details provided:

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Regards



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