

SECTION E

BUDGET, PROGRAMMES & PROJECTS

1. The Capital Budget

The objectives and strategies formed the basis for the identification and selection of projects within each of the clusters.

At the strategic workshop in November 2006, it was recommended that with respect to the allocation between clusters, the project prioritisation tool utilized last year, be used again as a guide for the allocation of resources over which BCM has decision-making authority (EFF & CRR). It was, however, emphasized that this proposed allocation was only a guide and that cluster allocations would be increased or decreased depending on the strength of the proposed projects.

In terms of this approach, 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 result of this exercise is contained in the table E.1 below:

Table E.1: 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

According to this prioritisation framework, it is proposed that most capital funding, over which BCM has decision-making authority (EFF & CRR), go to the Spatial and Infrastructure IDP theme. Within this IDP theme, it is proposed that most of the funding (85%) be earmarked for remedial projects. In total, it is proposed that 54% of the municipality's resources be utilized for productive investment (growing the economy and increasing the income for the city) and, in order to begin addressing the maintenance backlog, 43% is 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.

In addition to the above, greater consideration needs to be given to the extent to which projects are aligned to the strategic objectives. It was proposed therefore that projects be further classified according to categories:

- **strategy leaders:** the need to allocate dedicated resources to top priority initiatives;
- **strategy followers:** recognition that a large amount of existing projects needs to be aligned to serve strategic priorities;
- **operational requirements:** acceptance that allocating resources to retain operational capability is a core requirement of service delivery;
- **community needs:** space has to be created to meet smaller scale community needs oriented projects.

Further to the above, projects need to be evaluated in terms of the principles of the NSDP and BCM's **Spatial Development Framework** (see Section G). The outcomes of this resource allocation process are detailed in the capital budget, with the **full list of projects for each Clusters listed in Annexure B**.

2. The Operating Budget

With respect to the operating budget, the issues remain the same as last year and include; levels 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 is again proposed that:

- departments look at more efficient utilization of their budgets;
- service delivery strategies be reviewed;
- agency agreements be addressed with the Eastern Cape Province;
- debt collection be improved;
- alternative development funding options be explored;

Greater detail on the Capital Budget, Operating Budget and Financial Strategies is captured within the Financial Plan (Section F).

3. Capital & Expenditure Budget per Cluster

Detailed below is a summary of the capital and operational expenditure and income for each of the Clusters, extending from 2006/07 and up to the 2010/11 Budget:

Table E.2: Finance & Institutional Cluster: Capital & Operating Expenditure Budget

CATEGORY	2006/07 ORIGINAL BUDGET R, 000	2007/08 ORIGINAL BUDGET R, 000	2008/09 PROPOSED BUDGET R, 000	2009/10 PROPOSED BUDGET R, 000	2010/11 PROPOSED BUDGET R, 000
Capital Expenditure	41 267	70 856	783 734	35 886	17 000
Operating Expenditure	132 996	247 607	315 856	388 930	489 521
Income	454 905	543 008	587146	694642	822 613

Table E.3: Economic Cluster: Capital & Operating Expenditure Budget

CATEGORY	2006/07 ORIGINAL BUDGET R, 000	2007/08 ORIGINAL BUDGET R, 000	2008/09 PROPOSED BUDGET R, 000	2009/10 PROPOSED BUDGET R, 000	2010/11 PROPOSED BUDGET R, 000
Capital Expenditure	15 517	28 538	8 324	1 719	7 136
Operating Expenditure	31 305	33 391	44 546	35 724	37 465
Income	18 837	20 294	28 813	18 853	19 424

Table E.4: Spatial & Infrastructure Cluster: Capital & Operating Expenditure Budget

CATEGORY	2006/07 ORIGINAL BUDGET R, 000	2007/08 ORIGINAL BUDGET R, 000	2008/09 PROPOSED BUDGET R, 000	2009/10 PROPOSED BUDGET R, 000	2010/11 PROPOSED BUDGET R, 000
Capital Expenditure	252 256	226 052	408 365	518 691	422 218
Operating Expenditure	1 063 261	1 041 073	1 135 861	1 211 942	1 325 381
Income	918 914	940 047	1 095 486	1 161 506	1 270 754

Table E.5: Social Cluster: Capital & Operating Expenditure Budget

CATEGORY	2006/07 ORIGINAL BUDGET R, 000	2007/08 ORIGINAL BUDGET R, 000	2008/09 PROPOSED BUDGET R, 000	2009/10 PROPOSED BUDGET R, 000	2010/11 PROPOSED BUDGET R, 000
Capital Expenditure	54 068	31 554	37 577	35 039	18 250
Operating Expenditure	209 780	229 513	258 463	280 620	305 088
Income	89 985	97 133	115 466	123 670	132 348

Table E.6: Environment Cluster: Capital & Operating Expenditure Budget

CATEGORY	2006/07 ORIGINAL BUDGET R, 000	2007/08 ORIGINAL BUDGET R, 000	2008/09 PROPOSED BUDGET R, 000	2009/10 PROPOSED BUDGET R, 000	2010/11 PROPOSED BUDGET R, 000
Capital Expenditure	19 441	15 329	19 400	13 766	18 366
Operating Expenditure	187 228	205 504	255 055	280 642	295 995
Income	142 936	157 967	183 3403	199 871	209 489

4. Key National & Provincial Programmes

BCM participates in a range of National and Provincial Government programmes. Some of the high profile programmes are highlighted in this section.

4.1 Project Consolidate

A key initiative of National Government, in support of capacity building of local government, is Project Consolidate.

BCM was invited to participate in Project Consolidate, in the programme titled “free basic services, targeting the poor, billing systems and municipal debt” and to serve as an initial implementation site to improve the municipal billing system. This billing initiative seeks to involve the relevant actors in the municipal information technology sector, in a quest to develop sustainable solutions. A partnership will be created between BCM, the private sector, national government and provincial government, in order to work together and create solutions that will not only benefit BCM, but can be replicated in other municipalities with similar circumstances and challenges. R2million has been received from DPLG towards the billing project.

4.2 Restructuring Grant

BCM has signed an agreement with National Treasury to receive the Restructuring Grant for its Revitalization Plan. A maximum amount of R130 million will be allocated to BCM 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 in the IDP and thus, is considered to be 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 E.7: The Seven Key Programmes of BCM's Revitalization Plan

1.	Effective Organisational Management	Focusing on making the Municipality function in a more efficient and effective manner.
2.	Customer Care	Focusing on the need to ensure that the Municipality offers quality services to its residents that meet their basic needs.
3.	Service Improvement	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).
4.	Financial Management	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.
5.	Improving Health	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.
6.	A Sustainable City	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.
7.	Growth and Incomes	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.

4.3 Mdantsane Urban Renewal Programme (MURP)

Mdantsane has been identified as one of the National Urban Renewal Nodes. In 2005 BCM, with the assistance of the European Commission, prepared a Strategic Development Plan to guide the rollout of the Urban Renewal Programme in Mdantsane. This Strategic Plan identified six key result areas and supporting objectives and strategies. These result areas are aligned with the IDP key objectives and the supporting objectives are congruent with and integrated into BCM's IDP Cluster objectives.

The six result areas are detailed in table E.8 below:

Table E.8: Six Result Areas of the Strategic Plan

Focus	Result Areas
Local Economic Development (LED)	Result 1: Improve Local Economic Development Mdantsane supports its residents through providing jobs & economic opportunities.
Spatial or Built Form, Municipal Services (and infrastructure), Environment & Housing	Result 2: Habitable Human Settlement Mdantsane is a habitable living environment: an area where people live, work and play.
Social Cluster	Result 3: Improved Social Development Residents are provided with increased access to social services, a socially and culturally inclusive environment and where vulnerable groups (women, children, the youth, the disabled and the aged) experience increased physical and social security and opportunities.
All Sectors	Result 4: Improved Public Participation Residents increasingly participate in decision-making & project implementation.
Institutional & Contractual Response	Result 5: Improved strategy led programming, project implementation, co-ordination and service delivery to Mdantsane Strategic planning, decision-making and prioritisation are strengthened and improved to provide efficient, effective, innovative & sustainable development.
	Result 6: Improved Municipal Institution relating to Financial Management, Audit, Procurement, Project Management and Integrated Planning Strengthening of the institutions that house, and are responsible for delivery of the MURP.

The European Commission’s (EC) ‘Support to Urban Renewal in the Eastern Cape Programme’ aims to improve the quality of life of marginalised people in urban areas of the Eastern Cape by providing support through the Sector Policy Support Programme (SPSP). The Mdantsane Urban Renewal Programme, will receive dedicated funding for an amount of €14.25 million (±R114m over 5 years) from the EC to implement the above-mentioned six result areas. The six result areas will guide the way in which these funds are utilised.

Four strategic Development Plans are developed for the first three result areas i.e.:

- Spatial or built form [*Result 2: Habitable Human Settlement*]
- Municipal services, housing and environment [*Result 2: Habitable Human Settlement*]
- Social Development [*Result 3: Improved Social Development*]
- Economic Development [*Result 1: Improve Local Economic Development*]

The Institutional Business Plan deals with the second three result areas [Result areas 4, 5 and 6], which focus on performance, output and outcome indicators required to monitor the results of the programme which are linked to the disbursement of funds.

The German Support of the Urban Renewal programme in BCM forms part of a bilateral cooperation agreement concluded in March 2004 between Germany and South Africa to jointly implement the ‘Strengthening Local Governance’ (SLGP). The SLGP seeks to ensure that “Municipal development is supported within and across spheres and sectors of government, whilst reflecting a balanced stakeholder inclusivity” and specifically its focus is on supporting the integrated development of urbanising municipalities through the National Urban Renewal Programme (customizing lessons from the national sphere into BCM, the host of MURP).

KfW, the German Bank for Reconstruction and Development is envisaged to co-finance MURP with €5 million (± R35m) with particular emphasis on the prevention of violence and social conflict. A pre-assessment study commissioned by KfW was completed in January 2005. This pre-feasibility includes a socio-economic analysis, a needs analysis substantiated by ‘Peace and Conflict Impact Analysis’ (including

'conflict mapping' and 'do no harm' analysis) as well as development of a specified and concrete proposal for the institutional arrangement of the final programme. Implementation of the programme will commence in February 2007.

In addition to the German-South African Financial Cooperation, GTZ has offered support towards a project on crime prevention and youth. The project aims at training young people as Community Peace Workers, enabling them to recognize existing or potential conflict situations in their respective communities and to mediate and negotiate between all parties. This project is regarded as a completion of the above project and will be undertaken in close cooperation with KfW and its appointed consultants.

The Swedish International Development Agency (SIDA) has supported Buffalo City through a framework support programme in urban development. The programme will continue until the end of December 2006 and support system improvements in urban development. Specifically to the MURP, is funding of ± R2,3m towards the construction of a Community Support Centre.

4.4 Provincial Growth and Development Plan (PGDP)

Buffalo City is obviously a key contributor to the achievement of the PGDP targets, particularly the economic targets and those targets linked to BCM's powers and functions. The IDP cluster objectives, strategies, projects and programmes, where applicable, are aligned to these targets.

Table E.9: PGDP Targets for Growth & Development in the Eastern Cape: 2004-2014

<ul style="list-style-type: none"> • To maintain an economic growth rate of between 5% - 8% per annum. • To halve the unemployment rate by 2014. • To reduce by between 60%-80% the number of households living below the unemployment rate by 2014. • To reduce by between 60%-80% the proportion of people suffering from hunger by 2014. • To establish food self-sufficiency in the province by 2014. • To ensure universal primary education by 2014, with all children proceeding to the first exit point in a secondary education. • To improve the literacy rate in the province by 50% by 2014. • To eliminate gender disparity in education and employment by 2014. • To reduce by two thirds the under-five mortality rate by 2014. • To reduce by three-quarters the maternal mortality rate by 2014. • To halt and begin to reverse the spread of HIV/Aids by 2014 • To halt and begin to reverse the spread of tuberculosis by 2014. • To provide clean water to all in the province by 2014. • To eliminate sanitation problems by 2014.
