

REPORT TO BCMM COUNCIL: 27 MARCH 2019

**BUFFALO CITY METROPOLITAN MUNICIPALITY'S DRAFT 2019/2020
INTEGRATED DEVELOPMENT PLAN REVIEW AND MEDIUM TERM
REVENUE AND EXPENDITURE FRAMEWORK (MTREF) AND BUILT
ENVIRONMENT PERFORMANCE PLAN (BEPP)**

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1. PURPOSE

The purpose of this report is for Council to adopt Buffalo City Metropolitan Municipality's 2019/20 draft Integrated Development Plan (IDP) review and Medium Term Revenue and Expenditure Framework (MTREF) and Built Environment Performance Plan (BEPP).

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;
- 3.3. The Municipal Structures Act no. 117 of 1998;
- 3.4. The Municipal Finance Management Act no. 56 of 2003; and
- 3.5. MFMA Budget Circular 93 and 94

4. BACKGROUND / REASONING

Council adopted an IDP/Budget/PMS Process Plan, in compliance with section 28 of the Municipal Systems Act no 32 of 2000 as amended. The plan outlines the process to be followed in reviewing Buffalo City Municipality Metro's Integrated Development Plan (IDP) and Budget.

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.

Section 34 of the Municipal Systems Act 32 of 2000 as amended, further states that a municipal council must review its integrated development plan:

- (i) Annually in accordance with an assessment of its performance measurements; and
- (ii) To the extent that changing circumstances so demand.

In compliance with the above, Buffalo City Metropolitan Municipality has embarked on a review to further develop its IDP and Budget towards the 2019/20 financial year 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.

Annual revisions allow the municipality to expand upon or refine plans and strategies, to include additional issues and to ensure that these plans and strategies inform institutional and financial planning. The review and amendment of the IDP thus, further develops the IDP and ensures that it remains the principal management tool and strategic instrument for the Municipality.

In compliance with the above provisions, the Buffalo City Metropolitan Municipality's 2019/20 reviewed IDP has been prepared and submitted to Council for adoption, kindly refer to table 1 below for the structure of the revised IDP. Refer to attached annexure A for 2019/2020 Buffalo City Metropolitan Municipality Integrated Development Plan.

Table 1: Structure of Revised IDP 2019/2020

SECTION A	INTRODUCTION 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. It also outlines the process that was followed in the review of the IDP.
SECTION B	SITUATIONAL ANALYSIS 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.
SECTION C	SPATIAL DEVELOPMENT FRAMEWORK This section details BCMM's current reality and a new vision for spatial development. It also outlines spatial development objectives and strategies as well as special development areas.
SECTION D	DEVELOPMENT OBJECTIVES, STRATEGIES, INDICATORS AND TARGETS Contains Council's development objectives, strategies, indicators and targets for the entire term of Council.
SECTION E	BUDGET, PROGRAMMES AND PROJECTS This section details the capital budget which is aligned to IDP Objectives as well as programmes and projects.
SECTION F	FINANCIAL PLAN A strategic framework for financial management, key financial policies and strategies are outlined in this section.
SECTION G	OPERATIONAL PLAN This section outlines the structure of the municipality providing a breakdown for each directorate.

5. EXPOSITION OF FACTS

5.1 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 review towards 2019/20 financial year:

Table 2: IDP Review Process Undertaken

Activity	Date	Purpose
External Stakeholders Needs and Priorities	08 August 2018	To solicit external stakeholders needs and priorities through an advertisement placed in the local newspaper.
External Representative Forum Meeting	12 August 2018	Presentation of the IDP/Budget Process Plan and to provide feedback on previous financial year's performance to external stakeholders.
IDP Councillors Workshop	17 August 2018	Outlining the IDP/Budget Review process in order to ensure common understanding and full participation in the process.
Council adopts IDP/Budget/PMS process plan for 2019/20	29 August 2018	Adoption of IDP/Budget Process Plan
Ward Needs and Priorities	01 October – 21 November 2018	To request Ward Councillors to submit the top 5 needs and priorities of each ward.
Mayoral Imbizo Programme	09-12 Oct 2018	<ul style="list-style-type: none"> • Executive Mayor interaction with communities and capturing of needs and priorities • To provide feedback on issues raised during the last public consultation process • To share planned capital and operating expenditure earmarked for their respective areas • To highlight key achievements of the Metro.
Executive Mayoral Lekgotla	01 November 201	To present and review: <ul style="list-style-type: none"> • Strategic objectives for service delivery and development • Outline broad capital budget allocations for the 2018/19 – 20/21 MTREF period.
Councillors Session	09 November 2018	<ul style="list-style-type: none"> • Provide feedback from the Executive Mayoral Lekgotla; • Determine Strategic Priorities of the Institution for 2019-2021; • Consider reviewed BCMM Policies; • Review the BCMM Organisational structure; • Consider BCMM's delegations' framework

Activity	Date	Purpose
National Treasury Mid-Year Budget and Performance Assessment Visit	11 February 2019	To conduct a mid-year assessment of the municipality in preparation for the adjustment budget in terms of MFMA.
Top Management Technical Planning Session	14-15 February 2019	To consider: <ul style="list-style-type: none"> • Mid-year adjustment budget and service delivery targets; • Draft Integrated Development Plan and MTREF Budget
Councillors workshop	15 and 19 March 2019	Confirmation of draft IDP 2019-20 and MTREF Budget
IDP Workstream Meetings	Ongoing	To confirm draft projects and programmes for 2019/20.
External IDP/Budget Representative Forum Meeting	14 March 2019	<ul style="list-style-type: none"> • To present draft IDP 2019 - 2021 and MTREF Budget. • To report on 2015/16 SDBIP 2nd quarter performance.
Council Meeting	Scheduled for 27 March 2019	To adopt draft IDP 2019-2021 and MTREF Budget

5.2 KEY INFORMANTS

The IDP review towards the 2019/20 financial year has taken cognisance of both internal and external factors which include the above-mentioned process as well as the following key national and provincial events:

5.2.1 BCMM priorities from the Executive Mayoral Lekgotla

The BCMM Council Lekgotla held from the 7-8 November 2017 considered and further expand on outcomes of the Executive Mayoral Lekgotla, Review of strategic objectives for service delivery and development. Furthermore, the review process has stressed the need to align the IDP with Council 10-point plan arising from the Council Lekgotla of 2016.



Figure 1: Council 10-point plan

5.3 BCMM KEY AMENDMENTS FOR IDP REVISION 2019/20

5.3.1 Proposed High-level Changes

All processes undertaken above contributed to the IDP/Budget review towards the 2019/20 financial year. During the review process BCMM's vision, mission and key strategic focus areas were revisited. Consequently, the vision, mission and values encapsulated in the IDP and MGDS remain unchanged for this review, with the exception of one additional value to the Core Values of Council.

Some additions were also made in the form of Key Focus Areas as aligned to the five (5) Strategic Outcomes, five (5) Strategic Objectives and the Ten-point Plan of Council to provide a more logical construction of the building blocks of the IDP so that it makes strategic and operational sense. A graphic representation of the amended building blocks is depicted as follows:

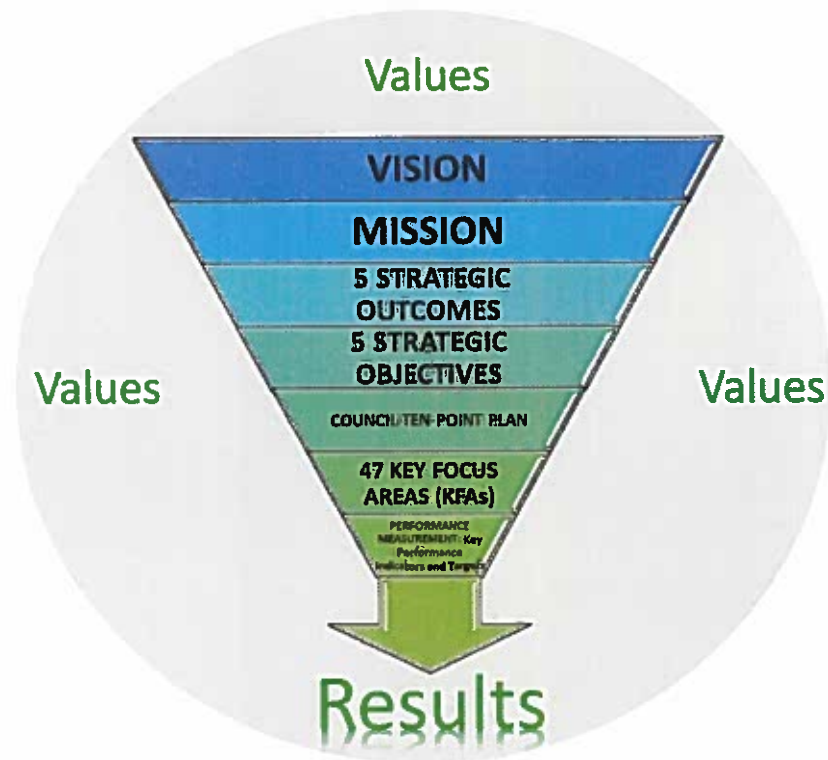


Figure 2: IDP Building Blocks

5.3.2 IDP Review Recommendations

In summary, the IDP Review Recommendations to Council are to:

- a) Retain the Vision Statement of the 5-year IDP and Long-term MGDS;
- b) Retain the Mission Statement of the 5-year IDP and Long-term MGDS;
- c) Add one more core value to the Core Values, i.e. Financial Self-sufficiency;
- d) Retain the 5 Strategic Outcomes in the 5-year IDP and Long-term MGDS;
- e) Confirm Council's Ten-point Plan as the political directive for all strategic choices;

- f) Approve the 47 Key Focus Areas in order to re-structure the IDP, Budget and PMS in closer alignment with the core functions of BCMM;
- g) Approve the 25 top priorities as arranged in accordance with the respective Strategic Outcomes of the MGDS and IDP, for the Revised IDP for 2019/2020;
- h) Approve that multi-disciplinary teams be established with the purpose of unpacking the consistent problems listed above into solutions; and
- i) Approve the proposed projects, programmes and key initiatives be duly considered as priority interventions that must be taken into account during the budgeting process

5.4 MTREF BUDGET (2019/2020 – 2021/2022)

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

Table 3: Budget Assumption

DESCRIPTION	2018/2019	2019/2020	2020/2021	2021/2022
National Treasury Headline Inflation Forecasts	5.30%	5.20%	5.40%	5.40%
Salaries	6.30%	6.70%	6.65%	6.65%
Electricity Purchases	7.32%	9.40%	8.10%	5.20%
Water Purchases	9.46%	6.85%	7.85%	8.85%
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	R 614.88	R 671.28	R 725.20	R 770.47
Equitable Share Allocation	R 778 048 000	R 847,431,000	R 910,772,000	R 980,854,000
Bad Debt Provision	7.50%	7.50%	7.50%	7.50%
Property Rates	0.00%	9.00%	8.00%	5.40%
Refuse Tariff	9.20%	9.35%	8.00%	5.40%
Sewerage Tariff	8.80%	9.40%	8.00%	5.40%
Electricity Tariff	6.84%	8.39%	8.39%	8.39%
Water Tariff	9.00%	9.40%	8.00%	9.85%
Fire Levy	9.00%	9.30%	7.90%	5.40%
Sundry Income	9.00%	9.30%	7.90%	5.40%

- i. Property Rates are projected to increase by 9% for 2019/20 financial year, an increase of 8% is set for 2020/21 financial year and it is then reduced to 5.4% in the 2021/22 financial year.
- ii. Refuse Removal has been projected to increase by 9.35% for the 2019/20, slightly decreases to 8% in 2020/21 and further decreases to 5.4% in 2021/22 financial year.
- iii. Water Service tariff increases are projected at 9.4%, 8%, and 9.85% over the 2019/20 MTREF period respectively.
- iv. On Electricity, the tariff will increase by 8.39% in each year over the 2019/20 MTREF period. The City has followed the proposed NERSA increase calculation guideline using the MFMA Circular 94 projected CPI.
- v. The Sewerage tariff increase has also been kept below double digit percentage increase, it will increase by 9.4% for the 2019/20; 8% and 5.4% in the outer years respectively.
- vi. Revenue Collection Rate of 92.5% has been projected.
- vii. Repairs and maintenance budget is currently 6% 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 and historic deferred maintenance.
- viii. Employee costs as a percentage of total operating cost is increasing to 33% in the 2019/20 financial year and expected to remain constant over the MTREF. Though this rate is still within the norm of 25% to 40% as per MFMA Circular 71, the increasing trend is a concern that require close monitoring.
- ix. An increase of CPI plus 1.5% was factored in the employee costs.
- x. The City has established a Revenue Protection Unit, the main aim of this unit is to reduce the losses; however, there is a limit to what can be done with limited resources in the short term and the extent to which losses can be limited.
- xi. Filling of vacant funded posts remain frozen with the exception of few critical posts.
- xii. The employee allowances that are paid by the City are under review to eliminate possible duplication.

- xiii. The exercise of scrutinising cost drivers within our value chain to identify areas for efficiency improvement is still on-going.

The following budget principles and guidelines informed and provided the bases for the compilation of the draft 2019/20 MTREF budget:

- i. The 2018/19 mid-year adjustment budget and actual figures were used as the baseline for the draft 2019/20 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,
- ii. The reassessment of activities was also undertaken in order to revise the baseline where circumstances have changed.
- iii. The 2017/18 audited actual figures were also taken into consideration to assess trend changes.
- iv. The service charge tariffs have been calculated taking into consideration the input costs of generating the services.
- v. Ability to maintain and renew existing assets whilst also addressing the backlogs was part of the consideration.
- vi. The affordability of the service charges to the consumers was one of the guiding principles.

6. CHALLENGES

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 2019/20 MTREF. The following are the associated risks with achieving the 2019/20 MTREF projections:

- i. Negative global, national and local economic climate resulting in high unemployment which lead in low collection rate and rise in bad debts.
- ii. Increase in input costs to the provision of basic services could lead to trading services operating at a deficit.
- iii. Aging infrastructure is a risk could disrupt the provision of services and cause unhappy consumer that might decide not to honour the municipal accounts.
- iv. Electricity and water losses.

7. STAFF IMPLICATIONS

None

8. FINANCIAL IMPLICATIONS

The following table is an overview of the draft 2019/20 MTREF reflecting a surplus of R0.792 million for the 2019/20 financial year (2020/21: R0.872 million and 2021/22: R0.959 million). A detailed budget report is attached as Annexure B:

Table 4: Overview of the draft 2019/20 MTREF Budget

OPERATING AND CAPITAL BUDGET EXPENDITURE	2018/2019 ADOPTED BUDGET	2018/2019 MID-YEAR ADJ. BUDGET	2019/2020 DRAFT BUDGET	2020/2021 DRAFT BUDGET	2021/2022 DRAFT BUDGET
Total Revenue	6,517,222,263	6,550,819,170	6,972,007,779	7,549,114,759	8,129,533,270
Total Operating Expenditure Excluding Operating Projects	6,200,209,545	6,210,848,646	6,584,617,080	7,105,473,848	7,614,571,628
Operating Projects	313,088,277	336,012,798	386,598,389	442,769,371	514,002,948
Total Operating Expenditure Including Operating Projects	6,513,297,822	6,546,861,444	6,971,215,469	7,548,243,219	8,128,574,576
(Surplus) / Deficit	3,924,441	3,957,726	792,310	871,540	958,694
Total Capital Expenditure	1,753,141,990	1,912,299,994	1,736,480,865	1,903,673,555	2,024,447,572
Total Opex and Capex Budget	8,266,439,812	8,459,161,438	8,707,696,334	9,451,916,774	10,153,022,148

9. OTHER PARTIES CONSULTED

9.1 Council

9.2 Mayoral Committee

9.3 Budget Steering Committee

9.4 IDP/PMS Portfolio Head

9.5 BCMM Top Management

9.6 BCMM Directorates

9.7 External Stakeholders

10. RECOMMENDATIONS

10.1. The Council of Buffalo City Metropolitan Municipality, acting in terms of Section 34 of the Municipal Systems Act, 32 of 2000 approves and adopts the revised draft 2019/20 Integrated Development Plan (IDP).

10.2. The Council of Buffalo City Metropolitan Municipality, acting in terms of DoRA, 2019 approves and adopts the draft 2019/20 Built Environment Performance Plan (BEPP)

10.3. 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:

10.3.1 The consolidated draft annual budget of the municipality for the 2019/20 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 standard 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 and standard classification and associated 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. 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 draft tariffs effective from 1 July 2019:

10.4.1 Property rates – as set out in Annexure F

10.4.2 Electricity – as set out in Annexure F

10.4.3 Water – as set out in Annexure F

10.4.4 Sanitation services – as set out in Annexure F

10.4.5 Solid waste services – as set out in Annexure F

10.4.6 Other services as set out in Annexure F

10.5. To give proper effect to the municipality's draft annual budget, the Council of Buffalo City Metropolitan Municipality approves:

10.5.1 That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.

10.5.2 That an indigent consumer be given a maximum subsidy on his/her account of R671.28

10.5.3 That free basic electricity be granted for a registered indigent consumer of 50KWh per month.

10.5.4 That free basic water be granted to a registered indigent of 6Kl per month.

10.6. The Buffalo City Metropolitan Municipality Council, approves and adopts the revised draft budgeted related policy as set out in Annexures K:

10.6.1 Budget Virement Policy

10.7. That Council note the budget-related policies adopted in the previous financial years and where no amendments have been made after review, as listed in Section 1.3.8.3 of Annexure B and are available on BCMM's website at www.buffalocitymetro.gov.za .

10.8. That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the draft 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.

10.9. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the amendments to the draft Integrated Development Plan as set out in the Budget Chapter 17 be approved.

10.10. Council notes that the consolidated 2019/20 draft MTREF Budget tabled for adoption is structured in terms of the Buffalo City Metropolitan Municipality votes and functions.

10.11. MFMA Budget Circular 93 and 94 for the 2019/20 draft MTREF attached as Annexure N to be noted by Council.

10.12. Council notes that the investment strategy is being finalised which will give effect to business rebates in an effort of lowering cost of doing business in the BCMM jurisdiction, this policy shall be adopted by Council by 31 May 2019 as it will have an impact to the adopted 2019/20 MTREF budget.



X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

22/03/2019.
DATE

ANNEXURES:

- A: 2019/20 Revised Buffalo City Metropolitan Municipality Integrated Development Plan**
- B: 2019/20 - 2021/22 Draft Buffalo City Metropolitan Municipality Medium Term Revenue and Expenditure Framework Budget**
- C: 2019/20 Draft MTREF Capital Projects**
- D: 2019/20 Draft MTREF Operating Projects**
- E: BCMM MSCOA Project Plan**
- F: 2019/20 Tariff Book**
- G: 2019/20 Tariff Policy**
- H: 2019/20 Property Rates Policy & Property Rates By-Law**
- I: 2019/20 Supply Chain Management Policy**
- J: 2019/20 Immovable Asset Policy**
- K: 2019/20 Budget Virement Policy**
- L: 2019/20 Built Environmental Performance Plan**
- M: 2019/20 Service Level Standards**
- N: MFMA Budget Circular 93 and 94**
- O: 2019/20 Consolidated Budget Schedules**