

REPORT TO COUNCIL: 11 DECEMBER 2020

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2020/2021 SECOND ADJUSTMENT BUDGET REPORT

1. PURPOSE

The purpose of the report is for Council to **consider** and **approve** the second 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

Division of Revenue Act No. 16 of 2019, Section 22(2)

Municipal Finance Management Act Circular No. 99

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) (3) stipulates the following:

“If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must , at the next available council meeting, but within 60 days of the approval of the relevant national or provincial

adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

“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)(b) and follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

5. EXPOSITION OF FACTS

BCMM applied to National Treasury for the rollover of R311 204 751 on the following unspent conditional grants from the 2019/2020 financial year:

- i. Urban Settlement Development Grant (USDG) - R223 055 535
- ii. Public Transport Network Grant (PTNG) – R78 371 174
- iii. Neighbourhood Development Partnership Grant (NDPG) – R8 054 828
- iv. Infrastructure Skills Development Grant (ISDG) – R1 723 213

National Treasury has only granted approval of R301 426 525 of the requested amount. This approval is in respect of the Urban Settlement Development Grant (R 223 055 535) and Public Transport Network Grant (R 78 370 990). The Neighbourhood Development Partnership Grant (NDPG) and Infrastructure Skills Development Grant (ISDG) were not approved by National Treasury to be rolled over.

This adjustment budget is being prepared to incorporate the unspent conditional grant rollovers that have been approved by National Treasury into the 2020/2021 budget and to ensure that the approved rollovers are also adopted by Council for spending as soon as possible so as to minimise the possibility of underspending. 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.

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	ADJUSTMENTS	2020/2021	2021/2022	2022/2023
	APPROVED	FIRST		SECOND	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	7.373.417.012	7.590.388.509	1.083.420	7.591.471.929	7.918.910.448	8.519.942.556
Total Operating Expenditure Excluding Operating Projects	7.081.267.238	7.213.080.001	0	7.213.080.001	7.625.289.187	8.217.549.708
Operating Projects	291.551.103	376.709.837	1.083.420	377.793.257	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.372.818.341	7.589.789.838	1.083.420	7.590.873.258	7.916.936.103	8.519.151.065
Surplus / (Deficit)	598.671	598.671	0	598.671	1.974.345	791.491
Total Capital Expenditure	1.657.728.597	1.822.653.600	214.343.105	2.036.996.705	1.718.945.046	1.610.757.492
Total Opex and Capex Budget	9.030.546.938	9.412.443.438	215.426.525	9.627.869.963	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	ADJUSTMENTS	2020/2021	2021/2022	2022/2023
	APPROVED	FIRST		SECOND	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	7.507.551.640	7.724.523.137	1.083.420	7.725.606.557	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.347.214.308	0	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	376.709.837	1.083.420	377.793.257	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	7.723.924.145	1.083.420	7.725.007.565	8.093.062.282	8.679.528.195
Surplus / (Deficit)	598.992	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	1.825.163.600	214.343.105	2.039.506.705	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	9.549.087.745	215.426.525	9.764.514.270	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

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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 second adjustment budget during December 2020 emanates from the approval by National Treasury to rollover the 2019/2020 Unspent conditional grants into the 2020/2021 financial year.

The second adjustment budget is being tabled at Council in terms of the Section 28(2)(b) of the MFMA and Regulation 23(3) 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	2020/2021 FIRST ADJ. BUDGET	ADJUSTMENTS	2020/2021 SECOND ADJ. BUDGET	2021/2022 FINAL BUDGET	2022/2023 FINAL BUDGET
Total Revenue	7.507.551.640	7.724.523.137	1.083.420	7.725.606.557	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.347.214.308	0	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	376.709.837	1.083.420	377.793.257	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	7.723.924.145	1.083.420	7.725.007.565	8.093.062.282	8.679.528.195
Surplus / (Deficit)	598.992	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	1.825.163.600	214.343.105	2.039.506.705	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	9.549.087.745	215.426.525	9.764.514.270	9.814.767.848	10.294.035.687

Section 22 of the 2019 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

The following factors were taken into cognisance when applying to National Treasury for the rollover of 2019/2020 Unspent Conditional grants:

- a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
- b) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
- c) Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
- d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2021 (attach cash flow projection for the applicable grant / project).
- e) A progress report (also in percentages) on the status of each project's implementation that includes an attached, legible implementation plan
- f) The value of the committed project funding, and the conditional allocation from the funding source;
- g) Reasons why the grant / project was not fully spent during the year of original allocation per the DoRA;
- h) An indication of the time-period within which the funds are to be spent if the roll over is approved.

Approval has been granted by National Treasury for Buffalo City Metropolitan Municipality to retain R301 426 525. The City continues to budget for a surplus and produce a funded budget which is in line with National Treasury requirements.

The net effect of the increase 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 second 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. On 28 August 2020 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2020/2021 First Adjustment 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 Second Adjustment Budget as follows:
- i. The adjustment from R7 590 388 509 to R7 591 471 929 of the BCMM 2020/21 Operating Revenue Budget.
 - ii. The adjustment from R7 589 789 838 to R7 590 873 258 of the BCMM 2020/21 Operating Expenditure Budget.
 - iii. The adjustment from R1 822 653 600 to R2 036 996 705 of the BCMM 2020/21 Capital Budget.
- B. The consolidated adjusted budget for the 2020/2021 Second Adjustment Budget as follows:
- i. The adjustment from R7 724 523 137 to R7 725 606 557 of the consolidated 2020/21 Operating Revenue Budget.
 - ii. The adjustment from R7 723 924 145 to R7 725 007 565 of the consolidated 2020/21 Operating Expenditure Budget.

iii. The adjustment from R1 825 163 600 to R2 039 506 705 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

BUFFALO CITY METROPOLITAN MUNICIPALITY

ANDILE SIHLAHLA/ NS



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 second 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 R1 083 420 from R7 724 523 137 to R7 725 606 557. The consolidated operating expenditure budget has also increased by the same amount (R1 083 420) from R7 723 924 145 to R7 725 007 565.

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 R214 343 105 from R1 825 163 600 to R2 039 506 705. This is due to the rollover of the 2019/2020 unspent conditional grants into the 2020/2021 budget. 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 incorporate the approved rollover of the 2019/2020 unspent conditional grants into the 2020/2021 budget.

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

Table 2: 2020/2021 Consolidated Second Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021	2020/2021	ADJUSTMENTS	2020/2021	2021/2022	2022/2023
	APPROVED	FIRST		SECOND	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	7.507.551.640	7.724.523.137	1.083.420	7.725.606.557	8.095.037.320	8.680.319.682
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.347.214.308	0	7.347.214.308	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	376.709.837	1.083.420	377.793.257	291.646.916	301.601.357
Total Operating Expenditure Including Operating Projects	7.506.952.648	7.723.924.145	1.083.420	7.725.007.565	8.093.062.282	8.679.528.195
Surplus / (Deficit)	598.992	598.992	0	598.992	1.975.038	791.487
Total Capital Expenditure	1.660.238.597	1.825.163.600	214.343.105	2.039.506.705	1.721.705.566	1.614.507.492
Total Opex and Capex Budget	9.167.191.245	9.549.087.745	215.426.525	9.764.514.270	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 R1 083 420. This amount of R1 083 420 is made-up of the following adjustments:

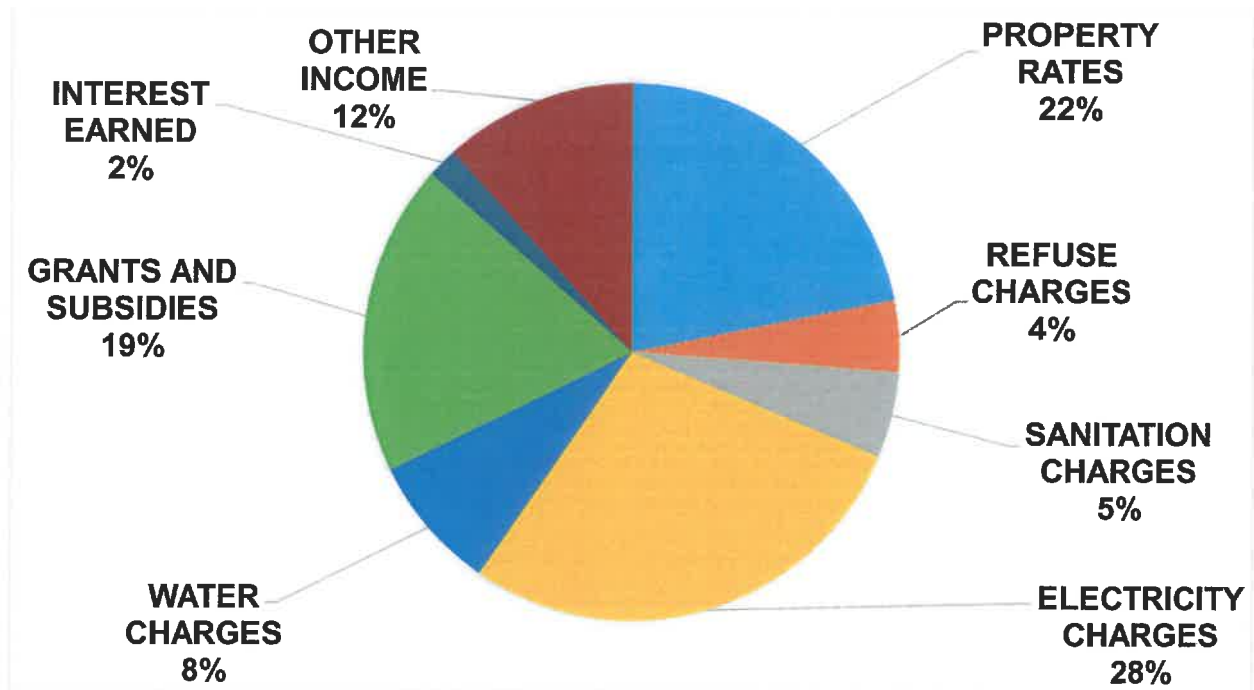
- a) An increase of R1 083 420 is resulting from the approved conditional grant rollover of the Public Transport Network Grant (PTNG).

Table 3: 2020/21 Second Adjusted Revenue per Source

2020/2021 FIRST ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	ADJUST.	2020/2021 SECOND ADJUSTMENT OPEX BUDGET	2021/2022 DRAFT OPEX BUDGET	2022/2023 DRAFT OPEX BUDGET
Revenue by Source						
Property rates	1.687.667.431	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	2.184.209.246	0	2.184.209.246	2.297.788.128	2.502.291.271
Service charges - water revenue	631.338.211	631.338.211	0	631.338.211	688.789.988	751.469.877
Service charges - sanitation revenue	397.037.055	397.037.055	0	397.037.055	430.785.205	467.401.947
Service charges - refuse revenue	334.127.904	334.127.904	0	334.127.904	362.528.776	393.343.722
Rental of facilities and equipment	20.885.214	20.885.214	0	20.885.214	22.681.342	24.495.849
Interest earned - external investments	54.472.852	54.472.852	0	54.472.852	57.199.911	60.063.509
Interest earned - outstanding debtors	88.008.665	88.008.665	0	88.008.665	95.577.410	103.223.603
Fines, penalties and forfeits	19.712.140	19.712.140	0	19.712.140	21.407.384	23.119.975
Licences and permits	17.343.113	17.343.113	0	17.343.113	18.834.620	20.341.390
Agency services	43.909.004	43.909.004	0	43.909.004	43.069.698	46.195.274
Transfers and subsidies - Operating	1.230.978.537	1.447.950.034	1.083.420	1.449.033.454	1.359.287.428	1.373.212.095
Other revenue	797.862.268	797.862.268	0	797.862.268	874.406.605	964.892.687
Total Direct Operating Expenditure	7.507.551.640	7.724.523.137	1.083.420	7.725.606.557	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 28% 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 19% 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 R1 083 420. This amount of R1 083 420 is made-up of the following adjustments:

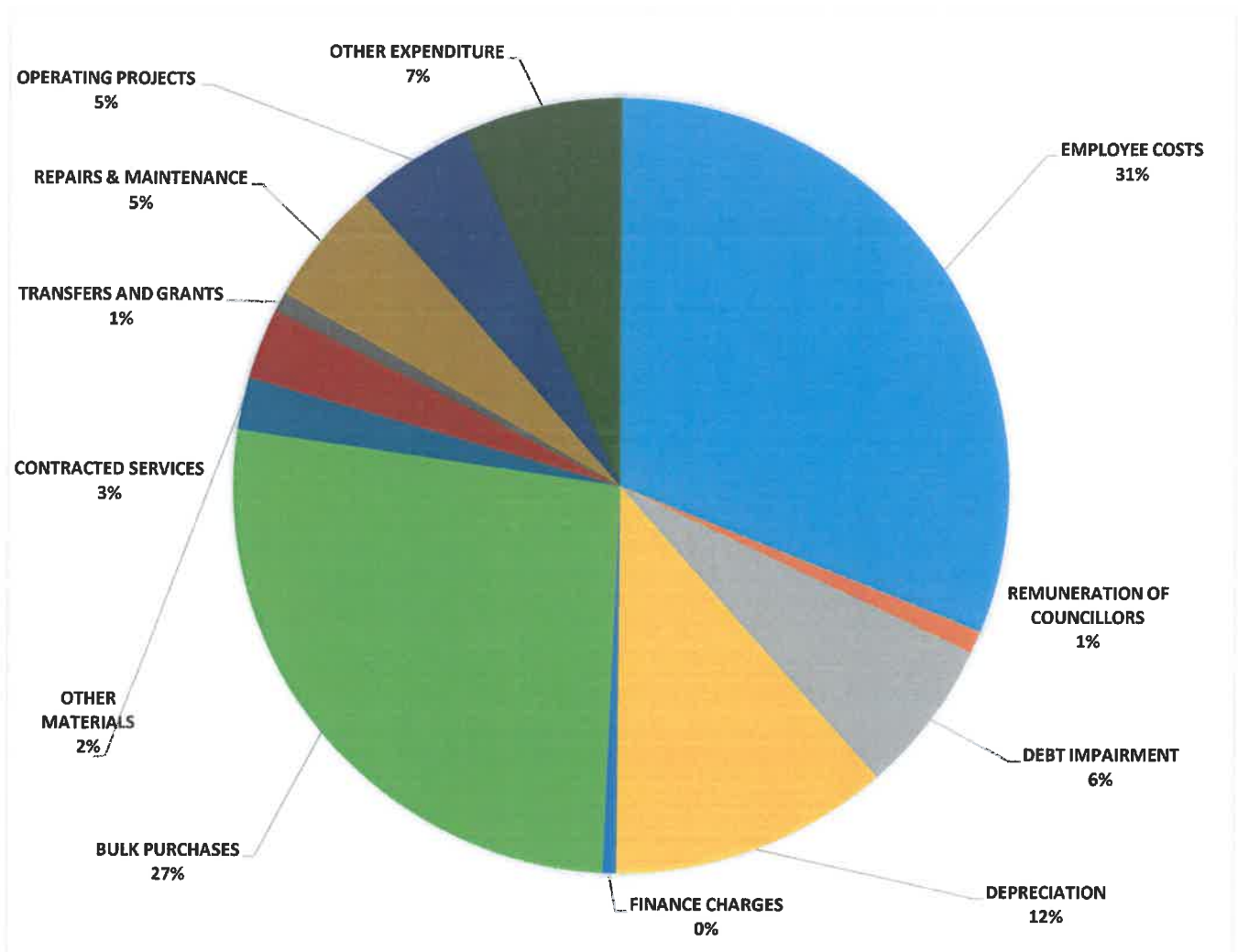
- a) An increase of R1 083 420 to Operating projects is resulting from the approval of the 2019/2020 unspent conditional grant rollover for Public Transport Network Grant (PTNG).

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

2020/2021 FIRST ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	ADJUST.	2020/2021 SECOND ADJUSTMENT OPEX BUDGET	2021/2022 DRAFT OPEX BUDGET	2022/2023 DRAFT OPEX BUDGET
Expenditure Per Category						
Employee related costs	2.353.464.908	2.403.464.908	0	2.403.464.908	2.498.219.905	2.647.594.737
Remuneration of councillors	72.765.784	72.765.784	0	72.765.784	77.022.583	81.528.404
Debt impairment	497.285.620	497.285.620	0	497.285.620	420.209.193	454.875.816
Depreciation & asset impairment	866.757.069	896.757.069	0	896.757.069	1.012.187.798	1.133.880.509
Finance charges	44.211.169	44.211.169	0	44.211.169	66.574.064	61.216.893
Bulk purchases:						
Electricity Bulk Purchases	1.779.698.226	1.779.698.226	0	1.779.698.226	1.914.277.102	2.103.024.824
Water Bulk Purchases	277.777.426	277.777.426	0	277.777.426	300.777.396	325.681.765
Contracted services	214.305.046	226.868.537	0	226.868.537	252.172.858	241.906.104
Transfers and grants	63.931.213	63.931.213	0	63.931.213	88.928.447	69.914.732
Repairs and Maintenance	399.033.640	399.033.640	0	399.033.640	453.655.951	499.021.546
Operating projects	291.551.103	376.709.837	1.083.420	377.793.257	291.646.916	301.601.357
Other expenditure	520.149.507	516.769.626	0	516.769.626	577.428.358	610.768.806
Other materials	126.021.937	168.651.090	0	168.651.090	139.961.711	148.512.702
Total Direct Operating Expenditure	7.506.952.648	7.723.924.145	1.083.420	7.725.007.565	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 Second 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 R1 083 420 to the operating projects budget due to the following adjustments:

5.5.2 Grant Funding – increase of R1 083 420

5.5.2.1 Public Transport Network Grant (PTNG) – R1 083 420

Directorate of Spatial Planning & Development – R1 083 420

- a) Review of Operating Plan and Business Plans - R1 083 420

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

FUNDING SOURCE	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2020/2021 SECOND ADJUSTMENT OPEX BUDGET	2021/2022 DRAFT OPEX BUDGET	2022/2023 DRAFT OPEX BUDGET
OWN FUNDING	115.059.921	125.819.158	0	125.819.158	118.661.699	116.743.620
TOTAL OWN FUNDING	115.059.921	125.819.158	0	125.819.158	118.661.699	116.743.620
URBAN SETTLEMENT DEVELOPMENT GRANT	68.122.496	70.463.630	0	70.463.630	66.741.150	74.884.980
FINANCE MANAGEMENT GRANT	1.000.000	1.000.000	0	1.000.000	1.000.000	1.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11.364.000	10.788.000	0	10.788.000	11.266.000	12.109.000
INTEGRATED CITY DEVELOPMENT GRANT	6.279.335	6.279.335	0	6.279.335	8.963.003	7.938.000
EXPANDED PUBLIC WORKS PROGRAMME	8.449.000	8.449.000	0	8.449.000	0	0
HUMAN SETTLEMENTS DEVELOPMENT GRANT	81.276.351	81.276.351	0	81.276.351	85.015.063	88.925.756
PUBLIC TRANSPORT NETWORK GRANT C/O	0	0	1.083.420	1.083.420	0	0
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	71.812.050	0	71.812.050	0	0
SALAIDA C/O	0	822.313	0	822.313	0	0
TOTAL GRANTS	176.491.182	250.890.679	1.083.420	251.974.099	172.985.216	184.857.736
TOTAL OPERATING PROJECTS BUDGET	291.551.103	376.709.837	1.083.420	377.793.257	291.646.915	301.601.356

Table 6: 2020/21 Operating Projects Adjustments Per Directorate

DIRECTORATE	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2020/2021 SECOND ADJUSTMENT OPEX BUDGET	2021/2022 DRAFT OPEX BUDGET	2022/2023 DRAFT OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	53.000.000	53.822.313	0	53.822.313	54.827.160	54.827.160
CITY MANAGER'S OFFICE	48.192.296	50.533.430	0	50.533.430	34.325.000	28.660.980
CORPORATE SERVICES	12.364.000	22.547.237	0	22.547.237	12.266.000	12.109.000
SPATIAL PLANNING & DEVELOPMENT	6.310.705	6.310.705	1.083.420	7.394.125	4.450.000	7.550.000
ECONOMIC DEVELOPMENT & AGENCIES	4.850.000	4.850.000	0	4.850.000	5.650.000	6.050.000
FINANCE SERVICES	28.399.087	28.399.087	0	28.399.087	30.117.640	30.128.460
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	1.574.413	1.574.413	0	1.574.413	3.400.000	6.800.000
HUMAN SETTLEMENTS	81.276.351	153.088.401	0	153.088.401	85.015.063	88.925.756
INFRASTRUCTURE SERVICES	53.284.251	53.284.251	0	53.284.251	58.596.053	61.050.000
MUNICIPAL SERVICES	2.300.000	2.300.000	0	2.300.000	3.000.000	5.500.000
TOTAL OPERATING PROJECTS	291.551.103	376.709.837	1.083.420	377.793.257	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 R214 343 105 which is made of the approved conditional grant rollovers. Public Transport Network Grant (PTNG) is reducing by R8 712 430, and Urban Settlements Development Grant (USDG) is increasing by R223 055 535.

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 – increase of R214 343 105

5.6.1.1 Public Transport Network Grant (PTNG) – R8 712 430 (reduction)

Directorate of Spatial Planning & Development - R8 712 430 reduction

b) Qumza Highway Phase 7- Reducing by R12 772 434

- c) Mdantsane Access Road – Increasing by R4 060 004

5.6.1.2 Urban Settlement Development Grant – R223 055 535 (increase)

Directorate of Economic Development & Agencies– R9 886 070 increase

- a) Economic Infrastructure – Increasing by R9 886 070

Directorate of Spatial Planning & Development - R5 653 317 increase

- a) Bridge Designs – Increasing by R844 294
- b) Taxi Bus Embayments – Increasing by R585 992
- c) Traffic Calming – Increasing by R1 133 902
- d) Traffic Signals – Increasing by R354 968
- e) Sidewalks – Increasing by R2 403 381
- f) Guidance Signage – Increasing by R62 000
- g) Guardrails –Increasing by R268 780

Directorate of Human Settlements – R162 529 913

- a) Potsdam Ikhwezi Block 1- Increasing by R7 146 122
- b) Potsdam North Kanana – Increasing R140 708
- c) Duncan Village Proper – Increasing by R8 649 039
- d) Mdantsane Zone 18CC Phase 2-Increasing by R7 391 625
- e) Amalinda Co-Op-Increasing by R3 718 941
- f) Cluster 1- Increasing by R 2 787 360
- g) Cluster 2-Increasing by R85 220
- h) Block Yard TRA- Increasing by R1 250 000
- i) Braelyn Ext 10- Increasing by R463 854
- j) Tyutyu Phase 3- Increasing by R2 734 550

k) Westbank Restitution- Increasing by R2 000 000

Directorate of Infrastructure Services – R25 779 300

- a) Electrification programme- R1 389 244
- b) Upgrading of Mdantsane Roads-Cluster 2- R12 356 011
- c) Bisho,KWT & Zwelitsha Bulk Regional Sewer-R7 885 961
- d) Bisho & KWT Infrastructure-Bulk Mains –R465 331
- e) Hoodpoint Marine Outfall Sewer-R2 009 873
- f) Extension of Sanitation Services Mzamomhle-R1 269 015
- g) Upgrade Water Networks- R403 865

Table 7: 2020/21 Capital Budget Adjustment Per Funding

CAPITAL BUDGET PER FUNDING	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 ADJUSTED CAPITAL BUDGET	ADJUST.	2020/2021 ADJUSTED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET
OWN FUNDING	623.019.286	623.019.286	0	623.019.286	562.242.718	534.266.472
OWN FUNDING c/o	0	241.657.275	0	241.657.275	0	0
LOAN	230.800.142	230.800.142	0	230.800.142	445.000.000	350.000.000
TOTAL OWN FUNDING	853.819.428	1.095.476.703	0	1.095.476.703	1.007.242.718	884.266.472
URBAN SETTLEMENT DEVELOPMENT GRANT	693.231.504	616.657.370	0	616.657.370	432.963.850	421.281.020
URBAN SETTLEMENT DEVELOPMENT GRANT C/O	0	0	223.055.535	223.055.535	0	0
BCMET c/o	0	541.862	0	541.862	0	0
PUBLIC TRANSPORT NETWORK GRANT	86.000.000	86.000.000	-8.712.430	77.287.570	0	0
PUBLIC TRANSPORT NETWORK GRANT C/O	0	0	0	0	0	0
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	0	0	0	0	266.258.000	282.122.000
INTERGRATED CITY DEVELOPMENT GRANT	2.037.665	2.037.665	0	2.037.665	4.065.998	5.838.000
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT GRANT	7.000.000	6.300.000	0	6.300.000	9.000.000	6.000.000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	18.000.000	18.000.000	0	18.000.000	2.025.000	15.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150.000	150.000	0	150.000	150.000	0
TOTAL GRANTS	806.419.169	729.686.897	214.343.105	944.030.002	714.462.848	730.241.020
TOTAL CAPITAL BUDGET	1.660.238.597	1.825.163.600	214.343.105	2.039.506.705	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	2020/2021 FIRST ADJUSTED CAPITAL BUDGET	ADJUSTMENTS	2020/2021 SECOND ADJUSTED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 APPROVED CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	4.000.000	4.561.406	0	4.561.406	500.000	500.000
CITY MANAGER'S OFFICE	5.669.366	5.669.366	0	5.669.366	4.969.239	500.000
CORPORATE SERVICES	13.498.851	19.230.547	0	19.230.547	9.582.220	5.129.959
SPATIAL PLANNING & DEVELOPMENT	158.200.000	174.244.184	-3.059.113	171.185.071	85.693.164	110.017.100
ECONOMIC DEVELOPMENT & AGENCIES	31.975.155	51.970.007	9.886.070	61.856.077	42.532.876	75.650.661
FINANCE SERVICES	83.093.518	145.680.215	0	145.680.215	63.742.992	57.048.506
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	20.973.218	40.472.581	0	40.472.581	28.114.952	30.181.259
HUMAN SETTLEMENTS	312.493.330	266.548.850	162.529.913	429.078.763	312.758.000	366.122.000
INFRASTRUCTURE SERVICES	928.514.788	926.473.418	25.779.300	952.252.718	1.073.154.848	839.619.020
MUNICIPAL SERVICES	49.310.371	93.867.627	19.206.935	113.074.562	47.896.755	75.988.987
TOTAL CAPITAL BUDGET: BCMM	1.607.728.597	1.728.718.201	214.343.105	1.943.061.306	1.668.945.046	1.560.757.492
BCMDA	52.510.000	96.445.399	0	96.445.399	96.445.399	96.445.399
TOTAL CAPITAL: CONSOLIDATED	1.660.238.597	1.825.163.600	214.343.105	2.039.506.705	1.765.390.445	1.657.202.891

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 second adjustments to the consolidated 2020/2021 budget do not have an impact on tariffs as these are funded from conditional grants rollover funding from 2019/2020 financial year. 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 Second Adjustment Budget as follows:

- iv. The adjustment from R7 590 388 509 to R7 591 471 929 of the BCMM 2020/21 Operating Revenue Budget.
- v. The adjustment from R7 589 789 838 to R7 590 873 258 of the BCMM 2020/21 Operating Expenditure Budget.
- vi. The adjustment from R1 822 653 600 to R2 036 996 705 of the BCMM 2020/21 Capital Budget.

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

- iv. The adjustment from R7 724 523 137 to R7 725 606 557 of the consolidated 2020/21 Operating Revenue Budget.
- v. The adjustment from R7 723 924 145 to R7 725 007 565 of the consolidated 2020/21 Operating Expenditure Budget.
- vi. The adjustment from R1 825 163 600 to R2 039 506 705 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 _____

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