

SECTION C

STRATEGIC DIRECTION FOR IDP REVIEW 2004/5

4. Introduction: Problem Areas for Integrated Development Planning and Budget Integration

Following the completion of the Buffalo City Municipality's 2003 IDP Review, a brief status assessment was undertaken to review the direction of the Municipality's IDP planning processes and to consider the "fit" or harmonisation of the IDP, the Revitalisation Plan and the Sector Plans completed during the 2003 planning cycle. Amongst the actions taken in this regard were the following: -

- A workshop held at the Mpekweni Sun on 2nd and 3rd September 2003 had highlighted concerns regarding the "ambitions" of the Buffalo City IDP and Municipal Sector Plans versus the reality and related direction of the Municipality's financial strategies.
- Follow-up interviews were held with senior managers / directors in the Municipality's Directorates to identify in greater detail the specific needs and concerns of their departments.

Based on the above, a number of overarching concerns or "problem areas" were identified, including: -

1. From the perspective of the IDP, it became evident that the IDP and associated processes had not yet become "embedded" in the day-to-day work processes and systems of the Municipality.
2. From the perspective of IDP and Budget Integration, it was evident that directorates were grappling with the problems of aligning their roles and functions with the financial resources made available through the Municipality's budgeting process.

Accordingly, these issues were taken forward for consideration and resolution at the Mpongo Park Workshop held on 11th and 12th November 2003.

5. The Mpongo Park Workshop Outcomes

As noted above, the 2-3 September 2003 Mpekweni workshop highlighted some incoherence and contradictions emerging between the Municipality's Sector Plans and its IDP on the one hand, and its financial reality and related strategies on the other.

It is clear that the current financial situation does not support much of the Municipality's broader development ambitions. A bad debt provision of some R62 million, for example, had to be addressed against the expenditure requirements of service delivery units and IDP-related initiatives.

In addition the proposed approach to drafting the budget placed pressure on services and departments to cut on maintenance expenditure, already suffering the effects of endemic asset stripping.

In order to ensure that the IDP remained focussed and realistic a re-evaluation of both the planning initiatives and the budget approach was required. The Mpongo Park workshop accordingly set the following objectives: -

- To revisit the IDP themes with a view to inform the timing, resourcing and prioritisation of programmes and projects for 2004/05;
- To debate practical strategies towards the 2004/05 Budget;
- To prioritise programmes and projects from the IDP for 2004/05; and
- Provide services and line departments with clear guidelines in preparing for the 2004/05 budget and IDP.

5.1 Identification of the Key Pressure Points in Resource Allocation

Four sets of pressure points were identified, each suggesting interventions aimed at resolving contradictions and informing prioritisation decisions. In essence the tensions between resource availability and developmental ambitions play out in four arenas:

- The current planning framework; although rich in ideas and strategic content, still has gaps and certain incoherent aspects that need to be resolved;
- The capital budget – where the list of current projects (R3bn) significantly outstrips discretionary resource availability;
- The operating budget – where macro pressures in categories of operating expenditures require solutions, as well as an improved sense of alignment with the IDP priorities; and
- The decision-making process that allows prioritisation between Sector Plans, the IDP and the resolution of contradictory development initiatives.

5.2 The IDP Planning Framework: Strategic Direction for Resource Allocation

The workshop noted the tension between the Municipality's financial realities and its IDP and related Sector Plans, where proposals outstrip resource availability. Yet, the objective was to provide a solution to both this bigger problem while also practically informing the 2004/05-budget process. In this regard, the workshop resolved to *use the four focus areas in the Revitalisation Plan as the guiding themes for resource allocation* in the Municipal budget for 2004/05. These are: -

- A New approach to service delivery

- Expanding the resource base
- Improving effectiveness; and
- Building partnerships.

5.3 Strategic Direction on the Capital Budget: Project Prioritisation

The key contextual realisation flowing from the Mpongo Park workshop and subsequent work is that BCM has relatively limited discretionary capital budget resources available for re-prioritisation.

In addition, it was resolved that BCM needs to focus its prioritisation of grant funded projects carefully so that these projects could be more closely aligned with the BCM's strategic priorities; i.e. to limit counter-funding requirements and recurrent budget implications.

From subsequent work done on budgeting processes, it was concluded that some R127.3 million was available for prioritisation on new capital projects from internally funded capital in terms of the IDP. The project prioritisation exercise then focused on achieving the following outcomes: -

- Reviewing the current weight between IDP Themes by the Working Groups and proposing as follows: -

IDP THEME	Ideal IDP Priority Weighting for Project Prioritisation
Social	30%
Environmental	12%
Economic	3%
Spatial & Infrastructure	50%
Finance & Institutional	5%
TOTAL	100%

Thereafter, a prioritisation model was applied on all the projects currently in the capital budget list, including new projects still being added in terms of the Municipal Treasury request.

- In addition, the following work was done to attempt to relieve the pressure on the discretionary amount available:
 - re-assessing the capital requirements flowing from each IDP theme,
 - assessment of project readiness in order to consider placing projects into future financial cycles, and
 - assessing the use of grants rather than internal funding.

5.4 Strategic Direction on the Operating Budget

Preparation of the operating budget for 2004/05 was informed by three sets of pressures. The key issue is that a bad debt provision of R62 million is required and must result in changes in the operating budget to ensure sustainability. The other issues were focussed on how to address the projected deficit, both in relation to income and expenditure.

Secondly, macro pressures have emerged from the MTIEF income and expenditure projections while, thirdly, departments have been experiencing differentiated problems with their operating budgets.

In addressing the operating budget it was agreed that the Revitalisation Plan would again be used to inform and prioritise resource decisions. The workshop highlighted the following as interventions: -

- **Service delivery** is the central priority theme for the IDP Review 2004 and the Budget 2004/2005: Growth in the operating budget is determined by the way the Municipality approaches service delivery on the following key levels:
- **Development of new services and infrastructure** expansion results in growth in the operating costs of services provision. The current expansion of new services and infrastructure is not reflected in the revenue growth of the municipality, resulting in pressures to service ever-increasing responsibilities within a constrained revenue base.

A key policy decision has been taken within the IDP and Revitalisation Plans to review the way in which decisions are taken on services expansion so as to manage the operating impact of services expansion. Yet, neither the sector plans nor political decision-making/expectation creation reflects the policy changes underpinning the IDP and Revitalisation Plans. *Reviewing and aligning the expansion of services approach with the IDP and the Revitalisation Plan is a key intervention towards ensuring sustainability.*

- Maintaining and upgrading of the current services portfolio and infrastructure is affected by the growth in the cost of rendering services. Usually the cost increase of service provision is related to inflation and determined by National Treasury. In the case of Buffalo City, higher than inflation increase pressures are experienced in operating budget categories such as salaries and wages. Three specific priorities have been identified to address the existing services footprint:
 - Developing a **planned maintenance programme**/asset management programme in all serviced categories so as to quantify and provide predictable expenditure on maintenance. Current under-expenditure on maintenance budgets, as well as an under provision (4%) for maintenance results in asset stripping that has a negative effect on service delivery. This will also enable quantification of the current estimated R1bn preventative maintenance backlog and maintenance programming;

- Developing a **service delivery plan** that looks at service provider arrangements in BCM so as to structure creatively the operating budget and capturing value for the City through off-budget investment.
- **Providing services cheaper and better** is a core philosophy underpinning the Revitalisation Plan. The following specific priority issues were raised for action:
 - Specific initiatives to cut waste out of the organisation to be implemented;
 - Since the cost of salaries and wages is the largest expense on the operating budget, a revised Human Resources strategy is also suggested, which could aim to reduce the salary bill and improve the overall efficiency of the organisation. (It should be noted that reducing the salary bill can only be done in close alignment with a Service Delivery Strategy);
 - It is also recognised that initiatives that would earn the municipality more revenue should be prioritised; i.e. building the institutional capacity to grow the revenue base through economic growth or alternative service delivery; and
 - Finally, the current approach to the setting of tariffs and rates and surcharges requires a review.

6. Conclusion: Overall Strategic Direction

The following were the key elements that are taken as strategic direction (informants) for the review of key performance areas and related sector-specific objectives and strategies for the IDP Review 2004: -

1. The emergence of a strategic focus on service delivery for the planning period 2004/2005, especially the way existing services are delivered and maintained.

In this regard, guidance is taken from the Revitalisation Plan themes of: -

- A new approach to service delivery
- Expanding the resource base
- Improving effectiveness; and
- Building partnerships.

2. The recognition that planning for the 2004/2005 period needs to be placed into a cycle of planning and implementation that reaches beyond the 2004/05 financial year.

Specifically, Buffalo City Municipality is now to give consideration to the formulation of an overarching City Development Strategy to provide a long-term development vision within which the Municipality can begin to address Buffalo City's need to resolve structural problems and burning developmental issues.

Despite significant progress in strategy and plan development, the Municipality also needs to outline a strategy for the City that unites current plans into a coherent vision towards sustainability, good governance, social inclusiveness and a productive economy. This would form the context within which successive administrations would continue to formulate 5-Year Integrated Development Plans as strategic articulations of the overall goal (or development vision).

3. In addition, Buffalo City Municipality is now also engaged in a process to review current population estimates, which had previously informed the formulation of the IDP 2002 as well as subsequent Sector Plans. In particular, the discrepancy between the population estimates provided by the 2001 Census (which suggests a total population for Buffalo City of some 702,000 people) versus the estimates used for IDP 2002 (which projected the total population in 2001 at some 960,000) is of concern and needs to be resolved in order to ensure the optimum planning base and appropriate use of limited resources.
4. Finally, the formulation of the new Performance Management System (PMS) was taken as a strategic informant, helping to focus the review on refining key performance areas (priority areas) in terms of the Municipality's assigned roles and functions as a developmental local government body.