

## REPORT TO BCMM SPECIAL COUNCIL: 11 JUNE 2020

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### 2019/2020 THIRD ADJUSTMENTS BUDGET REPORT

#### **1. PURPOSE**

The purpose of the report is for the Council to **consider** and **approve** the Third Adjustments Budget of the Buffalo City Metropolitan Municipality for the 2019/20 financial year in terms of section 28 of the MFMA.

#### **2. AUTHORITY**

Buffalo City Metropolitan Council.

#### **3. LEGAL / STATUTORY REQUIREMENTS**

3.1 The Constitution of the Republic of South Africa, 1996

3.2 Municipal Finance Management Act No 56, 2003

3.3 Municipal Budget and Reporting Regulations, 2009

3.4 Government Gazette No.43147

3.5 Government Gazette No.43180

3.6 Government Gazette No.43181

#### **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.”*

According to the Municipal Budget and Reporting Regulations (MBRR), 2009, (Reg. 23) *“(3) 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).

The Minister of Cooperative Governance and Traditional Affairs, in terms of section 27(2) of the Disaster Management Act, 2002 (Act 57 of 2002) (“the DMA”), issued directives to address, prevent and combat the spread of COVID-19 in South Africa; these directives are outlined in Government Gazette 43147. Section 6.10 of Government Gazette number 43147, dated 25 March 2020 states that National Departments, Provincial Departments Municipalities and institutions of Traditional Leadership are directed to implement precautionary measures to mitigate employee health and safety risks.

The Minister of Finance also issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster. In terms of section 3 of Government Gazette No. 43181, the following applies: Municipal councils may pass a special adjustment budget before the end of the 2019/2020 municipal financial year to authorise all expenditure linked to the

emergency to address the COVID-19 pandemic and this must be done within 30 days after the national state of disaster lapsed or is terminated.

In compliance to the above cited Disaster Management Act Government Gazette number 43147, Buffalo City Metropolitan Municipality (BCMM) established a COVID-19 District Command Council. The District Command Council took the following resolutions among others:

- a) Sourcing of funds throughout the BCMM operating budget for purposes of funding procurement of personal protective equipment and other related activities that are mitigating the COVID-19 pandemic.
- b) Sourcing/ reallocation of funds that remain unspent from the ward initiative projects to the project of provision of grocery vouchers/ food parcels to the needy households/ beneficiaries.

On the bases of these regulations, this adjustment budget seeks to respond to the COVID-19 pandemic and the declared Disaster. It has been therefore necessary that this adjustment budget be implemented instantly though it has not been tabled at Council and be reported to Council after the lockdown and/ or lifting of the disaster regulations.

#### **5. EXPOSITION OF FACTS**

On the 25th March 2020, the Minister of Cooperative Governance and Traditional Affairs issued Government Gazette number 43147. According to this Gazette, the National Departments, Provincial Departments, Municipalities and institutions of Traditional Leadership are all directed to implement precautionary measures to mitigate employee health and safety risks.

On the 30<sup>th</sup> March 2020, the National Treasury issued a Government Gazette No.43180. This Government Gazette provides for an additional USDG allocation of R340 million to the Buffalo City Metropolitan Municipality.

This adjustment budget is being prepared to re-allocate the budget between votes/ directorates and expenditure types for the purposes of mitigating the risks of the

COVID-19 in the City and to also assist needy households/ beneficiaries. This adjustment budget is also prepared to appropriate the additional USDG funding into the Buffalo City Metropolitan Municipality's 2019/2020 budget.

Resulting from these adjustments, the Intergrated Development plan and the Service delivery and Budget implementation plan had to be revised. Refer to Annexures 5,6 and 7.

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	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJ. BUDGET	2019/2020 MID-YEAR ADJ. BUDGET	ADJUST.	2019/2020 THIRD ADJ. BUDGET	2020/2021 FINAL BUDGET	2021/2022 FINAL BUDGET
Total Revenue	-7.081.316.350	-7.074.532.427	-7.051.262.244	-7.400.000	-7.058.662.244	-7.590.428.912	-8.174.282.712
Total Operating Expenditure Excluding Operating Projects	6.667.660.759	6.607.568.928	6.634.200.563	0	6.634.200.563	7.140.236.966	7.652.677.978
Operating Projects	412.948.389	466.256.300	416.159.483	7.400.000	423.559.483	449.119.371	520.352.948
Total Operating Expenditure Including Operating Projects	7.080.609.148	7.073.825.228	7.050.360.046	7.400.000	7.057.760.046	7.589.356.337	8.173.030.926
<u>(Surplus) / Deficit</u>	-707.202	-707.199	-902.198	0	-902.198	-1.072.575	-1.251.786
Total Capital Expenditure	1.673.214.910	1.878.549.674	1.898.528.248	332.600.000	2.231.128.248	1.883.649.555	2.002.097.572
Total Opex and Capex Budget	8.753.824.058	8.952.374.902	8.948.888.294	340.000.000	9.288.888.294	9.528.505.892	10.235.328.498

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJ. BUDGET	2019/2020 MID-YEAR ADJ. BUDGET	ADJUST.	2019/2020 THIRD ADJ. BUDGET	2020/2021 FINAL BUDGET	2021/2022 FINAL BUDGET
Total Revenue	-7.143.008.464	-7.136.224.541	-7.138.786.183	-7.400.000	-7.146.186.183	-7.642.810.411	-8.228.617.399
Total Operating Expenditure Excluding Operating Projects	6.729.149.416	6.669.057.615	6.716.422.504	0	6.716.422.504	7.191.232.493	7.705.033.563
Operating Projects	412.948.389	466.256.300	416.159.483	7.400.000	423.559.483	449.119.371	520.352.948
Total Operating Expenditure Including Operating Projects	7.142.097.805	7.135.313.915	7.132.581.987	7.400.000	7.139.981.987	7.640.351.864	8.225.386.511
<u>(Surplus) / Deficit</u>	-910.659	-910.626	-6.204.196	0	-6.204.196	-2.458.547	-3.230.888
Total Capital Expenditure	1.737.412.866	1.955.267.075	1.900.810.250	332.600.000	2.233.410.250	1.936.159.755	2.054.858.792
Total Opex and Capex Budget	8.879.510.671	9.090.580.990	9.033.392.237	340.000.000	9.373.392.237	9.576.511.619	10.280.245.303

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

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## ABBREVIATIONS AND ACRONYMS

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



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

## 5.1 EXECUTIVE MAYOR'S REPORT

Government Gazette number 43147 was issued on the 25<sup>th</sup> March 2020. According to this Gazette, the National Departments, Provincial Departments, Municipalities and institutions of Traditional Leadership are all directed to implement precautionary measures to mitigate employee health and safety risks.

BCMM is preparing this adjustments budget to ensure that there is sufficient budget for the municipality to implement the necessary precautionary measures for responding to the COVID-19 health and safety risks and to also assist struggling households during the lockdown period. This adjustment budget is also to appropriate into the current budget an additional USDG allocation of R340 million.

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJ. BUDGET	2019/2020 MID-YEAR ADJ. BUDGET	ADJUST.	2019/2020 THIRD ADJ. BUDGET	2020/2021 FINAL BUDGET	2021/2022 FINAL BUDGET
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Total Operating Expenditure	7.142.097.805	7.135.313.915	7.132.581.987	7.400.000	7.139.981.987	7.640.351.864	8.225.386.511
(Surplus) / Deficit	-910.659	-910.626	-6.204.196	0	-6.204.196	-2.458.547	-3.230.888
Total Capital Expenditure	1.737.412.866	1.955.267.075	1.900.810.250	332.600.000	2.233.410.250	1.936.159.755	2.054.858.792
Total Opex and Capex Budget	8.879.510.671	9.090.580.990	9.033.392.237	340.000.000	9.373.392.237	9.576.511.619	10.280.245.303

The City continues with its efforts of producing a surplus budget that is funded in line with National Treasury requirements. After this adjustment budget, the consolidated surplus remains unchanged at R6 204 196, this surplus is before capital transfers recognised.

## 5.2 COUNCIL RESOLUTIONS

On 29 May 2019 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2019/20 – 2021/22 MTREF Budget. The Council further met on 23 August 2019 to consider and approve the roll-over adjustment budget. On the 26<sup>th</sup> February 2020 the Council met to consider and approve the Mid-year 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 2019/2020 Third adjustment budget as follows:

- i. The adjustment from R7 051 262 244 to R7 058 662 244 of the BCMM 2019/20 Operating Revenue Budget.
- ii. The adjustment from R7 050 360 046 to R7 057 760 046 of the BCMM 2019/20 Operating Expenditure Budget.
- iii. The adjustment from R1 898 528 248 to R2 231 128 248 of the BCMM 2019/20 Capital Budget.

B. The consolidated adjusted budget for the 2019/2020 Third adjustment budget as follows:

- i. The adjustment from R7 138 786 183 to R7 146 186 183 of the consolidated 2019/20 Operating Revenue Budget.
- ii. The adjustment from R7 132 581 987 to R7 139 981 987 of the consolidated 2019/20 Operating Expenditure Budget.
- iii. The adjustment from R1 900 810 250 to R2 233 410 250 of the consolidated 2019/20 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. PAKATI**

**EXECUTIVE MAYOR**

**BUFFALO CITY METROPOLITAN MUNICIPALITY**  
ANDILE SIHLAHLA/NS

09/06/2020

**DATE**

### 5.3 EXECUTIVE SUMMARY

Based on the National State of Disaster declared by President Ramaphosa on COVID-19, BCMM has embarked on initiatives to fund prevention, containment treatment and stabilisation measures related to the outbreak of COVID-19 within BCMM. This has resulted in the need to create this adjustment budget to re-allocate some of the budget from other votes to the votes that have been created for providing responses to mitigate the risks of the COVID-19 and to also assist struggling households during the lockdown period.

Taking tune to the above mentioned, BCMM is prioritising the additional funding of R340 million to the following:

- i. De-densification of dense and overcrowded areas such as informal settlements, hostels, etc.
- ii. Acceleration of identifying decanting sites from land identified, owned and/ or acquired by the Metro.
- iii. Enhance implementation processes of projects currently underway with specific focus on informal settlements.
- iv. Take all reasonable measures in terms of the National Disaster declaration to prevent, contain, treat and eliminate COVID-19.
- v. Whilst, providing immediate response to mitigate the risk of the COVID-19, the projects identified and funded through this allocation also seek to ensure that the City does not only respond to short term intervention but also respond to medium- and long-term goals of the City by implementing projects that are providing permanent solutions.
- vi. The allocation also intends to ensure that it takes into consideration both social and economic infrastructure.

The consolidated operating revenue budget has been increased by R7 400 000 from R7 138 786 183 to R7 146 186 183. The consolidated operating expenditure has also been increased by the same amount (R7 400 000) from R7 132 581 987 to

R7 139 981 987. This increase is a result of R7 400 000 that is allocated to operating projects from the additional USDG allocation of R340 000 000 that is published in the Government Gazette No. 43180. These are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains stagnant at R6 204 196.

The consolidated capital expenditure budget is adjusted upwards by R332 600 000 from R1 900 810 250 to R2 233 410 250. This increase is a result of R332 600 000 that is allocated to capital projects from the additional USDG allocation of R340 000 000 that is published in the Government Gazette No. 43180.

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to re-allocate the budget from other votes to the votes that are relevant for the purposes of mitigating the impact of the coronavirus (COVID 19) which has been declared a National State of Disaster. It is also to include /appropriate the additional allocation of R340 000 000 as per the Government Gazette No.43180, dated 30<sup>th</sup> March 2020 to the City's 2019/2020 budget. The table below indicates the summary of the 2019/2020 consolidated third adjustment budget.

**Table 2: 2019/20 Consolidated Third Adjustment Budget Summary**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJ. BUDGET	2019/2020 MID-YEAR ADJ. BUDGET	ADJUST.	2019/2020 THIRD ADJ. BUDGET	2020/2021 FINAL BUDGET	2021/2022 FINAL BUDGET
Total Revenue	-7.143.008.464	-7.136.224.541	-7.138.786.183	-7.400.000	-7.146.186.183	-7.642.810.411	-8.228.617.399
Total Operating Expenditure Excluding Operating Projects	6.729.149.416	6.669.057.615	6.716.422.504	0	6.716.422.504	7.191.232.493	7.705.033.563
Operating Projects	412.948.389	466.256.300	416.159.483	7.400.000	423.559.483	449.119.371	520.352.948
Total Operating Expenditure Including Operating Projects	7.142.097.805	7.135.313.915	7.132.581.987	7.400.000	7.139.981.987	7.640.351.864	8.225.386.511
(Surplus) / Deficit	-910.659	-910.626	-6.204.196	0	-6.204.196	-2.458.547	-3.230.888
Total Capital Expenditure	1.737.412.866	1.955.267.075	1.900.810.250	332.600.000	2.233.410.250	1.936.159.755	2.054.858.792
Total Opex and Capex Budget	8.879.510.671	9.090.580.990	9.033.392.237	340.000.000	9.373.392.237	9.576.511.619	10.280.245.303

#### 5.4 OPERATING REVENUE FRAMEWORK

The following table (Table 3) depicts the consolidated operating revenue budget per source. It reflects that there has been an increase of revenue totalling to R7 400 000.

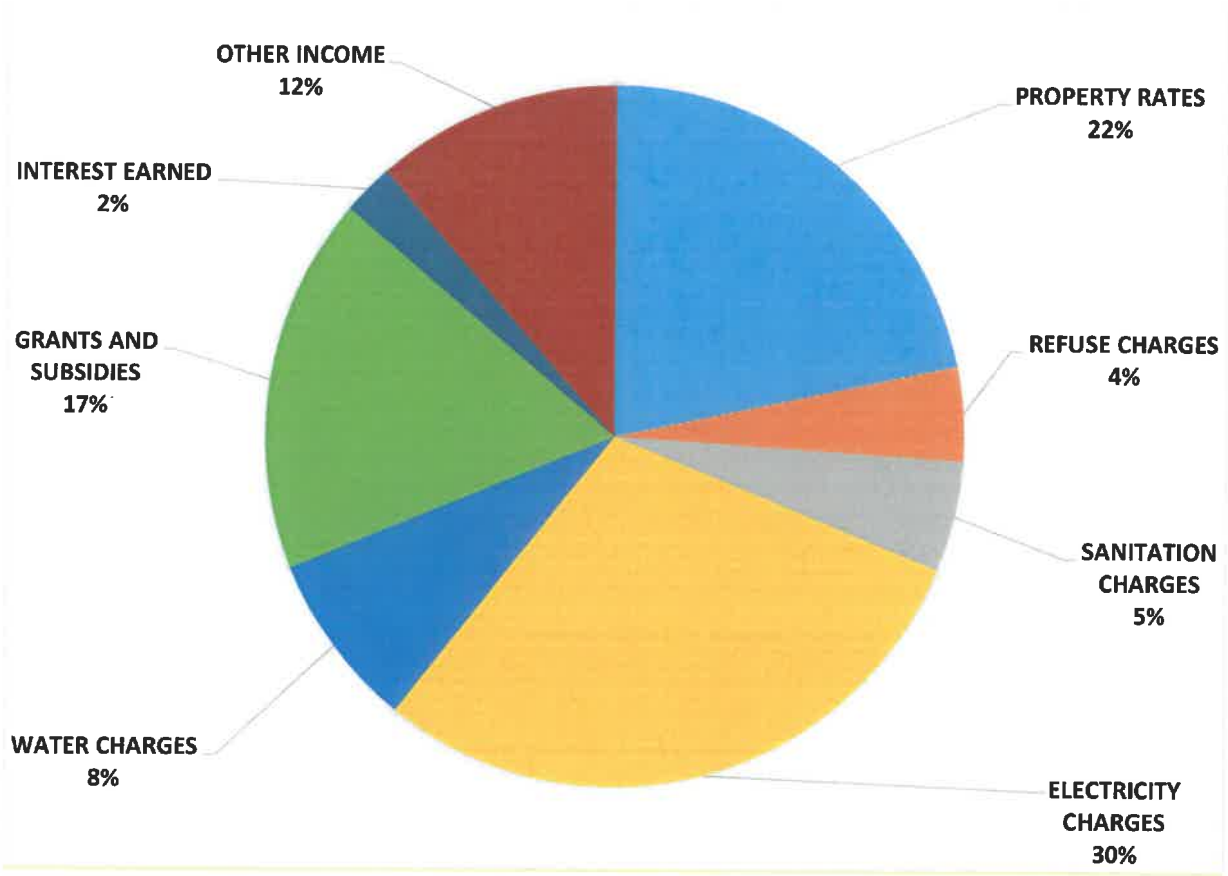
**Table 3: 2019/20 Consolidated Third Adjusted Revenue per Source**

2019/2020 MID-YEAR ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJUSTMENT BUDGET	2019/2020 MID-YEAR ADJUSTMENT BUDGET	ADJUST.	2019/2020 THIRD ADJUSTMENT BUDGET
<b>Revenue by Source</b>					
Property rates	1.552.050.927	1.552.050.927	1.552.050.927	0	1.552.050.927
Service charges - electricity revenue	2.161.342.096	2.110.128.954	2.110.128.954	0	2.110.128.954
Service charges - water revenue	583.148.545	583.148.545	583.148.545	0	583.148.545
Service charges - sanitation revenue	363.587.047	363.587.047	363.587.047	0	363.587.047
Service charges - refuse revenue	310.977.934	310.977.934	310.977.934	0	310.977.934
Rental of facilities and equipment	19.213.628	19.213.628	19.213.628	0	19.213.628
Interest earned - external investments	110.024.611	110.024.611	89.553.754	0	89.553.754
Interest earned - outstanding debtors	59.464.733	59.464.733	80.964.733	0	80.964.733
Fines, penalties and forfeits	18.134.443	18.134.443	18.134.443	0	18.134.443
Licences and permits	15.955.025	15.955.025	15.955.025	0	15.955.025
Agency services	34.333.894	34.333.894	33.838.894	0	33.838.894
Transfers and subsidies - Operating	1.136.152.437	1.180.581.656	1.231.796.995	7.400.000	1.239.196.995
Other revenue	778.623.144	778.623.144	729.435.304	0	729.435.304
<b>Total Direct Operating Revenue</b>	<b>7.143.008.464</b>	<b>7.136.224.541</b>	<b>7.138.786.183</b>	<b>7.400.000</b>	<b>7.146.186.183</b>

The pie chart (Figure 1) below depicts operating revenue budget per source. In terms of service revenue, electricity remains the main contributor to the revenue of the municipality by generating 30% of the total revenue. This is followed by water tariffs at 8%, sanitation tariff at 5% and refuse tariff at 4%. The Property Rates revenue totals 22% of the total Municipal revenue.

The municipality receives grants and subsidies totalling 17% of the total revenue, interest earned is 2% of the total revenue. Other revenue contributes 12% of the total revenue.

**Figure 1: 2019/20 Operating Revenue per Source**





## 5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (Table 4) details adjustments to the consolidated operating expenditure budget per category. It reflects that there has been an increase in the operating expenditure budget totalling to R7 400 000.

**Table 4: 2019/20 Consolidated Fourth Adjusted Expenditure Budget per Category**

2019/2020 MID-YEAR ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2019/2020 APPROVED BUDGET	2019/2020 FIRST ADJUSTMENT BUDGET	2019/2020 MID-YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2019/2020 THIRD ADJUSTMENT BUDGET
<b>Expenditure Per Category</b>					
Employee related costs	2.259.758.947	2.259.758.947	2.263.321.782	0	2.263.321.782
Remuneration of councillors	68.485.444	68.485.444	68.485.444	0	68.485.444
Debt impairment	372.832.991	368.992.005	368.992.005	0	368.992.005
Depreciation & asset impairment	918.128.117	870.755.961	869.954.180	0	869.954.180
Finance charges	41.004.000	41.004.000	33.003.000	0	33.003.000
Bulk purchases:				0	
Electricity Bulk Purchases	1.686.924.914	1.673.046.226	1.664.825.282	0	1.664.825.282
Water Bulk Purchases	251.536.226	251.536.226	256.536.226	0	256.536.226
Contracted services	167.230.579	167.230.579	196.440.069	-4.088.644	192.351.425
Transfers and grants	42.024.691	42.024.691	77.711.505	-4.819.473	72.892.032
Repairs and Maintenance	392.583.435	392.583.435	397.610.135	-5.700.050	391.910.085
Operating projects	412.948.389	466.256.300	416.159.483	7.400.000	423.559.483
Other expenditure	457.937.864	462.937.864	449.334.239	4.861.358	454.195.597
Other materials	70.702.237	70.702.237	70.208.636	9.746.809	79.955.445
<b>Total Direct Operating Expenditure</b>	<b>7.142.097.834</b>	<b>7.135.313.915</b>	<b>7.132.581.986</b>	<b>7.400.000</b>	<b>7.139.981.986</b>

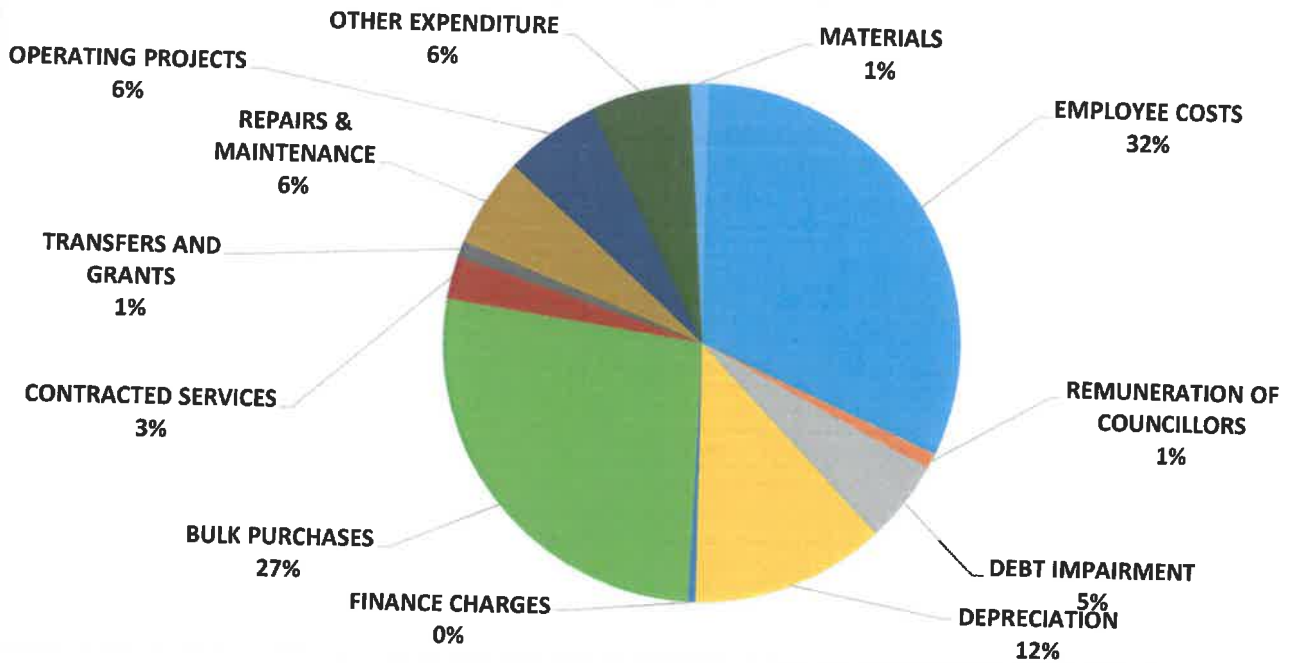
It has been necessary that the following adjustments on the Operating Expenditure Budget be made in order to ensure that there is sufficient budget to implement the necessary precautionary measures for responding to the COVID-19 health and safety risks and to also assist struggling households during the lockdown period:

- i. A reduction of R4 088 644 from R196 440 069 to R192 351 425 on Contracted services.
- ii. A reduction of R4 819 473 from R77 711 505 to R72 892 032 on Transfers and grants.

- iii. A reduction of R5 700 000 from R397 610 135 to R391 910 085 on Repairs and Maintenance.
- iv. A reduction of R4 861 358 from R449 334 239 to R454 195 597 on Other Expenditure.
- v. An increase of R9 746 809 from R70 208 636 to R79 955 445 on Other Materials.
- vi. Budget adjustments within the Operating Projects budget. The net effect of these adjustments is R7 400 000.
  - a. An additional funding amounting to R7 400 000 has been appropriated to Operating
  - b. A budget re-allocation of R32 383 777 from the ward initiative projects to the project of provision of grocery vouchers/ food parcels to the needy households/ beneficiaries.
  - c. A budget re-allocation of R300 000 from the Green Forum Operating project for the procurement of personal protective equipment and other related activities that are mitigating the COVID-19 pandemic.

The pie chart (Figure 2) below depicts split of operating expenditure budget per category. Employee costs and Bulk Purchases represent the largest cost of the municipality 32% and 27% of the total operating expenditure respectively. Depreciation totals 12% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. General Expenses/Other Expenditure accounts to 6% and Other Materials account for 1% of the total operating budget. Repairs and Maintenance is equal to 6% of the operating expenditure budget. Transfers and Grants paid account for 1%. Debt impairment also account for 5%. Finance Charges account for 0.5%, Contracted Services account for 3%, and Remuneration of Councillors account for 1%.

**Figure 2: 2019/20 Operating Expenditure per Type**



### 5.5.1 Third Budget Adjustments 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 R7 400 000 to grant funding.

Budget re-allocations were also made between Operating projects budget for the purpose of implementing precautionary measures against COVID-19 within BCMM as well as providing support to needy households/ beneficiaries.

#### 5.5.1.1 Operating Projects: adjustments on own funded and USDG funded projects

The adjustments below show a total increase of R7 400 000 to the Operating projects budget

##### Directorate of Executive Support Services (Nil)

- a) A total budget re-allocation of R32 383 777 from the Ward initiatives projects to a new Operating project for provision of grocery vouchers/ food parcels to the needy households/ beneficiaries.

- b) A budget re-allocation of R300 000 from the Green Forum Operating project for the procurement of personal protective equipment and other related activities that are mitigating the COVID-19 pandemic.

**Human Settlements (R4 000 000)**

- a) An amount of R2 000 000 has been allocated for Facilitation and Decanting of Informal Settlements.
- b) An amount of R2 000 000 has been allocated for Re-imbursement of Emergency and Decanting Staff.

**Infrastructure Services (R3 400 000)**

- c) Budget amounting to R1 000 000 has been allocated for Supply and Delivery of Watertanks for BCMM Rural areas.
- d) Budget amounting to R2 400 000 has been allocated to fund the Facilitation and Decanting of informal settlements that are on the servitude of the Tunnel Project.

**Table 5: 2019/20 Third Adjustments to Operating Projects - Funding Source**

<b>FUNDING SOURCE</b>	<b>2019/2020 APPROVED OPEX BUDGET</b>	<b>2019/2020 FIRST ADJUSTMENT BUDGET</b>	<b>2019/2020 MID-YEAR ADJUSTMENT BUDGET</b>	<b>ADJUST.</b>	<b>2019/2020 THIRD ADJUSTMENT BUDGET</b>
OWN FUNDING	152.347.438	161.226.129	135.594.495	0	135.594.495
<b>TOTAL OWN FUNDING</b>	<b>152.347.438</b>	<b>161.226.129</b>	<b>135.594.495</b>	<b>0</b>	<b>135.594.495</b>
				0	
URBAN SETTLEMENT DEVELOPMENT GRANT	79.522.960	79.522.960	79.442.960	7.400.000	86.842.960
PUBLIC TRANSPORT INFRASTRUCTURE GRANT	15.850.000	15.850.000	3.850.000	0	3.850.000
FINANCE MANAGEMENT GRANT	1.000.000	1.000.000	942.000	0	942.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11.150.000	11.150.000	11.150.000	0	11.150.000
EXPANDED PUBLIC WORKS PROGRAMME	9.956.000	9.956.000	9.956.000	0	9.956.000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	143.121.991	187.115.522	174.788.339	0	174.788.339
SALIDA C/O	0	435.689	435.689	0	435.689
<b>TOTAL GRANTS</b>	<b>260.600.951</b>	<b>305.030.171</b>	<b>280.564.988</b>	<b>7.400.000</b>	<b>287.964.988</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>412.948.389</b>	<b>466.256.300</b>	<b>416.159.483</b>	<b>7.400.000</b>	<b>423.559.483</b>

**Table 6: 2019/20 Third Adjustments to Operating Projects – Directorate**

DIRECTORATE	2019/2020 APPROVED OPEX BUDGET	2019/2020 FIRST ADJUSTMENT BUDGET	2019/2020 MID-YEAR ADJUSTMENT BUDGET	ADJUST.	2019/2020 THIRD ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	57.643.860	66.958.240	66.024.240	0	66.024.240
CITY MANAGER'S OFFICE	37.478.960	37.478.960	37.398.960	0	37.398.960
CORPORATE SERVICES	30.153.578	30.153.578	14.825.000	0	14.825.000
SPATIAL PLANNING & DEVELOPMENT	31.050.000	31.050.000	14.700.944	0	14.700.944
ECONOMIC DEVELOPMENT & AGENCIES	20.000.000	20.000.000	20.000.000	0	20.000.000
FINANCE SERVICES	20.500.000	20.500.000	15.742.000	0	15.742.000
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	1.000.000	1.000.000	1.280.000	0	1.280.000
HUMAN SETTLEMENTS	145.121.991	189.115.522	176.288.339	4.000.000	180.288.339
INFRASTRUCTURE SERVICES	60.000.000	60.000.000	60.000.000	3.400.000	63.400.000
MUNICIPAL SERVICES	10.000.000	10.000.000	9.900.000	0	9.900.000
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>412.948.389</b>	<b>466.256.300</b>	<b>416.159.483</b>	<b>7.400.000</b>	<b>423.559.483</b>

The details of adjustments per programme/project are reflected on the schedule of operating projects that is attached as **Annexure 1** where the projects have been rolled up at programme level (**Annexure 1.1** has also been attached and provides details of accounts / votes that make up a programme / project).

## **5.6 CAPITAL EXPENDITURE FRAMEWORK**

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively. It shows a total increase of

R332 600 000 in Capital Budget allocated from the additional USDG grant funding allocated to BCMM. To arrive to the adjustments that are tabulated in the below two tables (table 7 and 8), an analysis was done to determine projects that can be implemented to prevent, contain and stabilise the outbreak of COVID-19 in informal settlements, hostels and dense and overcrowded areas. Funding has been allocated to the above-mentioned priority areas without compromising the municipality's strategic objectives and priorities as set up in the IDP. Details of the allocation of funding are provided below:

### **5.6.1 Capital budget Increase in USDG Funding**

The following summarises the additional allocation of the USDG grant funding of R332 600 000 as depicted on table 7 and 8 below:

#### **Directorate of Spatial Planning & Development (R16 300 000)**

- a) Funding for Upgrading of B Hostel project by an amount of R9 300 000.
- b) An increase of R7 000 000 for the Construction of the Sleeper Site Roads Project.

#### **Directorate of Economic Development & Agencies (R20 000 000)**

Funding amounting to R20 000 000 has been allocated for Economic infrastructure. This funding has been split as follows:

- i. Budget amounting to R7 000 000 for Construction of Hydroponics at Duncan Village
- ii. Budget amounting to R5 000 000 for Construction of Hydroponics at Zwelitsha
- iii. Budget amounting to R6 000 000 for Construction of Hydroponics at Dimbaza
- iv. Budget amounting to R2 000 000 for Installation of a Container Mall at Scenery Park

### **Human Settlements (R199 000 000)**

- a) A budget increase of R30 000 000 for the Construction of internal services for Mdantsane Zone 18cc.
- b) A budget increase of R5 000 000 for the Construction of internal services for Mdantsane Cluster 1.
- c) A budget increase of R4 000 000 for Construction of internal services for Reeston Phase 3 Stage 2.
- d) A budget increase of R10 000 000 for Construction internal services for Boxwood Project.
- e) Budget amounting to R35 000 000 has been allocated for the Construction of Ziphunzana By Pass Temporary Relocation Area.
- f) Budget amounting to R40 000 000 has been allocated for Construction of Mdantsane ERF 81,87 & 88 (Temporary Relocation Area).
- g) Budget amounting to R35 000 000 has been allocated for the Purchasing of Serviced Land.
- h) Budget amounting to R10 000 000 has been allocated for funding of the Fencing of Temporary Relocation Areas.
- i) Budget amounting to R15 000 000 has been allocated for Construction of Fynbos Temporary Relocation Areas.
- j) Budget amounting to R5 000 000 has been allocated for the Dimbaza Blind's Sewerline Upgrade.
- k) A budget increase of R10 000 000 for the Construction of internal services for Phakamisa South.
- l) A budget reduction of R8 000 000 to Westbank restitution reallocated to Mzamomhle People's Housing Process
- m) A budget reduction of R8 000 000 to Reeston Phase 3 Stage 2 reallocated to Mzamomhle People's Housing process
- n) A reduction of R5 500 000 to D Hostel reallocated to Mzamomhle People's Housing Process
- o) An additional budget of R21 500 000 to Mzamomhle People's housing projects

**Infrastructure Services (R97 300 000)**

- a) An amount of R5 000 000 has been allocated for Refurbishment of Electrical overhead mains.
- b) Budget amounting to R30 000 000 has been allocated to fund Surfaced Roads Rehabilitation.
- c) An additional budget of R25 000 000 has been allocated for the Rehabilitation of Rural Roads programme.
- d) An additional budget of R15 000 000 has been allocated for Bisho, KWT & Zwelitsha Bulk Regional Sewer Project.
- e) Budget amounting to R15 000 000 has been allocated for Upgrading and Extension of Duncan Village Sewer.
- p) Budget amounting to R3 000 000 has been allocated for the Extension of Internal Services in Mzamomhle
- q) Budget amounting to R300 000 has been allocated for the Extension of Internal Services in Dimbaza
- r) Budget amounting to R2 000 000 allocated to Ablution facilities
- s) Budget amounting to R2 000 000 allocated to Upgrade of Water Networks (Distribution)

A schedule of capital budget per programme/project is attached as **Annexure 2** where the projects have been rolled up at programme level (**Annexure 2.1** has also been attached, it provides the detail of accounts / votes that make up the programme / project).



**Table 7: 2019/20 Third Adjustments to Capital Expenditure Budget – Funding**

CAPITAL BUDGET PER FUNDING	2019/2020 APPROVED CAPITAL BUDGET	2019/2020 FIRST ADJUSTMENT BUDGET	2019/2020 MID-YEAR ADJUSTMENT BUDGET	ADJUST.	2019/2020 THIRD ADJUSTMENT BUDGET
OWN FUNDING	693.282.001	909.555.722	909.555.722	0	909.555.722
LOAN	69.581.825	69.581.825	0	0	0
<b>TOTAL OWN FUNDING</b>	<b>762.863.826</b>	<b>979.137.547</b>	<b>909.555.722</b>	<b>0</b>	<b>909.555.722</b>
LGTH C/O	0	1.580.488	1.580.488	0	1.580.488
BCMET	0	0	487.000	0	487.000
FINANCE MANAGEMENT GRANT	0	0	58.000	0	58.000
URBAN SETTLEMENT DEVELOPMENT GRANT	737.900.040	737.900.040	737.980.040	332.600.000	1.070.580.040
PUBLIC TRANSPORT INFRASTRUCTURE GRANT	218.616.000	218.616.000	230.616.000	0	230.616.000
INTERGRATED CITY DEVELOPMENT GRANT	10.383.000	10.383.000	10.383.000	0	10.383.000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	7.500.000	7.500.000	10.000.000	0	10.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150.000	150.000	150.000	0	150.000
<b>TOTAL GRANTS</b>	<b>974.549.040</b>	<b>976.129.528</b>	<b>991.254.528</b>	<b>332.600.000</b>	<b>1.323.854.528</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>1.737.412.866</b>	<b>1.955.267.075</b>	<b>1.900.810.250</b>	<b>332.600.000</b>	<b>2.233.410.250</b>

**Table 8: 2019/20 Third Adjustments to Capital Expenditure Budget – Directorate**

CAPITAL BUDGET PER DIRECTORATE	2019/2020 APPROVED CAPITAL BUDGET	2019/2020 FIRST ADJUSTMENT BUDGET	2019/2020 MID-YEAR ADJUSTMENT BUDGET	ADJUST.	2019/2020 THIRD ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	500.000	3.500.000	3.500.000	0	3.500.000
CITY MANAGER'S OFFICE	6.664.045	6.664.045	6.744.045	0	6.744.045
CORPORATE SERVICES	45.910.000	46.023.896	46.023.896	0	46.023.896
SPATIAL PLANNING & DEVELOPMENT	307.351.141	328.975.088	343.462.088	16.300.000	359.762.088
ECONOMIC DEVELOPMENT & AGENCIES	33.687.799	63.221.908	93.721.908	20.000.000	113.721.908
FINANCE SERVICES	141.858.342	159.982.264	132.471.234	0	132.471.234
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	24.650.000	28.306.810	28.306.810	0	28.306.810
HUMAN SETTLEMENTS	252.781.590	252.781.590	252.781.590	199.000.000	451.781.590
INFRASTRUCTURE SERVICES	700.606.490	785.856.682	764.664.857	97.300.000	861.964.857
MUNICIPAL SERVICES	158.121.458	203.237.393	226.851.822	0	226.851.822
<b>TOTAL CAPITAL BUDGET: BCMM</b>	<b>1.672.130.865</b>	<b>1.878.549.676</b>	<b>1.898.528.250</b>	<b>332.600.000</b>	<b>2.231.128.250</b>
BCMDA	65.282.001	76.717.400	2.282.001	0	2.282.001
<b>TOTAL DRAFT CAPITAL: CONSOLIDATED</b>	<b>1.737.412.866</b>	<b>1.955.267.076</b>	<b>1.900.810.251</b>	<b>332.600.000</b>	<b>2.233.410.251</b>

## **6. CHALLENGES**

None.

## **7. STAFF IMPLICATIONS**

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

## **8. FINANCIAL IMPLICATIONS**

The third adjustments to the 2019/2020 budget do not have an impact on tariffs as these adjustments are resulting from an additional allocation from National treasury. The effects of the adjustments to the 2019/20 Capital and Operating Budget are outlined below:

A. The total adjustments in the budget of the Parent municipality (BCMM) for the 2019/2020 Third adjustment budget are as follows:

- i. An increase from R7 051 262 244 to R7 058 662 244 of the BCMM 2019/20 Operating Revenue Budget.
- ii. An increase from R7 050 360 046 to R7 057 760 046 of the BCMM 2019/20 Operating Expenditure Budget.
- iii. An increase from R1 898 528 248 to R2 231 128 248 of the BCMM 2019/20 Capital Budget

B. The total adjustments in the Consolidated budget of the Municipality for the 2019/2020 Third adjustment budget are as follows:

- i. An increase from R7 138 786 183 to R7 146 186 183 of the consolidated 2019/20 Operating Revenue Budget.
- ii. An increase from R7 132 581 987 to R7 139 981 987 of the consolidated 2019/20 Operating Expenditure Budget.
- iii. An increase from R1 900 810 250 to R2 233 410 250 of the consolidated 2019/20 Capital Budget.

## **9. OTHER PARTIES CONSULTED**

9.1. All Directorates.

9.2. District Command Council.

**10. CITY MANAGER'S QUALITY CERTIFICATE**

I, APANNA NAIDOO, Acting 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: APANNA NAIDOO

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 9/06/2020

**ANNEXURES:**

Annexure 1: Schedule of Operating Projects per Programme/Project

Annexure 1.1: Detailed Schedule of Operating Projects

Annexure 2: Schedule of Capital Projects per Programme/Project

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B Schedules (Parent Municipality)

Annexure 4: National Treasury B Schedules (Consolidated)

Annexure 5: Revised Section D of the Integrated Development Plan 2019/2020

Annexure 6: Revised Performance Plans 2019/2020 of the City Manager and Heads of  
Directorates

Annexure 7: Revised Service Delivery and Budget Implementation Plan 2019/2020