

REPORT TO COUNCIL: 26 MARCH 2025

**DRAFT REVISED 2025/2026 INTEGRATED DEVELOPMENT PLAN,
2025/2026 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK
(MTREF) AND 2025/2026 BUILT ENVIRONMENT PERFORMANCE PLAN
(BEPP): BCMM CATALYTIC LAND DEVELOPMENT PROGRAMMES**

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1. PURPOSE

The purpose of this report is for Council to adopt the Draft Revised 2025/2026 Integrated Development Plan (IDP), 2025/2026 Medium-Term Revenue and Expenditure Framework (MTREF) and 2025/2026 Built Environment Performance Plan (BEPP): BCMM Catalytic Land Development Programmes.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

- 3.1. The Constitution of the Republic of South Africa, Act 108 of 1996
- 3.2. The Municipal Systems Act no. 32 of 2000, as amended and Regulations
- 3.3. The Municipal Structures Act no. 117 of 1998
- 3.4. The Municipal Finance Management Act no. 56 of 2003; and its Regulations
- 3.5. The Municipal Property Rates Act no. 6 of 2004
- 3.6. Municipal Budget and Reporting Regulations, 2009
- 3.7. Division of Revenue Bill, 2025
- 3.8. MFMA Circular 129 and 130

4. BACKGROUND

4.1 Integrated Development Plan (IDP)

On 22 August 2024 Council adopted the 2025/2026 IDP/Budget/Performance Management System (PMS) Process Plan and Time Schedule, in compliance with section 28 of the Municipal Systems Act no. 32 of 2000 as amended. In the time schedule required in accordance with s21(1)(b) of the MFMA, the Budget, IDP and Performance Management processes have been integrated with the IDP Process to ensure alignment, efficiency, effectiveness and cost savings. The plan outlines the process to be followed in reviewing Buffalo City Municipality Metro's Integrated Development Plan (IDP) and Budget Preparation.

In terms of section 30(c) of the Municipal Systems Act, the Executive Mayor of a municipality must submit the Integrated Development Plan to the municipal council for adoption.

In compliance with the above, Buffalo City Metropolitan Municipality has embarked on a process to review its IDP and Budget towards the 2025/2026 financial year and beyond in accordance with the requirements set out in the Municipal Systems Act 32 of 2000 as amended, the Local Government: Municipal Planning and Performance Management Regulations 2001 & 2006 and the Municipal Finance Management Act 56 of 2003.

In adherence to legislative prescripts, the Buffalo City Metropolitan Municipality's 2021/2026 IDP has been reviewed for the fourth year and amendments thereto are submitted to Council for adoption. Kindly refer to table 1 below for the structure of the IDP. The Draft Revised 2025/2026 Buffalo City Metropolitan Municipality Integrated Development Plan is attached hereto as **Annexure A**.

Table 1: Structure of Revised 2024/2025 Integrated Development Plan

SECTION A	<p>INTRODUCTION</p> <p>Provides an outline of the legislative imperatives which guide the review of the integrated development plan. An overview of national and provincial plans which were taken into consideration during the development of the plan and an outline of the process that was followed during the review of the IDP form part of this Section.</p>
SECTION B	<p>BCMM PROFILE AND ANALYSIS</p> <p>This section provides an overview of the municipality focusing on the current situation, key challenges and opportunities in terms of each key performance area. Service delivery backlogs and level of access to municipal services is also outlined.</p>
SECTION C	<p>SPATIAL DEVELOPMENT FRAMEWORK</p> <p>The SDF provides a spatial analysis of the Municipality, details the spatial development principles / guidelines with accompanying maps indicating the spatial objectives and strategies of the Municipality.</p>
SECTION D	<p>ONE PLAN: THREE SPHERES SERVICE DELIVERY BUDGET, PROGRAMMES AND PROJECTS</p> <p>The catalytic programmes and projects from all three spheres of government operating in the BCMM space as converged with the global, national and provincial strategic directives are clustered in accordance with the Six Key Transformational Areas of the District Development Model/One Plan.</p>
SECTION E	<p>DEVELOPMENT OBJECTIVES, STRATEGIES, KEY PERFORMANCE INDICATORS AND TARGETS</p> <p>Contains the development objectives, strategies, indicators and targets for the entire term of Council as revised for the year under review.</p>
SECTION F	<p>FINANCIAL PLAN</p> <p>A strategic framework for financial management, key financial policies and strategies are outlined in this section. Budget Priorities in the form of projects and programmes as aligned with the Five MGDS/IDP Strategic Outcomes provide clarity on how the metro plans to converge strategic priorities with the allocation of appropriate resources to enable effective implementation of the IDP.</p>
SECTION G	<p>BCMM OPERATIONAL PLAN</p> <p>This section outlines the structure of the municipality providing a breakdown for each directorate, the status of the macro-structure and the policy environment informing the governance agenda of the metro.</p>

4.2 Medium Term Revenue and Expenditure Framework (MTREF) Budget

Section 16(1) of the Municipal Finance Management Act (MFMA) stipulates that the Council of the municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(2) stipulates that in order to comply with subsection (1), the mayor of the

municipality must table the annual budget at a council meeting 90 days before the start of the budget year.

Section 22 of the MFMA states that immediately after an annual budget is tabled in a municipal council, the accounting officer must make public the annual budget and documents in terms of Section 17; invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

In terms of section 23(2) of the MFMA, after considering all the budget submissions, the Council must give the Executive Mayor an opportunity:

- (a) To respond to the submissions; and
- (b) If necessary, to revise the budget and table amendments for consideration by the Council.

In terms of section 24 of the MFMA:

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

- 3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.”

The Draft Operating and Capital Budget is tabled to facilitate community participation and to receive inputs from all stakeholders and will be revised to take into account the outcome of the public consultation process before approval.

5. EXPOSITION OF FACTS

5.1 INTEGRATED DEVELOPMENT PLAN (IDP)

5.1.1 PROCESS UNDERTAKEN

Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, adoption and review of its Integrated Development Plan. In compliance with this requirement Buffalo City Metropolitan Municipality undertook the following activities (table 2 below) in line with the IDP process towards the 2025/2026 financial year:

Table 2: IDP/Budget Review Process followed

NO	ACTIVITY DESCRIPTION	DATES ACHIEVED
JUL – AUG: Preparing for the IDP, Budget and Performance Management Process		
1.	Top Management, Strategic Development Portfolio Committee and Budget Steering Committee: <ul style="list-style-type: none"> Consider and recommend that IDP/Budget/PMS Process Plan and Time Schedule be approved by Council (at least 10 months before the start of the budget year) 	6 and 8 August 2024
2.	External IDP/Budget/PMS Representative Forum: <ul style="list-style-type: none"> Consult External Stakeholders on the Draft IDP/Budget/PMS Process Plan and Time Schedule 	16 August 2024
3.	Top Management:	06 August 2024

NO	ACTIVITY DESCRIPTION	DATES ACHIEVED
	<ul style="list-style-type: none"> Consider 2024/2025 First Adjustment Budget & the 2023/2024 Fourth Adjustment budget and recommend these being approved by Council 	
4.	Budget Steering Committee: <ul style="list-style-type: none"> Consider 2024/2025 First adjustment Budget & the 2023/2024 Fourth Adjustment budget and recommend these being approved by Council 	08 August 2024
5.	Council: <ul style="list-style-type: none"> <u>Approve</u> IDP/Budget/PMS Process Plan and Time Schedule (at least 10 months before the start of the budget year), the 2024/2025 First adjustment budget (to be tabled before 25 August 2024) and the 2023/2024 Fourth Adjustment budget. AND <ul style="list-style-type: none"> <u>Note</u> SDBIP approved by Executive Mayor and performance agreements signed by Municipal Manager and Managers directly accountable to the Municipal Manager to Council for notification 	22 August 2024
6.	Submit 4 th Quarter Performance Report to Council within 30 days of the end of the quarter	24 July 2024
SEPT – OCT: PHASE 1: Research Information Collection and Analysis		
7.	Prepare a draft Situational Analysis Report to assess and identify information from adopted Sector Plans against the backdrop of the SITUATIONAL ANALYSIS, including the LSDFs for integration into the IDP Review document if possible	September – October 2024
8.	Consult Top Management to consider Ward Priorities and Mayoral Imbizo Progress Report as updated by Senior Management	16 September 2024
9.	Consult Councillors in order for them to verify content for the Ward Priorities and Mayoral Imbizo Progress Report as reviewed by Top Management	23, 27 & 30 October 2024, 3 November 2024, 3, 6 & 7 February 2025
10.	Public engagements to interact with ward communities, listen to needs and concerns and provide feedback on approved programmes and projects for 2025/2026 (Executive Mayoral Imbizos) <i>*Continued in 2025</i>	Inland – 31 October 2024 Coastal Rural – 3 November 2024 Coastal Urban – 4 February 2025 Midland –

NO	ACTIVITY DESCRIPTION	DATES ACHIEVED
		7 February 2025
11.	Technical IDP/Budget/PMS Workstreams: <ul style="list-style-type: none"> To prepare detailed analysis of the socio-economic realities affecting the Key Focus Areas and functions contained in this workstream by conducting sectoral analyses. To monitor progress with respect to the implementation of the IDP, budget expenditure and to agree on any adjustments to be affected on the Workstream budget. To identify key issues, projects, programmes and key initiatives in line with the workstream's Focus Areas and ensure that these are aligned with the priorities of the metro, provincial and national government. 	Well-governed City: 20 November 2024 Connected City: 28 November 2024 Innovative and Productive City: 29 November 2024 Green City: 2 December 2024 Spatially Transformed City: 30 January 2025
12.	Budget Preparation Sessions with all directorates	25 November to 5 December 2024
JAN – FEB: PHASE 3: Development of Programmes and Projects		
13.	Senior Management Team Dry-Run: <ul style="list-style-type: none"> 2025 Mid-Year Budget and Performance Assessment Engagement 	16 January 2025
14.	Top Management: <ul style="list-style-type: none"> Consider 2023/2024 Mid-year Adjustment Budget 	09 February 2025
15.	Council: <ul style="list-style-type: none"> To table and adopt the Statement of Financial Performance and the Implementation of the 2024/2025 budget for the second quarter & Mid-year budget and Performance assessment report ended 31 December 2024 To consider Municipal entity's proposed budget, priorities and objectives for 2024/2025 and proposed budget adjustments for 2023/2024 To table the Draft Annual Report within 7 months after the end of the financial year to which the report relates 	26 January 2025
16.	IDP Technical Work Sessions (per directorate):	February – March 2025

NO	ACTIVITY DESCRIPTION	DATES ACHIEVED
	<ul style="list-style-type: none"> Review 2024/2025 service delivery key performance indicators and targets after adjustments budget Set Key Performance Indicators and Targets for the draft Revised 2025/2026 IDP and SDBIP Align IDP, Budget, Risk and performance indicators 	
FEB: PHASE 4: Integration and Consolidation		
17.	Budget Steering Committee: <ul style="list-style-type: none"> Consider 2024/2025 Mid-year Adjustment Budget for recommendation to Council 	10 February 2025
18.	Councillors and Traditional Leaders' Workshop: <ul style="list-style-type: none"> Deliberate on the proposed 2024/2025 Mid-year Adjustment Budget 	11 February 2025
19.	Council: <ul style="list-style-type: none"> Consider and adopt 2024/2025 Mid-year Adjustment Budget 	26 February 2025
20.	National Treasury Mid-year Budget and Performance Assessment Review	30 February 2025
MAR: PHASE 5: Approval, Adoption and Publication Approval of draft IDP		
21.	Top Management Technical Planning Session: <ul style="list-style-type: none"> Review strategic objectives for service delivery and development Reflect on progress made with implementation of strategic priorities during preceding financial years Review SITUATIONAL ANALYSIS of the metro that inform priority choices, including community needs expressed Reflect on desired key outcomes over the remainder of Council's 5-year term Deliberate and confirm strategic imperatives that should inform the Budget Process 	17 – 18 February 2025
22.	Mayoral Strategic Planning Session <ul style="list-style-type: none"> Review past performance, identify challenges and propose solutions Align management plans with political priorities Align community/constituency priorities and pressing issues with resource allocation 	9 – 10 March, Extended to 18 March 2025

NO	ACTIVITY DESCRIPTION	DATES ACHIEVED
	<ul style="list-style-type: none"> • Mobilize and align with other stakeholders on key priority areas • Mobilize resources and capacity for execution • Attend to systemic challenges and escalate delivery towards 2026 	
23.	Top Management: <ul style="list-style-type: none"> • Consider and recommend the draft IDP, MTREF Budget and SDBIP 	12 March 2025
24.	Budget Steering Committee: <ul style="list-style-type: none"> • Consider and recommend the draft IDP, MTREF Budget and SDBIP 	19 March 2025
25.	Councillors and Traditional Leaders' Workshop: <ul style="list-style-type: none"> • Review strategic objectives for service delivery and development • Reflect on progress made with implementation of strategic priorities during preceding financial years • Review SITUATIONAL ANALYSIS of the metro that inform priority choices, including community needs expressed • Reflect on desired key outcomes over the remainder of Council's 5-year term • Deliberate and confirm strategic imperatives that should inform the Budget Process 	19-20 March 2025
26.	Council: <ul style="list-style-type: none"> • To approve the draft IDP, MTREF Budget and draft policies (at least 90 days before the start of the budget year) • To consider the proposed budget of the entity and assess the entity's (BCMDA) priorities and objectives and make recommendations. Board of Directors to consider the recommendations and, if necessary, submit a revised budget. 	26 March 2025

5.1.2 KEY INFORMANTS

The 2025/2026 Review of the 2021/2026 IDP was undertaken within the framework of national and provincial legislation and policy directives, which include most notably the National Development Plan 2030, Medium-Term Development Plan (2024/2029), District/Metro Development Model, the South African Economic Reconstruction and Recovery Plan, the Provincial

Development Plan (2030), Provincial Spatial Development Strategy, and Provincial Economic Development Strategy.

Other factors that were taken into consideration include:

a) Assessment Issues

- i. The comments on the last adopted IDP provided by the MEC for Local Government in accordance with Sections 31 and 32 of the Municipal Systems Act;
- ii. Findings contained in the National Treasury Benchmarking Report and Mid-Year Budget Performance Assessment Report;
- iii. Findings contained in the Auditor General's Report of the previous financial year/s; and
- iv. Shortcomings and weaknesses identified through self-assessment.

b) Review of the Strategic Elements of the IDP in terms of priorities of Council and the objectives of Management

- i. Review of the Strategic elements of the IDP and Metro Growth and Development Strategy (MGDS) if required; and integrating the strategic intent throughout the budget process, including mSCOA alignment, and finalizing of the Service Delivery and Budget Implementation Plan (SDBIP);
- ii. Update of Master Plans and Sector Plans; and
- iii. The update of the Financial Plan.

c) Inclusion of new information where necessary

- i. Consideration of the impact of Covid-19 Global Pandemic;
- ii. The impact of changes to the demarcation of municipal boundaries after the next Local Government Elections;
- iii. Provincial Municipal Infrastructure Grants Risk Adjusted Strategy Framework (PMIG – RAS –FW) Approved 23 June 2023;
- iv. Draft Medium-Term Development Plan (2024/2029);

- v. Municipal Finance Management Act No. 56 of 2003 Guidance Notes 1 - 4: Metro preparations for the introduction of trading services reforms
- vi. Updates - The following updates were done in the IDP document:

Table 3: Updates done in the IDP document

Foreword by the Executive Mayor	The Executive Mayor provides a contextualised update of the foreword to reflect a summarised setting of the tone for the newly elected Council and key priorities to be focused on for the next term, giving due consideration of the changing socio-economic environment that the city, our country and the world at large are confronting in our development planning endeavours.
Overview by the City Manager	Following the tone set by the Executive Mayor, the City Manager expands on situating the IDP Review within the confines of the Metro Growth and Development Strategy, the increasing demand for reliable municipal services and the financial outlook of the metro.
Executive Summary	Key updates include: <ul style="list-style-type: none"> • The IDP Process Followed for this review period; • The key informants to the IDP review; and • The latest available assessment of the IDP and key assessment findings from Provincial Government with recommendations on gaps and improvement measures
SECTION A	No amendments were made in respect of Section A – the vision, mission, values, strategic outcomes, strategic objectives and key focus areas are retained for the remainder of the IDP cycle.
SECTION B	The BCMM Profile is updated in this section, with more recent statistical data and analysis, taking cognizance of the most recent Census 2022 results and subsequent updates and projections: <ul style="list-style-type: none"> • Population Trends and Profile • Social Development Profile

	<ul style="list-style-type: none"> • Governance and Finance Development Profile • Infrastructure Development Profile • A summary of the Key Development Trends in the Metro • Spatial Development Profile • Situational Analysis Per BCMM Strategic Outcome and Key Focus Area
SECTION C	No amendments or updates have been made to this Section.
SECTION D	The section is updated with more recent engagements held as part of the IDP and One Plan review and implementation commitments are also updated as received from Buffalo City Metropolitan Municipality's Built Environment Performance Plan: Catalytic Land Development Programmes, Provincial and National Government Spheres.
SECTION E	The key performance indicators and targets will be updated on conclusion of the SDBIP within 28 days after adoption of the Budget as per Performance Management Regulations.
SECTION F	<p>The financial plan for the metro is updated as aligned with the MTREF Budget tabled in Council and includes the operational and capital projects for the MTREF period.</p> <p>A summary of the metro's preparations for the introduction of trading services reforms for Electricity and Water and Sanitation in the 2025/2026 financial year.</p>
SECTION G	The Operational Plan has been updated. No amendments were made.
ANNEXURES	<p>Most significant updates on annexures are:</p> <ul style="list-style-type: none"> • Annexure B - IDP/Budget/PMS Process Plan followed; and • Annexure C - Community and Stakeholder Issues / Priorities Raised (recommended revisions/corrections were received and incorporated into the IDP Review document).

5.1.2.1 Council Priorities (2021-2026) Revised for 2025/2026

The Mayoral Strategic Planning Session, followed by the Council Lekgotla held annually are critical instruments of the IDP Process and aids the Executive Mayor in his/her responsibility for the preparation and implementation of the IDP, Budget & Performance Management System. In his/her executive capacity the Executive Mayor has to:

- be responsible for the overall oversight, development and monitoring of the process or delegate IDP & PMS responsibilities to the City Manager;
- ensure that the budget, IDP & budget related policies are mutually consistent & credible;
- approve nominated persons that will be responsible for different roles and activities within the IDP/Budget process; and
- submit the IDP & the Annual Budget to the municipal Council for adoption.

These Council Priorities, arranged in accordance with the BCMM Metro Growth and Development Strategy (MGDS) and Integrated Development Plan, are converged with the National and Provincial Imperatives as follows:

Table 4: Alignment of Council Priorities with National and Provincial Policy Directives

BUFFALO CITY METRO IMPERATIVES			JOINT IGR IMPERATIVES	PROVINCIAL IMPERATIVES	NATIONAL IMPERATIVES		
BCMM IDP Strategic Outcomes	Revised BCMM Council Priorities 2025/2026	One Plan Focus Areas	Provincial Development Plan (EC Vision 2030)	National Development Plan (NDP: 2030)	Medium-Term Development Plan (MTDP 2024/2029)	Integrated Urban Development Framework (IUDF)	
Strategic Outcome 1: An Innovative and Productive city	<ul style="list-style-type: none"> ▪ Prioritize Key Infrastructure Projects ▪ Infrastructure Audit 	Focus Area 1: People Development & Demographics	Goal 4: Improved human development	NDP Chapter 9 – improving education, training and innovation	Priority: Reduce Poverty and Tackle the High Cost of Living		Policy lever 7: Empowered active communities
				NDP Chapter 11 - social protection			
				NDP Chapter 12 – building safer communities			
				NDP Chapter 15 – nation building and social cohesion			
				NDP Chapter 10 – health care for all			
Strategic Outcome 1: An Innovative and Productive city	<ul style="list-style-type: none"> ▪ Prioritize Key Infrastructure Projects ▪ Infrastructure Audit 	Focus Area 2: Economic Positioning	Goal 3: Rural development and an innovative and high-value agriculture sector	NDP Chapter 3 – economy and employment	Priority: Inclusive Growth and Job Creation		Policy lever 6: Inclusive economic development
				NDP Chapter 4 – economic infrastructure			
				NDP Chapter 6 – inclusive rural economy			
				NDP Chapter 7 - South Africa in the region and the world			

BUFFALO CITY METRO IMPERATIVES			JOINT IGR IMPERATIVES		PROVINCIAL IMPERATIVES	NATIONAL IMPERATIVES		
BCMM IDP Strategic Outcomes	Revised BCMM Council Priorities 2025/2026	One Plan Focus Areas	Provincial Development Plan (EC Vision 2030)	National Development Plan (NDP: 2030)	Medium-Term Development Plan (MTDP 2024/2029)	Integrated Urban Development Framework (IUDF)		
Strategic Outcome 2: A green city	<ul style="list-style-type: none">Prioritize Key Infrastructure Projects	Focus Area 3: Spatial Restructuring and Environmental Sustainability	Goal 5: Environmental sustainability	NDP Chapter 5 - environmental sustainability and resilience	Priority: Build a Capable, Ethical, and Developmental State	Policy lever 1: Integrated urban planning and management		
Strategic Outcome 4: A spatially transformed city	<ul style="list-style-type: none">Infrastructure Audit			NDP Chapter 8 - transforming human settlements		Policy lever 3: Integrated and sustainable human settlements		
Strategic Outcome 3: A connected city	<ul style="list-style-type: none">Prioritize Key Infrastructure ProjectsInfrastructure AuditIntegrated Transport Planning	Focus Area 4: Infrastructure Engineering Focus Area 5: Integrated Services Provisioning	Goal 2: An enabling infrastructure network	NDP Chapter 4 – economic infrastructure	Priority: Inclusive Growth and Job Creation	Policy lever 5: Efficient land governance and management		
				Policy lever 4: Integrated urban infrastructure		Policy lever 2: Integrated transport and mobility		
Strategic Outcome 5: A well-governed city	<ul style="list-style-type: none">Customer Debtor Profiling (Data Cleansing)Implement a Transparent	Focus Area 6: Governance & Financial Management	Goal 6: Capable democratic institutions.	NDP Chapter 13 - building a capable and developmental state NDP Chapter 14 – fighting corruption	Priority: Build a Capable, Ethical, and Developmental State	Policy lever 8: Effective urban governance Policy lever 9: Sustainable finances		

BUFFALO CITY METRO IMPERATIVES		JOINT IGR IMPERATIVES	PROVINCIAL IMPERATIVES	NATIONAL IMPERATIVES		
BCMM IDP Strategic Outcomes	Revised BCMM Council Priorities 2025/2026	One Plan Focus Areas	Provincial Development Plan (EC Vision 2030)	National Development Plan (NDP: 2030)	Medium-Term Development Plan (MTDP 2024/2029)	Integrated Urban Development Framework (IUDF)
	Budgeting System <ul style="list-style-type: none"> Strengthen Revenue Collection Systems Improve Debt Collection Material losses and impairments Improve Public Awareness and Compliance (Customer Engagement) Professionalise administration and improve organisational culture 					

5.1.3 BCMM KEY ELEMENTS OF THE 2025/2026 REVIEW OF THE 2021/2026 IDP

As a result of delays in implementing some key planning engagements relevant to the implementation of the IDP//Budget/PMS Process Plan, the confirmed outcomes of the following strategic planning engagements will find sharper expression in the final Revised IDP document for 2025/2026. Regardless of these delays, the range afforded by key instruments like the MTDF (2024/2029) and the Provincial Municipal Infrastructure Grants Risk Adjusted Strategy Framework (PMIG – RAS –FW) during the metro's technical and strategic planning exercises, allowed the city to align key strategic priorities, programmes and projects with the provincial and national policy directives, not losing sight of the situational analysis influencing decision making.

A further considerable factor in the IDP and Budget Review was the preparations made towards the metro's introduction of Electricity and Water and Sanitation as trading services in accordance with guidance and criteria provided by National Treasury through the regulatory instruments of the MFMA. A summary of these plans of the metro is included later in the report.

The MTDP (Medium-Term Development Plan) 2024-2029 focuses on three key priorities: inclusive growth and job creation, reducing poverty and tackling the high cost of living, and building a capable, ethical, and developmental state.

Here's a more detailed breakdown of the MTDP priorities:

- **Inclusive Growth and Job Creation:**

The MTDP aims to drive economic growth that benefits all South Africans, with a focus on creating jobs and improving livelihoods.

- **Reduce Poverty and Tackle the High Cost of Living:**

The plan addresses the challenges of poverty and rising living costs by implementing policies aimed at improving access to basic

services, reducing inequality, and promoting economic opportunities.

- **Build a Capable, Ethical, and Developmental State:**

The MTDP emphasizes the importance of a strong and effective government that can deliver on its promises and promote good governance, accountability, and transparency.

Other Key Areas:

- **Industrialization and Localisation:**

The plan recognizes the importance of local manufacturing and promotes localization through government procurement and public-private partnerships.

- **Infrastructure Development:**

The MTDP emphasizes the need for investment in infrastructure to support economic growth and development.

- **Education and Skills Development:**

Investing in quality education and skills development is crucial for creating a skilled workforce and promoting economic growth.

- **Health Care:**

The plan aims to improve access to quality healthcare services for all South Africans.

- **Social Protection:**

The MTDP focuses on strengthening social safety nets to protect vulnerable populations.

- **Combating Crime and Corruption:**

The plan addresses the challenges of crime and corruption by strengthening law enforcement agencies and promoting good governance.

The **Risk Adjusted Strategy (RAS)** has been developed acknowledging that government implemented similar initiatives like the Balanced Scorecard Performance Management System. Such programmes have not

produced results instead most municipalities remained in a state of decay especially on service delivery.

No clear accountability mechanism for Mayors / Executive Mayors, as an instrument in their hands to oversight. Poor service delivery, community protests and unhappy consumers due to the state of service delivery is the order of the day.

Further, the RAS introduces the non-negotiables as an instrument to do those simple things which when done will have major impact and do not require new budget.

The Non-negotiable make service delivery an overarching focal point as a basis for the existence of municipalities. To consolidate all the deliverables in a clear simple and practical way in order to strengthen oversight.

As transformation is a form of change in a revolution, but its intention is to be systematic in introducing changes. As a necessary condition in a country faced by the past historical background, it requires a mindset of change agents who understand that we maintain what is working as we change others.

RAS therefore presents that transformative change that requires a deep understanding in governance, economics, risks, planning and development of systems.

Municipalities are expected to implement all the aspects of the non-negotiables relevant to their functions without fail.

All the tasks outlined in the non-negotiables represents the key performance areas of departments in the municipality and therefore must constitute performance agreements. (BTO, SCM, Tech Services, and the Councils).

The Municipal Manager (MM) is the Chief Implementer of the programme, and this implementation must be cascaded down to the General Worker who must be trained to understand the rationale.

No municipality must consistently perform poorly if the Non-negotiable programme is implemented. Any non-compliance with the required standards must be recorded and reasons explained.

The Mayor is the Chief Oversight Manager of the holistic implementation of the Non-negotiable programme in his/her municipality. Implementation reports must be submitted to COGTA monthly and to council quarterly.

Municipal Trading Services Reforms – Electricity and Water and Sanitation

Trading services include the provision of electricity, water and sanitation, as well as solid waste management. The National Treasury has recognized the deteriorating state of infrastructure platforms that is driving the decline in the performance of trading services. This is evident in increased operational inefficiencies, declining service quality and reliability, declining cash revenues; and progressively lesser investments into the sector.

This decline is negatively affecting economic growth, and, in the case of cities, their financial sustainability which relies on cash revenues from well-performing trading services. To this end, the National Treasury has initiated reforms to reform trading services in metropolitan municipalities (category A municipalities) through performance-based financial incentives to reward good decisions and performance. These reforms seek to address not only operational inefficiencies but also structural impediments to the performance of trading services.

Conditions that will enable successful reform have been set out and communicated through the Division of Revenue Act, 2024, the release of

Guidance Notes to support implementation of reform, and engagements with metros including through the City Budget Forum (CBF).

The primary goals of this initiative are:

- To increase investment in utility services (such as water, wastewater, electricity, and waste management) by combining grant and loan funding.
- To restructure, manage, and govern utility services more effectively to enhance performance.
- To promote professional management with clear accountability and the necessary skills for efficient service delivery.
- To ensure full financial transparency between municipalities and utility services.

The programme consists of compulsory and non-compulsory but incentivised parts:

- a. Trading services financial transparency requirements are compulsory: all metro municipalities will be required to provide separate comprehensive financial statements for their trading service, within their overall municipal statements. The requirements for this, including specimen financial statements, are being communicated separately.
- b. Access to the finance incentive is not compulsory, but is incentivised, based on metro performance against institutional and operational targets set in Council-approved **Trading Sector Reform Strategies (TSRS)** and its annexures (A, A1, A2, A3) that meet the required criteria; and
- c. The introduction over the medium term of the performance-based incentive USDG component for trading services is not intended or planned to disrupt baseline USDG allocations already committed to existing projects. It is specifically intended to reward metros who embark upon trading services reform as indicated here.

Buffalo City Metropolitan Municipality submitted the following documents relating to the trading services of **1. Electricity** and **2. Water and Sanitation** to National Treasury on 31 January 2025 to be considered for the non-compulsory but incentivised participation in the programme:

- a. Electricity and Energy Roadmap
- b. Electricity and Energy Investment Plan
- c. Electricity and Energy Turnaround Strategy
- d. Water and Sanitation Investment Plan
- e. Water and Sanitation Institutional Road Map

Buffalo City Electricity Trading Service Reforms

The Electricity and Energy Department, as a trading service, generates revenue through its own service charges, which must be managed to ensure a surplus. This surplus should fund all the service functions, including staff, capital and maintenance expenditures. A fully functioning and well-managed service department has the potential to support other municipal services.

National Treasury (NT) has identified that most service departments are failing to achieve sustainability and has highlighted that many metros have not recognised the unique characteristics and management needs of the trading services. As in other metros, BCMM's decision-making and operational performance are often diffused across multiple units, with financial relationships between trading services and metros remaining unclear. Collectively, these issues have led to poor performance and prompted NT's call for reform, requiring services to be ring-fenced with a single point of accountability.

To ensure the sustainability of service delivery, the Buffalo City Electricity is responsible for maintaining, expanding, and upgrading infrastructure to meet both current and future demands. Additionally, Buffalo City Electricity facilitates investment in the electricity supply

industry, promotes universal access to electricity, and encourages the use of diverse energy sources and energy efficiency.

Investment in the network must be planned, and funding secured for capital replacement projects required for upgrading, refurbishing, and replacing equipment to ensure that both existing and new investments can be serviced. The operational and maintenance functions require adequate funding to maintain network stability and ensure the efficient, effective, and sustainable development and operation of electricity supply infrastructure in the BCMM licensed area.

This reform demands a strategic approach to operational excellence and long-term financial sustainability. Thus, the Buffalo City Electricity Business Improvement and Investment Plan will guide the Metro over the next several years, addressing immediate needs, while ensuring long-term objectives are met. The business improvement component of the plan focuses on optimizing internal operations through streamlined processes within BCM as part of a revenue enhancement strategy.

These improvements aim to increase operational efficiency, enhance revenue collection, and improve customer service. This intervention is key to improving infrastructure investment. The capital investment aspect of the plan emphasizes the importance of renewing and expanding. This includes upgrading the aging electricity network and investing in new projects aligned with human settlement development in the area. These capital investments are essential for maintaining system reliability, reducing electricity losses (both technical and non-technical), and preparing for future demands driven by population growth, climate change, and evolving regulatory requirements.

Buffalo City Water and Sanitation Trading Service Reforms

The Buffalo City Water and Sanitation Business and Investment Plan outlines the implementation of the Turnaround Strategy plan and represents a strategic roadmap designed to address evolving challenges

and opportunities in the water and sanitation sector. By investing in infrastructure, technology, and people, we aim to enhance operational efficiency, improve customer satisfaction, and ensure the long-term financial sustainability of our organisation.

The aims of the Water and Sanitation Business Improvement and Investment Plan is to serve as a guide for operational and investment decisions to meet customer demands and contribute to national economic growth and facilitate the implementation of the approved Water Services Business Turnaround Strategy.

The plan consists of two components:

- a. Business Improvement Plan - Focuses on optimizing internal operations to increase operational efficiency, enhance revenue collection, and improve customer service.
- b. Capital Investment Plan - Emphasizes the importance of renewing and expanding our infrastructure, including upgrading aging water treatment works, replacing deteriorating pipelines, and investing in sewer and water upgrades. These investments are essential for maintaining system reliability, reducing water losses, and preparing for the future demands such as population growth, climate change, and evolving regulatory requirements.

In developing this plan, we have carefully balanced financial responsibility with the need for critical improvements. We have explored various funding sources, including revenue from operations, borrowing, and potential public-private partnerships, to ensure the sustainability of our business unit and the city.

Five Factors essential to achieve and sustain Business Reform

National Treasury's Cities Support Programme has engaged the eight metropolitan municipalities to provide support to turn around or improve the performance of their trading services, creating viable entities that meet service delivery needs, raise capital funding from the market and

generate financial surpluses to reinvest back in the service. International experience and interaction with metropolitan municipalities highlights five factors that are essential to achieve and sustain business reform.

These are:

- a. A single point of management accountability;
- b. A turnaround in cash revenue;
- c. A financial surplus;
- d. A clearly defined relationship between the service and the city;
and
- e. A fit-for-purpose organisational structure.

National Treasury accepted that the reform may require a business overhaul. It is acknowledged that achieving these conditions, including the transition toward implementation, require a clear pathway for the institutional changes to be mapped out and implemented. For this reason, National Treasury issued a Guidance Note to assist metropolitan municipalities in this transition.

BCMM will access all available support that may aid the metro in implementing these reforms with efficiency.

Performance Monitoring: Alignment between the Metro Trading Service Reform and MFMA Circular No.88

The implementation of MFMA Circular No. 88 continues in all categories of municipalities. In December 2024, Addendum 6 of the MFMA Circular No. 88 was published providing an update on the preparation of statutory planning and reporting documents required for the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF). Addendum 6 provided guidance to the municipalities on in-year changes to indicators in the Service Delivery Budget and Implementation Plan (SDBIP) and guidance for 'estimate' values in indicator reporting. Further guidance on indicator revisions and definitional clarification was also provided.

Selected MFMA Circular No. 88 indicators are also being used to track the performance of the metros as part of the A3 PIAP: Performance Improvement Action Plan of the Metro Trading Service Reform (MTSR). In line with the rationalisation and standardisation objective of the MFMA Circular No. 88 reform, this ensures that there is alignment and line of sight across various reporting frameworks. Furthermore, this promotes consistency in planning, budgeting, and reporting while reinforcing the overall objectives of the reform agenda. The MTSR targets water and sanitation, electricity and energy and solid waste management in the metropolitan municipalities focusing on institutional performance and accountability, financial performance, governance and operational or service delivery performance.

Solid Waste Management Trading Service Reform

Solid Waste Management is scheduled for inclusion in the incentive programme from Year 2 (2026/27) onwards. Metros wishing to include solid management in their trading services reform strategies should submit the necessary documentation according to a schedule which was communicated with metropolitan municipalities.

5.1.3.1 Proposed High-Level Changes

All processes undertaken above contributed to the IDP/Budget review process towards the 2025/2026 financial year. During the planning process BCMM's vision, mission and key strategic focus areas were revisited. Consequently, the vision, mission, values, strategic outcomes, strategic objectives encapsulated in the IDP and MGDS remain unchanged for this second review of the fifth generation Integrated Development Plan.

The Strategic Framework expressed in this IDP is the primary informant of the BCMM Five-Year Performance Scorecard, Multi-Year Budget, Annual Service Delivery and Budget Implementation Plan and Performance Agreements of Senior Managers. The setting of key

performance indicators and targets against which the performance of the municipality and its senior management and leadership are measured derive its mandate from this IDP.

The introduction of Key Focus Areas (KFAs) formed part of the 2019/2020 IDP Review and is informed by the need to create more functional synchrony between the strategic imperatives captured in the IDP and the core competencies of the municipality. One of the benefits of the inclusion of KFAs in the IDP is that it improves accountability, since KFAs can be assigned to specific officials and be accentuated in their performance agreements to champion.

Table 5: BCMM Strategic Framework

Strategic Outcomes	Strategic Objectives	Key Focus Areas
STRATEGIC OUTCOME 1 (SO1): An innovative and Productive City	To enhance the Quality of Life of the BCMM community with rapid and inclusive economic growth and falling unemployment	KFA 1: Enterprise Development
		KFA 2: Trade and Investment Promotion
		KFA 3: Innovation and Knowledge Management
		KFA 4: Tourism & Marketing
		KFA 5: Job Readiness & Training (External)
		KFA 6: Rural Development & Agrarian Reform
		KFA 7: Arts, Culture and Heritage Resource Management
		KFA 8: Sport Development (Programmes)
		KFA 9: Sport and Recreation Facilities
		KFA 10: Libraries and Halls
		KFA 11: Emergency and Disaster Management
		KFA 12: Safety and Security
STRATEGIC OUTCOME 2 (SO2): A green city	To promote an environmentally sustainable city with optimal benefits from our natural assets.	KFA 13: Environmental Management and Climate Change
		KFA 14: Air quality
		KFA 15: Beaches
		KFA 16: Parks and Open Spaces

Strategic Outcomes	Strategic Objectives	Key Focus Areas
		KFA 17: Vegetation Control and Biodiversity
		KFA 18: Municipal and Environmental Health
		KFA 19: Solid Waste Management
STRATEGIC OUTCOME 3 (SO3): A connected city	To maintain a world class logistics network.	KFA 20: Roads and Storm water Infrastructure
		KFA 21: ICT
		KFA 22: Transport Planning and Operations
		KFA 23: Energy Supply Efficiency
STRATEGIC OUTCOME 4 (SO4): A Spatially Transformed city	To develop and maintain world class infrastructure and utilities.	KFA 24: Water and waste water
		KFA 25: Spatial and Urban Planning
		KFA 26: Sustainable Human Settlements
		KFA 27: Built Environment Management
		KFA 28: Urban, Rural and Township Regeneration
		KFA 29: Property Management and Land Use
		KFA 30: Cemeteries and Crematoria
STRATEGIC OUTCOME 5 (SO5): A well-governed city	Promote sound financial and administrative capabilities.	KFA 31: Risk Management
		KFA 32: Stakeholder Participation & Customer Relations
		KFA 33: Intergovernmental Relations (IGR) and International Relations (IR)
		KFA 34: Communications (Internal and External)
		KFA 35: Corporate Marketing (Branding)
		KFA 36: Revenue Management
		KFA 37: Expenditure and Supply Chain Management
		KFA 38: Budget and Treasury
		KFA 39: Corporate Asset Management
		KFA 40: Internal Human Capital and Skills Development
		KFA 41: Gender, Elderly, Youth and Disabled (Vulnerable Groups)

Strategic Outcomes	Strategic Objectives	Key Focus Areas
		KFA 42: Performance Management and Monitoring and Evaluation
		KFA 43: Fleet Management
		KFA 44: Employee Performance Management
		KFA 45: Human Resources Management
		KFA 46: Internal Audit

5.1.3.2 IDP Recommendations

The Integrated Development Plan (IDP) is the overall strategic development plan for a municipality, prepared in terms of the Municipal System Act, Act 32 of 2000, that guide decision-making, budgeting and development in the municipality. The Spatial Development Framework presents the long-term vision of the desired spatial form of the municipality. The SDF is thus a critical component to the IDP to direct municipal and private sector spending and investment by providing spatial proposals and strategies (thus the location and nature of development) which will support economic growth and integrated human settlements. The amended Spatial Development Framework was adopted by Council in December 2020.

5.1.3.3 Community Consultation Process on the 2021/2026 IDP and MTREF Budget for the 2025/2026 period

In developing its Integrated Development Plan, Buffalo City Metropolitan Municipality takes its tune from residents and the broader public of the Metro who participate in a number of public consultation processes and programmes such as the annual Executive Mayoral Imbizos and IDP/Budget Roadshow. It is through these engagements that residents are able to define and shape their needs and priorities which must be taken into consideration during planning and budgeting. BCMM aims to address identified needs and priorities through the 2021/2026 Integrated Development Plan and Budget as revised annually.

The IDP process is an outcome of an intensive and detailed series of engagements with our communities through the following key participatory democracy instruments:

- a. IDP/Budget/PMS Workstreams where external stakeholders also participate in the deliberations;
- b. External IDP/Budget/PMS Representative Forum with external stakeholders to consult the Draft IDP, MTREF Budget and BEPP: Catalytic Land Development Programmes;
- c. Executive Mayoral Imbizos where the Executive Leadership provides feedback to communities previously raised and make commitments on action to be taken to improve on other poorer performance service delivery functions; and
- d. Ward-based Community Meetings and Ward Committee Meetings held by Ward Councillors from each of the three functional regions as part of the IDP Review Process.

Following the publication of the Draft IDP and Budget, members of the public will be awarded an opportunity to peruse the documentation at the municipal libraries and key offices of the Metro. Stakeholders will be invited to submit their inputs via a WhatsApp line created for this purpose, on live radio and social media comments options. Further to this an e-mail address was created through which the metro will invite submissions on the draft Revised IDP and Budget until the set deadline. Council will then consider all public inputs in the compilation of the final 2025/2026 Revised IDP, BEPP: BCMM Catalytic Land Development Programmes and MTREF Budget documents.

5.2 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET

5.2.1 BUDGET PROCESS

The budget process is embedded in the IDP/Budget Process Plan that has been tabulated in table 2 above. The 2025/2026 budget preparation sessions were held with all directorates from 25 November 2024 – 02 December 2024. Thereafter, the directorates and the municipal entity (BCMDA) were requested to prepare and submit budget requests for consideration.

After finalisation of costing of prioritised projects and programmes for 2025/2026 MTREF, a Top Management session was held on 12 March 2025 for consideration of the proposed draft 2025/2026 MTREF, this session was followed by a Budget Steering Committee (BSC) meeting on 19 March 2025. The BSC was chaired by the Executive Mayor, assisted by Member of the Mayoral Committee (MMC) for Finance, acting Chief Financial Officer, Budget & Treasury Management officials and IDP officials. The primary aim of the Budget Steering Committee was to ensure:

- a) that the process followed to compile the budget complies with legislation,
- b) that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget,
- c) that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available.

On 19 – 20 March 2025 a Councillors and Traditional Leaders Budget Workshop on the proposed draft 2025/2026 MTREF was also held.

5.2.2 NATIONAL TREASURY MFMA CIRCULARS

National Treasury issued MFMA Circular No. 129 on 10 December 2024 and MFMA Circular No. 130 on 20 March 2025 to guide the preparation of the 2025/2026 MTREF. Some of the key issues highlighted by the circulars are as follows:

- a) The weak economic growth continues to impact municipal finances, and this has strained consumers' ability to pay for services.
- b) Municipalities are advised to maximise their revenue generating potential and collect what is due to them and concurrently, eliminate wasteful and non-core spending.
- c) Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.
- d) Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.
- e) National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality.
- f) During the budgeting process, provision must be made for revenue to be generated by the tariffs levied for services to address the maintenance of infrastructure.
- g) National Treasury urges municipalities to ensure that public funds are not used for burial of councillors.
- h) The Consumer Price Index (CPI) inflation is estimated at 4.3% in 2025/2026, 4.6% in 2026/2027 and 4.4% in 2027/2028 financial year.
- i) The tariff increases by Eskom and Water Boards are higher than inflation.
- j) Past years' increasing electricity tariffs continue to strain consumers' ability to afford this service. Municipalities as a result are at higher risk of non-technical losses particularly related to theft and illegal by-passing.
- k) Municipalities are advised to prioritise Revenue Protection measures in the 2025/26 and future MTREFs.

5.2.3 BUDGET GUIDELINES AND PRINCIPLES

The following budget principles and guidelines informed and provided the bases for the compilation of the draft 2025/2026 MTREF budget:

- a) The 2024/2025 mid-year adjustment budget and actual figures were used as the baseline for the 2025/2026 MTREF budget. Further, reassessment of activities was undertaken to determine if there have been any changes of circumstance that have impact on the compilation of the budget.
- b) The service charge tariffs have been calculated taking into consideration the following:
 - i. the input costs of generating the services
 - ii. the affordability to consumers
 - iii. perception versus the level of affordability when compared across the eight (8) Metros
- c) Cash flow position, level of cash reserves
- d) Cost containment measures
- e) Ability to maintain and renew existing assets whilst also addressing the backlogs was part of the consideration.
- f) The following is applicable to projects and/ or programmes:
 - i. projects with existing contracts must be prioritised
 - ii. projects must be within affordability limits; should additional budget/ funding be available, other projects will be funded in terms of priority and benefit to the Metro
 - iii. no budget allocation to projects that are not in the IDP
- g) The budget must be funded as per MFMA Circular 42.

5.2.4 MTREF BUDGET (2025/2026 – 2027/2028)

Section 17(1) of the MFMA requires that the annual budget of the municipality be in the prescribed format:

- Setting out realistically anticipated revenue for the budget year from each revenue source.
- Appropriating expenditure for the budget year under the different votes of the municipality.

- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- Setting out the estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year preceding current year.

The following tabulated budget assumptions were used in the preparation of the draft MTREF budget, these are narrated beneath the table:

Table 6: Budget Assumption

DESCRIPTION	2024/2025	2025/2026	2026/2027	2027/2028
National Treasury Headline Inflation Forecasts	4,90%	4,30%	4,60%	4,40%
Salaries	4,90%	5,05%	5,35%	5,65%
Electricity Purchases	12,74%	12,74%	5,36%	6,19%
Water Purchases	6,54%	7,26%	6,54%	6,54%
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	R1 129,36	R1 189,57	R1 248,75	R1 309,67
Equitable Share Allocation	R1 218 324 000	R1 296 018 000	R1 365 808 000	R1 427 605 000
Bad Debt Provision	23,00%	24,00%	22,00%	21,00%
Property Rates	3,90%	2,00%	4,60%	4,40%
Refuse Tariff	5,20%	4,80%	4,70%	4,40%
Sanitation Tariff	5,20%	4,80%	4,70%	4,40%
Electricity Tariff	15,31%	12,74%	5,36%	6,19%
Water Tariff	7,79%	9,80%	6,54%	6,54%
Fire Levy	4,90%	4,30%	4,60%	4,40%
Sundry Income	4,90%	4,30%	4,60%	4,40%

- Property Rates tariffs are projected to increase by 2% in the 2025/2026 financial year, an increase of 4.6% is set for 2026/2027 financial year and it further increases by 4.4% in the 2027/2028 financial year.

- ii. Refuse Removal and Sanitation Charges have been projected to increase by 4.8% in 2025/2026 financial year, the increase slightly decreases to 4.7% in 2026/2027 and further decreases to 4.4% in 2027/2028 financial year.
- iii. Amatola Water Board has approved an increase in bulk water tariffs of 7.26% from 01 July 2025. Therefore, in pursuit for full cost of recovery for the Metro as well as to reduce water losses, the water service tariff increase is projected at 9.8% in 2025/2026, this increase decreases to 6.54% in the two outer years.
- iv. On Electricity, the tariff will increase by 12.74% in 2025/2026 financial year, the increase decreases to 5.36% in 2026/2027 financial year and it slightly increases by 6.19% in 2027/2028 financial year. The Electricity tariff applied in 2025/2026 financial year is in line with the National Electricity Regulator of South Africa (NERSA) proposed increase of 12.74%.
- v. The Revenue Collection Rate has been projected at 76% in 2025/2026, 78% in 2026/2027 and 79% in 2027/2028 financial year
- vi. The Repairs and Maintenance budget is currently 4.5% of the total Operating Expenditure Budget. The City is striving towards a 10% repairs and maintenance of its total operating budget owing to the aging of the City's infrastructure. The City's infrastructure repairs and maintenance programme is complemented by the renewal and upgrading of existing infrastructure programme as the City is using revaluation method to value its infrastructural assets.
- vii. Employee costs as a percentage of total operating costs is 27% over the MTREF. Though this rate is still within the norm of 25% to 40% as per MFMA Circular 71, it requires close monitoring to avoid an increasing trend. The existing Salary and Wage Collective Agreement was signed in 2024 for the period 01 July 2024 to 30 June 2029. A provision of CPI+1% has been made over the 2025/2026 MTREF; i.e. increase of 5.05% (CPI+0.75%) in 2025/2026 financial year, an increase of 5.35% (CPI+0.75) in 2026/2027 and an increase of 5.65% (CPI+1.25%) in 2027/2028 financial year.

6. CHALLENGES

6.1 INTEGRATED DEVELOPMENT PLAN

Challenges

- Rescheduling of key IDP and Budget engagements that have been incorporated into the Institutional Calendar caused delays with implementation of the IDP/Budget/PMS Process Plan and Time Schedule.
- These delays resulted in a bottleneck of activities in the first three months of the calendar year, which should have been dedicated to focusing on integration between IDP, Budget and Performance Indicators and Targets.
- There is not sufficient time to execute the required verification and quality assurance processes pertaining to the IDP document.

Proposed Solutions

It is recommended that the consultative engagements required for both internal and external stakeholders be prioritised not be delayed for future IDP development and Review Processes.

6.2 MTREF BUDGET

Finding a balance between endless service delivery needs and setting affordable tariffs is always a challenge when compiling a budget and this challenge was also experienced in the compilation of the draft 2025/2026 MTREF. The following are the associated risks with achieving the 2025/2026 MTREF projections:

- i. Higher levels of unemployment are likely to increase levels of indebtedness and defaulting on payments.
- ii. Additional budget requests would affect the sustainability of the Metro's finances and could require budget cuts elsewhere.
- iii. Aging infrastructure is a risk that could disrupt the provision of services and cause unhappy consumer that might decide not to honour the municipal accounts.

- iv. Electricity and water losses that are above the norm.

7. STAFF IMPLICATIONS

None.

8. FINANCIAL IMPLICATIONS

The consolidated budget for the draft 2025/2026 MTREF period is R12.06 billion (2025/2026), R12.56 billion (2026/2027) and R13.18 billion (2027/2028) with the table below summarising the consolidated overview of the draft 2025/2026 MTREF Budget. A detailed budget report is attached as **Annexure B**:

Table 7: Consolidated Overview of the Draft 2025/2026 MTREF Budget

DESCRIPTION	2024/2025 ADJUSTMENT BUDGET	2025/2026 DRAFT BUDGET	INCREASE OR (DECREASE) %	2026/2027 DRAFT BUDGET	2027/2028 DRAFT BUDGET
Total Operating Revenue	10 265 206 291	10 906 341 030	6,25	11 389 113 640	11 979 507 431
Total Operating Expenditure	10 260 010 379	10 904 464 713	6,28	11 387 200 536	11 976 783 288
Surplus/(Deficit) for the year	5 195 912	1 876 317		1 913 104	2 724 143
Total Capital Expenditure	1 433 733 873	1 152 893 527	(19,59)	1 168 959 530	1 206 525 957
Total Opex and Capex Budget	11 693 744 252	12 057 358 240		12 556 160 066	13 183 309 245

9. OTHER PARTIES CONSULTED

- 9.1 Buffalo City Metropolitan Council
- 9.2 Budget Steering Committee
- 9.3 BCMM Top Management
- 9.4 BCMM Directorates
- 9.5 External Stakeholders

10. RECOMMENDATIONS

- 10.1. The Council of Buffalo City Metropolitan Municipality, acting in terms of Section 26 (2) of the Municipal Systems Act, 32 of 2000 which states that an integrated development plan adopted by a municipal council may

be amended in terms of section 34 of the Municipal Systems Act, 32 of 2000 approves and adopts the Revised 2025/2026 Integrated Development Plan (IDP) inclusive of the Spatial Development Framework (SDF) as required by S32 of the Municipal Systems Act.

10.2. The Council of Buffalo City Metropolitan Municipality **note** that, in embracing the intention of the District/Metro Development Model, which is for all three spheres of government to work off a common strategic alignment platform, Section D of the Revised 2025/2026 IDP is a reflection of the Updated Summary of the Buffalo City Metropolitan One Plan, that is currently being reviewed together with other spheres of government.

10.3. The Council of Buffalo City Metropolitan Municipality, acting in terms of Division of Revenue Act (DoRA), **approves** and **adopts** the Draft 2025/2026 Built Environment Performance Plan (BEPP): BCMM Catalytic Land Development Programmes.

10.4. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) **approves** and **adopts**:

10.4.1 The Consolidated Draft Annual Budget of the municipality for the 2025/2026 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budgeted Financial Performance (revenue and expenditure by functional classification);
- ii. Budgeted Financial Performance (revenue and expenditure by municipal vote);
- iii. Budgeted Financial Performance (revenue by source and expenditure by type); and

- iv. Multi-year and single-year capital appropriations by municipal vote, functional classification and funding by source.
- v. Budgeted Financial Position;
- vi. Budgeted Cash Flows;
- vii. Reserves and accumulated surplus reconciliation;
- viii. Asset management; and
- ix. Basic service delivery measurement.

10.4.2 The Draft Annual Budget of the parent municipality for the 2025/2026 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budgeted Financial Performance (revenue and expenditure by functional classification);
- ii. Budgeted Financial Performance (revenue and expenditure by municipal vote);
- iii. Budgeted Financial Performance (revenue by source and expenditure by type); and
- iv. Multi-year and single-year capital appropriations by municipal vote, functional classification and funding by source.
- v. Budgeted Financial Position;
- vi. Budgeted Cash Flows;
- vii. Reserves and accumulated surplus reconciliation;
- viii. Asset management; and
- ix. Basic service delivery measurement.

10.4.3 The Draft Annual Budget of the municipal entity (BCMDA) for the 2025/2026 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budgeted Financial Performance (revenue by source and expenditure by type); and
- ii. Budgeted Financial Position;

- iii. Budgeted Cash Flows;
- iv. Budgeted Capital by Asset Class and Funding

10.5. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) **approves** and **adopts** tariffs effective from 1 July 2025:

- 10.5.1 Property rates – as set out in Annexure F
- 10.5.2 Electricity – as set out in Annexure F
- 10.5.3 Water – as set out in Annexure F
- 10.5.4 Sanitation services – as set out in Annexure F
- 10.5.5 Solid waste services – as set out in Annexure F
- 10.5.6 Other services as set out in Annexure F

10.6. To give proper effect to the Consolidated Draft Annual Budget, the Council of Buffalo City Metropolitan Municipality **approves**:

- 10.6.1 That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
- 10.6.2 That an indigent consumer be given an average social subsidy package on his/her account as contained in table 15 of **Annexure B**.
- 10.6.3 That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
- 10.6.4 That free basic water be granted to a registered indigent of 6Kl per month.

10.7. The Buffalo City Metropolitan Municipality Council, **approves** and **adopts** the revised budget related policy:

- 10.7.1 Tariff Policy - as set out in Annexure G
- 10.7.2 Property Rates Policy – as set out in Annexure H
- 10.7.3 Investment & Cash Management Policy – as set out in Annexure T

10.8. That Council **notes** the budget-related policies adopted in the previous financial years and where no amendments have been made after review,

as listed in Section 2.4.1 of **Annexure B** and are available on BCMM's website at www.buffalocity.gov.za .

10.9. That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium-term revenue and expenditure framework as set out in Supporting Table SA7 be **approved**.

10.10. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the Draft Revised Integrated Development Plan be **approved**.

10.11. Council **notes** that the Consolidated Draft 2025/2026 MTREF Budget tabled for adoption is structured in terms of the Buffalo City Metropolitan Municipality votes and functions.

10.12. MFMA Circular 129 and 130 for the Draft 2025/2026 MTREF attached as Annexure X be **noted** by Council.



P. FAKU
EXECUTIVE MAYOR
BUFFALO CITY METROPOLITAN MUNICIPALITY

DATE

ANNEXURES:

- A: Draft Revised 2025/2026 Buffalo City Metropolitan Municipality Integrated Development Plan
- B: Draft 2025/2026 - 2027/2028 Buffalo City Metropolitan Municipality Medium-Term Revenue and Expenditure Framework Budget
- C.1 Draft 2025/2026 MTREF Capital Projects - Per Programme/Project
- C.2. Draft 2025/2026 MTREF Capital Projects – Detailed Schedule
- D.1. Draft 2025/2026 MTREF Operating Projects-Per Programme/Project
- D.2. Draft 2025/2026 MTREF Operating Projects – Detailed Schedule
- E: BCMM mSCOA Systems Implementation Status Report
- F: 2025/2026 Tariff Book
- G: 2025/2026 Tariff Policy
- H: 2025/2026 Property Rates Policy & Property Rates By-Law
- I: 2025/2026 Supply Chain Management Policy
- J: 2025/2026 Immovable Asset Policy
- K: 2025/2026 Movable Asset Policy
- L: 2025/2026 Budget Virement Policy
- M: 2025/2026 Funding and Reserves Policy
- N: 2025/2026 Credit Control Policy
- O: 2025/2026 Indigent Support Policy
- P: 2025/2026 Long-Term Borrowing Policy
- Q: 2025/2026 Capital Infrastructure Investment Policy
- R: 2025/2026 Long-Term Financial Planning Policy
- S: 2025/2026 Budget Management and Oversight Policy
- T: 2025/2026 Investment & Cash Management Policy
- U: 2025/2026 Cost Containment Policy
- V: 2025/2026 Receipting Policy
- W: 2025/2026 Service Level Standards
- X: MFMA Circular 129 and 130
- Y: Consolidated Draft 2025/2026 MTREF A-Schedules
- Z: Draft 2025/2026 MTREF A-Schedules (Parent)
- AA: Draft 2025/2026 MTREF D-Schedules (Municipal Entity: BCMDA)
- AB: Draft 2025/2026 Built Environmental Performance Plan: BCMM Catalytic Land Development Programmes