

REPORT TO COUNCIL: 29 MAY 2008

2008/09 TO 2010/11 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK BUDGET

1. INTRODUCTION

1.1 In terms of the Municipal Finance Management Act Section 24(1) and (2): -

“24(1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

24(2) An annual budget –

- (a) must be approved before the start of the budget year;*
- (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
- (c) must be approved together with the adoption of resolutions as may be necessary –*
 - (i) imposing any municipal tax for the budget year;*
 - (ii) setting any municipal tariffs for the budget year;*
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - (iv) approving any changes to the municipality’s integrated development plan; and*
 - (v) approving any changes to the municipality’s budget-related policies.”*

1.2 The Council approved the draft Medium Term Revenue and Expenditure Budget for the 2008/09 to 2010/11 years on the 25 March 2008. The draft MTREF budget has been subject to public hearings and further discussion at the Executive Mayors’ Strategic Planning Session on the 11 April 2008.

2. THE CITY’S STRATEGIC FRAMEWORK

2.1 Integrated Development Plan

The over-arching six key objectives and how they are linked with the 5 year Local Government Strategic Objectives are reflected in table 1 below: -

Table 1 : BCM Key Objectives

KEY ISSUE	BCM KEY OBJECTIVES
<i>Buffalo City lacks a clearly defined long-term development strategy this negatively impacts on the ability of BCM & Buffalo City stakeholders to work towards the achievement of Buffalo City’s vision.</i>	BCM1 Local, Provincial & National stakeholders support and work together to achieve the vision for Buffalo City. LGSO: Good Governance & Community participation

KEY ISSUE	BCM KEY OBJECTIVES
<p><i>The sustainability of BCM is dependent on expanding its revenue in relation to costs and its financial viability, whilst implementing its mandate.</i></p>	<p>BCM2 Effective, efficient, co-ordinated financial management and increased revenue - enabling BCM to deliver its mandate*.</p> <p>LGSO: Financial viability and financial management</p>
<p><i>Inefficiencies exist within the institution, which compromise BCM's ability to deliver services.</i></p>	<p>BCM3 BCM's institution is capacitated and structured to enable efficient, effective, and sustainable service delivery.</p> <p>LGSO: Municipal Transformation and Institutional Development</p>
<p><i>Low economic growth, high unemployment, low skills levels, high levels of poverty and high inequality exist within BCM.</i></p>	<p>BCM4 BCM creates an enabling environment for an economy that is growing, diversifying, generating increasing number of sustainable employment opportunities and contributing to increased incomes and equality.</p> <p>LGSO: Local Economic Development</p>
<p><i>Whilst BCM delivers basic services (water, sanitation, waste removal & electricity) to about 70% of households, many households still lack adequate transport, social services, economic opportunities and an enriching environment.</i></p>	<p>BCM5 Buffalo City is well structured, efficient and supports sustainable human settlements, thus enabling residents to meet their physical, social, developmental, environmental, cultural & psychological needs. (live, work & play)</p> <p>LGSO: Basic Service Delivery and Infrastructure Investment</p>
<p><i>Lack of sustainable development and inappropriate use of resources has a harmful impact on the health and well-being of present and future generations of BCM.</i></p>	<p>BCM6 BCM has a safe, healthy & sustainable environment protected for the benefit of present and future generations through securing ecologically sustainable development and use of natural resources, whilst promoting justifiable social and economic development.</p>

2.2 Alignment of Budget with IDP

The Integrated Development Plan (IDP) determines and prioritises the needs of the community of Buffalo City Municipality. The 2008/09 to 2010/11 Operating and Capital Budget were prepared in accordance with the IDP, the strategies focus areas as depicted in table 1 above. The alignment of key objectives with the allocation of financial resources are reflected in Table 2.

Table 2 : BCM Key Objectives

KEY OBJECTIVES	2008/2009	2009/2010	2010/2011
	R	R	R
Good Governance & Community participation	93,562,901	87,892,868	93,954,428
Financial viability and Financial Management	240,921,233	260,476,214	342,724,839
Municipal Transformation and Institutional	156,950,032	150,874,660	159,769,040
Local Economic Development	62,426,417	42,968,788	48,488,102
Basic Service Delivery and Infrastructure	2,152,530,747	1,823,438,036	1,870,121,824
Safe, Healthy and Sustainable environment	314,095,361	310,274,412	318,915,345
TOTAL	3,020,486,691	2,675,924,978	2,833,973,578

3. BUDGET STRATEGY AND ASSUMPTIONS

In the preparation of the Revenue Expenditure budget, certain assumptions were made. The budget is therefore based on certain fundamental assumptions and should these vary materially, then such variations would have an effect on the budget outcomes.

Table 3 : Budget Assumptions

Description	2007/2008	2008/2009	2009/2010	2010/2011
NT Guidelines	3% - 6%	4.90%	4.50%	4.50%
CPIX	5.10%	10.10%	3% - 6%	3% - 6%
Salaries	6.60%	10.50%	10.50%	10.50%
Electricity Purchases	6.20%	15.00%	15.00%	15.00%
Water Purchases	5.50%	10.00%	10.00%	10.00%
Free Basic Electricity	50 kwh p.m.	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.	6 kl p.m.
Basic Welfare Package	R237.56	R273.77	R301.61	R332.29
Equitable Share Allocation	R252,125,000	R310,257,000	R389,903,000	R486,349,000
Bad Debt Provision	R32,102,569	R43,080,156	R68,550,126	R72,683,134

3.1 Budget Strategy

On 25 March 2008, Council adopted the following as a budget strategy to guide the compilation of the 2008/09 to 2010/11 Operating and Capital budgets:

- a) That considering the National Treasury guideline for year-on-year increases in expenditure of 4.9 % at the time, the annual increases for the 2008/09 to 2010/11 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:
 - The overall increase in operating expenditure is limited to available funds as detailed in Table 3.
 - The overall increase in human resource costs be restricted to the SALGBC determined agreement of the average CPIX percentage for the twelve-month period, February 2007 to January 2008, as published by Statistics South Africa, plus 1.5%, projected to be 10.5 %.
 - Rates and tariff increases be restricted to 11% plus 0% for growth in the consumer base.
- b) That the present method of appropriating income to the Capital Replacement Reserve be maintained in the 2008/09 to 2010/11 Budget compilation.
- d) That the priority and levels of Provisions and Reserves be reviewed in conjunction with the preparation of the 2008/09 to 2010/11 Operating Budgets.
- e) That Directors in the preparation of their Capital Budgets indicate their delivery capacity and propose solutions to avoid under spending of the capital budget, as experienced during previous financial years.

3.2 Budget assumptions

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates electricity tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

NERSA has allowed Eskom a 15.02% increase in tariffs for the 2008/09 financial year.

The Municipal Tariff Guideline and Benchmarks published by NERSA, for the sale of electricity, allows municipalities a 12% tariff increase. The projected increase in electricity tariffs for 2008/09 has however, been set at 15%.

4. **OPERATING BUDGET OVERVIEW**

Table 4 : Capital and Operating Budget 2008/09 to 2010/11

<u>DRAFT CAPITAL AND OPERATING BUDGET 2008/09 TO 2010/11</u>			
<u>SUMMARY</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>R</u>	<u>R</u>	<u>R</u>
CAPITAL PROJECTS	902,088,947	485,295,243	389,031,508
OPERATING PROJECTS	237,304,097	69,195,230	47,150,000
	1,139,393,044	554,490,473	436,181,508
OPERATING BUDGET (Excluding Internal Charges & Recoveries)	1,881,093,647	2,121,434,505	2,397,792,070
TOTAL BUDGET	3,020,486,691	2,675,924,978	2,833,973,578

Note: That the Budget will be presented in terms of National Treasury guidelines in compliance with the MFMA, circular number 28

The Capital and Operating projects are inclusive of the 2007/08 rollovers.

The rollovers are as follows:

Capital Projects- Rollovers	R 105,777,713
Operating Projects – Rollovers	R 74,756,187

Table 5 : All Directorates and Cost Centres Per Category

	2007/2008	2008/2009	2009/2010	2010/2011
	BUDGET	BUDGET	BUDGET	BUDGET
<u>Revenue Per Source</u>				
Assessment Rates	320,829,172	358,523,317	394,375,649	433,813,214
Refuse Charges	102,235,457	119,414,425	131,355,867	144,491,454
Sewerage Charges	114,466,194	132,516,432	145,768,075	160,344,883
Trade Effluent	4,702,988	7,624,750	8,387,225	9,225,948
Water Charges	153,188,787	196,809,224	216,490,146	238,139,161
Electricity Charges	450,515,881	536,285,742	600,640,031	672,716,835
Fire Levy	19,242,508	26,365,680	29,002,248	31,902,473
Grants and Subsidies	280,588,464	347,932,886	428,336,288	525,756,421
Operating Project Grants	147,197,892	237,304,097	69,195,230	47,150,000
Fines	7,116,552	8,021,879	8,743,849	9,530,796
Housing Rentals	146,242	7,218,059	7,867,683	8,575,777
Other Rentals	11,269,077	2,386,233	2,600,993	2,835,083
Income Foregone	(153,772)	(161,461)	(166,305)	(176,283)
Other	147,103,069	158,950,558	170,235,725	184,810,088
<u>Total Direct Operating Income</u>	1,758,448,511	2,139,191,821	2,212,832,704	2,469,115,850
<u>Expenditure Per Category</u>				
Salaries, Wages & Allowances	589,588,497	659,247,385	724,701,587	796,891,329
Remuneration of Councillors	18,154,471	19,867,037	21,845,880	24,020,110
General Expenses	392,126,492	472,990,927	529,800,970	566,369,174
Operating Projects	147,197,892	237,304,097	69,195,230	47,150,000
Bulk Electricity Purchases	265,578,820	310,422,464	357,047,918	410,676,516
Bulk Water Purchases	72,358,943	92,108,987	101,319,886	111,451,875
Repairs & Maintenance	93,568,031	140,398,372	157,618,864	245,548,802
Depreciation	91,989,868	107,296,335	107,395,825	113,839,569
Interest on External Loans	74,188,313	78,762,140	121,703,575	128,994,695
<u>Total Direct Operating Expenditure</u>	1,744,751,327	2,118,397,744	2,190,629,735	2,444,942,070
Internal Charges	621,463,842	674,067,335	708,352,597	750,853,756
<u>Total Operating Expenditure</u>	2,366,215,169	2,792,465,079	2,898,982,332	3,195,795,826
Internal Recoveries	(621,463,840)	(674,067,335)	(708,352,597)	(750,853,754)
<u>Sub-Total</u>	1,744,751,329	2,118,397,744	2,190,629,735	2,444,942,072
Transfers To/From Other Reserves	12,336,390	20,361,751	21,519,194	22,995,817
<u>Total Operating Expenditure</u>	1,757,087,719	2,138,759,495	2,212,148,929	2,467,937,889
<u>Surplus / (Deficit)</u>	1,360,792	432,326	683,775	1,177,961

Figure 1: 2008/09 Operating Revenue

2008/2009 Operating Revenue

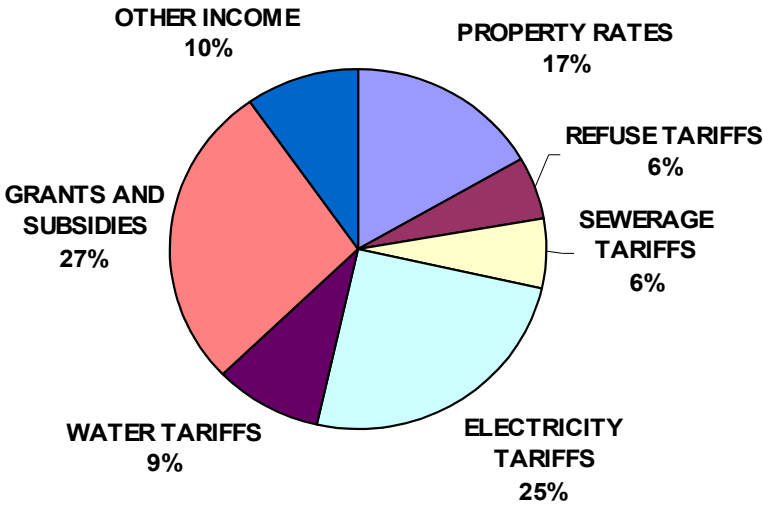
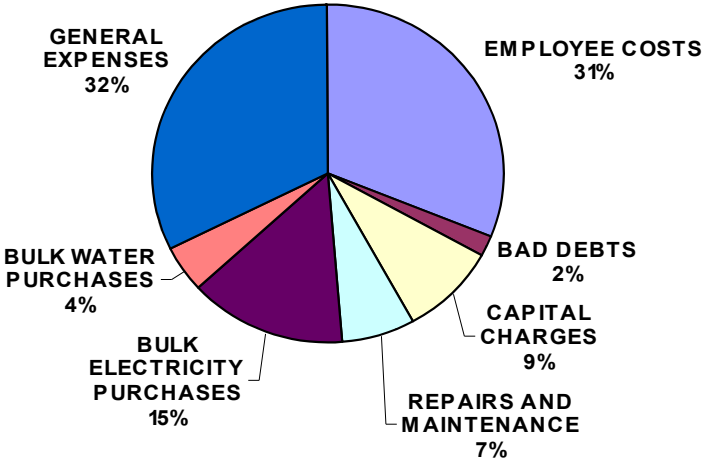


Figure 2: 2008/09 Operating Expenditure

2008/2009 Operating Expenditure



The 2008/09 to 2010/11 Budget preparation commenced after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). The capital budget generally contain new or replacement assets such as roads, vehicles, buildings, etc. The Operating Budget, which is by far the largest component of the Budget, include the provision of services e.g. health, water, refuse collection, etc.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 1 illustrates the link between the IDP and Budget.

The assumptions and principles applied in the development of this Budget are mainly based upon guidelines received from National Treasury (expenditure growth) and other external bodies such as the National Electricity Regulator of South Africa (NERSA), South African Local Government Bargaining Council, etc. The IDP's strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

The Operating Budget totals R2,1 billion, which funds the continued provision of services provided by the Municipality.

The major expenditure items are employee costs (R659,2) million, bulk electricity and water purchases (R402,5) million and general expenses (R472,9) million.

Funding is obtained from various sources, the major sources being service charges such as electricity, water, sanitation, refuse removal and property rates; and grants and subsidies received National and Provincial Governments.

In order to support the 2008/09 Operating Budget, the following increase in rates and service charges have been proposed, with effect from 1 July 2008:

Property Rates	-	11%
Water, Sanitation and Refuse	-	11%
Electricity	-	15%

A provision of R42,3 million has been set aside to cover potential bad debts arising from property rates and service charges not collected. This is based upon a level of payment of debtors' accounts averaging 95%.

In the past as a result of limited funds, a number of important issues such as addressing maintenance backlogs, making adequate contributions to provision and reserves, staffing requirements, etc. were not fully covered. However strategies to address these issues are being undertaken to improve the provisions at their required levels. In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service delivery. In relation to maintenance backlogs, the full extent of the backlogs, is being determined. The 2008/09 Budget does make provision for increased allocations to deal with the maintenance of infrastructure.

The assistance to the poor currently provides the following benefits to poor households in the Buffalo City Municipality:

- Free 6kl of water
- Free basic sanitation
- Free 50 kwh Electricity
- Free basic refuse removal
- Property rates subsidy
- Environmental charges

Out of approximately 120,000 households, some 46,754 households receive the aforementioned assistance listed above. The total cost of free basic services currently amounts to R136,4 million and is anticipated to increase to R165,7 million in 2010/11.

The Operating Projects and Capital Budget totals R1,1 billion and this is funded mainly through from Government grants and external loans.

It is to be noted that the sourcing of significant external loan financing is being considered, to support the 2008/09 to 2010/11 Capital Budget. The municipality is still considering the full financial implications in terms of Section 19 of the MFMA.

The Budget related policies have been adhered to in the development of the Budget, whilst continuous monitoring of budget performance is possible through Key Performance Indicators and the Service Delivery and Budget Implementation Plan.

IDP

The IDP review process is in progress and the 2008/09 IDP is being developed, based on a community consultation process as is required by legislation. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

Budget

The annual budget document has been developed taking the MFMA and National Treasury (NT) requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

SDBIP

The SDBIP document will be prepared, taking the MFMA and National Treasury requirements into account. This document contains the specific performance measures relating to the IDP objectives, which are incorporated into the Budget. The content of the SDBIP is reflected in the Municipal Manager and the Directors' performance contracts.

In-Year Reporting

The municipality submits the various required reports to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

Supply Chain Management Policy (SCM)

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and NT requirements.

All the required committee structures are in place and are functioning effectively. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidance.

Budget and Treasury

A Budget and Treasury Office has been established in accordance with MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

Audit Committee

An Audit Committee has been established and meets on a regular basis.

Internal Audit Function

The municipality has an Internal Audit sub-directorate reporting to the Director Corporate Services and operating in accordance with an audit plan.

In relation to the 2008/09 financial year and beyond, the municipality plans to focus on the following high priority areas:

- Addressing the qualified audit opinion expressed by the Auditor-General (A-G) in relation to the 2006/07 Financial Statements. An action plan is being developed to address the shortcomings identified by the AG. Implementation of the plan will be monitored by the Municipal Manager in the first instance.
- Further strengthening of the integration and linkages between the IDP, Budget, SDBIP and Annual Report.

5. FUNDING OF THE BUDGET

5.1 Grants included in the Budget in terms of the 2008 DORA Report

Table 6 : Grant Allocations in Accordance with the DORA Report 2008

	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
<u>1. Specific Purpose Recurrent Grant Allocations (Schedule 6)</u>				
a. Local Government Financial Management Grant	500,000	500,000	750,000	1,250,000
b. Water Services Operating & Transfer Subsidy (DWAf)	4,755,000	2,542,000	2,372,000	1,410,000
c. Municipal Systems Improvement Programme	0	400,000	400,000	400,000
<u>Sub-Total - Specific Purpose Recurrent Grant Allocations</u>	5,255,000	3,442,000	3,522,000	3,060,000
<u>2. Infrastructure Grant Allocations (Schedule 4 and 6)</u>				
a. Municipal Infrastructure Grant (MIG)	115,379,000	144,850,000	163,716,000	134,151,000
b. MIG - Eradication of Bucket Sanitation Programme	406,000	0	0	0
c. Public Transport Infrastructure and Systems Grant	0	8,592,000	31,213,000	71,478,000
d. Neighbourhood Development Partnership Grant	0	5,000,000	9,143,000	13,139,000
e. National Electrification Programme (NEP)	21,323,000	32,712,000	50,000,000	55,000,000
<u>Sub-Total - Infrastructure Grant Allocations</u>	137,108,000	191,154,000	254,072,000	273,768,000
<u>3. Allocations-In-Kind (Schedule 7)</u>				
a. Water Services Operating & Transfer Subsidy Grant	1,853,000	792,000	0	0
b. National Electrification Programme (Eskom) Grant	2,279,000	2,132,000	2,633,000	3,056,000
c. Neighbourhood Development Partnership Grant	0	42,100,000	61,375,000	19,486,000
<u>Sub-Total - Allocations-In-Kind</u>	4,132,000	45,024,000	64,008,000	22,542,000
<u>4. Equitable Share Allocations</u>				
a. Equitable Share	252,125,000	310,257,000	389,903,000	486,349,000
<u>Sub-Total - Equitable Share Allocations</u>	252,125,000	310,257,000	389,903,000	486,349,000
<u>Grand Total - Total Allocations to Municipalities</u>	398,620,000	549,877,000	711,505,000	785,719,000

5.1.1 Equitable Share Allocations

The objective of the intergovernmental system as far as it relates to local government, is to provide for an equitable sharing of nationally raised revenue while promoting vertical and horizontal equity as well as certainty of revenue streams, and recognize variations in the fiscal capacities of municipalities as provided for in sections 214 and 227 of the Constitution.

The size of the equitable share allocation to the local sphere of government takes into account the poor population, the number of poor households, the extent of service provision to poor households and the fiscal capacities of municipalities.

Buffalo City Municipality (EC125) has accordingly been allocated an amount of R310 256 722 for the 2008/09 financial year, a breakdown of which is shown in the table below: -

Table 7 : Breakdown of the local government equitable share

Local Government Financial Year	Components	Amount Allocated (R)	Total Amount Allocated (R)
2008/09	TOTAL EQUITABLE SHARE ALLOCATION (2008/09)		310,256,722
	Basic Services	299,364,742	
I-grant (Institutional Grant)		10,891,980	
Additional Councillor Support		-	
RSC Levy Replacement Grant		-	
Provisional Allocation for 2009/10			389,902,624
Provisional Allocation for 2010/11			486,349,384

The above table also shows provisional equitable share allocations for the 2009/10 and 2010/11 financial year. These amounts are indicated to guide municipalities in their budgeting processes. These amounts, together with the 2008/09 allocations were gazetted in the Division of Revenue Act, 2008.

5.1.2 Municipal Infrastructure Grant Allocations

The MIG programme is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance (MIG funds) aimed at covering the capital cost of basic infrastructure for the poor. In other words the MIG programme complements and or subsidizes municipal infrastructure budgets particularly those municipalities with insufficient revenue base.

Since the programme is aimed at subsidizing capital costs to the poor, priority should be given to meeting the basic infrastructure needs. Therefore the following principles are pivotal of the MIG programme:

- Focus on providing basic level of service (infrastructure)
- Target should focus on the poor – poverty alleviation
- Maximizing economic benefits derived from implementing the programme
- Equitable allocation of funds to the poor
- Decentralized spending – with national and provincial involvement (cooperative governance)
- Funds are used efficiently – strive for greatest possible improvement in accessing basic level of infrastructure – serving more people at the lowest possible costs
- Cooperative governance towards meeting government objectives should be emphasized
- Maintains predictability and transparency – greater participation by spheres of government and other stakeholders.

The MIG programme is also a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximized through labour intensive construction methods and opportunities are created for enterprises to flourish. At the end of the 10-year period since the start of the programme in

2004/05 financial year, it is envisaged through the MIG programme, Government has ensured that all basic municipal backlogs have been addressed.

5.1.3 Municipal Systems Improvement Grant Allocations

An amount of **R735 000** has been allocated to the municipality for support in building in-house capacity to perform legislative functions and stabilize institutional and governance systems. As stipulated in the MSIG framework, this allocation is a conditional grant and must be spent as follows

- Strengthening administrative systems for effective implementation of ward participation systems. Focus must be on facilitating regular ward committee meetings and communication. A maximum of R15 000.00 per ward has been allocated for your municipality.
- Improve or develop fixed asset registers that comply with the GAMAP/GRAP requirements. An amount of R200,000 has been factored into the allocation to address this output.
- Remainder of the funds must be utilized for the implementation of Local Government Municipal Property Rates Act, 2004.

5.1.4 Public Transport Infrastructure And Systems Grant

Amount of the Grant

R111,283 million with R8,592 million available in 2008/09 financial year.

Purpose of the Grant

The grant is allocated to the Buffalo City to improve public transport infrastructure and systems, in accordance with agreed project plans. The approved projects are as follows:

Implementation of Integrated Rapid Public Transport Network (IRPTN) in Buffalo City: Scoping Study.

Conditions of the Grant

The Buffalo City LM is responsible for any cost overruns or underestimations of budget, and will not re-apply to the PTIS for the same project sections due to cost increases.

Assessing the Grant

- i) The Council's published annual budget must reflect the grant funds and their purpose.
- ii) Payments by the Department will be made into the Municipality's primary bank account in accordance with this schedule.
- iii) Monthly conditional grant expenditure reports must be submitted to the Department of Transport within 10 days of the end of the month in accordance with the requirements of the DORA, so that the Department of Transport can submit consolidated monthly expenditure reports to the National Treasury within 20 days of the end of the month.

5.2 Equitable Share Allocation

Table 8 : Equitable Share Allocations

Allocations	2007/2008	2008/2009	2009/2010	2010/2011
Free Basic Water - 6kl	12,064,349	13,391,427	14,730,570	16,203,627
Free Basic Electricity - 50kwh	13,054,956	15,013,199	16,814,783	18,832,557
Poor Relief – Sewerage	27,835,200	35,697,600	39,267,360	43,194,095
Poor Relief – Refuse	32,957,712	37,610,352	41,371,387	45,508,526
Poor Relief – Fire Levy	7,578,946	8,412,630	9,253,893	10,179,282
Poor Relief – Rates	23,648,000	26,249,280	28,874,208	31,761,629
R293 – Salaries	7,923,113	0	0	0
Equitable Allocation	81,966,743	124,876,933	189,584,662	269,562,534
Bulk Water Purchases	13,095,981	14,005,579	15,006,137	16,106,750
Provision for Bad Debts	17,000,000	20,000,000	20,000,000	20,000,000
<u>Operating Budget</u>	237,125,000	295,257,000	374,903,000	471,349,000
<u>Mayoral Imbizo Projects</u>	15,000,000	15,000,000	15,000,000	15,000,000
<u>Total Equitable Share</u>	252,125,000	310,257,000	389,903,000	486,349,000

6. FISCAL OVERVIEW

6.1 2006/07 Actual and 2007/08 Projected Financial Performance

The municipality's financial performance and position appears to be sound for the following reasons:

- Budgets are balanced, being funded from the current financial year's revenues – to date the prior year's cash backed surpluses have not been used to support the Operating Budget. It is however anticipated that the prior year's surplus would be utilised to support the 2007/08 Adjustments Budget.
- The municipality operates within its annual budget, as approved by Council.
- The municipality maintains a positive cash and investments position.
- Consistently high revenue collection rates being achieved.
- The external loans to fund the capital programme are done within our approved credit facility with DBSA.

7. MID TERM OUTLOOK – 2008/09 TO 2010/11

7.1 Operating Budget

The operating budget increased from R1,74 billion in 2007/08, to R2,12 billion in 2008/09. It then increased to R2,19 billion in 2009/10, and finally to R2,44 billion in 2010/11. This increase is mainly in the following areas:

- Increased spending attributable to addressing maintenance backlogs in infrastructure.

7.2 Capital Budget

Over the next three financial years, 2008/09 to 2010/11, capital spending is projected at R902.0 million in 2008/09 and then to decline by approximately 57% to R389.0 million in 2010/11.

Ongoing issues requiring monitoring and evaluation

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid-term budget, the municipality will have to adjust its spending plans to

maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent increases in revenue, or commensurate reductions in other services.

Consequently, they should be carefully monitored and evaluated:

- Maintenance backlogs in respect of Council's assets – finalisation of a long-term strategy in this regard.
- Levels of provisions and reserves, e.g. Post Retirement Benefits Provision
- Staffing requirements and the personnel expenditure target
- Rationalisation of refuse tariffs.
- Unfunded mandates; e.g. provision of Health Services, Roads and Libraries.
- Establishment of REDS
- Implementation of results emanating from the Task Job Evaluation System
- 2010 Soccer World Cup Budget Requirements
- New General Valuation of properties and associated impact on property rates increases.
- Reviewing and enhancing the level of the Capital Replacement Reserve, to ensure that the municipality is able to cover the purchase of new and replacement assets.
- Financial implications associated with the raising of external loan financing.

7.3 Employee Costs

Table 9 : Provision for Leave

	2008/2009	2009/2010	2010/2011
Proposed Leave Provision	16,905,207	17,919,519	18,994,691

The 2008/09 draft budget provides for annual increments, where applicable, and a general increase of 10,5% in line with the multi-year wage and salary collective agreement entered into between SALGA and the Trade Unions. The agreement covers the period up to the 2008/09 financial year.

The budget provision of R647,8 million represents an increase of 9.8% over the 2007/08 budget.

The total number of vacancies to be filled is to be determined on a corporate basis at the time the budget process commenced in July 2008.

Council's target for 2008/09 is to restrict personnel expenditure to 30% of total income. Personnel expenditure in the 2008/09 Budget represents 30 % of income.

7.4 Provision for Bad Debt

Table below indicates the proposed bad debt provision for the 2008/09 MTREF period. The implementation of the Operating Budget of R2.1 billion will require Council to increase rates and service tariffs by an average of 11.29 %.

Table 10 : Provision for Bad Debt

	2008/2009	2009/2010	2010/2011
Proposed Bad Debt Provision	42,283,339	68,550,126	72,683,134

In the 2008/09 financial year and subsequent years R20 million has been allocated from the equitable share towards the provision of bad debts. The balance is funded directly from the Operating Budget.

7.5 Trading Services

The following reflect the results of the trading services after the approved tariff increase has been applied.

Electricity

Table 11 : Electricity Services Summary

	2006/2007	2007/2008	2008/2009	%	2009/2010	2010/2011
	ACTUALS	BUDGET	BUDGET	INCREASE	BUDGET	BUDGET
Revenue						
Tariff Income	426,044,305	442,947,214	536,285,742	21.07%	600,640,031	672,716,835
Projects	4,490,365	5,878,047	3,543,000	-39.72%	0	0
Other Income	24,921,378	47,971,384	41,049,635	-14.43%	43,468,616	46,792,445
Internal Recoveries	135,089,717	171,928,019	177,720,479	3.37%	186,621,835	197,819,145
Total Income	590,545,765	668,724,664	758,598,856	13.44%	830,730,482	917,328,425
Expenditure						
Salaries & Wages	30,494,880	34,162,465	37,407,174	9.50%	41,144,740	45,237,453
Capital Charges	26,908,487	29,390,780	31,123,932	5.90%	31,123,932	32,991,368
Repairs & Maintenance	17,188,615	27,030,953	54,428,140	101.35%	60,911,541	68,170,075
Bulk Purchases	247,773,872	265,578,820	310,422,464	16.89%	357,047,918	410,676,516
General Expenses	33,810,645	48,386,857	53,949,769	11.50%	62,390,100	66,373,718
Projects	4,490,365	5,878,047	3,543,000	0.00%	0	0
Internal Charges	155,138,770	203,272,231	216,443,686	6.48%	227,710,590	241,373,226
Total Expenditure	515,805,634	613,700,153	707,318,165	15.25%	780,328,821	864,822,356
Trf To / From Reserves	(109,660,566)	(54,969,876)	(2,312,071)		(2,506,531)	(2,656,924)
Surplus / (Deficit)	(34,920,435)	54,635	48,968,620		47,895,130	49,849,145

Electricity services reflects a surplus of R48.9 million for the 2008/09 financial year after applying the 15 % increase in the tariffs. Electricity income has increased by 21.07 % as compared to the 2007/08 financial year. The surplus from electricity contributes to Rates and General services.

Purchase of power from Eskom amounts to 310,4 million. The budget provision of R310,4 million represents an increase of 16.9 %, over the 2007/08 budget.

Water

Table 12 : Water Services Summary

	2006/2007 ACTUALS	2007/2008 BUDGET	2008/2009 BUDGET	% INCREASE	2009/2010 BUDGET	2010/2011 BUDGET
Revenue						
Tariff Income	149,328,075	153,188,787	196,809,224	28.47%	216,490,146	238,139,161
Projects	5,770,075	7,447,430	8,135,053	9.23%	7,460,400	6,600,000
Other Income	35,085,513	33,449,897	37,525,543	12.18%	40,369,472	43,492,752
Internal Recoveries	30,810,140	128,097,539	132,875,596	3.73%	138,860,370	147,191,991
Total Revenue	220,993,803	322,183,653	375,345,416	16.50%	403,180,388	435,423,904
Expenditure						
Salaries & Wages	31,042,845	35,935,305	39,536,577	10.02%	43,482,903	47,804,125
Capital Charges	18,131,800	19,049,140	20,595,910	8.12%	20,595,910	21,831,664
Repairs & Maintenance	14,510,700	12,255,103	16,232,675	32.46%	17,836,421	19,599,377
Bulk Purchases	72,648,447	72,358,943	92,108,987	27.29%	101,319,886	111,451,875
General Expenses	27,613,156	27,693,216	34,133,876	23.26%	41,073,490	43,557,896
Projects	5,770,075	7,447,430	8,135,053	0.00%	7,460,400	6,600,000
Internal Charges	46,221,776	153,566,640	162,250,291	5.65%	170,021,083	180,222,348
Total Expenditure	215,938,799	328,305,777	372,993,369	13.61%	401,790,093	431,067,285
Trf To / From Reserves	(1,228,117)	6,122,122	(1,859,008)		(2,005,153)	(2,125,463)
Surplus / (Deficit)	3,826,887	(2)	493,040		(614,858)	2,231,156

The water services indicates a surplus of R0.5 million for the 2008/09 financial year after applying the 11 % increase in the tariffs. Water income has increased by 28.47 % as compared to the 2007/08 financial year. An amount of R10 million has been budgeted to address water losses.

The bulk water purchases amounts to R92,1 million, which is R19,8 million more than 2007/08 estimate of R72,3 million, which represents a year-on-year increase of 27.3 %.

Refuse

Table 13 : Refuse Services Summary

	2006/2007 ACTUALS	2007/2008 BUDGET	2008/2009 BUDGET	% INCREASE	2009/2010 BUDGET	2010/2011 BUDGET
Revenue						
Tariff Income	94,773,097	102,235,457	119,414,425	16.80%	131,355,857	144,491,454
Projects	3,498,650	0	18,024,000	0.00%	0	4,100,000
Other Income	36,172,947	41,174,620	44,657,609	-3.24%	48,665,008	53,070,660
Internal Recoveries	14,713,604	10,290,223	11,025,024	7.14%	11,618,097	12,315,183
Total Revenue	149,158,298	153,700,300	193,121,058	25.65%	191,638,962	213,977,297
Expenditure						
Salaries & Wages	52,045,923	52,148,461	57,033,450	9.37%	62,718,120	68,940,661
Capital Charges	7,389,670	11,591,219	12,664,082	9.26%	12,664,082	13,423,926
Repairs & Maintenance	512,286	4,910,886	5,970,722	21.58%	6,567,793	7,224,573
Bulk Purchases	0	0	0	0.00%	0	0
General Expenses	69,083,378	65,794,350	83,446,300	26.83%	94,718,604	102,056,575
Projects	3,498,650	0	18,024,000	0.00%	0	4,100,000
Internal Charges	30,071,009	29,209,129	32,839,042	12.43%	34,757,139	36,842,568
Total Expenditure	162,600,916	163,654,045	209,977,596	28.31%	211,425,738	232,588,303
Trf To / From Reserves	(1,591,956)	9,953,747	(2,409,342)		(2,538,455)	(2,752,513)
Surplus / (Deficit)	(15,034,574)	2	(19,265,880)		(22,325,231)	(21,363,519)

The refuse services indicates a loss of R19.3 million for the 2008/09 financial year after applying the 11 % increase in the tariffs. Refuse income has increased by 16.8 % as compared to the 2007/08 financial year. In order for refuse services to break even, the refuse tariff needs to be increased by a further 18 %. The deficit incurred by the Refuse Services is subsidised by Rates and General Services.

Sewerage Services

Table 14 : Sewerage Services Summary

	2006/2007	2007/2008	2008/2009	%	2009/2010	2010/2011
	ACTUALS	BUDGET	BUDGET	INCREASE	BUDGET	BUDGET
Revenue						
Tariff Income	110,330,884	117,966,194	132,516,432	12.33%	145,768,075	160,344,883
Projects	337,639	0	0	0.00%	0	0
Other Income	43,917,280	37,277,432	51,175,871	37.28%	55,779,264	60,916,088
Internal Recoveries	14,135,853	18,813,109	18,813,109	0.00%	19,377,501	20,540,153
Total Income	168,721,656	174,056,735	202,505,412	16.34%	220,924,840	241,801,124
Expenditure						
Salaries & Wages	30,671,676	37,528,376	41,196,203	9.77%	45,307,142	49,808,128
Capital Charges	23,296,970	13,694,673	16,148,392	17.92%	16,148,392	17,117,297
Repairs & Maintenance	9,817,583	9,157,296	12,421,928	35.65%	13,644,306	14,987,728
Bulk Purchases	0	0	0	0.00%	0	0
General Expenses	44,257,552	45,232,029	63,156,532	39.63%	72,529,715	78,368,882
Projects	337,639	0	0	0.00%	0	0
Internal Charges	25,778,772	44,657,372	47,868,509	7.19%	50,195,167	53,206,875
Total Expenditure	134,160,192	150,269,746	180,791,564	20.31%	197,824,722	213,488,910
Trf To / From Reserves	(1,003,953)	(23,786,990)	(1,517,036)		(1,630,477)	(1,728,307)
Surplus / (Deficit)	33,557,511	(1)	20,196,812		21,469,641	26,583,907

The sewerage services indicates a surplus of R20.2 million for the 2008/09 financial year after applying the 11 % increase in the tariffs. Sewerage income has increased by 12.33 % as compared to the 2007/08 financial year. The surplus from Sewerage Services contributes to Rates and General services.

7.6 Repairs and Maintenance

Table 15 : Provision for Repairs and Maintenance

Provision for Repairs and Maintenance	2007/2008 Budget	2008/2009 Budget	2009/2010 Budget	2010/2011 Budget
Roads	18,501,893	20,167,063	23,797,135	28,080,619
% Increase on Previous Year	9.00%	18.00%	18.00%	18.00%
	1,665,170	3,630,071	4,283,484	5,054,511
Total	20,167,063	23,797,135	28,080,619	33,135,130
Refuse Service Tariff Income	102,235,457	119,414,425	131,355,867	144,491,454
% of Tariff Income	2.50%	5.00%	5.00%	5.00%
Total	2,555,886	5,970,721	6,567,793	7,224,573
Sewerage Service Tariff Income	114,466,194	132,516,432	145,768,075	160,344,883
% of Tariff Income	8.00%	9.00%	9.00%	9.00%
Total	9,157,296	11,926,479	13,119,127	14,431,039
Electricity Service Tariff Income	450,515,881	536,285,742	600,640,031	672,716,835
% of Tariff Income	6.00%	10.00%	10.00%	10.00%
Total	27,030,953	53,628,574	60,064,003	67,271,684
Water Service Tariff Income	153,188,787	196,809,224	216,490,146	238,139,161
% of Tariff Income	8.00%	8.00%	8.00%	8.00%
Total	12,255,103	15,744,738	17,319,212	19,051,133
Other	22,401,730	29,330,725	32,468,110	104,435,243
Total	22,401,730	29,330,725	32,468,110	104,435,243
GrandTotal Repairs & Maintenance	93,568,031	140,398,372	157,618,864	245,548,802

Repairs and maintenance amount to R140.4 million for the year, compared to R93,6 million for 2007/08, resulting in a 50.05 % increase in Repairs and Maintenance.

In accordance with a Council decision, Directors were required to submit reports indicating maintenance backlogs in respect of Council's assets, together with a strategy proposal to eradicate such backlogs. This was to assist in assessing the adequacy of the budgeted amount.

7.7 Summary of Proposed Tariff Increases

During the adoption of the 2008/09 Draft MTREF budget, Council approved the following tariff increases: -

Table 16 : Proposed Tariff Increases

Description	2007/2008	2008/2009	2009/2010	2010/2011
Rates	9.00%	11.00%	10.00%	10.00%
Refuse	10.00%	11.00%	10.00%	10.00%
Sewerage	5.00%	11.00%	10.00%	10.00%
Electricity	5.60%	15.00%	12.00%	12.00%
Water	7.00%	11.00%	10.00%	10.00%
Fire Levy	7.00%	11.00%	10.00%	10.00%
Sundry Income	7.00%	9.00%	9.00%	9.00%
Average Increase	7.23%	11.29%	10.14%	10.14%

7.8 Proposed Welfare Package

An amount of R136,4 million has been allocated from the 2008/09 equitable share to provide relief to the Indigent Consumers. The package has been designed to subsidize the Indigent Consumers by 100% on all services as well as quantify the cost of 50 kwh electricity and 6 kl water. The compilation of this package is illustrated in the table below.

Table 17 : Proposed Monthly Welfare Package

Monthly Welfare Package	2007/2008	2008/2009	2009/2010	2010/2011
	Actual Package	Proposed Package	Proposed Package	Proposed Package
Rates - 20000 Property Valuation	49.27	54.69	60.15	66.17
Refuse	68.66	78.35	86.19	94.81
Sewerage	57.99	74.37	81.81	89.99
Fire Levy	15.79	17.53	19.28	21.21
Electricity - 50kwh	20.72	23.83	26.69	29.89
Water - 6kl	25.13	27.90	30.69	33.76
Total Welfare Package Per Month	237.56	276.67	304.81	335.83

7.9 Operating Projects

These include projects, which in terms of the definition of an asset as per the Generally Recognised Accounting Practice (GRAP) do not qualify to be included in the capital budget (Annexure 4, Schedule 1).

7.10 Capital Budget

The table below indicates the Capital Budget per sources of funding. Detailed expenditure per project is attached as Annexure 4, Schedule 2.

Table 18: Capital Budget per Funding Source for the 2008/09 MTREF Period

<u>Capital Budget Per Funding Source</u>	2008/2009 R	2009/2010 R	2010/2011 R
Contribution to Accumulated Surpluses	650,000	0	0
Capital Replacement Reserve	57,167,008	42,932,110	34,635,009
DBSA (Loan)	250,000,000	0	0
External Financing Fund	137,368,732	80,320,000	59,300,000
Total Own Funding	445,185,740	123,252,110	93,935,009
Buffalo City Metropolitan Transport	14,659,997	14,430,000	23,100,000
Creditors c/o	140,244	0	0
Department of Arts & Culture	50,000,000	0	0
Department of Land Affairs	2,500,000	0	0
Department of Local Government & Housing	27,968,398	10,000,000	5,000,000
Department of Water Affairs & Forestry	734,419	230,870	0
Development Bank of South Africa Grant	51,078	0	0
Department of Science & Technology c/o	4,266,008	0	0
Disaster Management Fund c/o	227,926	0	0
Eastern Cape Development Corporation c/o	344,272	0	0
European Commission	53,261,212	29,770,000	200,000
Integrated National Electricity Provider	35,453,971	50,000,000	55,000,000
Leiden Platform c/o	18,822	0	0
MSIG c/o	100,161	0	0
Municipal Infrastructure Grant	202,150,279	160,099,183	119,718,499
Neighbourhood Development Partnership Grant	41,100,000	58,300,000	18,600,000
Other (Lotto) c/o	432,549	0	0
PUBLIC	8,000,000	8,000,000	2,000,000
Public Transport Infrastructure & Systems Grant	8,592,000	31,213,000	71,478,000
Restructuring Grant c/o	6,728,170	0	0
Swedish International Development Agency c/o	173,701	0	0
Total Grant Funding	456,903,207	362,043,053	295,096,499
Total Capital Budget - All Funding Sources	902,088,947	485,295,163	389,031,508

Table 19 : Capital Budget per Service for the 2008/09 MTREF Period

<u>Capital Budget Per Service</u>	2008/2009 R	2009/2010 R	2010/2011 R
Water	69,508,161	52,901,135	22,700,000
Waste Water	120,105,414	85,810,415	83,476,310
Electricity	109,292,609	72,750,000	73,200,000
Roads and Stormwater	153,434,683	62,853,770	9,130,000
Housing	27,968,398	10,000,000	5,000,000
Transport Planning	85,342,000	121,534,818	130,628,000
Waste Management	74,203,963	2,000,000	6,000,000
Amenities	27,051,645	15,326,188	8,509,860
Environmental Services	9,923,847	1,000,000	2,266,475
Health Services	3,138,371	650,000	650,000
Public Safety	28,479,903	23,062,396	8,890,000
Support Services	193,639,953	37,406,521	38,580,863
Total	902,088,947	485,295,243	389,031,508

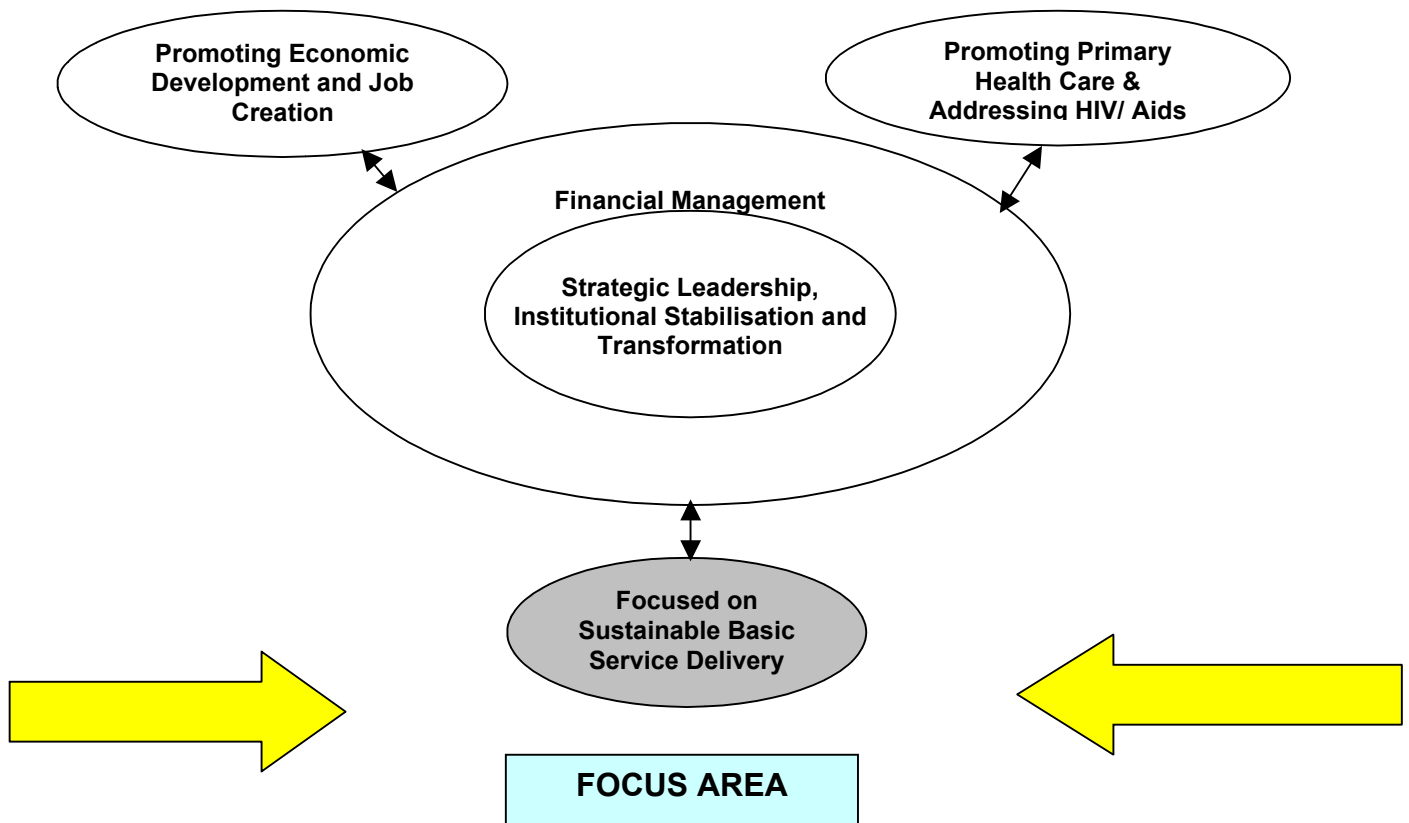
8. 2008/09 TO 2010/11 MEDIUM TERM OPERATING PROJECTS AND CAPITAL BUDGET

8.1 Infrastructure Investment

The total capital and operating project budget for 2008/9 is expected to be R1billion. In the 2008/9 financial years the budget is focused on addressing infrastructure backlogs in previously disadvantaged areas. The shift in the strategic focus is depicted in the figure below.

Figure 3

STRATEGIC FOCUS



The Mayoral Strategic planning session was facilitated to respond to the challenges and opportunities that undermine service delivery and threaten development gains of the democratic government in the Buffalo City municipal (BCM) area.

It was pointed out that the State of the City Address, poignantly delineate the steadily and measurable development movement and enormity of challenges that face the political and administrative leadership of the municipality and indeed the broader community of citizens.

The Executive Mayor pointed out the glaring infrastructure development and service delivery disparities between the developed and undeveloped areas within BCM. The glaring disparities reflect the reality of the state of development in the municipal area.

In this regard, the development agenda should provide a significant contrast to the current state of development in BCM. The development agenda and interventions including strategies and resource allocations should demonstrate a conscious acknowledgment of the current development disparities. Such a conscious development agenda should lead to the crafting of focussed interventions that yield visible development gains for the poorest of the poor and improve the quality of life for all the people of BCM.

8.2 Strategic Priorities 2008/09

Table 20 : Allocation of Funding

Service Delivery Impact	Developmental Impact	Institutional Impact	Efficiency
<ul style="list-style-type: none"> • West/ East Bank Restitution (R31.9Million) • Duncan Village Redevelopment Initiative (R112.6 Million) • Mdantsane (R220.4 Million) • King Williams Town /Bhisho Corridor (R55.3 Million) • Waste Management (R91.9 Million) • Infrastructure development (288.4 Million) 	<ul style="list-style-type: none"> • Rural Development (R94 Million) • Mayoral Projects (R34.5 Million) • 2010 Legacy Projects (R67 Million) • Civic Centre (R350 Million) 	<ul style="list-style-type: none"> • Infrastructure Maintenance (R9.8Million) • Electricity/ Water Losses • Councillors Offices (R4.0 Million) • Alternative Service Delivery (R4.5 Million) • Institutional (R119.7 Million) 	

8.3 Millennium Development Goals And National Goals And Targets

Millennium Development Goals (2015) relating to Local Government

- To ensure environmental sustainability
- To promote gender equality and empower women
- To eradicate extreme poverty and hunger

National Spatial Development Perspectives (NSDP) Principles

- To promote economic growth as a pre-requisite for achieving policy objectives, key among which would be poverty alleviation
- To ensure government spending on fixed investment, beyond the constitutional obligation to provide basic services to all citizens
- To encourage efforts to address past and current social inequalities
- To overcome the spatial distortions of apartheid through corridor and nodal approaches in planning

National Service Delivery Goals

- Water 2008
- Sanitation 2010
- Housing 2014
- Electricity 2015

8.4 Provincial Growth and Development Plan (PGDP) Goals (2004-2014) related to Local Government

- To halve unemployment and poverty
- To maintain an economic growth rate of between 5-8% per annum
- To establish food sufficiency
- To halt and reduce the spread of HIV & AIDS
- To provide clean water to all
- To eliminate sanitation problems

8.5 Buffalo City Municipality Targets (2008-2015)

Table 21 : Service Backlogs

Service Delivery Area	Target	Backlog	Objective	Budget Required
Water	2008	9 230 households	To eliminate the water backlog by end of December 2008	R26 Million
Water Losses	2010		To reduce water losses to 25%	R18 Million
Sanitation	2010	71 829 households	To eliminate sanitation backlogs by 2010	R410 Million
Housing	2014	50 000 Units	To increase housing rate of delivery to 9000 Units per annum in the MTEF 2008/2011	R2, 8 Billion
Roads	2010/2015		To tar all roads in Mdantsane by 2010 To tar the remainder of the urban roads by 2015	R950 Million
Electrification of Informal Settlement	2012		To provide access to electricity to informal settlements by 2012	R560 Million

9. MAYORAL STRATEGIC SESSION BUDGET IMPERATIVES (April 2008)

The strategic session highlighted the need for budget management to reflect the strategic imperatives of BCM. The budget allocation should clearly reflect the development priorities of the City and be aligned to underdeveloped areas within the municipality.

- Cities finances should be looked from a strategic position.
- The balance sheet to reflect service delivery bias.
- The borrowing of money to be done with a full understanding of the impact of loan redemption costs to total income.
- Budget to be seamlessly integrated with the IDP.

The budget must not be inwardly focussed but address historical imbalances in decisive ways.

10. MAYORAL STRATEGIC SESSION EMERGING THEMES (April 2008)

A number of strategic development issues were discussed during the 2-day session. They included declining infrastructure, inadequate revenue collection, to the development of catalytic local economic development strategies. The issues began to formulate a set of coherent themes that themes emerged during the two-day session.

- Maintaining a well governed, managed and fiscally responsible City
- Facilitating the meaningful involvement of communities and community
- Organising the matters of local government
- Creating a safe caring and healthy community
- Building a sound infrastructure investment for development and growth
- Provision of integrated human settlements and liveable communities

11. SERVICE DELIVERY IMPACT PRIORITIES

11.1 West/ East Bank Restitution

West Bank Bulk Services

An amount of R28 million has been set aside for 2008/09 financial year for the implementation of the bulk services (Roads, Water, Sanitation and Electricity) for the Westbank Area, from the MIG Registered Westbank project.

The Directorate of Engineering Services is currently engaged in discussions with the appointed consultants to determine the implementation of this project in various phases. The balance of the funding will be sourced from the capital budget.

Westbank Land reclaim

The Framework Agreement for the settlement of Nongqongqo West Bank Restitution Claim was concluded in April 2000.

The current value of the West Bank Land Restitution Project is R49 million. Township Establishment and the General Plans were approved in 2005.

A total of 1844 residential erven were planned. The Engineering Directorate is in the process of implementing an infrastructure programme. The process will be followed by housing development.

The Engineering Department has set aside an amount of R2.5million for 2008/09 so as to plan for the implementation of the bulk services (Roads, Water, Sanitation and Electricity) for the Westbank Area, the said amount will be obtained from the MIG Registered Westbank project.

The Department is currently engaging appointed consultants pertaining to implementation of this project in various phases.

The phased approach is to be followed due to insufficient MIG funding (R40m) being available, the estimated costs for installation of bulk services for this is estimated at R70m, hence the proposed phased approach for installation of bulk services.

East bank land restitution project

The East Bank Community lodged a claim with the Eastern Cape Regional Land Claims Commission, their claim was subsequently settled with community choosing development.

The total amount of the Restitution award is R87,89m.

A Feasibility Study was commissioned for the identification of suitable land parcels for the restitution development project of approx. 1500 families from the East Bank. An extended land identification process was undertaken within the ambit of the extended Duncan Village – Mdantsane Urban Renewal Zone which led to the identification of two proposed land parcels suitable for development.

The proposed land parcels will be submitted to Council for consideration and approval.

11.2 Duncan Village Redevelopment Initiative (DVRI)

DVRI Programme

Duncan Village Redevelopment Initiative was set in motion in 2004 by Buffalo City Municipality in conjunction with the Provincial Department of Housing in the Eastern Cape and the National Department of Housing. This is a mega-project aimed at redeveloping and revitalising Duncan Village. This initiative involves the construction of up to 21 000 housing units with the related civil and social infrastructure.

This development is currently guided and based on the recently completed Local Spatial Development Framework (LSDF). This is a document that describes spatial proposals and associated infrastructure development necessary to enable the development of the 21 000 housing units within Duncan Village and identified relocation areas. Currently DVRI is faced with specific and high order infrastructure challenges.

Table 22 : DVRI Challenges

Key Challenges	Interventions
Bulk infrastructure capacity	BCM has secured funds to the tune of R50m to address the need for bulk infrastructure.
People staying in flood-prone areas	An ongoing relocation process of flood victims to Reeston was set in motion in mid-2007. Flood areas are marked with bollards, land management committees with the assistance of city police make sure that no one resettles in these areas. A park and sports facilities are going to be developed in the area with funding from the Neighbourhood Development Partnership Grant (NDPG).
Water losses within the DVRI precinct	BCM has secured funds to the tune of R10m to address the challenge. The main objective is to increase the bulk infrastructure capacity.

Table 22 Continued: DVRI Challenges

Key Challenges	Interventions
Solid waste management system	With the funding assistance from the NDPG and Leiden BCM will establish 36 Waste Collection Points, train cooperatives in providing waste management service and recycling and clearing of Illegal Dumps and Beautification of these areas.
Need for Social Amenities	Through the NDPG funding BCM will be upgrading and providing new streetlights, upgrading Gompo Hall and Library, develop parks and sports facilities.

Significant progress has been made in the construction of houses in Reeston, which is a de-densification area for Duncan Village. To date 2000 habitable housing units have been built in Reeston while another 300 is at various stages of construction. The plan for the 2008/09 MTEF period is to develop 7 500 units depending on the available capacity for sanitation infrastructure.

Three housing pilot projects, which involve the construction of 307 housing units are targeted for completion in December 2008.

PROJECT DESCRIPTION	COST	RESPONSIBLE
1. Public Transport	R28 mill	DPED
<ul style="list-style-type: none"> • Design and planning of Public Transport Plan • Upgrading of Douglas Smit Highway • Taxi/bus rank facilities • Expanding public transport operations for DVRI 	R3 mill R17 mill R5 mill R3 mill	(TPO)
2. Social Facilities	R25 mill	DCS/DPS
<ul style="list-style-type: none"> • Social infrastructure planning and design • Implementation of clinics, halls and sports facilities 	R4 mill R21 mill	(Amenities /Health)
3. LED & Training	R10 mill	DPED
<ul style="list-style-type: none"> • SMME training • Small business advice centres • Market place development at Jabavu Street • IT training 	R1,5 mill R1 mill R6,5 mill R1 mill	(LED)
4. Natural Environment and Cultural Heritage	R10 mill	DCS
<ul style="list-style-type: none"> • Piloting recycling programmes • Greening and development of parks • History and cultural centre 	R2 mill R4 mill R4 mill	(Environmental Services)
5. Water Loss Education and Maintenance	R3 mill	DES
<ul style="list-style-type: none"> • Maintenance of water leaks • Education and information campaign 	R2,5 mill R0,5 mill	(Water Services)
TOTAL	R76 mill	

Bulk Infrastructure Provisioning

A draft business plan has been prepared for the DVRI for the provisioning of bulk infrastructure. In terms of this plan, the Duncan Village: Sanitation capacity is to be created by diverting sewage from Central to Reeston Wastewater Treatment Works (R30 million). Budgets are available for the next three years.

Water losses are being addressed with the following projects:

- Replacement of mid-block water mains and metering at the same time

- Augmentation of the bulk supply mains to Duncan Village
- Refurbishment of ablution blocks
- Replacement/upgrade of standpipes and addressing drainage at the same time

Funding is to be provided from the R50 million allocated to Duncan Village from the R250 million DBSA loan.

Table 23 : Allocation of Funding

PROJECT	2008/09	2009/10	2010/11	COMMENTS
Reeston Bulk Sanitation Services	10,000,000	6,915,730	0	Augment Treatment Plant and bulk lines (EFF)
Diversion of Wilsonia effluent from Central to Reeston WWTWS	3,000,000	6,000,000	6,000,000	Bulk Pipeline and associated works (EFF)
Stormwater Management Plan	800,000	0	0	To address ingress of stormwater into sewers and directing to drainage areas (EFF)
West Bank Land Restitution	0	4,000,000	6,000,000	Relocation of people to West Bank (MIG)
Water Losses	10,000,000	0	0	Pilot project to be expanded to other wards (DBSA)
Engineering Services Upgrade	50,000,000	0	0	Address DV Redevelopment initiative (DBSA)

11.3 Mdantsane Urban Renewal Programme

Six priority areas have been identified by the Mdantsane Community through the process of public consultation.

Table 24 : Allocation of Funding

Priority Area	Interventions
1. Roads and Stormwater	R91m has been allocated for the upgrading of roads in the 2008/09 MTEF period funded from EU R40m and loan funding R51m.
2. Streetlights	R10m has been allocated for Qumza Highway and Billie Road
3. Housing	5 853 units are going to be developed in the 2008/09 MTEF period
4. Sports facilities	R2m has been allocated for the upgrading of sports fields
5. Community Halls	R7m has been allocated for the upgrading of existing halls as well building of new hall
6. Greening and Cleaning	R3m has been set aside for the beautification and greening of Mdantsane

Buffalo City will receive an amount of R120 million from the European Commission and R128 million from the Neighbourhood Development Partnership Grant over the 2008/09 MTEF period. The NDPG funding is for the upgrading of Mdantsane Central Business District.

Table 25 : Capital Projects Mdantsane CBD Regeneration

SERVICES	Project Description	Funding Source	2008/2009	2009/2010	2010/2011
Establishment of Incubator	LED support and Business Centre	NDPG	0	500,000	2,500,000
Internal Roads within the CBD	Upgrading internal road network to support future, traffic loads: New Rapid Bus Route	NDPG	10,000,000	10,000,000	0
Avenues Upgrading	To incorporate places for the "hawkers" to trade formally and within a safe and clean environment and with state of the art facilities.	NDPG	1,000,000	2,000,000	0
Sidewalks(Paving,lighting,urban greening,furniture)	Brick paving, with a lot of greening incorporated into the area	NDPG	5,000,000	0	0
Civic Plaza Development	A venue for al the artists and designers to trade and perform	NDPG	500,000	4,000,000	0
Civic & Cultural Node	A venue for al the artists and designers to trade and perform	NDPG	4,000,000	3,500,000	0
High Density Residential Development	Establish accommodation within the CBD to create a 24hrs Hub	NDPG	0	5,000,000	15,000,000
Parks Development & Landscaping	Development of a state of the art park to possibly attract a "fans parks"	NDPG	800,000	0	0
Construction of Sport / Boxing Museum	A facility to incorporate the history of Boxing in not only in Mdantsane but throughout the greater EC.	NDPG	0	20,000,000	0
Upgrading of Historical Buildings	Refurbish buildings to attract tenants to the CBD	NDPG	0	200,000	1,100,000
Land Acquisition & Release	Some of the proposed structures require new pieces of land. i.e. Cultural Node & Civic Plaza	NDPG	0	3,500,000	0
Establishment of Traffic calming devices	Using road furnisher to control traffic.	NDPG	5,800,000	0	0
Public Transport Facility & Ring route upgrade	Facilities to prepare for the future Rapid bus system.	NDPG	14,000,000	9,000,000	0
Improve signage & advertising	Create a signage network that informs the CBD visitor/tourist	NDPG	0	100,000	0
Parking Courts	Formalise the Identified parking areas within the CBD	NDPG	0	4,000,000	0

Table 26 : Capital Projects European Commission

Project Description	Priority Area	Funding Source	2008/2009	2009/2010
New Community Hall - Mdantsane	Community Halls	Eu Comm	5,000,000	4,000,000
Refurbishing Existing Halls	Community Halls	Eu Comm	2,500,000	0
Sportsfield - Mdantsane	Sport Facilities	Eu Comm	2,010,000	0
Qumza Highway Streetlight	Streetlight	Eu Comm	5,000,000	0
Mdantsane Festive Lighting	Streetlight	Eu Comm	250,000	250,000
Billie Road Streetlight	Streetlight	Eu Comm	0	5,000,000
Development of Youth Centre	Resultant Area 3	Eu Comm	1,000,000	0
Mdantsane Urban Agriculture	Resultant Area 3	Eu Comm	700,000	0
Upgrade Mdantsane Fire Stations	Resultant Area 3	Eu Comm	450,000	0
Traffic & Law Enforcement Vehicles	Resultant Area 3	Eu Comm	650,000	0
Closed Circuit television	Resultant Area 3	Eu Comm	800,000	0
Learners License Centre	Resultant Area 3	Eu Comm	2,000,000	0
Qumza Highway and Main Roads	Roads & Stormwater	Eu Comm	2,750,000	2,750,000
Mdantsane Roads	Roads & Stormwater	Eu Comm	27,360,000	14,000,000
Mdantsane Signage and Numbering	Roads & Stormwater	Eu Comm	270,000	270,000
Bufferstrip Sanitation in Mdantsane	Roads & Stormwater	Eu Comm	1,000,000	1,000,000
Re-location of Mid block Water mains	Roads & Stormwater	Eu Comm	2,500,000	2,500,000

Roads

A programme has been initiated to surface all the gravel in Mdantsane by 2010. The estimated cost is R450 Million, of which R48 Million will be available in the 2008/09 financial year.

11.4 KWT / Bhisho Corridor

Inland (KWT & Bhisho) Sewage Treatment is going to be centralized to the Zwelitsha Wastewater Treatment Works. Schornville, Bhisho and Breidbach Works will eventually be decommissioned. Funds are available from MIG (R28,26 million), EFF (R35 million) and an undertaking from Provincial Treasury to contribute approximately R40 million to this exercise. The total cost of the project which spans 3 years is R107 million leaving a shortfall of R3,44 million. This will not hold up the project but should be provided for in the outer year.

Amatola Water, as our external Water Services Provider has budgeted R82,844 million over the next four years to build new water reservoirs at Qonqota and Berlin and to extend the rising main from Bhisho to All Saints reservoir to improve on storage and supply.

These will provide a more sustainable water supply and sanitation to the greater Bhisho area and open the area for development.

Table 27 : Allocation of Funding

PROJECT	2008/09	2009/10	2010/11	COMMENTS
KWT & Bhisho Sanitation infrastructure	35,000,00	0	0	DBSA funding for centralization of sewage treatment to Zwelitsha
Waste Water Treatment Capacity Zwelitsha	0	19,000,000	25,000,000	MIG funding for centralization of sewage treatment to Zwelitsha
Bhisho diverting of bulk sanitation to Zwelitsha	40,000,000	0	0	Injection of funds from Provincial Treasury
Bulk Water Supply to Bhisho	7,650,000	17,399,000	34,245,000	Amatola Water Project

11.5 Waste Management

11.5.1 Landfill sites

As a result of insufficient tariff increases, solid waste does not generate sufficient resources to sustain its operations or to fund capital investment, it is usually the one service that is under funded in all municipalities.

Over the years Buffalo City has not been any different and receives limited budget to adequately address the service required as a result of tariff increases to fund its operations. However, this service is the face of the municipality and the reason for many challenges from the community due to its nature. In 2006 the Executive Mayor had to intervene with a project to deal with the decline of the service which resulted in the purchase of sixteen new refuse trucks. The longer the municipality delays in capital investment, the higher the risk of being condemned by the departments dealing with the licensing of the service.

The Environmental Monitoring Committee that oversees compliance of landfill sites has over the years raised concerns with the pace at which Buffalo City addressed its solid waste matters. The main focus has been the need for the establishment of a regional waste site and adequate transfer stations.

The regional site has been built; however, there is an urgent need to complete the development of the transfer stations. The main transfer station is at Cambridge and currently the municipality is in the process of acquiring the site from Spoornet.

The other challenge was that the municipality continued to allow dumping at Second Creek waste site even though it was not licensed. Without the transfer station at Cambridge being operational, it is not possible to completely close Second Creek. Over the past two years there have been out cries on the condition of Second Creek from many quarters with the Executive Mayor considering the closure of Second Creek as a priority. However, it has been important to deal with Second Creek as a whole which includes the housing of the community and the training of people to reclaim from the waste site.

The city currently has three landfill sites; namely

- King Williams Town (licensed by Government);
- Berlin (Regional licensed site); and
- Second Creek (unlicensed).

There are three garden transfer stations in the city, namely;

- Beacon Bay;
- Stoney drift; and
- Orange Grove, IDZ.

There is also a privately owned transfer station in Gonubie owned by Riegers that the city pays R50 000 per month for the availability of the service in that area.

The current plans are to have four new transfer stations with the Cambridge site being the main area. These transfer stations are currently all unfunded and the Cambridge site is the priority. It has become critical for the city to plan and make strong choices relating to waste management and the following issues are being prioritized for 2008/.9;

- Central transfer station Cambridge
- Weight bridge at King Williams Town
- Closure of Second Creek
- Berlin regional waste station
- Closure of illegal dumps including the site at NU2 Mdantsane, James Pearce, Pakhamisa, Kidds Beach, Berlin battery site and KWT tannery waste.

Sample of other Waste projects

11.5.2 Duncan Village Integrated Waste Management System

The Leiden Platform has allocated R2.6million for this project; however, the total project cost is R5.2million. The project has started and it is expected that an allocation will be made from the Neighbourhood Development Partnership Grant to ensure that the project is completed. The project is aimed at improving the collection and access of waste for the community.

11.5.3 Refuse Bulk containers for Duncan Village

The National Lottery has allocated R1million for this project during 2006 and the project will be completed in the new financial year.

11.5.4 Second Creek

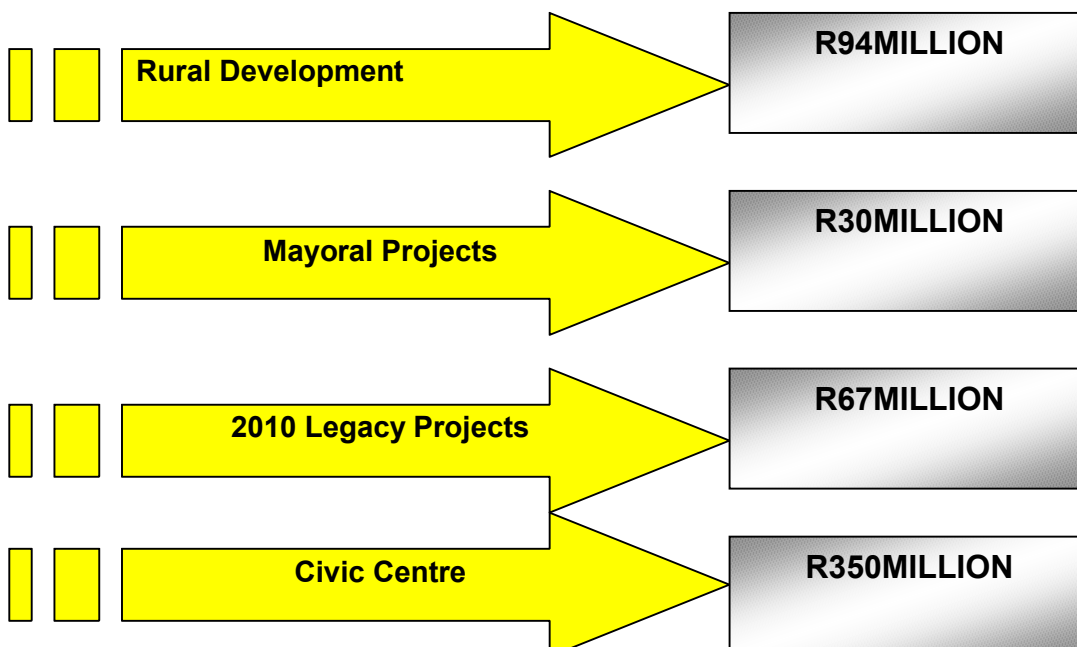
The fencing at Second Creek has been erected; however, the need is for the site to be closed. It is intended that Second Creek will be closed on the commissioning of the Cambridge Transfer Station.

11.5.4.1 Second Creek Housing Development

The housing development for the Second Creek beneficiaries has been deemed high priority and is reflected in the 2008-2009 capital and operating budget for implementation. The development will take place on the existing footprint occupied by the informal dwellers, subject to the transfer station at the Cambridge area becoming operational leading to the closure of the Second Creek tip site. The detailed beneficiary survey and site layout has been completed to accommodate all affected beneficiaries. The Environmental Management Unit has been commissioned to carry out a detailed environmental assessment of the development area. The outcome will determine whether development will proceed on the existing foot print or to seek an alternative site. In January 2008 the Department of Housing, Local Government and Traditional Affairs was requested to commit 300 housing subsidies for the implementation of the project. The Department is still to respond on this matter.

12. DEVELOPMENTAL IMPACT PRIORITIES

Figure 4



13. INSTITUTIONAL EFFICIENCY PRIORITIES

13.1 Infrastructure Maintenance

13.1.1 Water & Sanitation

The Water & Sanitation Department is busy with a detailed assets register utilizing the implemented Information Management System. All assets are being tagged. The information from this will feed into a planned maintenance programme. This will be completed by June 2008. This will assist in implementing activity based costing. The system was implemented three years ago at a total cost of R8m which included R1, 5m from Sida.

13.1.2 Roads

The Roads, Projects and Construction unit is busy with the implementation of the stormwater management Plan which will then be integrated into the City's Integrated Infrastructure Management system. The City's Integrated Infrastructure Management system will assist the institution with compilation of budgetary needs for maintenance and maintenance prioritization. It will also outline the city's Integrated Infrastructure (roads, stormwater, water sewer and electricity) maintenance plans.

13.1.3 Electricity

There is a Master Plan that will address the holistic challenges facing the city's electricity in the 2008/09. DBSA funding of R41 million has been allocated. Broad interventions are shown below:

- To replace the obsolete infrastructure especially by upgrading the switch-houses, switchboards and cables that is overloaded.
- To provide all stakeholders with a safe, reliable and efficient electricity supply by providing an additional 1 X 45 MVA Stoneydrift transformer.
- To provide sustainable electricity services accessible to all customers within the Buffalo City Municipality's licensed area of supply.
- Provide fleet management and associated services for the municipal fleet by replacing the aged vehicles identified through the age analysis.
- Improve Revenue Protection and reduce non-technical losses through smart metering.
- The provision of adequate street lighting and maintenance thereof in areas such as Qumza, Duncan Village etc
- The energy crisis will have to be addressed using Demand Side Management, installation of solar heaters, communication and customer education strategy, etc.
- The Mayoral Projects will improve the streetlights in areas such as Duncan Village, Potsdam, Reeston, Zwelitsha, Dimbasa, Ginsberg, Highgate etc.
- Maintenance plans will be implemented together with the master plan. The big five major substation will be targeted in this financial year.
- Protection of our network is also an integral part of the program for the coming financial year.

13.2 Electricity/ Water Losses

13.2.1 Electricity Losses

It is proposed that a programme for electrification of informal settlements be implemented by way of installing electrical power point access within the settlements. This will enable individual informal houses to connect legally to the electrical reticulation and benefit from the Free Basic Services (FBS) that they are entitled to. Using this method, no informal houses will be physically electrified, but the occupiers will have access to electricity, which is expected to reduce illegal connections, vandalism of the system, theft and unnecessary outages in the delivery of the service.

13.2.2 Water Losses

A meter installation programme is on-going. This is important to determine the full water cycle. An exercise to categorise the age of meters is underway in order to replace all meters that are older than 8 years. This will have a positive impact on income generation.

Prepaid metering is problematic from a legal point of view. Most prepaid meters have to have a mechanical meter as well for reading and billing processes. Prepaid on standpipes and especially in rural areas is problematic because the electronic components fail frequently and this leads to unhappy customers and vandalism. Educating the consumers is the way to go. Buffalo City is not in favour of punitive measures in addressing misuse of water other than in cases where it is definitively warranted such as vandalism and theft. Education is a far more acceptable and sustainable route to follow.

To this end the services of USAID have been procured until September 2008 at no cost to BCM. The intention is to set up a sustainable programme of public education using various methods such as pamphlets and DVD's. This will be presented to the BCM communities by using actual situations rather than theoretical presentations.

A pilot project is being rolled out in Duncan Village with Ward Councillors and Committees. This can then be introduced throughout the communities of BCM through schools, public meeting, etc.

This will be funded from the DBSA budget for Water Losses (R10 million) and to be included in the Operating Budget thereafter.

14. COUNCILLORS OFFICES

An allocation of R4 Million in the 2008/9 financial year has been made for the provision of the standardised equipping of all existing offices for councillors (furniture, equipment and minor maintenance works).

15. ALTERNATIVE SERVICE DELIVERY

There are a number of functions that enhance the municipality's capability to deliver on its mandate. However, even though the services are cross-cutting and in some cases significant, they are not the core business of the institution. Discussions and feasibility studies have been conducted in a bid to assess these services and find relevant and acceptable alternatives without impacting upon staff. This has been done not only to maintain the standard of the service, but also, to improve the service. For the 2008/9 financial year, the following services will be reviewed to ensure optimal efficiency in support of service delivery:

- Call centre
- Market
- Fleet Management
- IT Support
- Resorts and certain amenities

16. OTHER STRATEGIC ISSUES

16.1 Electricity Crisis

The Municipality requires approximately R80 Million to address the implications of the energy crisis in the next financial year (2008/9). Currently we are requesting funding from various sources to fund the projects.

The energy crisis will have to be addressed using Demand Side Management, installation of solar water heaters, energy efficient lighting, communication and customer education strategy, etc.

Furthermore, Eskom and key national ministers met with twelve (12) of the largest municipalities (including Buffalo City Municipality) in the country to discuss a collective approach to ensuring that the energy crisis in the country is managed and influenced with the local sphere of government being a key stakeholder.

16.2 Water and Sanitation Backlogs

Applications have been made for MIG funding based on the results of the Master Plans for Water and Sanitation. Budgets required are approximately R26.26 Million and R410 million respectively.

The areas that have a basic water supply backlog and the relevant costs are as follows:

- Needs Camp Area (Needs Camp C, Boxwood, Silverdale, Rosendale and Welcomewood) R10.65 Million
- Ncera Village of Goodhope R0.18 Million
- Mt Coke and Longridge R0.8 Million
- Potsdam Area (Potsdam A, kwaNxamkwana, Thanbo Park and Khambashe) R3.25 Million
- King Williams Town and Dimbaza Areas (Ngqingeni, Mzantsi and Bulembu) R3 Million

Based on the Master Plan all remedial recommendations and the costs thereof are based on Urine Diversion Systems.

The Rural Sanitation backlog consists of a total 51,192 households (excluding on-going projects) in greenfields settlements outside the urban edge. There are approximately 885 households that require remedial intervention outside the urban edge.

Within the urban edge but of rural nature there are 20,637 households in greenfields areas and 1,162 households of a remedial nature.

In total there are 71,829 households in greenfields areas and 2,047 households of a remedial nature.

In the interim water backlogs are being addressed in villages where natural expansion has taken place for example Ncera, Amahleke, Newlands. The Department is also negotiating

with private developers such as in the Rock Cliff, Kidd's Beach developments to augment main supply lines in order to facilitate water provision to villages en-route. The Ward 18 bulk supply line from Potsdam to Needs Camp is providing bulk water to the western regions. The projects below are dedicated to backlog eradication.

Table 28 : Allocation of Funding

Project	2008/09	2009/10	2010/11	Comments
Ward 18 Bulk Water Supply	21,000,000	12,850,946	0	Address bulk backlogs Ncera, Needscamp,
Storage Reservoirs Mdantsane	0	635,270	0	Storage reservoir for Ward 18 pipeline
Amahleke Water Supply Scheme	0	3,268,008	0	Expansion of networks
Newlands Water Supply	750,000	1,517,048	500,000	Expansion of bulk and networks
Bulk Water Supply Coastal Areas	0	12,000,000	12,000,000	Backlog in western region by expanding existing infrastructure
Chalumna Sanitation	5,000,000	3,426,375	0	Backlog basic rural sanitation
Inland Rural Sanitation (Ngxwalane, Dimbaza Villages)	8,000,000	8,000,000	7,000,000	Backlog basic rural sanitation

16.3 Rural Development

16.3.1 Land Reform and Settlement Plans (Rural Zone Plans)

The Buffalo City Spatial Development Framework is in support of the Land Reform and Settlement Programme by identifying zones of opportunity according to land needs. Three Rural Development Zone Plans have been prepared by BCM i.e. Yellowwoods/Kei Road, Needs Camp and the Dimbaza-Mt. Coke Zone Plan. These plans are premised on the principle of *"Maximise Existing Opportunities & Build on Strengths"* and secure tenure to residential sites. The intention is to provide good access to public transport routes, the provision of RDP level of services and to provide support to multiple livelihood options on the commonage.

16.3.2 Yellowwoods / Kei Road Nodes

- Fencing of Camps R 400 000
- Buying of Tractors (2) R1 000 000
- Access roads to fields
- Dipping tank for livestock R 350 000
- Skills Audit & Development R 250 000

16.3.3 Needs Camp Zone

- Erecting fencing for arable land of camp sites R 200 000
- Providing agricultural equipment such as tractors and their implements R1 000 000
- Stock Dams R 200 000

16.3.4 Mount Coke Dimbaza Node

- Fencing R 300 000
- Buying tractors (2) R1 000 000
- Stock Dams R 200 000

16.3.5 Agricultural Projects

- Mdantsane urban Agricultural - supply of inputs for Organic farming in Mdantsane as well as establishment of 2m MIG Hydrophincs
- Erection of 2 shearing sheds R500 000 at Gwaba
- Installation of irrigation infrastructure – Ward 40 R1 000 000
- Establishment of borehole at Ncera - R500 000

17. PUBLIC TRANSPORT PLAN: BUS RAPID TRANSIT SYSTEM FOR THE MDANTSANE – EAST LONDON CORRIDOR

One of the strategic intervention areas of the Buffalo City Development Strategy is to make Buffalo City a productive city. This will be achieved by making it a well connected city with solid infrastructure for further growth and development. The first phase implementation of a Bus Rapid Transit (BRT) system will contribute significantly towards achieving this strategy.

Bus Rapid Transit (BRT) is a high-quality bus system that delivers fast, comfortable and cost-effective urban mobility through the provision of segregated right-of-way infrastructure, rapid and frequent operations and excellence in marketing and customer service.

The First Phase of the proposed BRT system for BCM will have far-reaching benefits for the city. A network of formal trunk bus operations will be established linking Mdantsane to the CBD and feeder services would extend to the industrial areas on the West Bank and the suburbs of Vincent and Nompumelelo.

In August 2007 conceptual designs for a Bus Rapid Transit (BRT) System for the Mdantsane-East London Development Corridor were submitted to the National Department of Transport (DOT). The submission formed part of the Public Transport Action Plan and as a result of these conceptual designs, BCM has been included with the 2010 host cities for funding for BRT Systems. In the submission for funding, R260m was requested for infrastructure and a further R180m was requested to assist in the purchase of vehicles.

The Division of Revenue Bill that was tabled in Parliament in February 2008 indicates that the following funding has been made available towards the project:

Financial Year	2008/9	2009/10	2010/11	TOTAL
Amount Allocated	R 8,592,000	R 31,213,000	R 71,478,000	R111,283,000

Although the amount allocated does not meet the requirements to fully implement the project, significant amounts of work can be completed and there is a strong possibility that future funding will be made available as the project progresses.

The implementation of a BRT system in Buffalo City would contribute significantly towards achieving the vision of the BCM Integrated Transport Plan of achieving:

“A fully integrated transport system to increase accessibility for all people and giving priority to public transport, non-motorized transport and traffic safety”

PROJECT	NO. OF UNITS	COMMENTS
DUNCAN VILLAGE REDEVELOPMENT Roll out programme 1 and 2		
Makeni Road (Pilot Project)	49	<ul style="list-style-type: none"> Project currently being implemented. Bulk waste water treatment works needs to be upgraded at Reeston Phase 1 and 2 to address Reeston 3 housing project.
Competition Site (Pilot Project)	131	
Havenhills South (Pilot Project)	130	
Reeston Phase 1&2	1 440	
Reeston Phase 3: Stage 1	796	
Reeston Phase 3: Stage 2	2 500	
TOTAL	5 046	
Braelyn: Matterhorn Road	75	<ul style="list-style-type: none"> Project under technical implementation. To resolve state land transfer to BCM. To address water losses and availability of bulk sanitation. DHLG&TA to commit housing subsidy funding. Ward Committee approval for development in the Milner Estate area for Duncan Village beneficiaries
Milner Estate: N W Expressway	68	
Milner Estate: Frederick Road	23	
Milner Estate Hendon	40	
Duncan Village Proper	746	
Fort Msimango	232	
Fort Msimango	105	
Reeston Phase 3	1 200	
TOTAL	2 486	
MDANTSANE		
Mdantsane: Zone Cc: Phase 2	2 500	<ul style="list-style-type: none"> Project under technical implementation. DHLG&TA to commit housing subsidy funding.
Potsdam Unit P: stage 2	2 503	
Manyano & Tembeilihle	850	
TOTAL	5 853	
KING WILLIAMS TOWN		
Ttutyu Phase 2	373	<ul style="list-style-type: none"> Project currently being implemented. Blocked projects implementation is subject to funding from DHLG&TA
Blocked projects: Tyutyu Phase 1, Iitha South and Dimbaza Phase 2	600	
TOTAL	973	
OTHER		
Second Creek	300	<ul style="list-style-type: none"> Project under technical implementation. To finalize EIA report . DHLG&TA to commit housing subsidy funding. Closure of Second Creek tip site.
Total (BCM DEVELOPER)	14 658	
Private developments	4 000	
TOTAL	18 658	

Although the first phase concentrates on the MELD corridor, it would also have feeder services that would extend into the suburbs around the East London CBD. Future phases would extend the services to all areas within BCM.

18. HOUSING DELIVERY

18.1 Housing Strategy

In the financial year 2008 -2009 housing projects in various parts of the City have been identified for implementation through a turnkey and non-turnkey route of development. The large scale projects will address the de-densification of Duncan Village as part of the Duncan Village Redevelopment Programme and Mdantsane in terms of the Mdantsane Urban Renewal Programme. In January 2008 a total of 8775 new housing subsidies to the approximate value of R200 million (3 year MTF period) was requested from the Provincial Housing Department. The Provincial Housing Department is still to commit such housing subsidies to Buffalo City Municipality. On 5 May 2008 a reminder letter was sent to the Provincial Head of Housing and the MEC for Housing, Local Government and Traditional Affairs. However as a proactive measure the Housing Department has already gone out on tender on the larger scale projects to appointed competent contractors who meet the NHBRC and CIDB requirements. It is anticipated that project development will commence in June 2008 subject to the DHLG&TA approval of funding.

The Duncan Village Local Spatial Development Framework (LSDF) has been completed and is subject to Municipal Council approval. Reflected in the LSDF is the roll out programme for housing to address the densification and de-densification of beneficiaries. The planning process has been completed and project implementation has now commenced. Housing projects in terms of the role out programme will follow a phased implementation programme based on the availability of bulk infrastructure services, detailed EIA assessment and land ownership, etc. The role out programme of the first phase of 5 046 units has commenced whilst the second phase of 2 486 units are being addressed at the technical implementation committee level. These projects will be reflected in the 2008-2009 MTEF capital and operating budget (adjustment budget) once project business plans and funding has been approved by the Provincial Housing Department.

In term of the National Policy to eradicate informal settlements by 2014 by focusing integrated and sustainable development with housing as the lead sector, the Directorate of Planning and Economic Development has commissioned a Service Provider to undertake a feasibility assessment on all informal settlements in the City to determine the development potential of the occupied sites. The greater focus area will be Mdantsane which has the largest concentration of informal settlements. The outcome will assist in the redevelopment of the informal settlements in a prioritized manner which will necessitate the provision of bulk infrastructure followed by housing development. The process has commenced and is expected to be completed shortly. Informal settlements which meet the state of readiness for development (bulk infrastructure, completion of detailed township established, and EIA assessment) will be reflected in Capital and Operating budget the financial years commencing 2009-1010, onwards, The DHG&TA will be requested to commit housing subsidy funding.

19. **BORROWINGS**

Table 29 : Allocation of Loan Funding

DBSA FUNDED PROJECTS 2008/09				
Description	Funding Source	2008/2009 R	2009/2010 R	2010/2011 R
2010 Legacy		10,000,000	0	0
Councillors Offices		4,000,000	0	0
Duncan Village		50,000,000	0	0
Rural Development		20,000,000	0	0
KWT & Bisho				
Infrastructure		35,000,000	0	0
Water Losses		10,000,000	0	0
Mdantsane Roads		20,000,000	0	0
Electricity Upgrade		41,000,000	0	0
Central Transfer Station		50,000,000	0	0
Second Creek - Refuse Site		10,000,000	0	0
		250,000,000		
Less: Approved Loan		200,000,000	0	0
Add: Additional Borrowings		50,000,000	80,320,000	59,300,000
		50,000,000	80,320,000	59,300,000

The above table indicated the allocation of the R250 million loan from DBSA. Council has approved the R200 million loan and a further R50 million is required in the 2008/09 financial year. This has resulted in the debt in income ratio increasing to 55 %. The National Treasury debt income ratio guideline is set at 35 %. Authority still needs to be obtained due to the departure from National Treasury guidelines in terms section 170,(1) of the MFMA.

The additional borrowing will impose additional pressure on cash reserves going forward.

However with good cash reserve management and increases in the revenue base Buffalo City Municipality does not foresee any difficulty in meeting daily cash requirements.

20. POLICY REVIEWS

The following policies have been taken into account in the development of the 2008/09 to 2010/11 MTREF budget: -

20.1 Budget Policy

The Budget Policy has been developed in terms of Chapter 4 Section 15 to 32 of the MFMA and was approved by Council on 30 May 2006. The policy was reviewed and approved by Council in May 2007 (Policy Annexure A).

20.2 Tariff Policy

In terms of Section 74(1) of the Municipal Systems Act, the Council adopted a tariff policy on 30 May 2006. The policy was reviewed and approved by Council in May 2007 (Policy Annexure B).

20.3 Credit Control and Debt Collection Policy

The Credit Control and Debt Collection Policy including the indigent policy were adopted by Council in December 2003. The reviewed policy is submitted for approval by Council (Policy Annexure C).

20.4 Rates Policy

The Rates Policy is currently being developed and will be submitted to Council in 2008/2009 for approval.

20.5 Investment and Cash Management Policy

The Investment and Cash Management Policy was adopted by Council on 25 October 2005 (Policy Annexure D).

20.6 Policy on Reserves and Asset Management Policy

The Policy on Reserves Asset Management policy are included in the accounting policies which were adopted by Council on 30 August 2005. The policy was reviewed to incorporate GRAP implementation issues and was approved by Council in December 2007. (Policy Annexure E).

20.7 Supply Chain Management Policy

A Supply Chain Management Policy was adopted by Council in September 2005. The policy was reviewed and approved by Council in the 2007/08 financial year. (Policy Annexure F).

21. RECOMMENDATIONS

It is recommended that: -

1. The annual budget for the financial year 2008/09; and the indicative budget for the two projected outer years 2009/10 and 2010/11 be approved as set out in the following annexures: -
 - (a) Annexure 1 – National Treasury Tables 1 to 6
 - (b) Annexure 2 – National Treasury Schedules Tables 1 to 4
 - (c) Annexure 3 – National Treasury Supporting Tables 1 to 9
 - (d) Annexure 4 – National Treasury detailed Capital and Operating Projects – Schedule 1 and 2
 - (e) Annexure 5 – National Treasury Operating and Capital Expenditure by Vote – Schedule 1
2. Approval be granted for the increase in tariffs and charges with effect from 1 July 2008 in respect of the following: -
 - (a) Service Tariffs

▪ Sewerage	11%
▪ Refuse	11%
▪ Water	11%
▪ Electricity	15%
 - (b) General Rate on land and improvements

• Residential	11%
• Industrial	11%
• Business	11%
• Government & Parastatals	11%
 - (c) Miscellaneous tariffs as set out in the tariff book
3. In terms of Section 83(3)(a)(iii) of Ordinance 20 of 1974 rebates of 40% be granted on rates in respect of single residential properties for pensioners and persons who receive a disability allowance and in accordance with such conditions as determined by the Council from time to time.
4. That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy as amended from time to time.
5. That an indigent consumer be given a maximum rates subsidy on his account of R276,56 per month.
6. That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
7. That free basic water be granted to a registered indigent of 6Kl per month.
8. That no new capital expenditure be undertaken until all funding has been obtained and approved by Council.

9. That where Capital Projects are undertaken in respect of the R250 million loan (DBSA funded), the Council be informed of their implications in terms of Section 19 of the MFMA and that approval be granted in terms of Section 46 of the MFMA for the taking-up of the long term debt in the sum of R50 million to fund capital projects.
10. That loan funding will only be allocated to those projects, which will result in the creation of a capital asset for the City.
11. That the amended Integrated Development Plan be adopted.
12. That approval be granted to roll over committed expenditure of R3,8 million in respect of Capital Replacement Reserve funded being capital projects to the 2008/09 budget year as per Section 7 of the Budget Policy.
13. That the Director: Corporate Services advertise the Council's 2008/09 budget for any objections.
14. Council note the following: -
 - (a) In terms of Section 17(3)(f) of the MFMA No. 56 of 2003, that particulars of the Council's investment are reflected in the report;
 - (b) In terms of Section 17(3)(f) of the MFMA No. 56 of 2003 the projected cash flow for the budget year broken down per month, is reflected in the report;
 - (c) In terms of Section 17(3)(k) of the MFMA No. 56 of 2003, the proposed cost to Council of the salary, allowances and benefits of each political officer bearer, Councillor and Senior Official, is reflected in the report.

FOR CONSIDERATION

**CLLR. N.C. PETER
EXECUTIVE MAYOR**

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