

EXECUTIVE SUMMARY

Buffalo City Municipality is situated centrally in Eastern Cape Province and includes East London, Mdantsane, certain coastal towns and King Williams Town together with various rural villages. It covers an area over 2900 km² and has a population of around 700 000 residents, that includes 191 046 households, with an average household size of four people. Approximately 20% of the population reside in rural areas. Buffalo City is a Category B municipality that shares municipal executive and legislative authority with the Amathole District Municipality. The vision of Buffalo City is to be a people-centred place of opportunity where the basic needs of all are met in a safe, healthy and sustainable environment.

In terms of its revenue base Buffalo City is currently the largest category B municipality in the country. It recorded an income of R1 605,1 million in 2006, an increase of 38% from the previous year. The budget for 2006/07 year indicates an operating budget of R1,8 billion.

Buffalo City's credit rating is supported by a stable balance sheet in spite of the pressure on infrastructure spending that will remain high in order to eradicate backlogs in basic services and to support and facilitate economic development.

Buffalo City's liquidity position is considered sound given the net cash resources and monthly cash flows. The city has an active cash management system in operation to control this crucial aspect of its finance.

The IDP 2007/08 was undertaken within the framework of National, Provincial and District plans and policies, with particular consideration being given to the National Spatial Development Perspective (NSDP) and the Eastern Cape Provincial Growth & Development Plan (PGDP).

The amendments contained in this revised IDP for 2007/08 were formulated on the basis of: -

- an assessment of implementation performance and the achievement of IDP targets and strategic objectives – considering the impact of successes and the corrective measures necessary to address problems;
- a review of sector strategies and plans, and updated cluster analysis reports;
- the Mayoral Imbizo;
- changing internal & external circumstances, impacting on priority issues, objectives & strategies;
- the powers & functions of the Municipality;

and was distilled through the deliberations of the: -

- IDP, Budget and Performance Management Representative Forum
- Mayoral Strategic Session in September
- BCM Strategic Workshop in November 2006

The capital budget, over which BCM has decision-making authority, is first divided between the various IDP themes according to priority weights. Thereafter, the available funding, within each IDP theme, is allocated according to four categories of expenditure. The approved Council tool for Budget Allocation is contained in the table below: -

IDP CLUSTER ALLOCATIONS

IDP Theme	IDP Priority Split %	Productive %	Remedial %	Basic needs	Crisis %	Total %
Social	30	60	30	0	10	100
Environmental	12	20	80	0	0	100
Economic	3	100	0	0	0	100
Spatial & Infrastructure	50	10	85	0	5	100
Finance & Institutional	5	80	20	0	0	100
Total	100	54	43	0	3	100

In respect to the operating budget, the City is in the process of devising strategies to address levels of staff funding, expansion of trading services, expenditure on non-core functions, pressure to make provision for bad debt and increasing expenditure on maintenance. In seeking solutions to these problems it is proposed that: -

- departments continue to look at how they can become more efficient;
- alternative service delivery strategies be investigated;
- agency agreements be addressed with the Eastern Cape Province;
- debt collection be improved;
- increasing the revenue base;
- civic center.



The 2007/08 MTREF Budget consist of an Operating Budget of R1,7 billion and a Capital Budget of R372,3 million. In total Buffalo City Municipality intends spending R2,1 billion on service infrastructure and operating activities in terms of delivering on its constitutional mandate.

A large percentage of the income required to deliver on Buffalo City's constitutional mandate, comes in the form of conditional and unconditional grants. The largest portion being the equitable share allocation from Central Government of R252 million. In turn Council intends utilising R237 million of the equitable share in subsidising basic services to the indigent.

The registered indigent member in Buffalo City will therefore receive a monthly subsidy of R237 towards the cost of providing basic service to his / her household.

The implementation of the Operating Budget of R1,7 billion will require Council to increase rates and service tariffs by an average of 7,32%.

The Capital Budget of R372,3 million will be funded by R209,9 million in grant funding and R162,4 million from internal resources and external borrowings, which will be spent as follows: -

Capital Budget Per Service	2007/2008 R	2008/2009 R	2009/2010 R
Water	29,507,725	43,817,145	43,230,870
Waste Water	47,510,825	40,802,697	45,245,800
Electricity	43,576,600	55,648,000	62,835,000
Roads and Stormwater	12,115,148	23,616,108	14,150,000
Housing	21,603,316	14,381,250	4,000,000
Transport Planning	43,658,000	30,550,000	25,150,000
Cleansing	12,200,000	5,300,000	2,000,000
Amenities	10,376,729	19,019,745	13,300,000
Environmental Services	1,968,750	3,900,000	2,400,000
Health Services	2,700,000	5,575,000	2,850,000
Public Safety	19,837,420	3,400,000	0
Support Services	76,729,982	16,802,251	11,112,822
Other	50,544,000	36,600,000	31,800,000
Total	372,328,495	299,412,196	258,074,492

The BCDA is registered as a section 21 company with the Registrar of Companies under the Companies Act of 1973. It is established in terms of the provisions of the Municipal Systems Act (2000) and the Municipal Finance Management Act (2003) as a municipal entity.

BCDA's mandate area is the East London coastline, stretching from the Race Track in the Westbank to Nahoon mouth. The agency is expecting grant funding from BCM of R1 million for the 2007/08 MTREF period and IDC R5 million and R3.3 million for the 2007/2008 to 2008/2009 and 2009/2010 financial years respectively. The agency has packaged the first two pilot sites – Marina Glen "A" and Sea View Terrace for development and the adjudication process of the proposals submitted is underway.

The Entity's budget for the 2007/08 financial year, reflects a substantial increase in the anticipation of a 20% levy income on the successful award of a tender for the development of the beachfront area. The levy income will be partially re-invested in projects that will add to the development of the Beachfront area.

