

BUFFALO CITY METROPOLITAN MUNICIPALITY



2016-2021 INTEGRATED DEVELOPMENT PLAN AND MTREF BUDGET

SUMMARY

"A City growing with you"

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EXECUTIVE MAYOR'S FOREWORD

It is on record, that as the leadership of Buffalo City Metropolitan Municipality, we have just engaged in a number of stakeholder consultation processes, including IDP hearings & roadshows, business breakfast sessions, consultative sessions with the Traditional Leaders as well as a number of other stakeholders (drawn from both civil society and the state) through IDP representative forums and the Council Open Day to reflect on issues that requires our consideration as the municipality and to solicit ideas for mapping our growth and development path as the Metro.

These ideas have received fair consideration of the Council before the approval of this IDP as a guide to action for the next 5 Years. We are now presenting an IDP for the financial years 2016-2021 and have set clear priorities for the financial year 2016-17, and this IDP will be subject to annual reviews in line with the provisions of section 34 of the Municipal Systems Act.

Strategically, the budget and the IDP are aligned with the City's Metro Growth and Development Strategy, which is set to guide our growth and development up to 2030.

It is important to note that by design, local government was set to play a key role in the development of our local areas, as well as to facilitate the equitable redistribution and re-allocation of local government services. It was designed to address as a priority, the disparities in our cities, towns and villages which resulted from the policies of apartheid. The promotion of the needs and interests of the disadvantaged sections of our communities were to become a major focus of local government activities.

We have responded to the provisions of section 153 of the South African Constitution that specifies the developmental role of local government.

In pursuance of this developmental notion, section 35 of the Municipal Systems Act makes it a legal requirement for all municipalities to develop IDP's as a "principal strategic planning instrument".

The importance of the IDP in mapping the local growth and development path, in directing the use of municipal resources, in managing organisational performance (through our Performance Management Framework, and in informing our financial management processes - using a people centred budget as a guide, as well as in attracting other resources for the good of our Metro requires no further emphasis. However, it also holds true that good plans are plans that can be implemented. For our purpose this requires a competent local state that is able to drive our developmental agenda. That can be achieved through further professionalization of our administration - able to produce the necessary improvements in the lives of our people.

Competent local state also centres on how we manage the interface between the administration and political leadership to ensure unity of strategic purpose. We are mindful that working closely with other stakeholders will lead to greater improvements of the political and socio-economic challenges that continues to face our Metro.

Remember, "**Local Government Is In Your Hands**"



CLLR. A.S MTSI
EXECUTIVE MAYOR

OVERVIEW BY THE CITY MANAGER

Implementation of Buffalo City Metropolitan Municipality's new five year Integrated Development Plan commences on the 1st of July 2016. This new IDP will serve as our blue-print for service delivery and development over the next five years spanning from 2016-2021. On an annual basis we will review the plan and take stock of where we are on our developmental trajectory. This plan also determines our focus in terms of the City's development objectives and priorities as well as where the Metro spends its budget.

Informed by the Metro Growth and Development Strategy, the IDP is centred around five strategic pillars which are to be realised by the year 2030. Working together with our communities and our development partners we strive to build a Buffalo City that is ***well-governed, connected, green and innovative***, and which espouses the values of:

- Good Governance;
- Fairness and equity;
- Recognition of human capital;
- Professionalism;
- Service Excellence;
- Respect for cultural diversity;
- Innovation;
- Unity of purpose; and
- Ubuntu

Guided by the above values, we are determined to ensure this Integrated Development Plan becomes a reality and it makes a meaningful impact in changing the lives of all BCMM citizens. In this regard, the City will work towards creating a dynamic environment with specific focus on a functional performance management system, efficiency, effectiveness and sound financial management. This City indeed grows with you!



NCEBA NCUNYANA

ACTING CITY MANAGER

1. BCMM'S VISION, MISSION & VALUES

1.1 BCMM'S VISION STATEMENT

Buffalo City Metropolitan municipality is guided by the following long-term vision:

“Buffalo City: well-governed, connected, green and innovative.”

- We are a city that re-invented itself from a divided and fragmented past.
- We are a successful, prosperous and dynamic modern city: enterprising, green, connected, spatially-integrated and well-governed.
- We are proud of our beautiful coastal city, capital of the Eastern Cape Province, home of a globally-competitive auto industry and excellent educational and medical services.

1.2 BCMM'S MISSION STATEMENT

Buffalo City Metropolitan Municipality is a city that:

- Promotes a culture of good governance;
- Provides effective and efficient municipal services;
- Invests in the development and retention of human capital to service the City and its Community;
- Promotes social and equitable economic development;
- Ensures municipal sustainability and financial viability;
- Creates a safe and healthy environment; and
- Places Batho Pele at the Centre of Service Delivery.

1.3 BCMM'S CORE VALUES

We are a city that espouses the following values:

- Good Governance
- Fairness and equity
- Recognition of human capital
- Professionalism
- Service Excellence
- Respect for cultural diversity
- Innovation
- Unity of purpose

- Ubuntu

2. WHAT IS AN IDP?

In terms of the Municipal Systems Act 32 of 2000 (as amended) an IDP is defined as a strategic planning instrument that guides and informs all municipal development in the City. It is the key instrument that enables the municipality to work towards achieving its development goals as outlined in the Constitution.

It consists of a long-term vision. It details the development priorities and objectives that contribute toward achieving this vision. It reflects strategies which are underwritten by the details in the budget, which must be linked with the IDP.

An IDP adopted by the Council of a Municipality is the principal strategic planning instrument which guides and informs all planning and development decisions within the municipal area.

Section 34 of the Municipal Systems Act, further stipulates that an IDP should be reviewed annually in accordance with an assessment of its performance measures and to the extent that changing circumstances so demand. Council is also required to set out in writing, the process to be followed for the IDP review.

3. WHAT IS A BUDGET?

A budget is a plan which summarizes in financial terms the activities planned in the forthcoming financial year by setting out the expenditure which will be incurred to fulfill these activities as well as the income and capital required to finance this expenditure.

There are two types of budget: the operating budget and the capital budget. The operating budget involves the purchase of goods and services for which there will be a short-term benefit. Operating expenses are salaries, wages, repairs and maintenance, telephones and materials.

The operating income is cash derived from municipal trading accounts such as water, electricity, rates and other services.

The capital budget specifies the expenditure on long-term purchases and investments such as land and buildings, motor vehicles, plant and equipment as well as office furniture etc. It encapsulates expenditure on goods that basically will be used for more than one financial year. It involves construction of roads, buildings and vehicles.

An easy way to differentiate between the two budgets is to think about the purchase of a car. A car is a capital because it is envisaged to be used for more than one year. The fuel to run the car and the maintenance is operational costs and is thus within the operating budget.

In developmental local government, the IDP and Budget must be linked and is therefore reviewed annually to ensure the linkage and community endorsement of the City's programme.

4. KEY STRATEGIC OBJECTIVES

The five strategic outcomes were identified through the process of developing Buffalo City's long term Metro Growth and Development Strategy (MGDS). The IDP is explicitly aligned and takes its tune from the long-term MGDS. Implementation of the MGDS will be realised through the IDP.

Strategic Objective 1: An innovative and productive city: with rapid and inclusive economic growth, and falling unemployment

Strategic Objective 2: A green city: environmentally sustainable with optimal benefits from our natural assets. A clean and healthy city of subtropical gardens.

Strategic Objective 3: A connected city: high-quality (and competitively priced) connections to ICT, electricity and transport networks (inside the city and to the outside world). By 2030 BCMM must be a fully logistics hub.

Strategic Objective 4: A spatially-integrated city: the spatial divisions and fragmentation of the apartheid past are progressively overcome and township economies have become more productive.

Strategic Objective 5: A well-governed city: a smart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost effective infrastructure, without maladministration and political disruptions

5. KEY PERFORMANCE AREAS

The strategic objectives outlined above are aligned with the Municipality's five key performance areas which are:

- 5.1 Municipal Transformation and Organisational Development
- 5.2 Basic Service Delivery and Infrastructure Development.
- 5.3 Local Economic Development.
- 5.4. Municipal Financial Management and Viability
- 5.5 Good Governance and Public Participation

SUMMARY OF MEDIUM TERM REVENUE AND EXPENDITURE BUDGET

6. KEY FOCUS AREAS OF THE 2016/17- 2018/19 MTREF BUDGET

KEY PRIORITIES:

- Water and sanitation – Infrastructure Projects efficiencies
- Human settlements development – recoverability of investment/ pressure on operating budget
- Focus on infrastructure within the economic hubs
- Replacement and refurbishment of existing infrastructure
- Water and Electricity losses
- Preparation of Componentized Fixed Asset Registers and Maintenance Plans

INTERVENTIONS:

- Investing in strategic infrastructure programmes
- Electricity generation
- Transport capacity
- Industrial opportunities / Job Creation
- Strengthening municipal finances
- Investing in residential development and urban infrastructure

6.1 2016/17 – 2018/19 MTREF BUDGET ASSUMPTIONS

DESCRIPTION	2016/2017	2017/2018	2018/2019
National Treasury Headline Inflation Forecasts	6.60%	6.20%	5.90%
Salaries	6.00%	7.20%	6.90%
Electricity Purchases	7.86%	7.86%	7.86%
Water Purchases	10.00%	10.00%	10.00%
Free Basic Electricity	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.
Free Basic Water	6 kl p.m.	6 kl p.m.	6 kl p.m.
Basic Welfare Package	R 485,52	R 516,29	R 553,95
Equitable Share Allocation	R 678 197 000	R 703 602 000	R 760 226 000

Bad Debt Provision	7,50%	7,50%	7,50%
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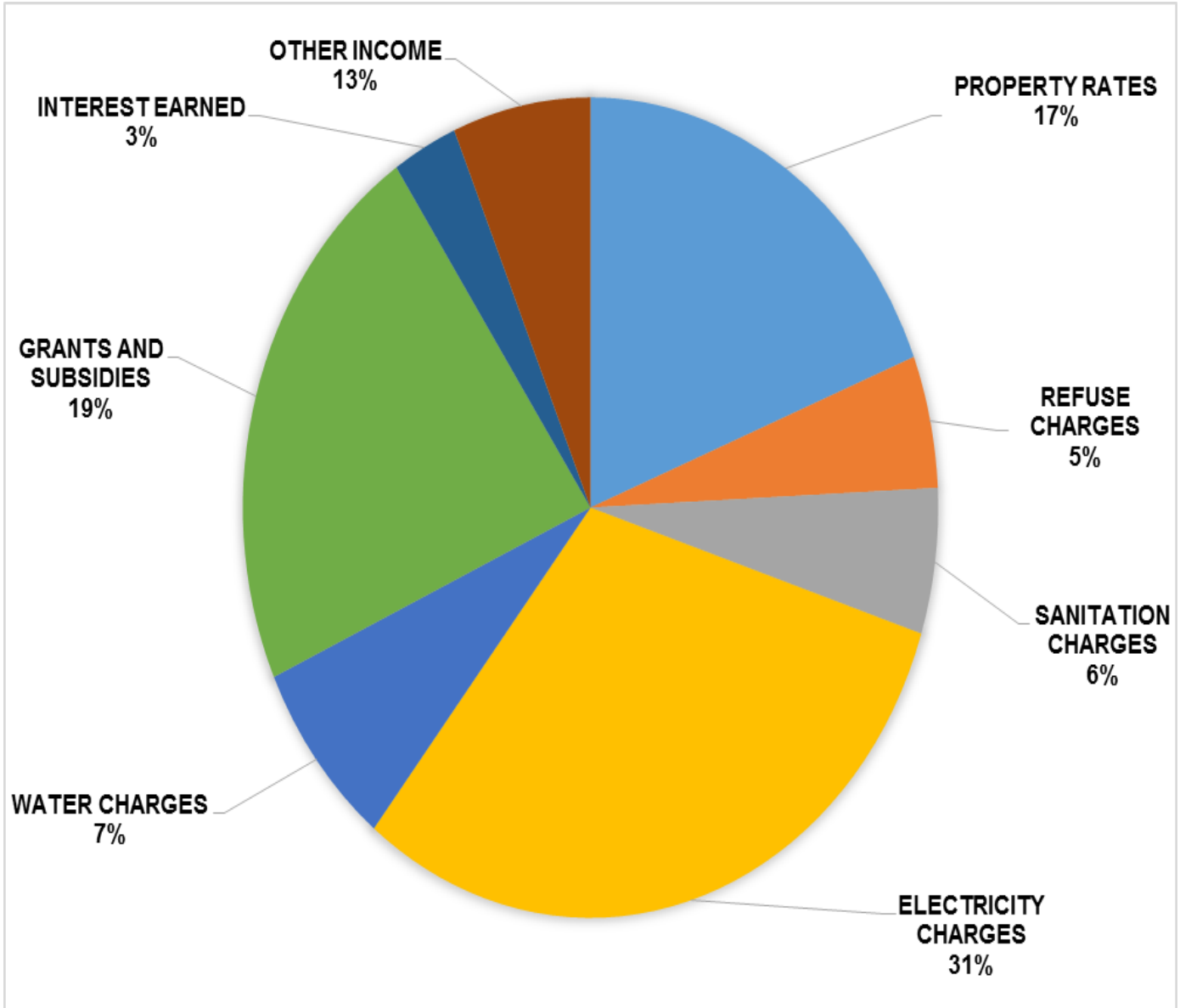
6.2 TARIFFS FOR THE 2016/17 -2018/19 MTREF PERIOD

Description	2016/2017	2017/2018	2018/2019
Rates	7.60%	7.20%	7.00%
Refuse	7.80%	7.50%	7.20%
Sewerage	7.80%	7.50%	7.20%
Electricity	7.64%	7.64%	7.64%
Water	8.00%	7.89%	7.92%
Fire Levy	7.60%	7.20%	7.00%
Sundry Income	7.60%	7.20%	7.00%

6.3 BUDGET OVERVIEW 2016/17-2018/19 MTREF

OPERATING AND CAPITAL BUDGET EXPENDITURE	2016/2017 ADOPTED BUDGET	2017/2018 ADOPTED BUDGET	2018/2019 ADOPTED BUDGET
Total Operating Revenue	(5 906 770 453)	(6 379 358 789)	(6 993 842 508)
Total Operating Expenditure	5 905 692 358	6 377 690 955	6 991 086 875
(Surplus) or Deficit	(1 078 095)	(1 667 834)	(2 755 633)
Total Capital Expenditure	1 558 133 958	1 720 822 763	1 777 998 762
Total Opex & Capex Budget	7 463 826 316	8 098 513 718	8 769 085 637

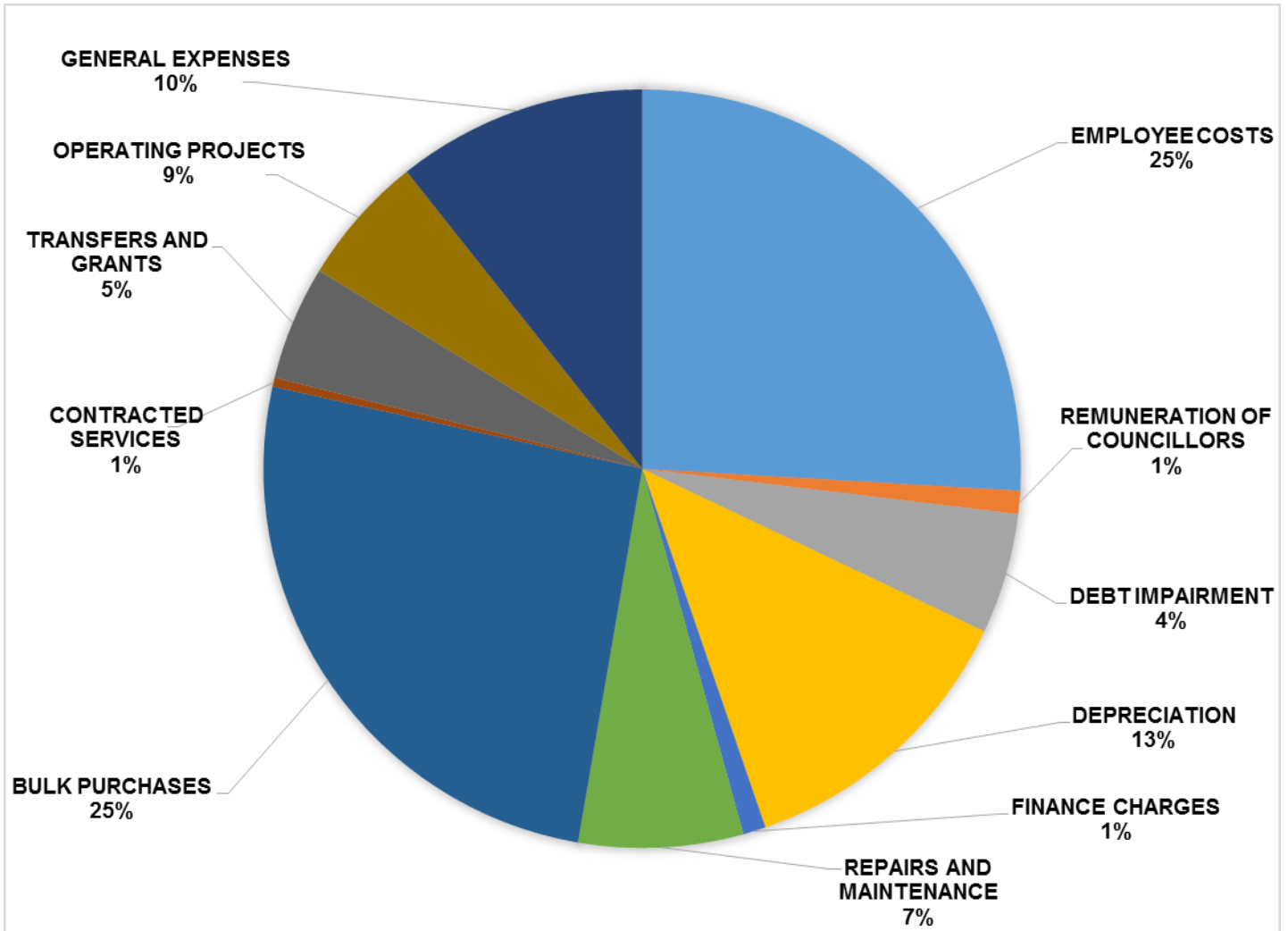
6.4 OPERATING REVENUE 2016/17



6.5 OPERATING EXPENDITURE FRAMEWORK

EXPENDITURE PER CATEGORY	ADOPTED BUDGET YR1	M/Y ADJ BUDGET	2016/17 BUDGET	2017/18 BUDGET	2018/19 BUDGET
Salaries, Wages & Allowances	1 387 618 913	1 425 571 929	1 531 068 329	1 641 305 249	1 754 555 311
Remuneration of Councillors	52 910 192	54 810 192	58 098 804	62 281 917	66 579 370
Debt Impairment	245 009 326	253 979 326	303 864 761	326 717 663	350 960 946
General Expenses	566 088 367	597 753 644	630 863 789	671 977 344	713 624 008
Operating Projects	671 320 847	501 838 317	329 020 031	373 853 928	537 760 050
Bulk Purchases	1 377 011 714				
Bulk Electricity Purchases		1 220 815 485	1 316 771 582	1 420 269 828	1 531 903 037
Bulk Water Purchases		186 196 228	204 815 851	225 297 436	247 827 179
Repairs & Maintenance	372 009 710	372 009 710	414 790 827	456 269 909	501 896 900
Finance Charges	54 313 000	55 813 000	57 105 142	70 938 326	85 887 474
Contracted services	21 621 596	21 621 596	22 486 459	23 880 620	25 289 576
Transfer and grants	258 568 483	258 568 483	288 467 764	310 162 696	333 177 559
Depreciation	712 213 176	740 929 722	748 339 019	794 736 038	841 625 464
<u>Total Direct Operating Expenditure</u>	5 718 685 323	5 689 907 632	5 905 692 358	6 377 690 955	6 991 086 875

6.6 OPERATING EXPENDITURE 2016/17



6.7 OPERATING REVENUE 2016/17 – 2018/19

2016/2017 MTREF BUDGET REVENUE FRAMEWORK	2015/2016 ADOPTED BUDGET YR1	2015/2016 MID-YEAR ADJ BUDGET	2016/2017 ADOPTED BUDGET	2017/2018 ADOPTED BUDGET	2018/2019 ADOPTED BUDGET
<u>Revenue Per Source</u>					
Property Rates	903 413 150	953 413 150	1 122 920 106	1 203 770 354	1 288 034 279
Electricity Charges	1 658 671 213	1 758 671 213	1 815 256 137	1 953 941 706	2 103 222 852
Water Charges	411 380 727	411 380 727	444 291 186	479 345 760	517 309 944
Sanitation Charges	314 570 625	314 570 625	339 107 134	364 540 169	390 787 061
Refuse Charges	286 062 521	286 062 521	308 375 397	331 503 552	355 371 808
Other Service Charges	16 055 935	20 055 935	21 580 186	23 133 959	24 753 336
Rental of facilities and equipment	18 629 262	18 629 262	20 045 086	21 488 332	22 992 515
Interest earned - external investments	133 619 907	133 619 907	143 775 020	152 689 071	161 697 726
Interest earned - outstanding debtors	32 174 551	32 174 551	34 650 686	37 256 677	40 021 217
Fines	10 293 009	7 793 009	8 385 278	8 989 018	9 618 249
Licences and permits	22 472 368	12 972 368	13 958 268	14 963 263	16 010 692
Transfers recognised - operational	1 249 333 299	1 078 555 608	1 319 728 331	1 450 381 060	1 703 052 050
Other revenue	662 930 923	662 930 923	314 697 638	337 355 867	360 970 778
<u>Total Revenue Excluding Capital Transfers</u>	5 719 607 491	5 690 829 800	5 906 770 453	6 379 358 789	6 993 842 508

6.8 OPERATING PROJECTS 2016/17 -2018/19

OPERATING PROJECTS PER FUNDING SOURCE	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
	<u>Opex Budget</u>	<u>Opex Budget</u>	<u>Opex Budget</u>
Own Funds	112 519 700	99 427 868	123 060 000
Total Own Funding	112 519 700	99 427 868	123 060 000
City of Oldenburg	495 761	0	0
Department of Public Works	2 469 600	0	0
Expanded Public Works Programme Incentives Grant	1 188 000	0	0
Finance Management Grant	1 200 000	1 200 000	900 000
Human Settlement Development Grant	123 802 000	196 100 000	297 500 000
Infrastructure Skills Development Grant	8 900 000	10 900 000	11 900 000
Transnet	3 000 000	3 000 000	0
Urban Settlement Development Grant	75 444 970	63 226 060	104 400 050
Total Grants	216 500 331	274 426 060	414 700 050
TOTAL PER FUNDING	329 020 031	373 853 928	537 760 050

6.9 CAPITAL EXPENDITURE FRAMEWORK 2016/17 -2018/19

2016/2017 - 2018/2019 CAPITAL BUDGET PER FUNDING SOURCE	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
<u>Funding</u>	<u>Capital Budget</u>	<u>Capital Budget</u>	<u>Capital Budget</u>
Own Funds	640 283 103	638 684 818	631 622 100
Financing Methodology	69 581 825	189 351 605	176 866 712
Total Own Funding	709 864 928	828 036 423	808 488 812
DoE(Integrated National Electrification Programme)	25 000 000	30 000 000	30 000 000
Electricity Demand Side Management Grant	0	5 000 000	3 000 000
Finance Management Grant	100 000	100000	100000
Infrastructure Skills Development Grant	100000	100 000	100 000
Integrated City Development Grant	6 080 000	10 829 000	11 457 000
Neighbourhood Development Partnership Grant	19 346 000	24 979 000	49 525 000
Urban Settlement Development Grant	656 054 030	710 975 940	708 931 950
Human Settlement Development Grant	106 300 000	50635000	0
Public Transport Infrastructure and Systems Grant	35289000	60 167 000	166 393 000
Total Grants	848 269 030	892 785 940	969 506 950
TOTAL PER FUNDING	1 558 133 958	1 720 822 363	1 777 995 762

6.10 MAJOR KEY PROJECTS PER SERVICE

Project Name	WARD	Source of Funding	2015/2016 Capital Budget	2016/2017 Capital Budget	2016/2017 Capital Budget
BCMM Housing Programme	13	HSDG	106 300 000	50 635 000	0
BCMM Housing Programme - Internal Services	13	USDG	95 641 082	139 395 454	197 624 200
Construction and Rehabilitation of Waste Cells-Roundhill Berlin	45	USDG	16 955 000	2 626 200	63 152 360
Eastern Beach Gravity Sewer Upgrade - Blind River to City Pumpstation	13,28,5,10,16,27,3 1,32,33,1,2,3,6,10, 18,19,47	Own Funds	50 000 000	33 880 803	0
Bulk Sanitation Programme-Provision of waterborne sanitation to Gqozo Village	12	USDG	196 634 190	217 028 346	107 305 540
Bulk Sanitation Provision - Replacing Existing Infrastructure	13,28,5,10,16,27,3 1,32,33,1,2,3,6,10, 18,19,47	Own Funds	40 000 000	40 000 000	80 000 000
East London Sewer Diversion : Central WWTW To Reeston WWTW : Phase 2 : Tunnel and Civil Works	13,28,5,10,16,27,3 1,32,33,1,2,3,6,10, 18,19,47	LOAN	69 581 825	189 351 605	176 866 712
Bulk Water Provision - Programme	34,37,38,39,40,41, 43,44,49,35,11,12, 13,14,42,48,50,17, 20,23,1-25 & 28,29,30,31, & 33,27,31,33,36,1,2, 7,14,17,20,21,22,2 3,30,2,8,25,34,44,4 1	USDG	47 500 000	55 000 000	60 000 000
Bulk Water Provision Replacing of Existing Infrastructure	34,37,38,39,40,41, 43,44,49,35,11,12, 13,14,42,48,50,17, 20,23,1-25 & 28,29,30,31, & 33,27,31,33,36,1,2, 7,14,17,20,21,22,2 3,30,2,8,25,34,44,4 1	Own Funds	40 000 000	40 000 000	80 000 000
BCMM Roads Programme	21,22,23,46,47,28	USDG	172 500 000	178 000 000	168 000 000

Roads Provision - Replacing Existing Infrastructure	All wards	Own Funds	80 000 000	80 000 000	100 000 000
Bulk Electricity Infrastructure Upgrade(Ring-Fenced 4% of the Total Electricity Revenue)	16, 18,29,35	Own Funds	60 000 000	70 000 000	80 000 000
Project Name	WARD	Source of Funding	2015/2016 Capital Budget	2016/2017 Capital Budget	2016/2017 Capital Budget
Bulk Electricity Infrastructure Upgrade - Replacing Existing Infrastructure	16, 18,29,35	Own Funds	40 000 000	40 000 000	40 000 000
INEP Electrification Programme	All wards	INEP	25 000 000	30 000 000	30 000 000
Electrification of formal dwellings(RDP) Areas within BCMM	1,2, 7, 8, 9,10	USDG	18 000 000	18 000 000	18 000 000
Upgrading of Qumza Highway Phase 7	48, 17 , 50	PTISG	22 000 000	30 000 000	78 000 000
King Williams Town Public Transport Facilities	35	Own Funds	40 000 000	40 000 000	40 000 000
Needs Camp Potsdam Bridge	23, 33	USDG	42 000 000	46 000 000	2 000 000
Mdantsane Waste Water Treatment Works-Renewal of Existing Assets	13,28,5,10,16,27,31,32,33,1,2,3,6,10,18,19,47	Own Funds	15 276 007	26 763 015	25 000 000

6.10 USDG FUNDING PER SERVICE

CONDITIONS OF THE GRANT

DEPARTMENT OF WATER AFFAIRS (DWA)

- Operating subsidy (grant-in-kind) for employee related costs, operating and maintenance cost and refurbishment costs.
- Approval of allocations is conditional on business plan that meets prescribed requirements.

ELECTRICITY DEMAND SIDE MANAGEMENT (EDSM)

- Funds only to be used to implement projects for energy efficient public lighting & retrofitting of energy efficient technologies in municipal buildings.
- Ensure capacity building through recruitment of students to participate in programme.

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

- Expenditure should be guided by the approved business plans.
- Maintain project & payroll records as specified in EPWP Audit requirements.

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

- Adhere to labour intensive construction methods such as trenching, planting of electricity poles, etc.
- INEP funds for refurbishment of critical infrastructure, funding to be transferred only upon submission of a project plan which must be approved by the national department.

FINANCE MANAGEMENT GRANT (FMG)

- To assist and support in the building skills in financial management, within the Budget & Treasury office.
- Acquisition & maintenance of a financial management system that can produce multi-year budgets, in-year reports.

INFRASTRUCTURE SKILLS DEVELOPMENT GRANT (ISDG)

- Training, mentoring & coaching provided be registered professionals in engineering and other scientific areas such as water & sanitation.
- Interns must be registered with relevant institutions and paired with qualified mentors and coaches.

URBAN SETTLEMENT DEVELOPMENT GRANT (USDG)

- Guided by the conditions indicated in the Division of Revenue Act and the USDG framework / Built Environment Performance Plan Matrix
- USDG is a supplementing grant funding
- Utilized predominantly for Infrastructure in the Human Settlements / Built Environment

PUBLIC TRANSPORT INFRASTRUCTURE GRANT (PTIG)

- Projects must support an integrated network approach as defined in the Public Transport System and in the National Transport Act.
- Integrated public transport solutions should incorporate the following:

- 1) integration between different public transport services, including non-motorised transport infrastructure;
- 2) Fare integration between different services;
- 3) Marketing integration with unified branding; and
- 4) Institutional integration between services.