

## REPORT TO SPECIAL COUNCIL MEETING: 18 MAY 2021

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Author: EXECUTIVE MAYOR (XOLA PAKATI)/AS

### 2020/2021 FOURTH ADJUSTMENTS BUDGET REPORT

#### **1. PURPOSE**

The purpose of the report is for the Council to **consider** and **approve** the Fourth Adjustments Budget of the Buffalo City Metropolitan Municipality for the 2020/2021 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 Division of Revenue Act, 2020

3.5 Government Gazette No.44349

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

## 5. **EXPOSITION OF FACTS**

On 29 March 2021, the National Treasury issued Government Gazette No.44349. This Government Gazette provides for an additional Urban Settlement Development Grant (USDG) allocation of R200 000 000 to the Buffalo City Metropolitan Municipality. The 2020/2021 fourth adjustments budget is being prepared to appropriate the additional funding into the Buffalo City Metropolitan Municipality's 2020/2021 budget.

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

### 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 APPROVED BUDGET	2020/2021 MID-YEAR ADJ. BUDGET	ADJUST.	2020/2021 FOURTH ADJ. BUDGET	2021/2022 FINAL BUDGET	2022/2023 FINAL BUDGET
<b>Total Revenue</b>	<b>7.373.417.012</b>	<b>7.591.372.929</b>	<b>26.371.800</b>	<b>7.617.744.729</b>	<b>7.918.910.448</b>	<b>8.519.942.556</b>
Total Operating Expenditure Excluding Operating Projects	7.081.267.238	7.205.610.772	0	7.205.610.772	7.625.289.187	8.217.549.708
Operating Projects	291.551.103	385.163.486	26.371.800	411.535.286	291.646.916	301.601.357
<b>Total Operating Expenditure Including Operating Projects</b>	<b>7.372.818.341</b>	<b>7.590.774.258</b>	<b>26.371.800</b>	<b>7.617.146.058</b>	<b>7.916.936.103</b>	<b>8.519.151.065</b>
<b>Surplus / (Deficit)</b>	<b>598.671</b>	<b>598.671</b>	<b>0</b>	<b>598.671</b>	<b>1.974.345</b>	<b>791.491</b>
Total Capital Expenditure	1.657.728.597	2.033.240.741	173.628.200	2.206.868.941	1.718.945.046	1.610.757.492
<b>Total Opex and Capex Budget</b>	<b>9.030.546.938</b>	<b>9.624.014.999</b>	<b>200.000.000</b>	<b>9.824.014.999</b>	<b>9.635.881.149</b>	<b>10.129.908.557</b>

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

<b>OPERATING AND CAPITAL BUDGET EXPENDITURE</b>	<b>2020/2021 APPROVED BUDGET</b>	<b>2020/2021 MID-YEAR ADJ. BUDGET</b>	<b>ADJUST.</b>	<b>2020/2021 FOURTH ADJ. BUDGET</b>	<b>2021/2022 FINAL BUDGET</b>	<b>2022/2023 FINAL BUDGET</b>
<b>Total Revenue</b>	<b>7.507.551.640</b>	<b>7.725.507.557</b>	<b>26.371.800</b>	<b>7.751.879.357</b>	<b>8.095.037.320</b>	<b>8.680.319.682</b>
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.339.745.079	0	7.339.745.079	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	385.163.486	26.371.800	411.535.286	291.646.916	301.601.357
<b>Total Operating Expenditure Including Operating Projects</b>	<b>7.506.952.648</b>	<b>7.724.908.565</b>	<b>26.371.800</b>	<b>7.751.280.365</b>	<b>8.093.062.282</b>	<b>8.679.528.195</b>
<b>Surplus / (Deficit)</b>	<b>598.992</b>	<b>598.992</b>	<b>0</b>	<b>598.992</b>	<b>1.975.038</b>	<b>791.487</b>
Total Capital Expenditure	1.660.238.597	2.035.750.741	173.628.200	2.209.378.941	1.721.705.566	1.614.507.492
<b>Total Opex and Capex Budget</b>	<b>9.167.191.245</b>	<b>9.760.659.306</b>	<b>200.000.000</b>	<b>9.960.659.306</b>	<b>9.814.767.848</b>	<b>10.294.035.687</b>

Further details on exposition of facts are detailed below 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

National Treasury invoked section 19 of the Division of Revenue Act (DoRA) of 2020 which states that “if the National Treasury anticipates that a province or municipality shall substantially underspend on the allocation, or any programme, partially or fully funded by the allocation, the National Treasury may, in its discretion or on request of a transferring officer or a receiving officer stop the transfer of a schedule 4 or 5 allocation, or a portion thereof, to a province or municipality”.

The outcome of the above process that has been undertaken by National Treasury and the transferring officer provides that BCMM has been allocated an additional amount of R200 million from USDG. The fourth adjustments budget is being tabled at Council in terms of Section 28 of the MFMA for the purpose of appropriating into the current adjusted budget an additional USDG allocation of R200 million and to reallocate budget between programmes and/ or projects and operating expenditure categories in order to improve operational efficiencies and service delivery.

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

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2020/2021 APPROVED BUDGET	2020/2021 MID-YEAR ADJ. BUDGET	ADJUST.	2020/2021 FOURTH ADJ. BUDGET	2021/2022 FINAL BUDGET	2022/2023 FINAL BUDGET
<b>Total Revenue</b>	<b>7.507.551.640</b>	<b>7.725.507.557</b>	<b>26.371.800</b>	<b>7.751.879.357</b>	<b>8.095.037.320</b>	<b>8.680.319.682</b>
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.339.745.079	0	7.339.745.079	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	385.163.486	26.371.800	411.535.286	291.646.916	301.601.357
<b>Total Operating Expenditure Including Operating Projects</b>	<b>7.506.952.648</b>	<b>7.724.908.565</b>	<b>26.371.800</b>	<b>7.751.280.365</b>	<b>8.093.062.282</b>	<b>8.679.528.195</b>
<b>Surplus / (Deficit)</b>	<b>598.992</b>	<b>598.992</b>	<b>0</b>	<b>598.992</b>	<b>1.975.038</b>	<b>791.487</b>
<b>Total Capital Expenditure</b>	<b>1.660.238.597</b>	<b>2.035.750.741</b>	<b>173.628.200</b>	<b>2.209.378.941</b>	<b>1.721.705.566</b>	<b>1.614.507.492</b>
<b>Total Opex and Capex Budget</b>	<b>9.167.191.245</b>	<b>9.760.659.306</b>	<b>200.000.000</b>	<b>9.960.659.306</b>	<b>9.814.767.848</b>	<b>10.294.035.687</b>

The City continues with its efforts of producing a surplus budget that is funded in line with National Treasury requirements. This adjustment budget has 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 2020/21 – 2022/23 MTREF Budget. The Council met on 28 August 2020 to consider and approve the roll-over adjustment budget. The Council further met on 11 December 2020 to consider and approve the conditional grants roll-over adjustment budget. On 24 February 2021, BCMM Council met to consider the 2020/2021 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 2020/2021 Fourth Adjustments Budget as follows:
- i. The adjustment from R7 591 372 929 to R7 617 744 729 of the BCMM 2020/21 Operating Revenue Budget.
  - ii. The adjustment from R7 590 774 258 to R7 617 146 058 of the BCMM 2020/21 Operating Expenditure Budget.
  - iii. The adjustment from R2 033 240 741 to R2 206 868 941 of the BCMM 2020/21 Capital Budget.
- B. The consolidated adjusted budget for the 2020/2021 Fourth Adjustments Budget as follows:
- i. The adjustment from R7 725 507 557 to R7 751 879 357 of the consolidated 2020/21 Operating Revenue Budget.
  - ii. The adjustment from R7 724 908 565 to R7 751 280 365 of the consolidated 2020/21 Operating Expenditure Budget.
  - iii. The adjustment from R2 035 750 741 to R2 209 378 941 of the consolidated 2020/21 Capital Budget.

C. Council note that, in order to improve operational efficiency, the consolidated detailed schedules of operating projects and capital 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

11/05/2021.

**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 the budgeting including this 2020/2021 Fourth Adjustments Budget. This approach involved an intensive internal process of assessing and determining whether the budgeted programs and projects are responding to the City's strategic needs and priorities. This process further assessed the implementation readiness of the budgeted programs and projects and the re-allocation of the expenditure budget was informed by this assessment. The appropriation of the additional funding into projects/ programmes was also informed by this process.

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs and there have been no new allocations or grants made by the municipality. This adjustment budget is in respect of projects that are already in the IDP and SDBIP and therefore it has not been necessary to revise these documents.

The consolidated operating revenue budget has been increased by R26 371 800 from R7 725 507 557 to R7 751 879 357. The consolidated operating expenditure has also been increased by the same amount (R26 371 800) from R7 724 908 565 to R7 751 280 365. These are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains at R598 992.

The consolidated capital expenditure budget is adjusted upwards by R173 628 200 from R2 035 750 741 to R2 209 378 941. This increase is a result of the additional USDG allocation of R173 628 200 that has been allocated to the BCMM Capital budget.

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to include / appropriate the additional allocation of R200 000 000 as per Government Gazette No. 44349, dated 29 March 2021 to the City's 2020/2021 budget and to reallocate budget between programmes and/ or projects and operating expenditure categories in order to improve operational efficiencies and service delivery. The table below indicates the summary of the 2020/2021 fourth adjustment budget.

**Table 2: 2020/2021 Fourth Adjustments Budget Summary**

<b>OPERATING AND CAPITAL BUDGET EXPENDITURE</b>	<b>2020/2021 APPROVED BUDGET</b>	<b>2020/2021 MID-YEAR ADJ. BUDGET</b>	<b>ADJUST.</b>	<b>2020/2021 FOURTH ADJ. BUDGET</b>	<b>2021/2022 FINAL BUDGET</b>	<b>2022/2023 FINAL BUDGET</b>
<b>Total Revenue</b>	<b>7.507.551.640</b>	<b>7.725.507.557</b>	<b>26.371.800</b>	<b>7.751.879.357</b>	<b>8.095.037.320</b>	<b>8.680.319.682</b>
Total Operating Expenditure Excluding Operating Projects	7.215.401.545	7.339.745.079	0	7.339.745.079	7.801.415.366	8.377.926.838
Operating Projects	291.551.103	385.163.486	26.371.800	411.535.286	291.646.916	301.601.357
<b>Total Operating Expenditure Including Operating Projects</b>	<b>7.506.952.648</b>	<b>7.724.908.565</b>	<b>26.371.800</b>	<b>7.751.280.365</b>	<b>8.093.062.282</b>	<b>8.679.528.195</b>
<b>Surplus / (Deficit)</b>	<b>598.992</b>	<b>598.992</b>	<b>0</b>	<b>598.992</b>	<b>1.975.038</b>	<b>791.487</b>
Total Capital Expenditure	1.660.238.597	2.035.750.741	173.628.200	2.209.378.941	1.721.705.566	1.614.507.492
<b>Total Opex and Capex Budget</b>	<b>9.167.191.245</b>	<b>9.760.659.306</b>	<b>200.000.000</b>	<b>9.960.659.306</b>	<b>9.814.767.848</b>	<b>10.294.035.687</b>

#### 5.4 OPERATING REVENUE FRAMEWORK

The following table (Table 3) depicts adjustments to the operating revenue budget per source. It reflects that there has been an increase of revenue totalling to R26 371 800.

**Table 3: 2020/2021 Fourth Adjusted Revenue per Source**

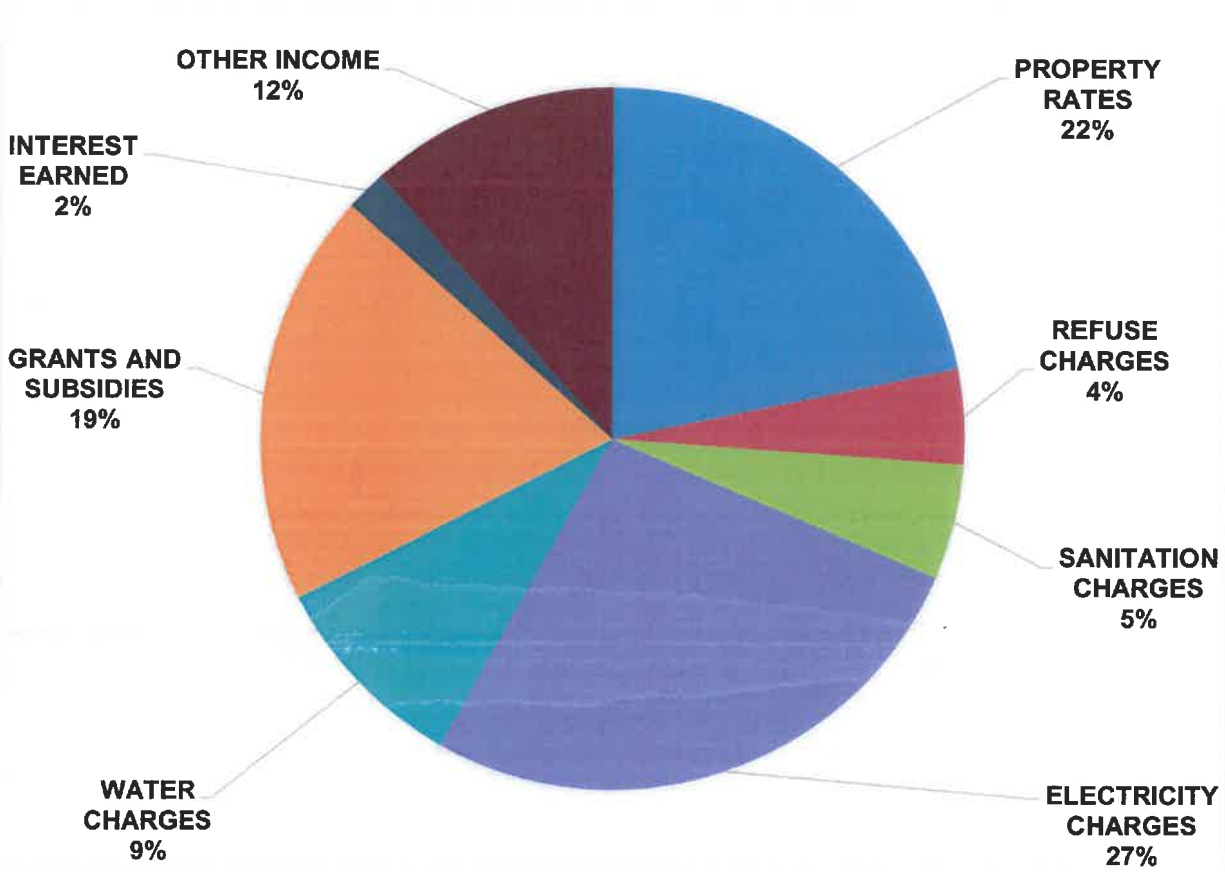
2020/2021 ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUST. OPEX BUDGET	2020/2021 SECOND ADJUST. OPEX BUDGET	2020/2021 MID-YEAR ADJUST. OPEX BUDGET	ADJUST.	2020/2021 FOURTH ADJUST. OPEX BUDGET
<b>Revenue by Source</b>						
Property rates	1.687.667.431	1.687.667.431	1.687.667.431	1.687.667.431	0	1.687.667.431
Service charges - electricity revenue	2.184.209.246	2.184.209.246	2.184.209.246	2.066.209.246	0	2.066.209.246
Service charges - water revenue	631.338.211	631.338.211	631.338.211	729.338.211	0	729.338.211
Service charges - sanitation revenue	397.037.055	397.037.055	397.037.055	412.037.055	0	412.037.055
Service charges - refuse revenue	334.127.904	334.127.904	334.127.904	339.127.904	0	339.127.904
Rental of facilities and equipment	20.885.214	20.885.214	20.885.214	19.299.414	0	19.299.414
Interest earned - external investments	54.472.852	54.472.852	54.472.852	46.472.852	0	46.472.852
Interest earned - outstanding debtors	88.008.665	88.008.665	88.008.665	101.008.891	0	101.008.891
Fines, penalties and forfeits	19.712.140	19.712.140	19.712.140	19.712.140	0	19.712.140
Licences and permits	17.343.113	17.343.113	17.343.113	17.343.113	0	17.343.113
Agency services	43.909.004	43.909.004	43.909.004	43.909.004	0	43.909.004
Transfers and subsidies - Operating	1.230.978.537	1.447.950.034	1.449.033.454	1.448.934.454	26.371.800	1.475.306.254
Other revenue	797.862.268	797.862.268	797.862.268	794.447.842	0	794.447.842
<b>Total Direct Operating Revenue</b>	<b>7.507.551.640</b>	<b>7.724.523.137</b>	<b>7.725.606.557</b>	<b>7.725.507.557</b>	<b>26.371.800</b>	<b>7.751.879.357</b>

The revenue increase of R26 371 800 relates to the additional USDG funding allocated to operating projects.

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 27% of the total revenue. This is followed by water tariffs at 9%, 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 19% of the total revenue, interest earned is 2% of the total revenue. Other revenue contributes 12% of the total revenue.

**Figure 1: 2020/2021 Operating Revenue per Source**



## 5.5 OPERATING EXPENDITURE FRAMEWORK

Table 4 below details adjustments to the consolidated operating expenditure budget per category. It also reflects an upward adjustment of R26 371 800 resulting from the USDG additional allocation. The other adjustments are reallocations of the budget between the different expenditure types in order to improve operational efficiency.

**Table 4: 2020/2021 Fourth Adjusted Expenditure Budget per Category**

2020/2021 ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUST. OPEX BUDGET	2020/2021 SECOND ADJUST. OPEX BUDGET	2020/2021 MID-YEAR ADJUST. OPEX BUDGET	ADJUST.	2020/2021 FOURTH ADJUST. OPEX BUDGET
<b>Expenditure Per Category</b>						
Employee related costs	2.353.464.908	2.403.464.908	2.403.464.908	2.396.514.302	0	2.396.514.302
Remuneration of councillors	72.765.784	72.765.784	72.765.784	72.765.784	0	72.765.784
Debt impairment	497.285.620	497.285.620	497.285.620	497.285.620	0	497.285.620
Depreciation & asset impairment	866.757.069	896.757.069	896.757.069	896.757.069	0	896.757.069
Finance charges	44.211.169	44.211.169	44.211.169	44.211.169	0	44.211.169
Bulk purchases:					0	0
Electricity Bulk Purchases	1.779.698.226	1.779.698.226	1.779.698.226	1.754.307.226	0	1.754.307.226
Water Bulk Purchases	277.777.426	277.777.426	277.777.426	0	0	0
Contracted services	214.305.046	226.868.537	226.868.537	250.506.906	1.240.000	251.746.906
Transfers and grants	63.931.213	63.931.213	63.931.213	76.930.515	0	76.930.515
Repairs and Maintenance	399.033.640	399.033.640	399.033.640	412.159.640	0	412.159.640
Operating projects	291.551.103	376.709.837	377.793.257	385.163.486	26.371.800	411.535.286
Other expenditure	520.149.507	516.769.626	516.769.626	516.153.332	(1.790.000)	514.363.332
Other materials	126.021.937	168.651.090	168.651.090	422.153.516	550.000	422.703.516
<b>Total Direct Operating Expenditure</b>	<b>7.506.952.648</b>	<b>7.723.924.145</b>	<b>7.725.007.565</b>	<b>7.724.908.565</b>	<b>26.371.800</b>	<b>7.751.280.365</b>

It has been necessary that the following adjustments on the Operating Expenditure Budget be made:

- a) Contracted Services have been adjusted upwards by R1 240 000, these are reallocations of funds to the following:
  - i. An amount of R1 000 000 to Traffic Fines Management.
  - ii. An amount of R240 000 to Parks Animal Care.
- b) Operating Projects have been adjusted upwards by R26 371 800, this is a result of the additional USDG allocation that has been allocated to BCMM. Refer to section 5.5.1.1. of

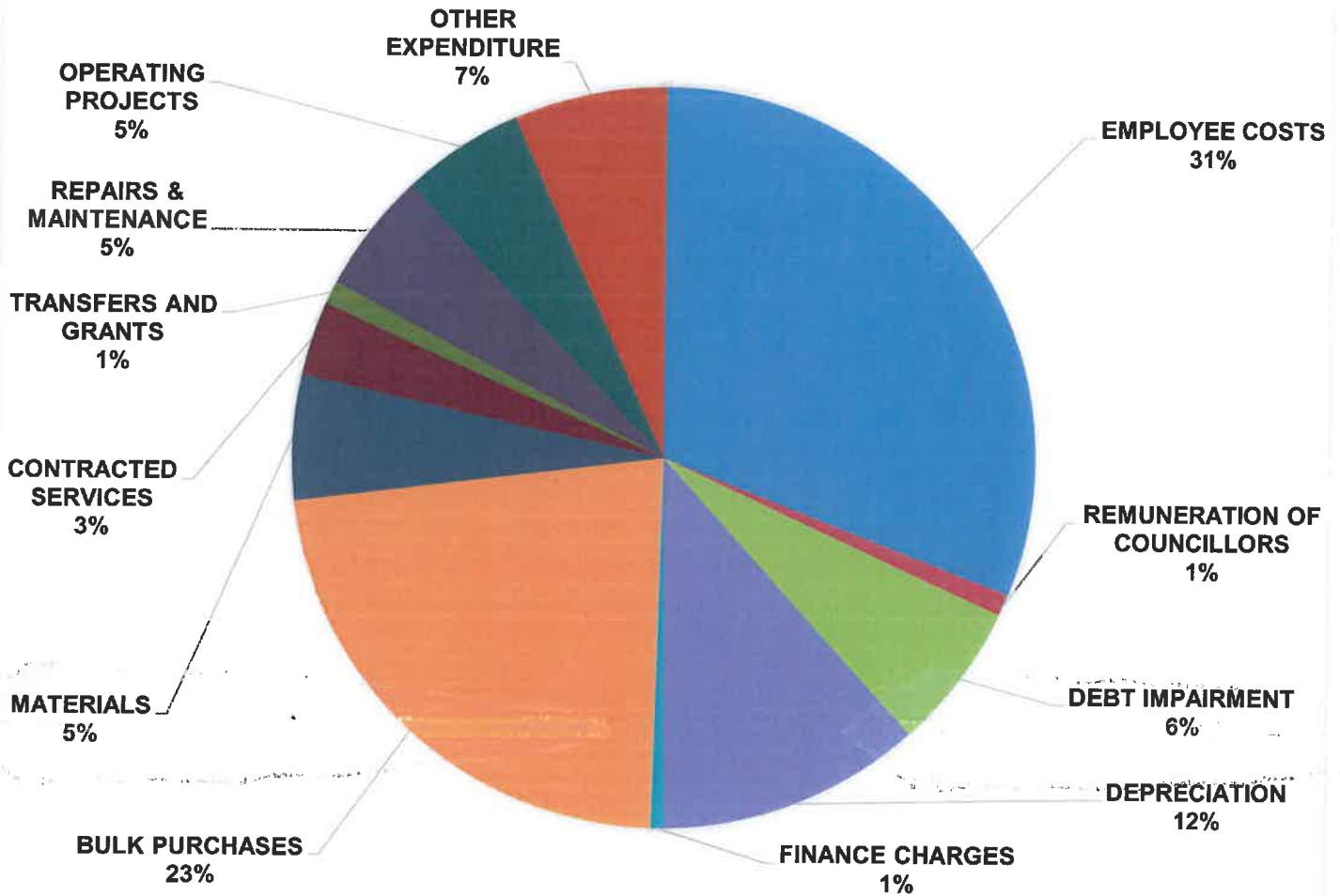


this report for the detailed narration on this item. The details of adjustments per projects are reflected in the schedule of operating projects that is attached as **Annexure 1**.

- c) The Other Expenditure has been adjusted downwards by R1 790 000, these are reallocations of funds from the following:
- i. An amount of R1 200 000 from Traffic Services Licence Agency Fees.
  - ii. An amount of R350 000 from Cemeteries Hire Charges.
  - iii. An amount of R240 000 from Parks Hire Charges.
- d) Other Materials have been adjusted upwards by R550 000, these are reallocations of funds to the following:
- i. An amount of R200 000 to Traffic Services Materials and Supplies.
  - ii. An amount of R350 000 to Cemeteries Materials and Supplies.

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 31% and 23% 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 for 7% and Other Materials account for 5% of the total operating budget. Repairs and Maintenance is equal to 5% of the operating expenditure budget. Transfers and Grants paid account for 1%. Debt impairment also account for 6%. Finance Charges account for 1%, Contracted Services account for 3% and Remuneration of Councillors account for 1%.

**Figure 2: 2020/2021 Operating Expenditure per Type**



### **5.5.1 Fourth Budget Adjustments on Operating Projects**

The following tables (table 5 and 6) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total increase of R26 371 800 to grant funding.

#### **5.5.1.1 Operating Projects Increase in grant funding**

The following summarises the additional allocation of the USDG grant funding of R26 371 800 as depicted on table 5 and 6 below:

##### **Human Settlements**

- a) An amount of R2 000 000 has been allocated for Provision of Capacity in the Human Settlements Directorate.

##### **Infrastructure Services**

- b) An additional amount of R24 371 800 has been allocated to the Rural Sanitation Backlog project.

**Table 5: 2020/2021 Fourth Adjustments to Operating Projects - Funding Source**

FUNDING SOURCE	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUST. OPEX BUDGET	2020/2021 SECOND ADJUST. OPEX BUDGET	2020/2021 MID-YEAR ADJUST. OPEX BUDGET	ADJUST.	2020/2021 FOURTH ADJUST. OPEX BUDGET
OWN FUNDING	115.059.921	125.819.158	125.819.158	133.288.387	0	133.288.387
<b>TOTAL OWN FUNDING</b>	<b>115.059.921</b>	<b>125.819.158</b>	<b>125.819.158</b>	<b>133.288.387</b>	<b>0</b>	<b>133.288.387</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	68.122.496	70.463.630	70.463.630	70.463.630	26.371.800	96.835.430
FINANCE MANAGEMENT GRANT	1.000.000	1.000.000	1.000.000	1.000.000	0	1.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11.364.000	10.788.000	10.788.000	10.788.000	0	10.788.000
INTEGRATED CITY DEVELOPMENT GRANT	6.279.335	6.279.335	6.279.335	6.180.335	0	6.180.335
EXPANDED PUBLIC WORKS PROGRAMME	8.449.000	8.449.000	8.449.000	8.449.000	0	8.449.000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	81.276.351	81.276.351	81.276.351	81.276.351	0	81.276.351
PUBLIC TRANSPORT NETWORK GRANT C/O	0	0	1.083.420	1.083.420	0	1.083.420
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	71.812.050	71.812.050	71.812.050	0	71.812.050
SALIDA C/O	0	822.313	822.313	822.313	0	822.313
<b>TOTAL GRANTS</b>	<b>176.491.182</b>	<b>250.890.679</b>	<b>251.974.099</b>	<b>251.875.099</b>	<b>26.371.800</b>	<b>278.246.899</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>291.551.103</b>	<b>376.709.837</b>	<b>377.793.257</b>	<b>385.163.486</b>	<b>26.371.800</b>	<b>411.535.286</b>

**Table 6: 2020/2021 Fourth Adjustments to Operating Projects – Directorate**

DIRECTORATE	2020/2021 APPROVED OPEX BUDGET	2020/2021 FIRST ADJUST. OPEX BUDGET	2020/2021 SECOND ADJUST. OPEX BUDGET	2020/2021 MID-YEAR ADJUST. OPEX BUDGET	ADJUST.	2020/2021 FOURTH ADJUST. OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	53.000.000	53.822.313	53.822.313	53.822.313	0	53.822.313
CITY MANAGER'S OFFICE	48.192.296	50.533.430	50.533.430	55.434.430	0	55.434.430
CORPORATE SERVICES	12.364.000	22.547.237	22.547.237	22.547.237	0	22.547.237
SPATIAL PLANNING & DEVELOPMENT	6.310.705	6.310.705	7.394.125	7.394.125	0	7.394.125
ECONOMIC DEVELOPMENT & AGENCIES	4.850.000	4.850.000	4.850.000	6.150.000	0	6.150.000
FINANCE SERVICES	28.399.087	28.399.087	28.399.087	24.868.316	0	24.868.316
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	1.574.413	1.574.413	1.574.413	1.574.413	0	1.574.413
HUMAN SETTLEMENTS	81.276.351	153.088.401	153.088.401	154.088.401	2.000.000	156.088.401
INFRASTRUCTURE SERVICES	53.284.251	53.284.251	53.284.251	53.284.251	24.371.800	77.656.051
MUNICIPAL SERVICES	2.300.000	2.300.000	2.300.000	6.000.000	0	6.000.000
<b>TOTAL OPERATING PROJECTS</b>	<b>291.551.103</b>	<b>376.709.837</b>	<b>377.793.257</b>	<b>385.163.486</b>	<b>26.371.800</b>	<b>411.535.286</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 R173 628 200 in the Capital Budget. The increase is resulting from the additional USDG allocation to BCMM Capital projects amounting to R173 628 200. The effects of the adjustments are tabulated in the below tables (table 7 and 8).

Budget reallocations have also been made between capital projects within the same directorate & within the same funding source. A detailed analysis was undertaken to determine those projects that are having challenges and identify those that are progressing at a pace that is above the original anticipation and therefore requiring additional funding. This was used as the basis to allocate additional funding and reallocating funding without compromising the municipality's strategic objectives and priorities as set up in the IDP. Details of all the budget reallocations are reflected in **Annexure 2** (where the projects have been rolled up at programme level) & Annexure 2.1 (provides the detail of accounts / votes that make up the programme / project).

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

The following summarises the additional allocation of the USDG grant funding of R173 628 200 as depicted in table 7 and 8 below:

#### **Spatial Planning & Development (R9 628 200)**

- a) An increase of R3 400 000 to Sleeper Site Road.
- b) An increase of R728 200 to Land Acquisition.
- c) An increase of R5 500 000 to Upgrading of Duncan Village B Hostel.

### **Economic Development & Agencies (R10 000 000)**

- a) An increase of R10 000 000 to Hydroponics & Packhouse.

### **Human Settlements (R49 000 000)**

- a) An increase of R4 000 000 to Ilitha North 177 units.
- b) An increase of R3 000 000 to Tyutyu Phase 3.
- c) An increase of R10 000 00 to Phakamisa South.
- d) An increase of R2 000 000 to Covid-19 Special Clinics, GBV Victims and Accommodation for the Homeless.
- e) An increase of R30 000 000 to Mdantsane ERF 81,87 & 88 Relocation Site Units.

### **Infrastructure Services (R105 000 000)**

- a) An increase of R10 000 000 to Highmast Streetlighting.
- b) An increase of R2 000 000 for Rehabilitation of Douglas Smith Highway.
- c) An increase of R32 500 000 to Roads Provision.
- d) An increase of R44 000 000 to Rural Roads.
- e) An increase of R4 000 000 for Rehabilitation of Mdantsane Roads-Cluster 1.
- f) An increase of R1 000 000 for Rehabilitation of Mdantsane Roads-Cluster 2.
- g) An increase of R3 500 000 for Rehabilitation of Mdantsane Roads-Cluster 3.
- h) An increase of R1 000 000 to Sanitation of Facilities in Informal Settlements.
- i) An increase of R5 000 000 to Distribution Mains – Water Backlogs.
- j) An increase of R2 000 000 to Umzonyana Dam Upgrade.

The details of adjustments per programme/project are reflected on the schedule of capital projects that 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).

### **5.6.2 Capital Budget Reallocations – USDG Funding (Original Allocation)**

The following summarises reallocations between the different projects/programmes within the same directorate. The net effect of these budget reallocations is Nil.

## **Human Settlements**

- a) Budget Reallocation of R3 000 000 to Boxwood Projects from:
- i. An amount of R2 000 000 from Duncan Village Military Veterans.
  - ii. An amount of R1 000 000 from Mzamomhle: Peoples Housing Process: Water.
- b) Budget Reallocation of R12 300 000 to Purchase of Land Parcels- Haven Hills from:
- i. An amount of R11 950 000 from Ilitha North 177 Units.
  - ii. An amount of R100 000 from Nondula- Water.
  - iii. An amount of R250 000 from Nelson Mandela 102 Project.
- c) Budget Reallocation of R5 000 000 to Mdantsane Z 18 CC Phase 2 from:
- i. An amount of R100 000 from Hani Park.
  - ii. An amount of R100 000 from Hlalani Water.
  - iii. An amount of R500 000 from Berlin Lingelitsha Phase 1
  - iv. An amount of R1 800 000 from Duncan Village Composite Site.
  - v. An amount of R500 000 from Ilitha Sportfields
  - vi. An amount of R2 000 000 from Mzamomhle People Housing Process.
- d) Budget Reallocation of R1 000 000 to Braelyn Ext 10 from:
- i. An amount of R100 000 from Phola Park.
  - ii. An amount of R100 000 from Empilisweni
  - iii. An amount of R100 000 from Matsheni Park.
  - iv. An amount of R100 000 from Khayelitsha.
  - v. An amount of R100 000 from Kwatshatshu.
  - vi. An amount of R100 000 from Slovo Park.
  - vii. An amount of R100 000 from Ekuphumleni.
  - viii. An amount of R100 000 from Ethembeni.
  - ix. An amount of R200 000 from East Bank Restitution.
- e) Budget Reallocation of R3 000 000 to Phakamisa Sewers from:
- i. An amount of R3 000 000 from Xhwitinja.

- f) Budget Reallocation of R28 700 000 to Mdantsane Erf 81,87 & 88 Relocation Site Units from:
- i. An amount of R2 000 000 Summerpride Erf 271.
  - ii. An amount of R3 500 000 from Mzamomhle Roads.
  - iii. An amount of R2 000 000 from Mzamomhle Peoples Housing Process: Electricity.
  - iv. An amount of R7 500 000 from Reeston Phase 3 Stage 2
  - v. An amount of R5 000 000 from Majarantiyeni.
  - vi. An amount of R5 000 000 from D Hostel.
  - vii. An amount of R1 000 000 from Duncan Village Proper.
- g) Budget Reallocation of R1 300 000 to Potsdam Ikhwezi Block 2 from:
- i. An amount of R1 300 000 from C Section and Triangular Site.
- h) Budget Reallocation of R37 984 221 to Mdantsane Erf 81,87&88 Relocation Area from:
- i. An amount of R1 500 000 from Block Yard TRA.
  - ii. An amount of R15 050 000 from Westbank Restitution.
  - iii. An amount of R4 113 368 from Ford Msimango.
  - iv. An amount of R11 772 284 from Reeston Phase 3 Stage 2.
  - v. An amount of R4 048 569 from CNIP Victims Project: Cambridge West
  - vi. An amount of R1 500 000 from Fynbos Relocation Site Units
- i) Budget Reallocation of R19 083 848 to Cluster 1 from:
- i. An amount of R2 853 878 from Potsdam Ikhwezi Block 1.
  - ii. An amount of R2 000 000 from Cluster 2
  - iii. An amount of R10 700 000 from C Section and Triangular Site.
  - iv. An amount of R2 053 314 from N2 Road Reserve.
  - v. An amount of R86 534 from Ginsberg.
  - vi. An amount of R827 906 from Reeston Phase 3 Stage 2.



- vii. An amount of R562 216 from Dimbaza Blind Detailed Investigation of Infrastructure.

### **5.6.3 Capital Budget Reallocations – USDG Roll-over Funding**

The following summarises reallocations between the different projects/programmes within the same directorate. The net effect of these budget reallocations is Nil.

#### **Human Settlements**

- a) Budget reallocation of R15 146 122 from Cluster 1 c/o to:
  - i. An amount of R4 146 122 to Potsdam Ikhwezi Block 1 c/o.
  - ii. An amount of R1 000 000 to Westbank Restitution c/o.
  - iii. An amount of R10 000 000 to Cluster 3 Fynboss Ndancama c/o.
  
- b) Budget reallocation of R5 000 000 from Mdantsane Zone 18 CC Phase 2 c/o to Mzamomhle: Peoples Housing Process c/o.
  
- c) Budget reallocation of R19 000 000 from Mdantsane Erf 81, 87 & 88 Relocation Site Units c/o to:
  - i. An amount of R4 500 000 to C Section and Triangular Site c/o.
  - ii. An amount of R4 500 000 to Reeston Phase 3 Stage 2 c/o.
  - iii. An amount of R692 to Boxwood Project - Roads c/o.
  - iv. An amount of R200 000 to Reeston Phase 3 Stage 3 c/o.
  - v. An amount of R7 000 000 to Ilitha P3 c/o.
  - vi. An amount of R2 799 308 to Duncan Village Proper c/o.
  
- d) Budget reallocation of R849 731 from Purchase of Land c/o to Duncan Village Proper c/o.
  
- e) Budget reallocation of R4 000 000 from Cluster 2 c/o to Duncan Village Proper c/o.

#### 5.6.4 Capital Budget Reallocations – Own Funding

The following summarises reallocations between the different projects/programmes within the same directorates. The net effect of these budget reallocations is Nil.

##### Finance Directorate

- a) Budget reallocation of R5 350 000 from Generators for Cash Points project to Rehabilitation of Cash Offices, Installation of CCTV and Hardware for Cash Offices project.

##### Corporate Services

- a) Budget reallocation of R400 000 from Network Equipment Refresh (KWT, Mdantsane, Bisho) to Procurement of ICT Equipment.

**Table 7: 2020/2021 Fourth Adjustments to Capital Expenditure Budget – Funding**

CAPITAL BUDGET PER FUNDING	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 FIRST ADJUSTED CAPITAL BUDGET	2020/2021 SECOND ADJUSTED CAPITAL BUDGET	2020/2021 MID-YEAR ADJUSTED CAPITAL BUDGET	ADJUST.	2020/2021 FOURTH ADJUSTED CAPITAL BUDGET
OWN FUNDING	623.019.286	864.676.561	864.676.561	860.920.597	0	860.920.597
LOAN	230.800.142	230.800.142	230.800.142	230.800.142	0	230.800.142
<b>TOTAL OWN FUNDING</b>	<b>853.819.428</b>	<b>1.095.476.703</b>	<b>1.095.476.703</b>	<b>1.091.720.739</b>	<b>0</b>	<b>1.091.720.739</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	693.231.504	616.657.370	616.657.370	616.657.370	173.628.200	790.285.570
URBAN SETTLEMENT DEVELOPMENT GRANT C/O	0	0	223.055.535	223.055.535	0	223.055.535
BCMETS C/O	0	541.862	541.862	541.862	0	541.862
PUBLIC TRANSPORT NETWORK GRANT	86.000.000	86.000.000	77.287.570	77.287.570	0	77.287.570
INTERGRATED CITY DEVELOPMENT GRANT	2.037.665	2.037.665	2.037.665	2.037.665	0	2.037.665
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT GRANT	7.000.000	6.300.000	6.300.000	6.300.000	0	6.300.000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	18.000.000	18.000.000	18.000.000	18.000.000	0	18.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150.000	150.000	150.000	150.000	0	150.000
<b>TOTAL GRANTS</b>	<b>806.419.169</b>	<b>729.686.897</b>	<b>944.030.002</b>	<b>944.030.002</b>	<b>173.628.200</b>	<b>1.117.658.202</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>1.660.238.597</b>	<b>1.825.163.600</b>	<b>2.039.506.705</b>	<b>2.035.750.741</b>	<b>173.628.200</b>	<b>2.209.378.941</b>

**Table 8: 2020/2021 Fourth Adjustments to Capital Expenditure Budget – Directorate**

CAPITAL BUDGET PER DIRECTORATE	2020/2021 APPROVED CAPITAL BUDGET	2020/2021 FIRST ADJUSTED CAPITAL BUDGET	2020/2021 SECOND ADJUSTED CAPITAL BUDGET	2020/2021 MID- YEAR ADJUSTED CAPITAL BUDGET	ADJUST.	2020/2021 FOURTH ADJUSTED CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	4.000.000	4.561.406	4.561.406	3.061.406	0	3.061.406
CITY MANAGER'S OFFICE	5.669.366	5.669.366	5.669.366	5.669.366	0	5.669.366
CORPORATE SERVICES	13.498.851	19.230.547	19.230.547	19.474.583	0	19.474.583
SPATIAL PLANNING & DEVELOPMENT	158.200.000	174.244.184	171.185.071	168.685.071	9.628.200	178.313.271
ECONOMIC DEVELOPMENT & AGENCIES	31.975.155	51.970.007	61.856.077	61.856.077	10.000.000	71.856.077
FINANCE SERVICES	83.093.518	145.680.215	145.680.215	145.680.215	0	145.680.215
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	20.973.218	40.472.581	40.472.581	40.472.581	0	40.472.581
HUMAN SETTLEMENTS	312.493.330	266.548.850	429.078.763	429.078.763	49.000.000	478.078.763
INFRASTRUCTURE SERVICES	928.514.788	926.473.418	952.252.718	952.252.718	105.000.000	1.057.252.718
MUNICIPAL SERVICES	49.310.371	93.867.627	113.074.562	113.074.562	0	113.074.562
<b>TOTAL CAPITAL BUDGET: BCMM</b>	<b>1.607.728.597</b>	<b>1.728.718.201</b>	<b>1.943.061.306</b>	<b>1.939.305.342</b>	<b>173.628.200</b>	<b>2.112.933.542</b>
BCMDA	52.510.000	96.445.399	96.445.399	96.445.399	0	96.445.399
<b>TOTAL CAPITAL CONSOLIDATED</b>	<b>1.660.238.597</b>	<b>1.825.163.600</b>	<b>2.039.506.705</b>	<b>2.035.750.741</b>	<b>173.628.200</b>	<b>2.209.378.941</b>

**6. CHALLENGES**

None.

**7. STAFF IMPLICATIONS**

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

**8. FINANCIAL IMPLICATIONS**

The Fourth adjustments to the 2020/2021 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 2020/2021 Capital and Operating Budget are outlined below:

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

- i. The adjustment from R7 591 372 929 to R7 617 744 729 of the BCMM 2020/21 Operating Revenue Budget.
- ii. The adjustment from R7 590 774 258 to R7 617 146 058 of the BCMM 2020/21 Operating Expenditure Budget.
- iii. The adjustment from R2 033 240 741 to R2 206 868 941 of the BCMM 2020/21 Capital Budget.

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

- i. The adjustment from R7 725 507 557 to R7 751 879 357 of the consolidated 2020/21 Operating Revenue Budget.
- ii. The adjustment from R7 724 908 565 to R7 751 280 365 of the consolidated 2020/21 Operating Expenditure Budget.
- iii. The adjustment from R2 035 750 741 to R2 209 378 941 of the consolidated 2020/21 Capital Budget.

## **9. OTHER PARTIES CONSULTED**

9.1 All Directorates.

9.2 Mayoral Committee.

**10. 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 adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Andile Sihlahla

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 10 May 2021

**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: Detailed National Treasury B – Schedules (Parent)

Annexure 4: Detailed National Treasury B – Schedules (Consolidated)