Buffalo City Metropolitan Municipality
Nelson Mandela Bay Metropolitan Municipality

Presentation to the Select Committee on Finance

14 August 2018
<table>
<thead>
<tr>
<th>Municipality</th>
<th>Cash and cash equivalents at the beginning of the year</th>
<th>Net increase/ decrease in cash held</th>
<th>Cash and cash equivalents at the end of the year</th>
<th>Cash and cash equivalents at the beginning of the year</th>
<th>Net increase/ decrease in cash held</th>
<th>Cash and cash equivalents at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>buffalo city</td>
<td>2 198 797</td>
<td>175 103</td>
<td>2 373 900</td>
<td>2 373 900</td>
<td>(683 798)</td>
<td>1 690 102</td>
</tr>
<tr>
<td>nelson mandela bay</td>
<td>1 445 839</td>
<td>166 667</td>
<td>1 612 505</td>
<td>1 612 505</td>
<td>17 868</td>
<td>1 630 374</td>
</tr>
<tr>
<td>Mangaung</td>
<td>312 911</td>
<td>12 768</td>
<td>325 679</td>
<td>325 679</td>
<td>(102 629)</td>
<td>223 050</td>
</tr>
<tr>
<td>City of Ekurhuleni</td>
<td>7 701 376</td>
<td>271 210</td>
<td>7 972 586</td>
<td>7 972 586</td>
<td>(2 162 633)</td>
<td>5 809 954</td>
</tr>
<tr>
<td>City of Johannesburg</td>
<td>4 879 554</td>
<td>(509 789)</td>
<td>4 369 765</td>
<td>4 369 765</td>
<td>(1 273 854)</td>
<td>3 095 911</td>
</tr>
<tr>
<td>City of Tshwane</td>
<td>600 518</td>
<td>585 531</td>
<td>1 186 049</td>
<td>1 184 740</td>
<td>984 576</td>
<td>2 169 316</td>
</tr>
<tr>
<td>eThekwini</td>
<td>6 166 765</td>
<td>1 049 564</td>
<td>7 216 329</td>
<td>7 216 329</td>
<td>(618 979)</td>
<td>6 597 350</td>
</tr>
<tr>
<td>Cape Town</td>
<td>3 792 735</td>
<td>11 189</td>
<td>3 803 924</td>
<td>3 803 924</td>
<td>(30 348)</td>
<td>3 773 576</td>
</tr>
</tbody>
</table>

- Metro's are in a fairly healthy financial position, however 6 experienced a decline in cash for the financial year.
- On average the metros performed at 96.2 per cent on the operating revenue and 96.8 per cent on the operating expenditure.

- BUF cash and cash equivalents decreased in 2016/17 as compared to 2015/16
- NMBM cash and cash equivalents increased marginally in 2016/17 as compared to 2015/16
Audit outcomes for 2016/17 financial year

<table>
<thead>
<tr>
<th>Municipality</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo City</td>
<td>Qualified</td>
<td>Unqualified - with findings</td>
</tr>
<tr>
<td>Nelson Mandela Bay</td>
<td>Qualified</td>
<td>Qualified</td>
</tr>
<tr>
<td>Mangaung</td>
<td>Unqualified - with findings</td>
<td>Qualified</td>
</tr>
<tr>
<td>City of Ekurhuleni</td>
<td>Unqualified - with findings</td>
<td>Unqualified - with findings</td>
</tr>
<tr>
<td>City of Johannesburg</td>
<td>Unqualified - with findings</td>
<td>Unqualified - with findings</td>
</tr>
<tr>
<td>City of Tshwane</td>
<td>Unqualified - with findings</td>
<td>Unqualified - with findings</td>
</tr>
<tr>
<td>eThekwini</td>
<td>Unqualified - with findings</td>
<td>Unqualified - with findings</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Unqualified - No findings</td>
<td>Unqualified - with findings</td>
</tr>
</tbody>
</table>

Most common matters impacting audit opinion

- Material losses (water and electricity)
- Material impairment of consumer debtors
- Irregular and unauthorised expenditure
- Restatement of corresponding figures
- Non-compliance with SCM Processes
- Ineffective political and administrative leadership
- Slow response in improving internal controls and addressing key risk areas
- Inadequate consequences for poor performance and transgression

Mangaung and City of Cape Town’s audit outcomes regressed while Buffalo City improved when compared to the previous financial year. The rest of the metros audit outcomes were unchanged.
Service delivery performance in 2016/17

### Basic Service Delivery Performance

<table>
<thead>
<tr>
<th>Municipality</th>
<th>2015/16</th>
<th>Target</th>
<th>Achieved</th>
<th>%</th>
<th>2016/17</th>
<th>Target</th>
<th>Achieved</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buffalo City</td>
<td></td>
<td>46</td>
<td>31</td>
<td>67%</td>
<td></td>
<td>37</td>
<td>24</td>
<td>65%</td>
</tr>
<tr>
<td>Nelson Mandela Bay</td>
<td></td>
<td>42</td>
<td>34</td>
<td>81%</td>
<td></td>
<td>47</td>
<td>35</td>
<td>74%</td>
</tr>
<tr>
<td>Mangaung</td>
<td></td>
<td>238</td>
<td>128</td>
<td>54%</td>
<td></td>
<td>172</td>
<td>73</td>
<td>42%</td>
</tr>
<tr>
<td>City of Ekurhuleni</td>
<td></td>
<td>103</td>
<td>73</td>
<td>71%</td>
<td></td>
<td>104</td>
<td>74</td>
<td>71%</td>
</tr>
<tr>
<td>City of Johannesburg</td>
<td></td>
<td>5</td>
<td>3</td>
<td>60%</td>
<td></td>
<td>13</td>
<td>5</td>
<td>38%</td>
</tr>
<tr>
<td>City of Tshwane</td>
<td></td>
<td>28</td>
<td>22</td>
<td>79%</td>
<td></td>
<td>26</td>
<td>19</td>
<td>73%</td>
</tr>
<tr>
<td>eThekwini</td>
<td></td>
<td>144</td>
<td>105</td>
<td>73%</td>
<td></td>
<td>110</td>
<td>79</td>
<td>72%</td>
</tr>
<tr>
<td>Cape Town</td>
<td></td>
<td>21</td>
<td>17</td>
<td>81%</td>
<td></td>
<td>21</td>
<td>15</td>
<td>71%</td>
</tr>
</tbody>
</table>

### Service delivery associated risks
- Limited planning, SCM inefficiencies & poor asset management, limited skills and capacity in the water departments

### Fiscal risks
- Impact of the drought on revenue – some municipalities experienced a decline in water revenue;
- Decline of electricity revenue due to alternative energy sources;
- Implementation of credit control measures in Eskom supplied areas;
- Unfunded mandates and Inadequate implementation/ lack of consequence management re unauthorised, irregular, fruitless & wasteful expenditure

### Reasons for under performance
- The misalignment between departmental planning
- Contract management and SCM processes
- Asset management remains a challenge that negatively impacts maintenance of existing infrastructure due to outdated infrastructure master plans

Source: 2017/18 Mid-year presentations
Tabled 2018/19 Medium-term Revenue and Expenditure Framework for Metros

<table>
<thead>
<tr>
<th>FUNDING/SUSTAINABILITY MANAGEMENT</th>
<th>JHB</th>
<th>CPT</th>
<th>ETH</th>
<th>EKU</th>
<th>TSH</th>
<th>NMA</th>
<th>MAN</th>
<th>BUF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenue (A4)</td>
<td>53 344 473</td>
<td>40 134 581</td>
<td>35 225 303</td>
<td>35 301 217</td>
<td>32 495 225</td>
<td>10 162 462</td>
<td>6 299 617</td>
<td>6 506 664</td>
</tr>
<tr>
<td>Total Operating Expenditure (A4)</td>
<td>51 707 859</td>
<td>40 296 470</td>
<td>35 249 224</td>
<td>35 241 259</td>
<td>32 383 832</td>
<td>10 196 714</td>
<td>7 154 404</td>
<td>6 502 653</td>
</tr>
<tr>
<td>Operating Performance Surplus/(Deficit)</td>
<td>1 636 615 (161 890)</td>
<td>(23 921)</td>
<td>59 958</td>
<td>111 392</td>
<td>(34 253)</td>
<td>(854 787)</td>
<td>4 011</td>
<td></td>
</tr>
<tr>
<td>Net increase / (Decrease) in Cash for the Year (A7)</td>
<td>2 608 967</td>
<td>612 477</td>
<td>(1 385 567)</td>
<td>(1 043 275)</td>
<td>695 456</td>
<td>319 676</td>
<td>57 832</td>
<td>(15 030)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents (A7)</td>
<td>7 290 757</td>
<td>5 731 250</td>
<td>4 770 896</td>
<td>12 364 789</td>
<td>3 028 263</td>
<td>2 547 511</td>
<td>298 843</td>
<td>1 672 693</td>
</tr>
<tr>
<td>Cash backing / Surplus (Deficit) Reconciliation (A8)</td>
<td>1 709 501</td>
<td>3 614 163</td>
<td>3 135 740</td>
<td>11 560 386</td>
<td>1 358 186</td>
<td>932 962</td>
<td>236 598</td>
<td>1 935 087</td>
</tr>
<tr>
<td>Recal - Cash and Cash Equivalents</td>
<td>6 999 113</td>
<td>5 250 398</td>
<td>4 164 589</td>
<td>5 665 020</td>
<td>2 428 200</td>
<td>787 448</td>
<td>(25 11)</td>
<td>1 133 004</td>
</tr>
<tr>
<td>Recal - Cash backing / Surplus (Deficit) Reconciliation</td>
<td>1 173 322</td>
<td>2 637 105</td>
<td>2 012 130</td>
<td>3 757 529</td>
<td>632 593</td>
<td>423 650</td>
<td>(237 396)</td>
<td>1 286 666</td>
</tr>
<tr>
<td>Opinion - 2018/19 Funded/Unfunded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Unfunded</td>
</tr>
<tr>
<td>Opinion - 2018/19 MTREF Funded/Unfunded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Funded</td>
<td>Unfunded</td>
<td>Funded</td>
</tr>
<tr>
<td>% Reserves of available cash &amp; investments</td>
<td>0%</td>
<td>59%</td>
<td>80%</td>
<td>0%</td>
<td>3%</td>
<td>38%</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>% Long term investments of available cash &amp; investments</td>
<td>35%</td>
<td>31%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>% Creditors to cash &amp; Investments</td>
<td>185%</td>
<td>101%</td>
<td>138%</td>
<td>78%</td>
<td>256%</td>
<td>76%</td>
<td>575%</td>
<td>55%</td>
</tr>
</tbody>
</table>

- **Operational Surplus Deficits**
  - Four of the 8 Metros budgeted for operational deficits

- **Cash & Cash Equivalents**
  - All metros budgeted for a positive cash position for the first year of the MTREF, on recalculation MAN presented a deficit

- **Funded budgets**
  - All metros except MAN presented funded budgets for first year of MTREF
  - All metros except NMA and MAN presented funded budgets in the two outer years of the MTREF (NMA was found to be funded after correction of some misstatements in their tabled budget)
Alignment of the planning system in the metropolitan municipalities

National legislation

Sector plans

MSDF

BEPP (coordination & spatial targeting/prioritisation & investment strategies)

Prioritises and costs the SDF, aligns the budget towards an integrated, targeted, outcomes-led development programme

IDP

Budget

Programmes

Projects

NDP

IUDF

Built Environment

Outcomes

Human settlements plan

IPTN
Buffalo City Metropolitan Municipality
Financial Sustainability Plan

Summary assessment - Dashboard

- Financial Health
- Institutional
- Service Delivery
- Governance
### Institutional: moving in the right direction

- Better alignment and clarity regarding mandate of the BCMDA
- Institutional review to be implemented – must address issues around current lack of technical skills
- Have initiated engagements with national and provincial departments and agencies
- Institutional mandates and roles and responsibilities not always clear
- Silo mentality exists (not functioning horizontally/vertically)
- Capability constraints, positions, skills, innovation

### Governance: moving in the right direction

- Municipal Planning Tribunal established
- Unqualified Audit Outcome
- Review and refinement of oversight and governance committees
- Political and administrative mandates and interface
Dashboard assessment (i)

Financial health: moving in the wrong direction
- Revenue initiatives have not yielded desired results, show operational deficiencies
- Electricity/water losses: not improving
- Collection rate decreasing which is impacting on reserves, cash reserves deteriorating
- Commitment on the salary standardisation has forced the metro to dip into the reserves for asset replacement, risk of rapidly increasing employee related costs and the bloated organogram
- Improve the operating surplus in order to fund capital projects and increase cash reserves
- Increased number of indigent households (ensure that all qualifying households are benefitting)
- Under performance on grants impacts the capital program and impact service delivery
- Elements of an emerging strategy but no long term financial strategy evident

Service delivery: needs improvement
- Aging infrastructure is a concern
- Perception of investors (you have the plan/documents, have the financial resources however, implementation must follow)
- Demand management and water conservation management requires attention
- Creating opportunities to increase capital investment to address service delivery backlogs
- Commend the metro on the breakdown of funds per project and spatially identifying their position
- Noted that the metro interventions in informal areas to reduce electricity losses
- Improvements in service delivery – addressing “backlogs”, annual basis – SDBIP targets are not met eg. service delivery 65%
- Service delivery protests (engagement with communities being addressed)
Municipality’s five-year plan is derived from its longer term Growth and Development Strategy

• **MGDS background**
  - The MGDS 2030 serves as a primary plan for the growth and development of the City; mobilise all its’ partners towards a determined development programme; encourage business and stakeholders to invest to support the vision and commit partners/ stakeholders to the common direction.
  - The SDF is currently under review in order to align with the new national policy imperatives such as the Integrated Urban Development Framework, etc.
  - There are local SDFs that are already completed.
  - SDF Review will be undertaken in 2018/19 and provide strategic spatial guidance for the next 5 years. The review will include:
    - alignment with the MGDS
    - Incorporate the Catalytic projects from the BEPP
    - Township revitalisation strategy
    - Incorporate the Local Spatial Frameworks approved since 2013
  - The city is also developing a Human settlement development plan and a business and operational plan for implementing an integrated public transport network.
City Vision and Strategy - The MGDS pillars remain

1. **An innovative and productive city:** with rapid and inclusive economic growth, and a decreased unemployment rate.

2. **A green city:** environmentally sustainable with optimal benefits from our natural assets. A clean and healthy city of subtropical gardens.

3. **A connected city:** high-quality (and competitively priced) connections to ICT, electricity and transport networks (inside the city and to the outside world).

4. **A spatially-integrated city:** the spatial divisions and fragmentation of the apartheid past are progressively overcome and township economies have become more productive.

5. **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.
## BUF Buffalo City - Reconciliation of IDP strategic objectives and budget

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Goal</th>
<th>(operating revenue)</th>
<th>(operating expenditure)</th>
<th>(capital expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget Year</td>
<td>Budget Year</td>
<td>Budget Year</td>
</tr>
<tr>
<td>R thousand</td>
<td>Budget Year</td>
<td>+1 2019/20</td>
<td>+2 2020/21</td>
<td>Budget Year</td>
</tr>
<tr>
<td>Innovative and Productive City</td>
<td>Promote sound financial and administrative capabilities</td>
<td>189 120</td>
<td>196 600</td>
<td>210 081</td>
</tr>
<tr>
<td>A green city</td>
<td>To Promote an environmentally friendly City</td>
<td>470 437</td>
<td>508 306</td>
<td>548 200</td>
</tr>
<tr>
<td>A connected city</td>
<td>Develop and maintain world class logistics infrastructure</td>
<td>70 821</td>
<td>76 521</td>
<td>82 527</td>
</tr>
<tr>
<td>A spatially Transformed city</td>
<td>To promote an integrated spatial form</td>
<td>3 241 327</td>
<td>3 502 308</td>
<td>3 773 977</td>
</tr>
<tr>
<td>A well governed city</td>
<td>Promote sound financial and administrative capabilities</td>
<td>2 545 517</td>
<td>2 763 465</td>
<td>2 994 410</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6 517 222</td>
<td>7 047 200</td>
<td>7 609 195</td>
</tr>
</tbody>
</table>
Spatial Planning & Project Preparation
- Catalytic programmes identified but sequencing, prep and implementation of projects still problem
- Integration of PT & HS needs better alignment
- Programme/project preparation lacking
- Vision is clearly articulated
- Alignment across documents
- Implementation – challenges (prioritising and budgeting)

Intergovernmental Project Pipeline
- Project prep affecting project pipeline
- Information provided on for Inner city revitalisation and not the rest of the integration zone

Capital Funding
- Generally good mix but capacity to increase borrowing
- More detail required on funding commitments from SoE’s, other government departments
- Private sector investment not reflected
- Long term financial strategy

Implementation
- Implementation status per priority catalytic project required

Urban Management
Mdantsane only included not other precincts

Institutional Arrangements & Operational Budgets
- BEPP task team and intergovernmental task team established. EPMO capacity to be addressed. BCMDA provides additional capacity.

Gaps in targets for BE indicators
Nelson Mandela Bay Metropolitan Municipality
Dashboard assessment (i)

**Financial health: improved slightly but some uncertainties**

- Funded budget (credible, relevant and sustainable)
- Operating deficit for current year;
- Collection rate is ambitious considering ATTP
- Debtors book is increasing and has not been arrested
- Still over-reliant on transfers to fund capex though funding mix is changing
- Increase internally generated fund for capex, not certain;
- Reduce electricity and water losses

**Service delivery: positive but some risks**

- Review service delivery model (high labour costs)
- Reduced capex for trading services, except water
- Need to improve contract management capacity
- Need to increase repairs and maintenance
- Intergovernmental risk to delivery of housing into housing transfers from province
Dashboard assessment (ii)

**Institutional: moving in the right direction**
- Top managers appointment addressed in the budget
- Volatile political environment, spilled over to administration
- Improve relations with Provincial Government to address issues such as unfunded mandates.
- Successes in the planning led budget process through the Strategic Planning Steer Co, and creation of calendar sessions in budget cycle

**Governance: stagnated**
- Positive movement i.t.o credit ratings
- Audit outcomes stagnated at qualified opinion
- Sustained high levels of irregular and unauthorised expenditure
## NMA Nelson Mandela Bay - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

<table>
<thead>
<tr>
<th>Strategic Objective</th>
<th>Goal</th>
<th>Operating Revenue</th>
<th>Operating Expenditure</th>
<th>Capital Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
<td>2018/19 Medium Term Revenue &amp; Expenditure Framework</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget Year 2018/19</td>
<td>Budget Year +1 2019/20</td>
<td>Budget Year +2 2020/21</td>
</tr>
<tr>
<td>Municipal Transformation and Development</td>
<td></td>
<td>13 453</td>
<td>14 422</td>
<td>15 516</td>
</tr>
<tr>
<td>Service Delivery and Infrastructure</td>
<td></td>
<td>8 626 465</td>
<td>9 143 112</td>
<td>9 813 219</td>
</tr>
<tr>
<td>Local Economic Development</td>
<td></td>
<td>167 256</td>
<td>136 240</td>
<td>143 416</td>
</tr>
<tr>
<td>Financial Sustainability and Viability</td>
<td></td>
<td>2 688 553</td>
<td>3 002 002</td>
<td>3 229 667</td>
</tr>
<tr>
<td>Good Governance and Public Participation</td>
<td></td>
<td>5 174</td>
<td>4 438</td>
<td>4 774</td>
</tr>
<tr>
<td><strong>Total Revenue (excluding capital transfers and contributions)</strong></td>
<td></td>
<td>11 500 902</td>
<td>12 300 305</td>
<td>13 206 591</td>
</tr>
</tbody>
</table>
City Vision, mission and Strategy

• Economic growth is the basis for all strategic planning around which the administrative processes can amalgamate: IDP, BEPP, SDF and the budget;

• The mission statement for the city is to create freedom, fairness and opportunity for all in NMBM - stop corruption, create jobs and improve service delivery while the vision is to be an iconic, friendly, ocean city driven by innovation, service excellence and economic development – destination of choice under the brand of one city One Future;

• The strategic planning and coordination of the IDP/Budget process is politically led; and

• All Directorates and relevant Portfolio Councilors are responsible for strategic planning
Municipality’s five-year plan is derived from its longer term Growth and Development Strategy

The following focus area on the long term growth and development plan is built on IDP five pillars

<table>
<thead>
<tr>
<th>Long term Growth and development plan</th>
<th>Five IDP pillars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance and organisation-led development</td>
<td>A Well-run City</td>
</tr>
<tr>
<td>Infrastructure-led development</td>
<td>An Opportunity City</td>
</tr>
<tr>
<td>Opportunity-led development</td>
<td>A Safe City</td>
</tr>
<tr>
<td>Development for Resilience</td>
<td>A Caring City</td>
</tr>
<tr>
<td>Development through lifestyle offering</td>
<td>An Inclusive City</td>
</tr>
<tr>
<td>Development through conversation of our natural, built and natural cultural assets</td>
<td>A Forward Thinking City</td>
</tr>
<tr>
<td>Safety-enabled development</td>
<td></td>
</tr>
<tr>
<td>People-oriented development</td>
<td></td>
</tr>
<tr>
<td>Technology-led development</td>
<td></td>
</tr>
</tbody>
</table>
Collaborations with National Treasury

Strategic Plan Reviews
- Integration of all strategic processes including housing, IPTS, MSDF as they are currently fairly silo based.
- Time bound action for these and accountability loop.
- Many strategic choices to be aligned given limited economic growth.

Long term financial strategy:
- Project requires greater support from city esp. given challenges around data.
- Importance of the project given the loan program

Competitive Cities Partnering
- Current funding proposal for the Chamber and risk associated with private sector funding

Human settlements strategy review
- Project has reached stage of strategic delivery choices, that need high level executive and political championing and support

Budget and planning reform
- There has been gradual institutionalisation of the reform process including calendar for the MTEF. This positive practice should continue with NT facilitation support here necessary.

Catalytic project support
- Still very much “paper” projects for implementation
- Prioritise and actively unlock the issues for implementation
Thank you