

REPORT TO COUNCIL: 28 AUGUST 2020

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2020/2021 FIRST ADJUSTMENT BUDGET REPORT

1. PURPOSE

The purpose of the report is for Council to **consider** and **approve** the first adjustment budget of Buffalo City Metropolitan Municipality for the 2020/2021 financial year.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 4, Section 28

Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

In terms of Section 28, of the Municipal Finance Management Act No. 56, 2003, Chapter 4, the following applies: -

(1) "A municipality may revise an approved annual budget through an adjustment budget.

(2) An adjustments budget—

- a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the*

municipality;

- d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
- e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- f) may correct any errors in the annual budget; and*
- g) may provide for any other expenditure within a prescribed framework.*

(3) An adjustments budget must be in a prescribed form.

(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

(5) When an adjustments budget is tabled, it must be accompanied by—

- a) an explanation how the adjustments budget affects the annual budget;*
- b) a motivation of any material changes to the annual budget;*
- c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- d) any other supporting documentation that may be prescribed.*

(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”

Furthermore, the Municipal Budget and Reporting Regulations (MBRR), 2009, (Reg. 23) (5) stipulates the following:

“An adjustments budget referred to in Section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.”

“An adjustment budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information taking into account any guidelines issued by the Minister in terms of S168(1) of the Act” (MFMA).

This report responds to the above sections of MFMA (28(2) (e) and (f)) and follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

5. EXPOSITION OF FACTS

The first adjustment budget is being prepared as informed by requests from various directorates for roll-over of own funding and unconditional grants that were unspent in the 2019/2020 financial year. At year end on 30 June 2020, various directorates indicated that certain projects provided for execution in the 2019/2020 financial year could not be completed. Such under-spending on projects could not reasonably have been foreseen at the time of execution and finalisation of 2020/2021 MTREF.

An intensive process of assessing and determining whether the unspent funding that is requested to be rolled over is committed to identifiable projects was undertaken. To enable the completion of these projects, it is necessary to incorporate these projects in the already approved 2020/2021 budget. This process is in line with the legislative requirements of section 28 of the MFMA and Municipal Budget and Reporting Regulations for submitting a municipal rollover budget to Council for adoption.

The first adjustment budget is also being prepared to take into account the adjustments made in the Division of Revenue Amendment Bill for the 2020/2021 financial year (as introduced in the National Assembly; explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 43450 of 18 June 2020). The adjustments include changes to the equitable share allocation and changes to conditional grant allocations.

A. The following table provides a high-level summary of the Operating and Capital Budget Adjustments for the Parent Municipality (BCMM):

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021		2020/2021	2021/2022	2022/2023
	APPROVED BUDGET	ADJUSTMENTS	FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	7.373.417.012	216.971.497	7.590.388.509	7.918.910.448	8.519.942.556
Total Operating Expenditure Excluding Operating Projects	7.081.267.238	131.812.763	7.213.080.001	7.625.289.187	8.217.549.708
Operating Projects	291.551.103	85.158.734	376.709.837	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.372.818.341	216.971.497	7.589.789.838	7.916.936.103	8.519.151.065
(Surplus) / Deficit	598.671	0	598.671	1.974.345	791.491
Total Capital Expenditure	1.657.728.597	164.925.003	1.822.653.600	1.718.945.046	1.610.757.492
Total Opex and Capex Budget	9.030.546.938	381.896.500	9.412.443.438	9.635.881.149	10.129.908.557

B. The following table provides a high-level summary of the Consolidated Operating and Capital Budget Adjustments:

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021		2020/2021	2021/2022	2022/2023
	APPROVED BUDGET	ADJUSTMENTS	FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	7.507.551.640	216.971.497	7.724.523.137	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	131.812.763	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	85.158.734	376.709.837	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	216.971.497	7.723.924.145	8.093.062.282	8.679.528.195
(Surplus) / Deficit	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	164.925.003	1.825.163.600	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	381.896.500	9.549.087.745	9.814.767.848	10.294.035.687

Further details on exposition of facts are detailed below for the Consolidated adjustments in the prescribed format

TABLE OF CONTENTS

REPORT TO COUNCIL: 28 AUGUST 2020.....	1
1. PURPOSE.....	1
2. AUTHORITY	1
3. LEGAL / STATUTORY REQUIREMENTS	1
4. BACKGROUND.....	1
5. EXPOSITION OF FACTS.....	3
LIST OF TABLES	6
LIST OF FIGURES.....	6
ABBREVIATIONS AND ACRONYMS	7
PART 1 – ADJUSTMENT BUDGET	9
5.1 EXECUTIVE MAYOR'S REPORT.....	9
5.2 COUNCIL RESOLUTIONS	11
5.3 EXECUTIVE SUMMARY.....	13
5.4 OPERATING REVENUE FRAMEWORK.....	14
5.5 OPERATING EXPENDITURE FRAMEWORK.....	16
5.6 CAPITAL EXPENDITURE FRAMEWORK.....	22
PART 2 – SUPPORTING DOCUMENTATION	32
6. SUPPORTING DOCUMENTATION.....	32
6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS.....	32
6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY.....	32
6.3 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP).....	32
7. CHALLENGES.....	32
8. STAFF IMPLICATIONS.....	33
9. FINANCIAL IMPLICATIONS	33
10. OTHER PARTIES CONSULTED	33
11. CITY MANAGER'S QUALITY CERTIFICATE.....	34
ANNEXURES:.....	35

LIST OF TABLES

Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments..... 9

Table 2: 2020/2021 Consolidated First Adjustment Budget Summary..... 14

Table 3: 2020/21 First Adjusted Revenue per Source 15

Table 4: 2020/21 First Adjusted Expenditure Budget per Category 18

Table 5: 2020/21 Operating Projects Per Funding Source First Adjustment Budget..... 21

Table 6: 2020/21 Operating Projects Adjustments Per Directorate 21

Table 7: 2020/21 Capital Budget Adjustment Per Funding 31

Table 8: 2020/21 Capital Budget Adjustments per Directorate 31

LIST OF FIGURES

Figure 1: Operating Revenue per Source16

Figure 2: 2020/21 Operating Expenditure per Type19

ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	EU	European Union
ASGISA	Accelerated and Shared Growth Initiative South Africa	ELIDZ	East London Industrial Development Zone
BCMM	Buffalo City Metropolitan Municipality	FBS	Free Basic Services
BCMDA	Buffalo City Development Agency	FMG	Finance Management Grant
BEPP	Built Environment Performance Plan	GAMAP	Generally Accepted Municipal Accounting Practice
BSC	Budget Steering Committee	GDP	Gross Domestic Product
CBD	Central Business District	GFS	Government Financial Statistics
CFO	Chief Financial Officer	GRAP	Generally Recognized Accounting Practice
CM	City Manager	HR	Human Resources
CoGTA	Cooperative Government & Traditional Affairs	HSDG	Human Settlement Development Grant
CPI	Consumer Price Index	HSRC	Human Science Research Council
CRRF	Capital Replacement Reserve Fund	ICDG	Integrated City Development Grant
DBSA	Development Bank South Africa	IDP	Integrated Development Plan
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism	INEP	Integrated National Electrification Programme
DoRA	Division of Revenue Act	IT	Information Technology
DRDLR	Department of Rural Development and Land Reform	ISUPG	Informal Settlements Upgrading Partnership Grant
DTI	Department of Trade & Industry	KPI	Key Performance Indicator
DWA	Department of Water Affairs	kℓ	Kilolitre
ECDC	Easter Cape Development Corporation	KFA	Key Focus Area
EE	Employment Equity	Km	Kilometre
EEDSM	Energy Efficiency Demand Side Management	KPA	Key Performance Area
EM	Executive Mayor	kWh	Kilowatt hour

EPWP	Expanded Public Works Programme	ℓ	Litre
ECPTA	Eastern Cape Parks & Tourism	LED	Local Economic Development
MBRR	Municipal Budgeting and Reporting Regulations	PPP	Public Private Partnership
MDGS	Metro Growth and Development Strategy	PT	Provincial Treasury
MEC	Member of the Executive Committee	PMS	Performance Management System
MFMA	Municipal Finance Management Act	PTIS	Public Transport Infrastructure System
MIG	Municipal Infrastructure Grant	SALGA	South African Local Government Association
MMC	Member of Mayoral Committee	SAT	South African Tourism
MPRA	Municipal Property Rates Act	SDBIP	Service Delivery Budget Implementation Plan
MSA	Municipal Systems Act	SDF	Spatial Development Framework
MTEF	Medium-term Expenditure Framework	SMME	Small Micro and Medium Enterprises
MTREF	Medium-term Revenue and Expenditure Framework	TRAs	Temporary Relocation Areas
NDPG	Neighbourhood Development Partnership Grant	UK	United Kingdom
NERSA	National Electricity Regulator South Africa	US	United States
NGO	Non-Governmental Organisations	USDG	Urban Settlement Development Grant
NKPIs	National Key Performance Indicators	VAT	Value Added Tax
NT	National Treasury	WSA	Waster Services Authority
OP	Operational Plan	WSDP	Water Services Development Plan
PPE	Property, Plant and Equipment		

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR’S REPORT

The primary reason for the recommendation to consider and adopt the first adjustment budget during August 2020, emanates from prior year commitment that compels rollovers, it also emanates from the adjustments made in the Division of Revenue Amendment Bill for the 2020/2021 financial year (as introduced in the National Assembly; explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 43450 of 18 June 2020).

The first adjustment budget is being tabled at Council in terms of the Section 28 (2)(e) of the MFMA and Regulation 23 (5) of the Municipal Budget and Reporting Regulations.

The following table provides a high-level summary of the Consolidated Operating and Capital Budget adjustments:

Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021 APPROVED BUDGET	ADJUSTMENTS	2020/2021 FIRST ADJ. BUDGET	2021/2022 FINAL BUDGET	2022/2023 FINAL BUDGET
Total Revenue	7.507.551.640	216.971.497	7.724.523.137	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	131.812.763	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	85.158.734	376.709.837	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	216.971.497	7.723.924.145	8.093.062.282	8.679.528.195
(Surplus) / Deficit	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	164.925.003	1.825.163.600	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	381.896.500	9.549.087.745	9.814.767.848	10.294.035.687

The following factors were taken into cognisance when formulating the 2020/21 first adjustment budget:

- a) Those contractual components or works awarded or commenced during the 2019/2020 financial year but not yet completed and settled by 30 June 2020 and therefore no budgetary provision made on the 2020/2021 budget.
- b) Reasons explaining why the 2019/2020 budgetary provisions were committed but not spent by 30 June 2020.
- c) Consideration of roll-over proposals on Council's 2019/2020 operating and capital budget was taken in the context of affordability and funding certainty for the period, and furthermore informed by the adopted 2020/2021 MTREF as well as implementation capacity for the financial period.

The City continues to budget for a surplus and produce a funded budget which is in line with National Treasury requirements.

The roll-over of own funded operating projects has the potential of reducing the surplus budgeted in the original approved budget and may even drive it into a deficit. To avoid the above, the roll-over of own funded operating projects was not considered in this adjustment budget as there are no savings realised in the 2020/2021 financial year budget that could be used to fund such roll-overs.

The net effect of the reduction in Conditional Grant allocations is Nil on the budgeted surplus. This is because reductions were effected in both revenue and expenditure in equal amounts.

Therefore, the net effect of the consolidated Metro's budget after first adjustment remains constant at a surplus of R598 992 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 29 June 2020 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2020/2021 MTREF Budget. In terms of Chapter 4, Section 28 (1) to (7) of the Municipal Finance Management Act No. 56 of 2003, "A municipality may adjust an approved budget through an adjustment budget."

It is therefore recommended that the BCMM Council **considers and approves:**

A. The adjusted budget of the Parent municipality (BCMM) for the 2020/2021 First Adjustment Budget as follows:

- i. The adjustment from R7 373 417 012 to R7 590 388 509 of the BCMM 2020/21 Operating Revenue Budget.
- ii. The adjustment from R7 372 818 341 to R7 589 789 838 of the BCMM 2020/21 Operating Expenditure Budget.
- iii. The adjustment from R1 657 728 597 to R1 822 653 600 of the BCMM 2020/21 Capital Budget.

B. The consolidated adjusted budget for the 2020/2021 First Adjustment Budget as follows:

- i. The adjustment from R7 507 551 640 to R7 724 523 137 of the consolidated 2020/21 Operating Revenue Budget.
- ii. The adjustment from R7 506 952 648 to R7 723 924 145 of the consolidated 2020/21 Operating Expenditure Budget.
- iii. The adjustment from R1 660 238 597 to R1 825 163 600 of the consolidated 2020/21 Capital Budget.

C. Council **NOTE** that, in order to improve operational efficiency, the detailed consolidated schedules of capital projects and operating projects that are attached as annexure 1 and 2 respectively have been rolled up to project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at

administrative level rather than being treated as a virement or an adjustment budget (annexure 1.1 and 2.1 are provided for information only).



X. A. PAKATI
EXECUTIVE MAYOR

18/08/2020.

DATE

5.3 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is still taking cognisance of the economic challenges that are experienced by South Africa including the devastating effects of the COVID-19 pandemic that are characterised by low economic growth, high unemployment rate, lower exports earnings, lower revenue, declining investment, job losses and business failures.

BCMM continues to take a more conservative approach in the manner in which it approaches budgeting including this first adjustment budget. This approach involved an intensive internal process of assessing and determining whether the unspent funding that is requested to be rolled over is committed to identifiable projects. This process is in line with the process followed by National Treasury for approval of conditional grants roll-overs.

The consolidated operating revenue budget has been increased by R216 971 497 from R7 507 551 640 to R7 724 523 137. The consolidated operating expenditure budget has also increased by the same amount (R216 971 497) from R7 506 952 648 to R7 723 924 145.

The reasons for the increase are detailed in section 5.4 and 5.5 of the report. The consolidated overall operating surplus before capital transfers recognised remains stagnant at R598 992.

The consolidated capital expenditure budget has increased by R164 925 003 from R1 660 238 597 to R1 825 163 600. This is due to roll-over of unconditional grant funded project and own funded projects. This is also due to adjustments made to the Division of Revenue Amendment Bill. These are detailed in section 5.6 of the report.

5.3.1 Budget Adjustment Summary

The reasons for this adjustment budget are the following:

- i. To roll-over budget that was unspent in the 2019/20 financial year but committed to identifiable projects for own funding and unconditional grants.
- ii. To appropriate adjustments in the National Government Grants allocated to BCMM as indicated in the Division of Revenue Amendment Bill.

The table below indicates the summary of the 2020/2021 consolidated first adjustment budget.

Table 2: 2020/2021 Consolidated First Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021	ADJUSTMENTS	2020/2021	2021/2022	2022/2023
	APPROVED BUDGET		FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	7.507.551.640	216.971.497	7.724.523.137	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	131.812.763	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	85.158.734	376.709.837	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	216.971.497	7.723.924.145	8.093.062.282	8.679.528.195
(Surplus) / Deficit	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	164.925.003	1.825.163.600	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	381.896.500	9.549.087.745	9.814.767.848	10.294.035.687

5.4 OPERATING REVENUE FRAMEWORK

The following table depicts an upward adjustment to the consolidated operating revenue budget per source totalling to R216 971 497. This amount of R216 971 497 is made-up of the following adjustments:

- a) A budgeted increase of R142 572 000 in operating revenue, resulting from an additional Equitable Share allocated to the City as per the Division of Revenue Amendment Bill issued in June 2020. This additional allocation is to fund COVID-19 related expenditure.

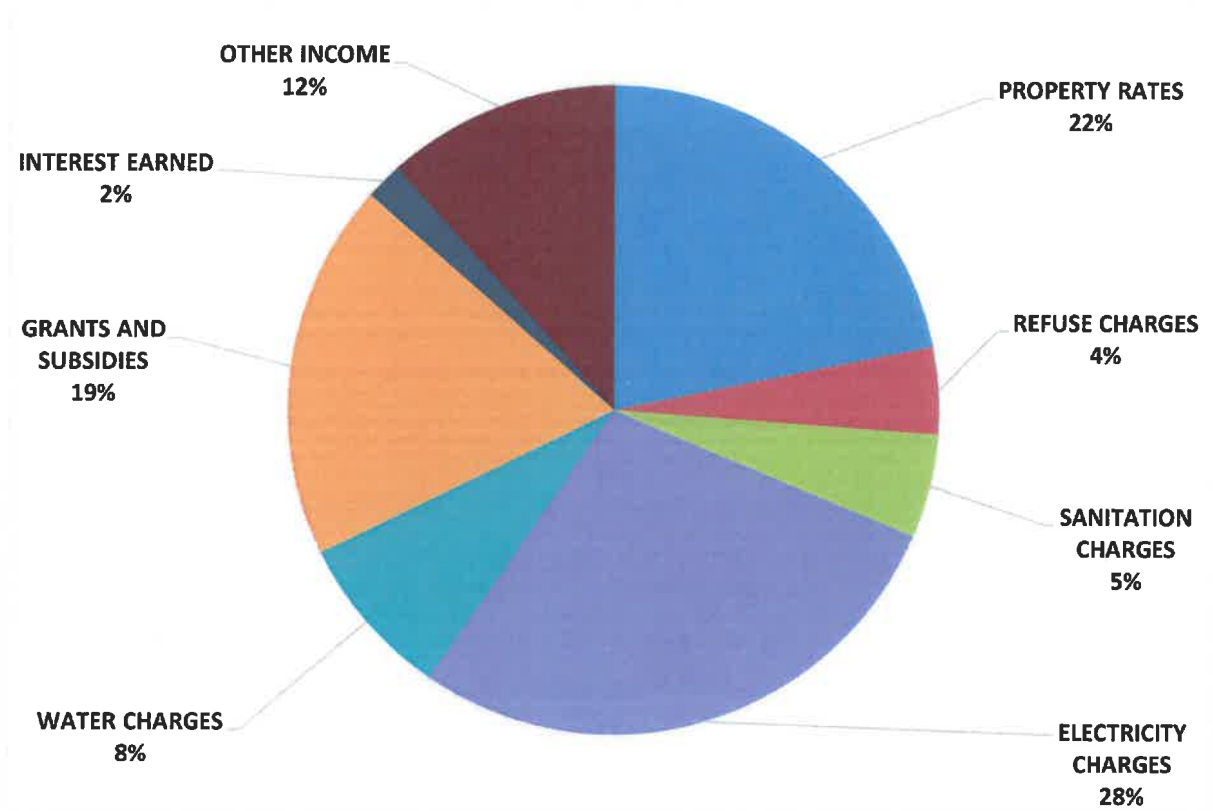
- b) An increase of R822 313 resulting from the rollover of unspent grant (Salaida) from the 2019/2020 financial year.
- c) An increase of R71 812 050 resulting from the rollover of unspent grant (Human Settlement Development Grant) from the 2019/2020 financial year.
- d) A reduction of R576 000 of Infrastructure Skills Development Grant resulting from the Division of Revenue Amendment Bill issued in June 2020.
- e) An increase in Urban Settlement Development Grant funds amounting to R2 341 134 added to the USDG portion allocated to the Enterprise Project Management Office (EPMO) reallocated from Capital projects, this is in line with the conditions of the grant.

Table 3: 2020/21 First Adjusted Revenue per Source

2020/2021 FIRST ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	ADJUST.	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	2021/2022 OPEX BUDGET	2022/2023 OPEX BUDGET
Revenue by Source					
Property rates	1.687.667.431	0	1.687.667.431	1.822.680.825	1.950.268.483
Service charges - electricity revenue	2.184.209.246	0	2.184.209.246	2.297.788.128	2.502.291.271
Service charges - water revenue	631.338.211	0	631.338.211	688.789.988	751.469.877
Service charges - sanitation revenue	397.037.055	0	397.037.055	430.785.205	467.401.947
Service charges - refuse revenue	334.127.904	0	334.127.904	362.528.776	393.343.722
Rental of facilities and equipment	20.885.214	0	20.885.214	22.681.342	24.495.849
Interest earned - external investments	54.472.852	0	54.472.852	57.199.911	60.063.509
Interest earned - outstanding debtors	88.008.665	0	88.008.665	95.577.410	103.223.603
Fines, penalties and forfeits	19.712.140	0	19.712.140	21.407.384	23.119.975
Licences and permits	17.343.113	0	17.343.113	18.834.620	20.341.390
Agency services	43.909.004	0	43.909.004	43.069.698	46.195.274
Transfers and subsidies - Operating	1.230.978.537	216.971.497	1.447.950.034	1.359.287.428	1.373.212.095
Other revenue	797.862.268	0	797.862.268	874.406.605	964.892.687
Total Direct Operating Revenue	7.507.551.640	216.971.497	7.724.523.137	8.095.037.320	8.680.319.682

The figure below provides a split of consolidated operating revenue budget per source. In terms of revenue services, electricity continues to be the main contributor to the revenue of the municipality by generating 29% of the total revenue. This is followed by water tariffs at 8%, sanitation tariff at 5% and refuse tariff at 4%. The implementation of valuations roll continues to have a positive impact on the property rates revenue which totals 22% of the total municipal revenue. The municipality receives grants and subsidies totalling 18% of the total revenue. Other revenue contributes 12% and interest earned 2% of the total revenue.

Figure 1: Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table depicts an upward adjustment to the consolidated operating budget per expenditure type totalling to R216 971 497. This amount of R216 971 497 is made-up of the following adjustments:

- a) An increase of R822 313 in the budgeted amount for Operating Projects resulting from the rollover of unspent grant (Salaida) from the 2019/2020 financial year.
- b) An increase of R71 812 050 in the budgeted amount for Operating Projects resulting from the rollover of unspent grant (Human Settlements Development Grant) from the 2019/2020 financial year.
- c) A decrease in Infrastructure Skills Development Grant (operating projects) by an amount of R576 000 resulting from an adjustment in the Division of Revenue Amendment Bill issued in June 2020.
- d) An increase in Urban Settlement Development Grant funds amounting to R2 341 134 added to the USDG portion allocated to the Enterprise Project Management Office (EPMO) reallocated from Capital projects, this is in line with the conditions of the grant.
- e) A budgeted increase of R142 572 000 in operating expenditure, resulting from an additional Equitable Share allocated to the City as per the Division of Revenue Amendment Bill issued in June 2020. This additional allocation is to fund COVID-19 related expenditure. This additional Equitable Share allocation has been appropriated as follows in the BCMM budget:
 - i. Procurement of Personal Protective Equipment - R101 712 763
 - ii. Hired Plant for Cemeteries - R24 000 000
 - iii. Medication for Employee Wellness Centre - R100 000
 - iv. Security (safeguarding of municipal assets) – R6 000 000
 - v. Temporary posts – R10 759 237
- f) The other adjustments are re-allocations between the different expenditure types. The net effect of these adjustments is Nil on the total Operating

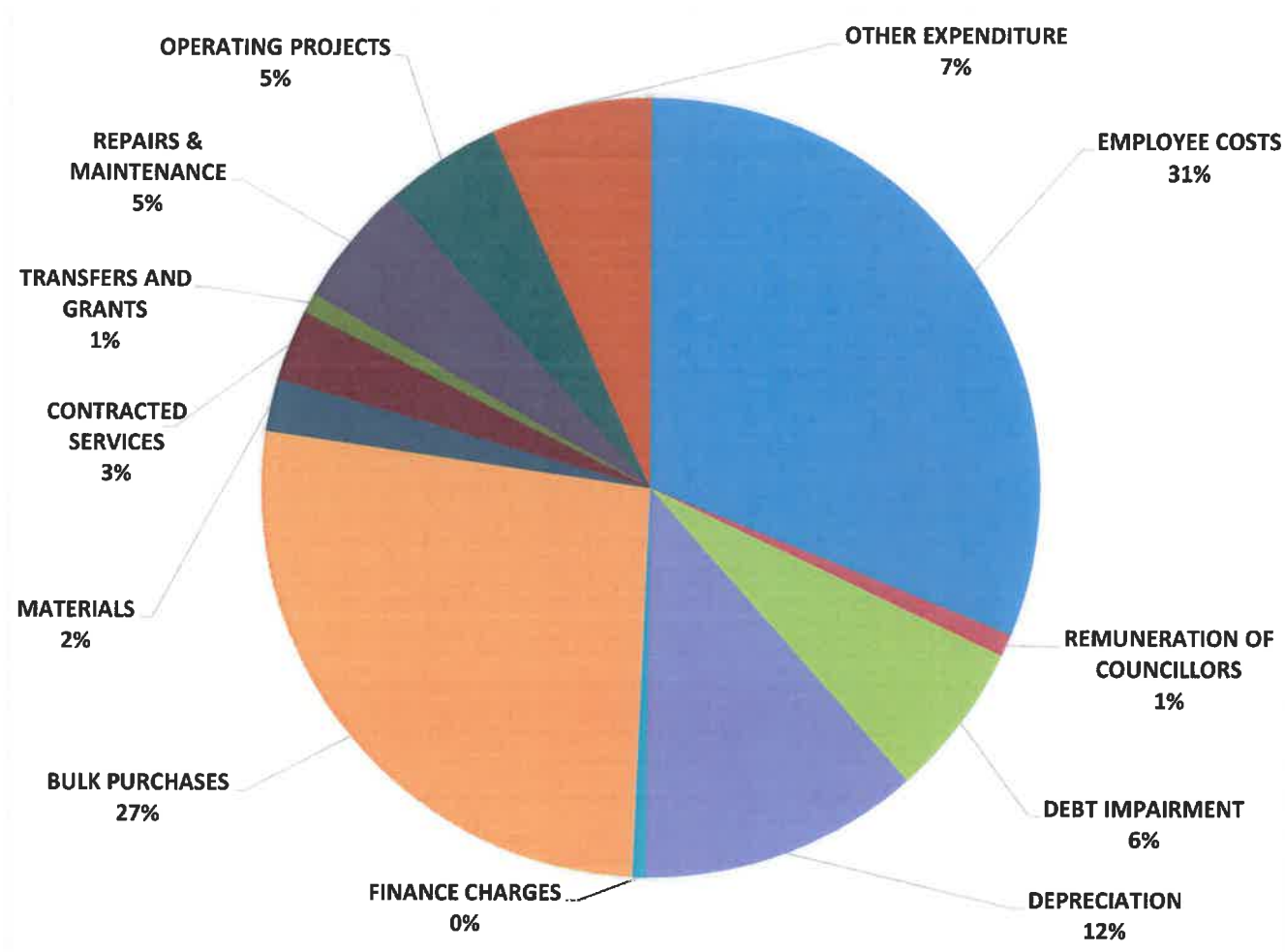
budget. However, these adjustments were necessary in order to align the mSCOA funding segment.

Table 4: 2020/21 First Adjusted Expenditure Budget per Category

2020/2021 FIRST ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	ADJUST.	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	2021/2022 OPEX BUDGET	2022/2023 OPEX BUDGET
Expenditure Per Category					
Employee related costs	2.353.464.908	50.000.000	2.403.464.908	2.498.219.905	2.647.594.737
Remuneration of councillors	72.765.784	0	72.765.784	77.022.583	81.528.404
Debt impairment	497.285.620	0	497.285.620	420.209.193	454.875.816
Depreciation & asset impairment	866.757.069	30.000.000	896.757.069	1.012.187.798	1.133.880.509
Finance charges	44.211.169	0	44.211.169	66.574.064	61.216.893
Bulk purchases:					
Electricity Bulk Purchases	1.779.698.226	0	1.779.698.226	1.914.277.102	2.103.024.824
Water Bulk Purchases	277.777.426	0	277.777.426	300.777.396	325.681.765
Contracted services	214.305.046	12.563.491	226.868.537	252.172.858	241.906.104
Transfers and grants	63.931.213	0	63.931.213	88.928.447	69.914.732
Repairs and Maintenance	399.033.640	0	399.033.640	453.655.951	499.021.546
Operating projects	291.551.103	85.158.734	376.709.837	291.646.916	301.601.357
Other expenditure	520.149.507	-3.379.881	516.769.626	577.428.358	610.768.806
Other materials	126.021.937	42.629.153	168.651.090	139.961.711	148.512.702
Total Direct Operating Expenditure	7.506.952.648	216.971.497	7.723.924.145	8.093.062.282	8.679.528.195

The figure below gives the split of consolidated operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 31% of the total operating expenditure. Bulk Purchases for Electricity and Water represents 27% of the total costs. Other Expenditure contribute 7% of total operating expenditure. Depreciation totals 12% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. Repairs and Maintenance and Operating projects both account for 5% of the total operating budget. Debt impairment account for 6%. Contracted Services and Other materials account for 3% and 2% of the total operating budget respectively. Remuneration of Councillors, Finance Charges and Transfers and Grants each account for 1% of the total expenditure.

Figure 2: 2020/21 Operating Expenditure per Type



5.5.1 First Budget Adjustment on Operating Projects

The following tables (table 5 and 6) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total increase of R85 158 734 to the operating projects budget due to the following adjustments:

a) Executive Support Services:

- Rollover amount of R822 313 of the Salaida grant for the following projects:
 - i. Swimming/Surfing Project;
 - ii. Nahoon Point Reserve;

- iii. Nahoon Estuary Reserve;
- iv. Gender Project (Homestay);
- v. Management & Coordination

b) City Manager's Office:

- An additional USDG amounting to R2 341 134 to fund the Enterprise Management Office (EPMO) in order to comply with conditions of the grant.

c) Corporate Services:

- A reduction in the ISDG allocated to the City amounting to R576 000.
- An allocation of the additional Equitable Share amounting to a total of R10 759 237 for the appointment of temporary project temps for the purposes of fighting COVID-19.

d) Directorate of Human Settlements:

- Rollover amount of R71 812 050 of the Human Settlements Development Grant for the following projects:
 - i. Potsdam Ikhwezi Block 1- R12 715 180
 - ii. Potsdam Village Phase 1 and 5 - R15 635 400
 - iii. Cluster 1-P5 - R23 170 700
 - iv. Peelton Cluster-P5 - R16 226 127
 - v. Cluster 3 (Ndancama and Fynbos 1&2-P5) - R4 064 643

Table 5: 2020/21 Operating Projects Per Funding Source First Adjustment Budget

FUNDING SOURCE	2020/2021 APPROVED OPEX BUDGET	ADJUST.	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	2021/2022 OPEX BUDGET	2022/2023 OPEX BUDGET
OWN FUNDING	115.059.921	10.759.237	125.819.158	118.661.699	116.743.620
TOTAL OWN FUNDING	115.059.921	10.759.237	125.819.158	118.661.699	116.743.620
URBAN SETTLEMENT DEVELOPMENT GRANT	68.122.496	2.341.134	70.463.630	66.741.150	74.884.980
FINANCE MANAGEMENT GRANT	1.000.000	0	1.000.000	1.000.000	1.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11.364.000	-576.000	10.788.000	11.266.000	12.109.000
INTEGRATED CITY DEVELOPMENT GRANT	6.279.335	0	6.279.335	8.963.003	7.938.000
EXPANDED PUBLIC WORKS PROGRAMME	8.449.000	0	8.449.000	0	0
HUMAN SETTLEMENTS DEVELOPMENT GRANT	81.276.351	0	81.276.351	85.015.063	88.925.756
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	71.812.050	71.812.050	0	0
SALAIDA C/O	0	822.313	822.313	0	0
TOTAL GRANTS	176.491.182	74.399.497	250.890.679	172.985.216	184.857.736
TOTAL OPERATING PROJECTS BUDGET	291.551.103	85.158.734	376.709.837	291.646.915	301.601.356

Table 6: 2020/21 Operating Projects Adjustments Per Directorate

DIRECTORATE	2020/2021 APPROVED OPEX BUDGET	ADJUST.	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	2021/2022 OPEX BUDGET	2022/2023 OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	53.000.000	822.313	53.822.313	54.827.160	54.827.160
CITY MANAGER'S OFFICE	48.192.296	2.341.134	50.533.430	34.325.000	28.660.980
CORPORATE SERVICES	12.364.000	10.183.237	22.547.237	12.266.000	12.109.000
SPATIAL PLANNING & DEVELOPMENT	6.310.705	0	6.310.705	4.450.000	7.550.000
ECONOMIC DEVELOPMENT & AGENCIES	4.850.000	0	4.850.000	5.650.000	6.050.000
FINANCE SERVICES	28.399.087	0	28.399.087	30.117.640	30.128.460
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	1.574.413	0	1.574.413	3.400.000	6.800.000
HUMAN SETTLEMENTS	81.276.351	71.812.050	153.088.401	85.015.063	88.925.756
INFRASTRUCTURE SERVICES	53.284.251	0	53.284.251	58.596.053	61.050.000
MUNICIPAL SERVICES	2.300.000	0	2.300.000	3.000.000	5.500.000
TOTAL OPERATING PROJECTS	291.551.103	85.158.734	376.709.837	291.646.915	301.601.356

In order to improve operational efficiency, the detailed schedule of operating projects that is attached as **Annexure 1** has been rolled up to the project level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget. **Annexure 1.1** has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up operating projects.

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicate adjustments to the consolidated capital expenditure budget per funding source and per directorate respectively. It shows a total increase of R164 925 003 which is made of roll-overs for own funds of R241 657 275 (includes an amount of R43 935 399 to BCMDA), unconditional grant rollovers of R541 862, reduction in USDG of R76 574 134 and a reduction in EEDSM grant of R700 000 as per the Division of Revenue Amendment Bill issued in June 2020.

In order to improve operational efficiency, the detailed schedule of capital projects that is attached as **Annexure 2** of this report has been rolled up to the project level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget. **Annexure 2.1** has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up capital projects. The following summarises the identifiable projects on which the requested roll-over funding is committed:

Summary of Capital Projects Adjustments:

5.6.1 Grant Funding – reduction of R76 732 272

5.6.1.1 Energy Efficiency Demand Side Management – R700 000 (reduction)

The EEDSM grant allocated to the City has been reduced by R700 000 in the Division of Revenue Amendment Bill issued in June 2020. This reduction was applied against the Energy Efficiency Demand Side Management Capital Programme.

5.6.1.2 BCMET - R541 862

The unspent BCMET budget from the 2019/2020 financial year is committed and being rolled over to the 2020/2021 financial year. This budget has been used to fund the Traffic Signals Capital project.

5.6.1.3 Urban Settlement Development Grant – R76 574 134 (reduction)

- i. A Division of Revenue Amendment Bill was issued in June 2020, in this amendment bill the USDG allocated to the City has been reduced by R74 233 000.
- ii. An amount of R2 341 134 is also being transferred from USDG Capital projects to EPMD (operating projects) to meet the conditions of the grant.

The reduction in USDG was applied on the following capital projects:

Directorate of Human Settlements - (R45 944 480)

- a) Mdantsane Z18 CC Phase 2 - R8 000 000
- b) Westbank Restitution - R15 000 000
- c) Majarantiyeni - R2 000 000
- d) Boxwood project - R6 694 480
- e) Phakamisa South - R4 000 000

- f) Dimbaza blind detailed Investigation of infrastructure - R1 250 000
- g) Duncan Village Military Veterans - R2 000 000
- h) Phakamisa Sewers - R1 000 000
- i) Mzamomhle Roads - R1 500 000
- j) Lilyvale Roads - R 1 500 000
- k) Sunnyridge ERF 271 - R1 000 000
- l) Ziphunzana Bypass Relocation Site - R500 000
- m) Mdantsane ERF 81,87 & 88 relocation site units - R1 500 000

Directorate of Infrastructure Services - (R30 629 654)

- a) Electrification of Informal Dwelling areas - R2 000 000
- b) Rehabilitation of BCMM Bridges & Stormwater - R1 000 000
- c) Roads Provision - R1 500 000
- d) Rural Roads - R13 629 654
- e) Upgrading of Mdantsane Roads-Cluster 2 - R 500 000
- f) Upgrading of Mdantsane Roads – R500 000
- g) King William’s Town Roads – R2 500 000
- h) Berlin Sewers - R1 000 000
- i) Bisho,KWT, Zwelitsha Bulk Regional Sewer Scheme - R5 000 000
- j) Upgrade Water Networks - R1 000 000
- k) Water Backlogs – R2 000 000

5.6.2 Own Funding - R190 184 129

- i. Directorate of Executive Support Services – committed funds amounting to R561 406 to be rolled over for the Office Furniture and Equipment.
- ii. Directorate of Corporate Services – committed funds amounting to R5 731 696 to be rolled over:
 - a. A budget amounting to R2 989 875 for Employee Performance Management System

- b. A budget amounting to R351 821 for Office Furniture and Equipment
 - c. A budget amounting to R2 000 000 for Scanners
 - d. A budget amounting to R195 000 for LTE infrastructure in Dimbaza and R195 000 for LTE infrastructure in Gonubie
- iii. Directorate of Spatial Planning and Development – committed funds amounting to R15 502 322 to be rolled over:
- a. A budget amounting to R829 889 for Orient Theatre Refurbishment;
 - b. A budget amounting to R165 217 for Mdantsane Zone 6 refurbishment;
 - c. A budget amounting to R1 700 000 for the Refurbishment of Acquired building;
 - d. A budget amounting to R500 820 for Fleet Street Fire Station Refurbishment;
 - e. A budget amounting to R437 993 for the East London mechanical Workshops refurbishment;
 - f. A budget amounting to R1 485 570 for Fencing;
 - g. A budget amounting to R2 000 000 for alterations to newly purchased building;
 - h. A budget amounting to R667 496 for Sleeper Site Road;
 - i. A budget amounting to R123 896 City to Sea Boulevard;
 - j. A budget amounting to R2 339 240 for Taxi Rank Infrastructure;
 - k. A budget amounting to R1 252 568 for Traffic Signals;
 - l. A budget amounting to R1 645 263 for Market Square Taxi Rank;
 - m. A budget amounting to R261 179 for North West Corridor;
 - n. A budget amounting to R1 583 109 for the Upgrading of Lifts for BCMM buildings;

- o. A budget amounting to R310 082 for the upgrading of KWT Payments Hall;
 - p. A budget amounting to R200 000 for the Procurement of Plotter.
- iv. Directorate of Economic Development and Agencies – committed funds amounting to R19 994 852 to be rolled over:
- a. A budget amounting to R421 064 for Plant and Equipment;
 - b. A budget amounting to R456 320 for the Upgrading of Buildings;
 - c. A budget amounting to R837 538 for Paving and Palisade Fencing-Pallet Zone;
 - d. A budget amounting to R664 395 for Installation of Fire Hydrants;
 - e. A budget amounting to R163 701 for Cold rooms;
 - f. A budget amounting to R4 335 493 for Expansion of Guard House and Gate;
 - g. A budget amounting to R461 465 for Construction of Waste Area;
 - h. A budget amounting to R1 614 683 for Hydroponics and Packhouse;
 - i. A budget amounting to R415 227 for Informal Trade
 - j. A budget amounting to R158 031 for Office Furniture & Equipment -SMME Incubator
 - k. A budget amounting to R350 000 for the Fencing of World War 1
 - l. A budget amounting to R1 000 000 for the Restoration of Cattle Killing Heritage in KWT
 - m. A budget amounting to R1 997 060 for the Extension of Mdantsane Art Centre
 - n. A budget amounting to R1 025 084 for the Restoration Work -Settlers Way

- o. A budget amounting to R600 000 for Restoration work- Desmond Tutu Monument;
 - p. A budget amounting to R1 920 000 for KWT Art Centre
 - q. A budget amounting to R2 397 146 for Tourism Hub
 - r. A budget amounting to R1 130 435 for Revitalisation of Industrial Area
 - s. A budget amounting to R47 210 for Office furniture
- v. Directorate of Finance – committed funds amounting to R62 586 697 to be rolled over:
 - a. A budget amounting to R23 365 930 for Smart Metering Solutions;
 - b. A budget amounting to R22 097 585 for Acquire ERP System;
 - c. A budget amounting to R578 410 for Munifin Payment Hall Upgrading;
 - d. A budget amounting to R81 221 for Security System & CCTV Cameras for SCM;
 - e. A budget amounting to R5 350 000 for Generators for Cash Points
 - f. A budget amounting to R2 500 000 for Indigent Management System;
 - g. A budget amounting to R2 932 315 for Construction of Office Accommodation;
 - h. A budget amounting to R5 681 236 for Insurance Asset Replacements.
- vi. Directorate Health, Public Safety and Emergency Service – committed funds amounting to R19 499 363 to be rolled over:
 - a. A budget amounting to R70 960 for Office Furniture and Equipment;

- b. A budget amounting to R1 022 689 for Closed Circuit Television Network;
 - c. A budget amounting to R118 544 for Traffic and Law Enforcement Equipment;
 - d. A budget amounting to R107 985 for Air Monitoring Station;
 - e. A budget amounting to R4 250 000 for Tactical Radio Network;
 - f. A budget amounting to R847 928 for Refurbish and Rehabilitation of Fire Infrastructure
 - g. A budget amounting to R449 915 for Fire Equipment
 - h. A budget amounting to R300 000 for New Fire Station-Berlin
 - i. A budget amounting to R631 342 for refurbishment of Fire Stations
 - j. A budget amounting to R700 000 for Ablution Facilities for Mdantsane Traffic Centre
 - k. A budget amounting to R9 000 000 for Fire Engines Procured
 - l. A budget amounting to R1 000 000 for Cattle/Animal Truck
 - m. A budget amounting to R1 000 000 for Double Cab 4x4 and Jetski for Fire and Rescue Dive Unit
- vii. Directorate of Infrastructure Services – committed funds amounting to R29 288 284 to be rolled over:
- a. A budget amounting to R11 826 181 for the Rehabilitation of Settler's Way;
 - b. A budget amounting to R2 190 211 for East Beach Gravity Sewer Upgrade;
 - c. A budget amounting to R4 393 162 for Reticulation;
 - d. A budget amounting to R5 907 655 for Wastewater Treatment Works;

- e. A budget amounting to R2 031 535 for Upgrading of Laboratory;
 - f. A budget amounting to R1 190 526 for Pipe and Water Meter replacement in Bisho, KWT & Dimbaza
 - g. A budget amounting to R1 749 014 for Alternative Water Supply
- viii. Directorate of Municipal Services – committed funds amounting to R44 557 256 to be rolled over:
- a. A budget amounting to R778 579 for the Upgrading & Refurbishment of existing Community Halls & Facilities;
 - b. A budget amounting to R1 503 343 for Nompumelelo Hall;
 - c. A budget amounting to R474 542 for the Construction of Office and guard house in Nahoon Caravan Park
 - d. A budget amounting to R1 949 117 for the Demolishing and construction of office and guard house at Nahoon Caravan Park;
 - e. A budget amounting to R37 558 for the purchase of furniture fore chalets;
 - f. A budget amounting to R278 011 for the purchase of Office furniture & equipment;
 - g. A budget amounting to R436 625 for the Building of Swimming Pools at Gonubie resorts;
 - h. A budget amounting to R140 536 for the Demolishing and Construction of dining hall at Gonubie resorts;
 - i. A budget amounting to R516 987 for the Construction of Braai Stands at Nahoon Caravan Park;
 - j. A budget amounting to R680 205 for Security Systems;
 - k. A budget amounting to R457 320 for the purchase of Containers for Libraries;

- l. A budget amounting to R16 716 813 for the Redevelopment of NU 2 Swimming Pool- Mdantsane Sport Precinct;
 - m. A budget amounting to R619 301 for the Upgrading of Zoo;
 - n. A budget amounting to R185 971 for the Refurbishment of Aquarium;
 - o. A budget amounting to R116 149 for the Grass Cutting Equipment;
 - p. A budget amounting to R200 000 for the Upgrading & Development of Community Parks in King William's Town;
 - q. A budget amounting to R9 261 758 for the Solid Waste Fleet & Plant;
 - r. A budget amounting to R2 930 964 for the Galvanised Street Litter Bins (CBD);
 - s. A budget amounting to R5 000 000 for Metal Skips
- ix. Buffalo City Development Agency– committed funds amounting to R43 935 399 to be rolled over for the East London Beachfront & Waterworld project.

Table 7: 2020/21 Capital Budget Adjustment Per Funding

CAPITAL BUDGET PER FUNDING	2020/2021 APPROVED CAPITAL BUDGET	ADJUST.	2020/2021 ADJUSTED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET
OWN FUNDING	623.019.286	0	623.019.286	562.242.718	534.266.472
OWN FUNDING c/o	0	241.657.275	241.657.275	0	0
LOAN	230.800.142	0	230.800.142	445.000.000	350.000.000
TOTAL OWN FUNDING	853.819.428	241.657.275	1.095.476.703	1.007.242.718	884.266.472
URBAN SETTLEMENT DEVELOPMENT GRANT	693.231.504	-76.574.134	616.657.370	432.963.850	421.281.020
BCMET c/o	0	541.862	541.862	0	0
PUBLIC TRANSPORT NETWORK GRANT	86.000.000	0	86.000.000	0	0
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	0	0	0	266.258.000	282.122.000
INTERGRATED CITY DEVELOPMENT GRANT	2.037.665	0	2.037.665	4.065.998	5.838.000
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT GRANT	7.000.000	-700.000	6.300.000	9.000.000	6.000.000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	18.000.000	0	18.000.000	2.025.000	15.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150.000	0	150.000	150.000	0
TOTAL GRANTS	806.419.169	-76.732.272	729.686.897	714.462.848	730.241.020
TOTAL CAPITAL BUDGET	1.660.238.597	164.925.003	1.825.163.600	1.721.705.566	1.614.507.492

Table 8: 2020/21 Capital Budget Adjustments per Directorate

CAPITAL BUDGET PER DIRECTORATE	2020/2021 APPROVED CAPITAL BUDGET	ADJUST.	2020/2021 ADJUSTED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	4.000.000	561.406	4.561.406	500.000	500.000
CITY MANAGER'S OFFICE	5.669.366	0	5.669.366	4.969.239	500.000
CORPORATE SERVICES	13.498.851	5.731.696	19.230.547	9.582.220	5.129.959
SPATIAL PLANNING & DEVELOPMENT	158.200.000	16.044.184	174.244.184	85.693.164	110.017.100
ECONOMIC DEVELOPMENT & AGENCIES	31.975.155	19.994.852	51.970.007	42.532.876	75.650.661
FINANCE SERVICES	83.093.518	62.586.697	145.680.215	63.742.992	57.048.506
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	20.973.218	19.499.363	40.472.581	28.114.952	30.181.259
HUMAN SETTLEMENTS	312.493.330	-45.944.480	266.548.850	312.758.000	366.122.000
INFRASTRUCTURE SERVICES	928.514.788	-2.041.370	926.473.418	1.073.154.848	839.619.020
MUNICIPAL SERVICES	49.310.371	44.557.256	93.867.627	47.896.755	75.988.987
TOTAL DRAFT CAPITAL BUDGET: BCMM	1.607.728.597	120.989.604	1.728.718.201	1.668.945.046	1.560.757.492
BCMDA	52.510.000	43.935.399	96.445.399	52.760.520	53.750.000
TOTAL CAPITAL: CONSOLIDATED	1.660.238.597	164.925.003	1.825.163.600	1.721.705.566	1.614.507.492

PART 2 – SUPPORTING DOCUMENTATION

6. SUPPORTING DOCUMENTATION

6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs.

6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

There have been no adjustments to allocations or grants made by the municipality.

6.3 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

Section 54 (1) of the MFMA 56 of 2003 states: On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must –

(c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.

This adjustment budget is in respect of roll-overs for projects that are already in the IDP and SDBIP and therefore it has not been necessary to revise these documents. A mid-year performance assessment will be done later in the financial year to inform the revision of the approved SDBIP.

7. CHALLENGES

None.

8. STAFF IMPLICATIONS

The adjustment budget is linked to the Performance Plans of Head of Directorates and are therefore responsible to implement the revised budget.

9. FINANCIAL IMPLICATIONS

The first adjustments to the consolidated 2020/2021 budget do not have an impact on tariffs as these are funded from unconditional grants rollover funding from 2019/2020 financial year and own funding reserves. The effects of the adjustments to the consolidated 2020/2021 Operating and Capital Budget are outlined below:

A. The adjusted budget of the Parent municipality (BCMM) for the 2020/2021 First Adjustment Budget as follows:

- iv. The adjustment from R7 373 417 012 to R7 590 388 509 of the BCMM 2020/21 Operating Revenue Budget.
- v. The adjustment from R7 372 818 3412 to R7 589 789 838 of the BCMM 2020/21 Operating Expenditure Budget.
- vi. The adjustment from R1 657 728 597 to R1 822 653 600 of the BCMM 2020/21 Capital Budget.

B. The consolidated adjusted budget for the 2020/2021 First Adjustment Budget as follows:

- iv. The adjustment from R7 507 551 640 to R7 724 523 137 of the consolidated 2020/21 Operating Revenue Budget.
- v. The adjustment from R7 506 952 648 to R7 723 924 145 of the consolidated 2020/21 Operating Expenditure Budget.
- vi. The adjustment from R1 660 238 597 to R1 825 163 600 of the consolidated 2020/21 Capital Budget.

10. OTHER PARTIES CONSULTED

All Directorates.

11. CITY MANAGER'S QUALITY CERTIFICATE

I **Andile Sihlahla**, City Manager of Buffalo City Metropolitan Municipality, hereby certify that the adjusted budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjusted budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ANDILE ARNOLD SIHLAHLA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature  _____

Date 18.08.2020

ANNEXURES:

Annexure 1: Detailed Schedule of Operating Projects (Rolled-up)

Annexure 1.1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects (Rolled-up)

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B Schedules (Parent Municipality)

Annexure 4: National Treasury B – Consolidated Schedules