

## PART 1 – ANNUAL BUDGET

### 1.1 EXECUTIVE MAYOR'S REPORT

On 26 February 2020, the Honourable Minister of Finance tabled his budget speech. The speech reflected the following economic indicators, challenges and growth reform amongst others:

- The economic outlook is weak. Real GDP is expected to grow at 0.9 per cent in 2020, 1.3 per cent in 2021 and 1.6 per cent in 2022.
- The public finances continue to deteriorate.
- Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget.
- Debt is not projected to stabilise over the medium term, and debt-service costs now absorb 15.2 per cent of main budget revenue.
- Halting the fiscal deterioration requires a combination of continued spending restraint, faster economic growth, and measures to contain financial demands from distressed state-owned companies.
- Achieving faster economic growth requires far-reaching structural reforms.

National Government is putting main focus on growth reforms to lower the cost of doing business, inter alia:

- **On electricity**, there is a drive to acquire additional electricity from Independent Power Producers (IPPs), as a response to the challenges that are facing power supply by ESKOM.
- **On Ports**, accelerate corporatisation of National Ports Authority.
- **On Rail**, Economic Regulation of Transport Bill to be put before Parliament; implicit subsidisation of road freight should cease.
- **On Telecommunication**, accelerate digital migration and continue work to release spectrum through an auction.

On 05 March 2020, the Honourable MEC for Finance in our Province tabled the provincial budget speech. The speech highlighted the following:

- The province continues to face high unemployment levels at 39.5% as compared to the national rate of 29.1%, according to the Labour Force Survey figures for the 4th Quarter of 2019.
- The province has untapped potential in the agricultural sector, however, this sector continues to perform below potential levels and has been in contraction mainly due to the severe drought experienced in the country.
- Thus, this sector (agriculture) lost approximately 1 000 jobs in 2019.
- The provincial manufacturing output, which is dominated by the automobile and auto components supplies, has also been declining for most of 2019, due to lower domestic consumer confidence, which affects new vehicles sales.
- This sector is also highly sensitive to changes in global trade of manufactured merchandise.
- The utilities sector (electricity and water), while in decline in 2019, mainly due to power supply disruptions, still managed to create 10 000 additional jobs within the renewable energy and water services subsectors.
- The provincial budget is premised upon the following principles:
  - Increase investment on projects that will grow the economy;
  - Improve fiscal discipline and governance;
  - Protect and grow critical socio-economic infrastructure; and
  - Keep public expenditure at sustainable levels

The above principles as set up by our Honourable MEC for Finance in our province are equally applicable to our City.

The City remains committed in being the engine of economic growth within the province through:

- a) Proper planning and infrastructural development;

- b) Spreading of funds across social and economic infrastructure to ensure that the poor and the vulnerable remain a priority whilst also focussing on stimulating economic growth;
- c) Review of structures, processes, technology and skill development to improve revenue management;
- d) Evaluation of all our functions' effectiveness, efficiency and implementation of cost containment measures;
- e) Review of compliance and efficiencies across supply chain management in support of service delivery;
- f) Real and sustainable service delivery through improved implementation and productivity of performance management; and
- g) Improved execution of anti-fraud and corruption strategies, frameworks, policies, procedures and whistle blowing

The City was on course in the preparation of the draft 2020/2021 IDP Review, BEPP and MTREF Budget for tabling at Council on 31 March 2020. However, on 15 March 2020 President Cyril Ramaphosa addressed the nation, declaring a national State of Disaster in terms of the Disaster Management Act. On the same day, Co-operative Governance Minister Nkosazana Dlamini Zuma issued Government Gazette 43096 which declared a national State of Disaster, citing the "magnitude and severity of the COVID-19 outbreak which has been declared a global pandemic...". In compliance to the State of Disaster that was declared, all council sittings had to be postponed till further guidance from National Government.

In an open letter to South Africa, the president focused on the current coronavirus pandemic and its impact on the country's economy stating the need to address the inevitable economic fallout, the expected decline in exports, a drop in tourist arrivals and a severe impact on production, business viability and job creation and retention.

The South African Reserve Bank (SARB), on 6 April 2020, stated that the direct impact of the 21-day lockdown was a 2.6% economic contraction. Concerns have been raised

that the country's growth rate will continue to plunge if the coronavirus is not brought under control soon.

Citing the above, our plans as the City had to be revised to take cognisance of the impact that the coronavirus has caused to our environment economically and otherwise.

Though this budget has been compiled with great difficulty of economic contraction, our commitment to respond to our people's legitimate demand for a better life is still reflected in this budget wherein the **key priorities are Water and Sanitation, Roads and Storm water, Human Settlements development, Transport Planning, Electricity** and related **critical infrastructure and maintenance.**

Our City will continue to increase capacity to **water supply infrastructure whilst also attending to aging infrastructure.** We will continue with the roll-out of our **sanitation programme** in rural areas and informal settlements, as well as expanding the capacity of infrastructure **in our urban area to accommodate and open opportunities for further developments.**

BCMM continues to investigate potential alternative sources of energy to ensure a more sustainable energy mix by 2030. Several sustainable energy initiatives have been planned for implementation by the municipality. Energy-efficient municipal operations will provide a way to cut running costs while reducing negative impact on the natural capital.

As part of the City's long-term plan on human capital development, the City continues to allocate funding for internship programmes, especially in the areas of finance and infrastructure as well as the EPWP Programme. The City further continues to allocate funding for internal capacity building and bursaries for BCMM communities. This is in line with and reflects our commitment to the priorities of the National Development Plan and Provincial Development Plan while of course reflecting our own Constitutional role as a local actor on the national stage. Furthermore, the Directorate of Economic Development

& Agencies is running various programmes in a bid to reduce unemployment and indigent rate in our Metro.

The presented budget attests that BCMM is a City hard at work and will continue to unite in action of eradicating service delivery backlogs and improvement of the lives of its community in the 2020/2021 MTREF period. There shall be no rest up until the City's vision has been realised.

Yours in Public Service,

A handwritten signature in black ink, appearing to read 'XOLA PAKATI'.

Cllr Xola Pakati

**BCMM Executive Mayor**

## **1.2 COUNCIL RESOLUTIONS**

On the 11 June 2020 the Council of Buffalo City Metropolitan Municipality convenes to consider the Draft 2020/2021 Integrated Development Plan (IDP) Review, Medium Term Revenue and Expenditure Framework (MTREF) and Built Environment Performance Plan (BEPP). It is recommended that the Council approves and adopts the following resolutions:

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 2020/2021 Integrated Development Plan (IDP).
2. The Council of Buffalo City Metropolitan Municipality, acting in terms of Division of Revenue Bill (DoRB), approves and adopts the Draft 2020/2021 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 consolidated draft annual budget of the municipality for the financial year 2020/2021 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 functional classification) as contained on **{Table 19}**;
    - 3.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained on **{Table 20}**;
    - 3.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained on **{Table 21}**; and
    - 3.1.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source as contained on **{Table 22}**.
    - 3.1.5. Budgeted Financial Position as contained on **{Table 23}**;

- 3.1.6. Budgeted Cash Flows as contained on **{Table 24}**;
  - 3.1.7. Reserves and accumulated surplus reconciliation as contained on **{Table 25}**;
  - 3.1.8. Asset management as contained on **{Table 26}**; and
  - 3.1.9. Basic service delivery measurement as contained on **{Table 27}**.
- 3.2. The draft annual budget of the parent municipality for the 2020/2021 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:
- 3.2.1. Budgeted Financial Performance (revenue and expenditure by functional classification) as contained on **{Table 94}**;
  - 3.2.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained on **{Table 95}**;
  - 3.2.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained on **{Table 96}**; and
  - 3.2.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source as contained on **{Table 97}**.
  - 3.2.5. Budgeted Financial Position as contained on **{Table 98}**;
  - 3.2.6. Budgeted Cash Flows as contained on **{Table 99}**;
  - 3.2.7. Reserves and accumulated surplus reconciliation as contained on **{Table 100}**;
  - 3.2.8. Asset management as contained on **{Table 101}**; and
  - 3.2.9. Basic service delivery measurement as contained on **{Table 102}**.
- 3.3. The draft annual budget of the municipal entity (BCMDA) for the 2020/2021 MTREF as set out in the following tables:
- 3.3.1. Budgeted Financial Performance (revenue by source and expenditure by type) as contained on **{Table 70}**;
  - 3.3.2. Budgeted Financial Position as contained on **{Table 72}**;
  - 3.3.3. Budgeted Cash Flows as contained on **{Table 73}**;

3.3.4. Budgeted Capital by asset class and Funding as contained on {Table 71}

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 draft tariffs (percentage increase) contained on {Error! Reference source not found.} effective from 1 July 2020:
  - 4.1. Property rates – as set out in Annexure F
  - 4.2. Electricity charges– as set out in Annexure F
  - 4.3. Water charges – 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 consolidated draft 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 an average social subsidy package on his/her account per month, which includes a maximum of 50kwh for electricity and 6kl for water as contained on table 15.
  
6. The Buffalo City Metropolitan Municipality Council, approves and adopts the revised budget related policies:
  - 6.1. Tariff Policy – as set out in Annexure G
  - 6.2. Budget Virement Policy – as set out in Annexure K
  - 6.3. BCMM Credit Control Policy – as set out in Annexure M
  - 6.4. BCMM Indigent Support Policy – as set out in Annexure N
  - 6.5. Investment and Cash Management Policy – as set out in Annexure T



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 2.4.1 of this report and are available on BCMM's website at [www.buffalocity.gov.za](http://www.buffalocity.gov.za) .
8. The Buffalo City Metropolitan Municipality Council, approves and adopts the new policy on Cost Containment Measures attached as annexure U.
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 {Table 34} be approved.
10. That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the amendments to the Integrated Development Plan.
11. Council notes that the Draft 2020/2021 MTREF Budget tabled for adoption is structured in terms of the Buffalo City Metropolitan Municipality votes and functions.
12. MFMA Budget Circular 98 and 99 for the Draft 2020/2021 MTREF attached as Annexure W to be noted by Council.



**X. PAKATI**

**EXECUTIVE MAYOR**

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

**2.17 CITY MANAGER'S QUALITY CERTIFICATE**

I **Appana Naidoo**, Acting City Manager of Buffalo City Metropolitan Municipality, hereby certify that the Draft 2020/2021 Medium-Term Revenue and Expenditure Framework and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Appana Naidoo

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature *Appana Naidoo*

Date 09/06/2020