

## **REPORT TO BCMM COUNCIL: 30 MAY 2018**

# **BUFFALO CITY METROPOLITAN MUNICIPALITY'S 2018/2019 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 2018/19 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**

- The Constitution of the Republic of South Africa, Act 108 of 1996
- The Municipal Systems Act no. 32 of 2000, as amended;
- The Municipal Structures Act no. 117 of 1998;
- The Municipal Finance Management Act no. 56 of 2003; and
- Circular 89 and 91 of the MFMA.

#### **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 2018/19 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 2018/19 reviewed IDP has been prepared and submitted to Council for adoption, see attached annexure A. (Sections attached; 1. Overview by the City Manager. 2. Executive Summary. 3. Section B - Situational Analysis. 4. Section D – IDP Objective, Strategies, KPIs and Targets. 5 Section E – Budget, Programmes and

Projects. 6. Section F – Financial Plan. 7. Ward Priorities. 8. IDP/Budget Process Plan.

## **EXPOSITION OF FACTS**

### **4.1 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 in line with the IDP review towards 2018/19 financial year:

<b>ACTIVITY</b>	<b>DATE</b>	<b>PURPOSE</b>
IDP Councillors Workshop	17 August 2017	Presentation of: <ul style="list-style-type: none"> <li>• 2016/17 BCMM Institutional Performance Report</li> <li>• Presentation of draft IDP Review Process Plan</li> </ul>
External Representative Forum Meeting	24 August 2017	Presentation of the draft IDP/ 2017/18 Process Plan and to provide feedback on 2016/17 performance to external stakeholders
Council Meeting	25 August 2017	Adoption of 2017/18 IDP Process Plan
Ward priorities	5-30 September 2017	Review of Ward priorities for consideration and inclusion in the 2018/19 IDP Review and MTREF budget
Technical Strategic Planning Session	18-19 September 2017	To provide a single high-level consolidation of strategic interventions and deliverables for the current MTREF.  To provide a clear plan on how the municipality administration will consolidate and fast-track improvements in service delivery  To co-ordinate the implementation of strategic intervention including the catalytic projects in an improved manner which take cognizance of faster turn-around times for discussion making and implementation
Technical IGR Forum Meeting	22 September 2017	Process plan and expectations  Progress report on programmes and projects
IDP Technical Work Stream Meetings	2 October 2017	Progress on situational analysis
Mayoral Imbizo Programme	10,12,13, and 15 October 2017	Executive Mayor to interact with communities  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.
BCMM Council Lekgotla	7-8 November 2017	To consider and further expand on outcomes of the Executive Mayoral Lekgotla

<b>ACTIVITY</b>	<b>DATE</b>	<b>PURPOSE</b>
Top Management Technical Planning Session	8-9 February 2018	Session to consider: <ul style="list-style-type: none"> <li>• Mayoral Lekgotla Priorities</li> <li>• Mid-year adjustment budget and service delivery targets</li> <li>• Draft IDP Objectives, Strategies and Projects</li> </ul>
IDP Technical Work Stream Meetings	15 February 2018	To consider: <ul style="list-style-type: none"> <li>• 2017/18 Draft IDP Objectives, Strategies, Indicators and Targets; and</li> <li>• Draft 2017/18 MTREF Budget</li> <li>• Reflect on the progress to date of ward priorities</li> </ul>
IDP Political Work Stream Meetings	16 February 2018	To consider: <ul style="list-style-type: none"> <li>• 2017/18 Draft IDP Objectives, Strategies, Indicators and Targets; and</li> <li>• Draft 2017/18 MTREF Budget</li> <li>• Reflect on the progress to date of ward priorities</li> </ul>
IDP/Budget Councillors Workshop	19-20 March 2018	To consider: <ul style="list-style-type: none"> <li>• 2018/19 Draft IDP Objectives, Strategies, Indicators and Targets; and</li> <li>• Draft 2018/19 MTREF Budget</li> <li>• -BCMM Policies</li> </ul>
Council Meeting	28 March 2017	To adopt draft IDP Review 2018/19 and MTREF Budget
IDP Budget Road Shows	19 April – 14 May 2018	IDP Budget Road Shows: <ul style="list-style-type: none"> <li>• Present summarised draft IDP &amp; Budget</li> <li>• BCMM response to key issues raised by wards</li> <li>• Highlight planned projects and programmes</li> </ul>
Draft IDP/Budget Consultation	9-10 May 2018	Consultation with Organised Business and Traditional Leadership on the Draft 2018/19 IDP & Budget <ul style="list-style-type: none"> <li>• Business Breakfast</li> <li>• Session with traditional leadership</li> </ul>
Council Open Day	16 May 2018	To open dialog will all BCMM stakeholder on draft IDP and Budget <ul style="list-style-type: none"> <li>• To present the outcome of the IDP/Budget roadshows</li> <li>• To present the Draft IDP/Budget</li> </ul>

ACTIVITY	DATE	PURPOSE
BCMM IDP/Budget & Policies Workshop for Councillors & Traditional Leaders	20 - 22 May 2018	Session to consider and debate on: <ul style="list-style-type: none"> <li>• Finance related policies</li> <li>• Medium Term Revenue and Expenditure Framework Budget</li> <li>• Draft IDP Review</li> </ul> Council Workshop on the final IDP/Budget before adoption
Council Meeting	30 May 2018	Council to: <ul style="list-style-type: none"> <li>• Approval of final 2018/19 IDP review and MTREF Budget and Finance related policies</li> <li>• Approval of final BEPP</li> </ul>

## 4.2 KEY INFORMANTS

The IDP review towards 2018/19 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:

### 4.2.1 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

### 4.3 BCMM STRATEGIC OUTCOMES

All processes undertaken above contributed to the IDP/Budget review towards 2018/19 financial year. During the review process BCMM's vision, mission and key strategic focus areas were revisited and they remain unchanged. The strategic focus areas are outlined below:

#### 4.3.1 Strategic Focus Areas

Buffalo City Metropolitan Municipality strives to realise the following 5 strategic outcomes by the year 2030.

- **An innovative and productive city:** with rapid and inclusive economic growth, and falling unemployment
- **A green city:** environmentally sustainable with optimal benefits from our natural assets. A clean and healthy city of subtropical gardens.
- **A connected city:** high-quality (and competitively priced) connections to ICT, electricity and transport networks (inside the city and to the outside world).
- **A spatially-integrated city:** the spatial divisions and fragmentation of the apartheid past are progressively overcome and township economies have become more productive.
- **A well-governed city:** a smart and responsive municipality (working with other levels of government) that plans and efficiently delivers high quality services and cost effective infrastructure, without maladministration and political disruptions.



#### 4.4 MTREF BUDGET (2018/2019 – 2020/2021)

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

DESCRIPTION	2017/2018	2018/2019	2019/2020	2020/2021
<b>National Treasury Headline Inflation Forecasts</b>	<b>6.40%</b>	<b>5.30%</b>	<b>5.70%</b>	<b>5.60%</b>
<b>Salaries</b>	<b>7.40%</b>	<b>6.30%</b>	<b>5.40%</b>	<b>5.50%</b>
<b>Electricity Purchases</b>	<b>0.31%</b>	<b>7.32%</b>	<b>7.32%</b>	<b>7.32%</b>
<b>Water Purchases</b>	<b>10.00%</b>	<b>9.46%</b>	<b>9.46%</b>	<b>9.46%</b>
<b>Free Basic Electricity</b>	<b>50 kwh p.m.</b>	<b>50 kwh p.m.</b>	<b>50 kwh p.m.</b>	<b>50 kwh p.m.</b>
<b>Free Basic Water</b>	<b>6 kl p.m.</b>	<b>6 kl p.m.</b>	<b>6 kl p.m.</b>	<b>6 kl p.m.</b>
<b>Basic Welfare Package</b>	<b>R 623.11</b>	<b>R 614.71</b>	<b>R 668.45</b>	<b>R 721.16</b>
<b>Equitable Share Allocation</b>	<b>R 705 277 000</b>	<b>R 778 048 000</b>	<b>R 844 411 000</b>	<b>R 918 677 000</b>
<b>Bad Debt Provision</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Property Rates</b>	<b>9.60%</b>	<b>0.00%</b>	<b>9.00%</b>	<b>8.00%</b>
<b>Refuse Tariff</b>	<b>9.80%</b>	<b>9.20%</b>	<b>8.70%</b>	<b>8.00%</b>
<b>Sewerage Tariff</b>	<b>9.80%</b>	<b>8.80%</b>	<b>9.30%</b>	<b>8.00%</b>
<b>Electricity Tariff</b>	<b>1.88%</b>	<b>6.84%</b>	<b>6.84%</b>	<b>6.84%</b>
<b>Water Tariff</b>	<b>9.50%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>8.00%</b>
<b>Fire Levy</b>	<b>9.20%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>8.00%</b>
<b>Sundry Income</b>	<b>9.20%</b>	<b>9.00%</b>	<b>8.00%</b>	<b>7.90%</b>

- Property Rates have no increase projected for 2018/19 financial year due to implementation of the new general valuation roll, an increase of 9% is set for 2019/20 financial year and it is then reduced to 8% in the 2020/21 financial year
- Refuse Removal has been projected to increase by 9.2% for the 2018/19, slightly decreases to 8.7% in 2019/20 and further decreases to 8.0% in 2020/21 financial year.
- Water Service tariff increases are projected at 9%, 9%, and 8% over the 2018/19 MTREF period respectively.
- On Electricity, the tariff will increase by 6.84% in each year over the 2018/19 MTREF period. The City has followed the proposed NERSA increase calculation guideline using the MFMA Circular 91 projected CPI.
- The Sewerage tariff increase has also been kept below double digit percentage increase, it will increase by 8.8% for the 2018/19; 9.3% and 8.0% in the outer years respectively.
- Revenue Collection Rate of 92.5% has been projected.
- Repairs and maintenance budget is currently 6.2% 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.
- Employee costs as a percentage of total operating cost is slightly increasing to 30% in the 2018/19 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.
- An increase of CPI plus one was factored in the employee costs.
- 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.
- The overall average of non-revenue water amounts to 41.5% at 30 April 2018 and is anticipated to decrease to 30% by 2020/21.
- Feeling of vacant funded posts remain frozen with the exception of few critical posts.
- The employee allowances that are paid by the City are under review to eliminate possible duplication.

- 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 2018/19 MTREF budget:

- The 2017/18 mid-year adjustment budget and actual figures were used as the baseline for the 2018/19 MTREF budget. Further, reassessment of activities were undertaken to determine if there have been any changes of circumstance that have impact on the compilation of the budget,
- The reassessment of activities was also undertaken in order to revise the baseline where circumstances have changed.
- The 2016/17 audited actual figures were also taken into consideration to assess trend changes.
- The service charge tariffs have been calculated taking into consideration the input costs of generating the services.
- Ability to maintain and renew existing assets whilst also addressing the backlogs was part of the consideration.
- The affordability of the service charges to the consumers was one of the guiding principles.

## **5. 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 2018/19 MTREF. The following are the associated risks with achieving the 2018/19 MTREF projections:

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

## 6. STAFF IMPLICATIONS

None

## 7. FINANCIAL IMPLICATIONS

The following table is a consolidated overview of the 2018/19 MTREF reflecting a surplus of R1.63 million for the 2018/19 financial year (2019/20: R7.5 million and 2020/21: R7.1 million). Detailed budget report is attached as Annexure B:

### Consolidated Overview of the 2018/19 MTREF Budget

OPERATING AND CAPITAL BUDGET EXPENDITURE	2017/2018 ADOPTED BUDGET YR1	2017/2018 MID-YEAR ADJ BUDGET	2018/2019 FINAL BUDGET	2019/2020 FINAL BUDGET	2020/2021 FINAL BUDGET
Total Revenue	(6 189 006 311)	(5 937 023 597)	(6 504 899 549)	(7 041 560 997)	(7 604 268 215)
Total Operating Expenditure Excluding Operating Projects	5 888 106 374	5 626 693 266	6 190 965 726	6 643 058 285	7 218 988 639
Operating Projects	299 973 450	309 403 868	312 301 180	390 996 257	378 200 424
Total Operating Expenditure Including Operating Projects	6 188 079 824	5 936 097 134	6 503 266 905	7 034 054 542	7 597 189 062
(Surplus) / Deficit	(926 487)	(926 463)	(1 632 643)	(7 506 455)	(7 079 152)
Total Capital Expenditure	1 645 204 112	1 634 319 576	1 750 850 240	2 288 576 840	2 174 403 420
Total Opex and Capex Budget	7 833 283 936	7 570 416 710	8 254 117 145	9 322 631 382	9 771 592 482

## 8. OTHER PARTIES CONSULTED

- Council
- Mayoral Committee
- IDP/PMS Portfolio Head
- BCMM Top Management
- BCMM Directorates
- External Stakeholders

## **9. RECOMMENDATIONS**

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 2018/19 Integrated Development Plan (IDP).
  
2. The Council of Buffalo City Metropolitan Municipality, acting in terms of DoRA, 2018 approves and adopts the 2018/19 Built Environment Performance Plan (BEPP)
  
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:
  - 3.1 The annual budget of the parent municipality (BCMM) for the 2018/19 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:
    - 3.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification);
    - 3.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote);
    - 3.1.3 Budgeted Financial Performance (revenue by source and expenditure by type); and
    - 3.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
    - 3.1.5 Budgeted Financial Position;
    - 3.1.6 Budgeted Cash Flows;
    - 3.1.7 Reserves and accumulated surplus reconciliation;
    - 3.1.8 Asset management; and
    - 3.1.9 Basic service delivery measurement.

3.2 The annual budget of the municipal entity (BCMDA) for the 2018/19 MTREF as set out in the following tables:

3.2.1 Budgeted Financial Performance (revenue by source and expenditure by type);

3.2.2 Budgeted Financial Position; and

3.2.3 Budgeted Cash Flows;

3.2.4 Budgeted Capital by Vote and Funding.

3.3 The consolidated annual budget of the municipality, the 2018/19 MTREF as set out in the following tables:

3.3.1 Budgeted Financial Performance (revenue by source and expenditure by type);

3.3.2 Budgeted Financial Position;

3.3.3 Budgeted Cash Flows;

3.3.4 Reserves and accumulated surplus reconciliation;

4. The Council of Buffalo City Metropolitan Municipality Council, 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 2018:

4.1 property rates – as set out in Annexure F

4.2 electricity – as set out in Annexure F

4.3 water – as set out in Annexure F

4.4 sanitation services – as set out in Annexure F

4.5 solid waste services – as set out in Annexure F

4.6 other services as set out in Annexure F

5. To give proper effect to the municipality's annual budget, the Council of Buffalo City Metropolitan Municipality approves:
  - 5.1 That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
  - 5.2 That an indigent consumer be given a maximum subsidy on his/her account of R614.71
  - 5.3 That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
  - 5.4 That free basic water be granted to a registered indigent of 6KI per month.
  
6. The Buffalo City Metropolitan Municipality Council, approves and adopts the revised budgeted related policies as set out in Annexures F, H, I, J and K:
  - 6.1 Tariff Policy
  - 6.2 Property Rates Policy
  - 6.3 Supply Chain Management Policy
  - 6.4 Immovable Asset Management Policy
  - 6.5 Budget Virement Policy
  
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 1.3.8.2 of Annexure B and are available on BCMM's website at [www.buffalocitymetro.gov.za](http://www.buffalocitymetro.gov.za) .
  
8. 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.
  
9. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the amendments to the Integrated Development Plan as set out in the Budget Chapter 17 be approved.

10. Council notes that the 2018/19 MTREF Budget tabled for adoption is structured in terms of the then Buffalo City Metropolitan Municipality votes and functions.
  
11. MFMA Circular 89 and 91 Municipal Budget Circular for the 2018/19 MTREF attached as Annexure N to be noted by Council.



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**X. PAKATI**

**EXECUTIVE MAYOR**



## **ANNEXURES:**

- A: 2018/2019 Buffalo City Metropolitan Municipality Integrated Development Plan
- B: 2018/19 - 2020/21 Buffalo City Metropolitan Municipality Medium Term Revenue and Expenditure Framework Budget
- C: 2018/19 MTREF Capital Projects
- D: 2018/19 MTREF Operating Projects
- E: BCMM MSCOA Project Plan
- F: 2018/2019 Tariff Book
- G: 2018/2019 Tariff Policy
- H: 2018/2019 Property Rates Policy & Property Rates By-law
- I: 2018/2019 Supply Chain Management Policy
- J: 2018/2019 Immovable Asset Policy
- K: 2018/19 Budget Virement Policy
- L: 2018/2019 Built Environmental Performance Plan
- M: 2018/2019 Service Level Standards
- N: Circular 89 and Circular 91 of the MFMA
- O: 2018/2019 D Budget Schedules
- P: 2018/2019 Parent Budget Schedules
- Q: 2018/2019 Consolidated Budget Schedules