

THE FUTURE IS HAPPENING



BUFFALO CITY  
MUNICIPALITY



# *Section C*

*Strategic Direction for 2005/6*



## Section C

### Strategic Direction: IDP Review 05/06

#### 1. Introduction

##### 1.1 IDP Review & Budget Development Process

The key issues and strategic directions for IDP Review 05/06 emanate from the review of the census data, the sector strategies and plans, the updated analysis, and the ward survey and were distilled through the deliberations of the:

- IDP, Budget and Performance Management Representative Forum
- IDP Technical Steering Committee
- IDP Cluster Meetings
- Strategic Workshop on 21 & 22 October 04

The key issues, strategic direction and the IDP Review (05/06) are developed and undertaken within the framework of National, Provincial and District plans and policies, with particular consideration being given to the Eastern Cape Provincial Growth & Development Plan.

#### 2. IDP Review 05/06: Key Issues

##### 2.1 Poverty, Unemployment and Economic Decline

The high levels of poverty are apparent in the statistics from Census 2001 where approximately 70% of households indicated they have an income of less than R1500 per month (the household subsistence level), with 28% of all households indicating they have R0 income. Of even greater concern is that these R0 income households have more than doubled since Census 1996, where 14% of the households in BCM were R0 income households. This growing poverty is confirmed by an increase of the unemployment rate - 53% in 2001 compared to 38,76% in 1996.

Table C.1: Comparison of Census 2001 & 1996 - Employed & Unemployed

	No. of employed	No. of unemployed	% unemployed
<b>2001</b>	139 088	157 526	53,11%
<b>1996</b>	160 156	101 349	38,76%



The ward survey undertaken in the second half of 2004 confirms the above. The vast majority of wards indicated that unemployment and job creation were critical issues for their wards.

Growing unemployment is a symptom of Buffalo City's slow and possibly declining economic growth. From 1996 to 2002 the average annual Gross Value Add (GVA) was 0.3%, whilst the specific GVA for 2000/01 was -1.1%! Whilst most of the sectors have shown a decline over the five-year period the wholesale/ retail and the financial/ insurance/ real estate/ business sectors have grown (see table below):

Table C.2: Key Economic Sectors

Industry	Composition				Change over 5 years		Annual av. % change
	2001	1996	2001	1996	Number	Percent	
<b>Persons</b>							
<b>Agriculture/ Forestry/ Fishing</b>	4407	4772	0.0316877	0.0296313	-365	-0.076488	-0.015788
<b>Community/Social/ Personal</b>	36241	36206	0.2605841	0.2248178	35	0.0009667	0.0001933
<b>Construction</b>	6808	9304	0.0489517	0.0577723	-2496	-0.268272	-0.060558
<b>Electricity/ Gas/Water</b>	1091	1814	0.0078446	0.0112639	-723	-0.398567	-0.096689
<b>Financial/ Insurance/Real Estate/ Business</b>	12832	8910	0.0922661	0.0553258	3922	0.44018	0.075681
<b>Manufacturing</b>	24726	29155	0.1777877	0.1810352	-4429	-0.15191	-0.03242
<b>Mining/ Quarrying</b>	148	578	0.0010642	0.003589	-430	-0.743945	-0.238505
<b>Other</b>	9	-	6.471E-05				
<b>Private Households</b>	13130	17952	0.0944088	0.1114713	-4822	-0.268605	-0.060644
<b>Transport/ Storage/Communication</b>	5637	7686	0.0425318	0.0477255	-2049	-0.266589	-0.060126
<b>Undetermined</b>	13558	26350	0.0974863	0.1636178	-12792	-0.485465	-0.124446
<b>Wholesale/ Retail</b>	20489	18319	0.1473223	0.1137501	2170	0.118456	0.022642
<b>Total</b>	139076	161046	1	1	-21970	-0.136421	-0.028908

In order to meet the Presidents target of cutting unemployment by half by 2014, approximately 7340 new jobs will have to be created per annum in Buffalo City.

One of the factors supporting economic growth and job creation is education and skills levels. According to Census 2001, only 21% of Buffalo City's 20 and over population, had standard 10 (or grade 12), 16% had post-school education and only 17% of 15-24 year olds were enrolled in post-school study.

The Eastern Cape has an HIV prevalence rate of 12.7%. The HIV/Aids pandemic will further exacerbate poverty within BCM. There will be loss of income to households as economically active members become sick, increased costs of caring for the sick and many households will become child-headed households without any income. Another impact of the pandemic will be reduced life expectancy and loss of skilled workers.

The vast majority of households in Buffalo City earn below the household subsistence level. There is also high and growing unemployment, slow and possibly declining economic growth, low education and skills levels and rampant HIV/Aids. This situation has obvious consequences for the quality of life of Buffalo City's residents, its future development, its long-term sustainability and financial viability.



## 2.2 Basic Needs, Housing & 'Building Communities'

Buffalo City Municipality has successfully re-oriented its administration to deliver on basic needs and housing, however, there still remains a huge challenge to meet the remaining backlogs within the targeted time-frames.

The table below details the findings of Census 2001 in terms of the extent to which basic services are enjoyed by the residents of Buffalo City.

Table C.3: Household Access to Basic Services (Census 2001)

	<b>Water (access to piped water in dwelling/ yard or within 200m)</b>	<b>Sanitation (flush toilet, septic tank, chemical toilet, VIP)</b>	<b>Electricity (for lighting)</b>	<b>Refuse Removal (1 x week)</b>
<b>No of Households</b>	148 894	135 672	122 872	136 316
<b>% of Household</b>	78%	71%	63%	71%

In terms of housing, Census 2001 estimated that 63% of households had formal shelter. BCM estimates that the total housing backlog, for low-income households, stands at 75 000 units in 2005. The housing challenge and the challenge of providing basic services to all residents of BCM is confirmed in the ward survey, where the top issues are housing and basic services.

The challenge is not just about providing basic services and housing, however, but about 'building sustainable communities' where residents have access to social and community facilities, economic opportunities, a healthy and sustainable environment and where further opportunities can be accessed through convenient public transport and a safe road network.

This challenge is confirmed by the ward survey where the top issue was 'roads and transport', highlighting the need for mobility in order to access services and opportunities. In addition, after housing, unemployment and basic services the remaining responses in the ward survey focused on accessing social and community facilities and services.

In order to achieve the objective of 'building communities' and given the levels of poverty, the limited resources of the municipality and the imperative of sustainability, the municipality will need to:

- plan and implement in an integrated way;
- focus on consolidating the urban fabric, overcoming the fragmented patterns of development and avoiding development in the urban periphery;
- build on its strengths through utilising existing infrastructure (engineering, social, transport and roads) and focusing on nodes;
- review 'levels of service' and provide an affordable level of service (for both the municipality and the consumer);
- place more emphasis on social/community facilities and services, local economic development and the natural environment; and
- emphasise access and mobility.

Vital to 'building sustainable communities' is, integrated planning and implementation. Whilst BCM has made progress in terms of preparing policy and sector plans, the extent to which these are co-ordinated, integrated and work together to achieve the overall objectives of the municipality, is uncertain.

## 2.3 Operating Budget & Deferred Maintenance

The development and extension of services has implications for the operating budget in terms of staff requirements, operating costs and maintenance costs, which the operating budget has a limited ability to absorb.

Most of the BCM financial fundamentals show improvement and a level of financial stability. Whilst there is also a certain level of predictability within the operating budget, there remain serious issues to be addressed. These include, the level of staff funding, disinvestments from trading services, expenditure on non-core functions (such as municipal and primary health), pressure to make provision for bad debt and an inability to sustain sufficient maintenance expenditure.

The issue of maintenance is of particular concern. BCM now faces a critical situation with much of its infrastructure past its functional life and operating beyond its design capacity. This results in more frequent power outages, poor quality of electricity supply, increasing risk of environmental pollution because of sewer overflows and deteriorating sewage conveyance systems, increasing water losses because of bursts and leaks and increasing threats of water shortages because of conveyance bottlenecks.

The estimated cost of deferred maintenance for Buffalo City Municipality is R1 billion, which is broken up as follows:

Table C.4: Estimated Deferred Maintenance

<b>Service</b>	<b>Estimated deferred maintenance</b>
Electricity	195,000,000
Water	190,198,000
Sanitation	230,000,000
Roads	373,000,000
Buildings & vehicles	40,000,000
<b>Total:</b>	<b>821,198,000</b>

The importance of dealing with the deferred maintenance is recognised by BCM and it is understood that an effective, reliable, sustainable and affordable delivery of services is the minimum requirement for residential consumers and forms the basic conditions for development, economic investment and growth of tourism within Buffalo City.

Given the problems within the operating budget and deferred maintenance, it is becoming increasingly necessary for BCM to look critically at its service delivery strategy and to find creative ways of ensuring sustainable and affordable service delivery.

### 3. Strategic Direction IDP Review 05/06

#### 3.1 Strategic Direction: Service Delivery Theme

The overarching theme for this IDP review and budget remains 'Service Delivery'. The key issues and the outcomes of the ward survey confirm the necessity for this continued focus. The emphasis in this review and budget is on improved service delivery and on delivering services in a more integrated way that supports 'building sustainable communities'.

In terms of the co-ordination and integration of sector plans, BCM will, through the development of its next IDP, undertake a process to ensure that all sector plans are co-ordinated and integrated with each other and meet the overall objectives of the municipality.

The Mdantsane Urban Renewal Programme (MURP) is a key programme for BCM and serves as a pilot for integrated development and 'building sustainable communities'. MURP is not only an example of BCM directorates working together but of partnership and co-ordination with other spheres of government, stakeholders and the international community (EU Commission, Germany, France and Sweden). It seeks to ensure that: "Mdantsane in the year 2020 will be an integrated and productive socio-economic hub for Buffalo City".

#### 3.2 Strategic Direction: The Capital Budget

During the last review and budget preparation, a very specific prioritisation approach was followed in the capital budget. In terms of this approach, the capital budget was first divided between the various IDP themes according to consensus priority weights. Provision was then made to allocate the available funding within each IDP theme differentially, according to four categories of expenditure, in order to ensure better strategic alignment within the capital budget. The result of this exercise created the following breakdown of funds for project allocation:

Table C.5: Capital Budget Prioritisation Framework (own funding)

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
<b>Total</b>	<b>100</b>	<b>54</b>	<b>43</b>	<b>0</b>	<b>3</b>	<b>100</b>

In view of the challenges facing BCM, this framework was confirmed as an appropriate strategic tool to guide the allocation of resources over which BCM has decision-making authority for 05/06 – 07/08.

According to this prioritisation framework, most of the capital

funding, over which BCM has decision-making authority will go to the Spatial and Infrastructure IDP theme. Within this IDP theme, most of the funding (85%) will be earmarked for remedial projects. In total, the municipality earmarked 54% of its resources for productive investment (growing the economy and increasing the income for the city) and, in order to begin addressing the maintenance backlog, 43% was proposed for remedial investment. Importantly, this framework proposes that basic needs are not funded from municipal resources as the majority of grant funding is directed at basic needs.

It was further agreed that, in 2005/06, priority should also be given to projects that will:

- support job creation;
- create a balance between rural and urban areas;
- create public facilities, goods and services (e.g. public markets, public transport facilities, street lights, pre-paid meters, road repairs, traffic safety and water loss management).

#### 3.3 Strategic Direction: The Operating Budget

There are a number of issues in the operating budget, which need to be addressed. These include the level of staff funding, disinvestments from trading services, expenditure on non-core functions, pressure to make provision for bad debt and maintenance expenditure.

In seeking solutions to these problems it was proposed that:

- Departments move towards finding solutions within their own budget by looking at more efficient utilization of their budgets.
- Review of service provider arrangements and options. Whilst some progress has been made in completing Municipal Systems Act Section 78 processes, in certain cases this has been slow.
- Agency agreements with ADM and the Eastern Cape Province addressed, not only in terms of resolving funding issues but also in terms of looking at service provider arrangements that could improve service provision in the region.
- Improve debt collection.
- Alternative development funding options explored. Whilst BCM is largely dependent on grants, loans and a small contribution from its own funds for development financing, there may be additional options to raise funding off-budget.
- Consideration should be given to the disinvestments from trading services, partly exacerbated by the dependence on trading surpluses to finance the rates account and ring fencing of trading services.
- Given the emerging infrastructure maintenance crisis, BCM now needs to look creatively for solutions considering institutional arrangements and the identification of alternative funding.

#### 3.4 Strategic Direction: Restructuring Grant

Buffalo City Municipality has signed an agreement with National Treasury to receive the Restructuring Grant. A maximum amount of R130 million will be allocated to Buffalo City Municipality over the next four years.

The primary role of the Restructuring Grant is to support, assist and empower BCM to initiate financial and institutional restructuring initiatives and to mitigate the costs that these exercises might impose on the Municipality in the short and medium term.

The Restructuring Grant will be expended in terms of BCM’s Revitalization Plan. This Plan responds to many of the key issues highlighted above and thus, is congruent with and forms part of BCM’s IDP. The Revitalization Plan has seven key programmes, detailed in the table below, and within each programme the initiatives are built around four main thrusts, namely:

- a new approach to services;
- expanding the resource base;
- operating more effectively;
- working with partners

Table C.6: The Seven Key Programmes of BCM’s Revitalization Plan

<b>1</b>	<b>Effective Organisational Management</b>	Focusing on making the Municipality function in a more efficient and effective manner.
<b>2</b>	<b>Customer Care</b>	Focusing on the need to ensure that the Municipality offers quality services to its residents that meet their basic needs.
<b>3</b>	<b>Service Improvement</b>	Focusing on the need to change the way services are delivered and to ensure that levels of services are affordable, sustainable and within the means of the Municipality and its residents (or consumers of the services).
<b>4</b>	<b>Financial Management</b>	Focusing on embedding the necessary systems to ensure that the Municipality has accurate information on its financial systems and that it is able to generate the information necessary to manage its finances as well as ensure that accurate billing for services consumed occurs.
<b>5</b>	<b>Improving Health</b>	Focusing on the need to ensure that systems and agreements between different relevant authorities are set in place to enable the Municipality to play its role in ensuring the health of Buffalo City residents.
<b>6</b>	<b>A Sustainable City</b>	Focusing on the need to manage the environment and land use/spatial development processes within the Buffalo City area in order to conserve and use appropriately the natural and built environments’ resources. This programme links with the SDF initiative & related initiatives such as the IEMP.
<b>7</b>	<b>Growth and Incomes</b>	Focusing on improving the ability of the Municipality to facilitate and attract development-enhancing investment and local economic growth. The priority is to improve the ability of the majority of residents to earn their own incomes by creating a facilitative environment for sustainable job creation. This is the most critical of all seven programmes and is central to the success of the Revitalisation Plan as a whole and the sustainable development of Buffalo City.

### 3.5 Strategic Direction: Long-Term Vision

Buffalo City does not have a clear economic or a long-term city strategy for addressing poverty, economic growth, and sustainable development. To address these issues, it is vital to develop and implement an economic and a city strategy. BCM cannot do this alone, but will need to work with all spheres of government and all role-players in the city.

This proposed long-term strategy is not separate from the IDP, but is considered to be an integral part of the IDP, expanding and giving content to BCM's long-term vision:

**BUFFALO CITY**  
**A people-centred place of opportunity**  
**where the basic needs of all are met**  
**in a safe, healthy and sustainable environment.**

BCM will work with all stakeholders to develop this strategy during 2005.

