

REPORT TO COUNCIL: 25 AUGUST 2021

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Author: EXECUTIVE MAYOR (XOLA PAKATI)/AS

2021/2022 FIRST ADJUSTMENT BUDGET REPORT

1. PURPOSE

The purpose of the report is for Council to **consider** and **approve** the first adjustment budget of Buffalo City Metropolitan Municipality for the 2021/2022 financial year.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa, 1996

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

Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

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

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

(2) An adjustments budget—

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

municipality;

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

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

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

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

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

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

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

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

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

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

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

5. EXPOSITION OF FACTS

The first adjustment budget is being prepared as informed by requests from various directorates for roll-over of own funding and unconditional grants that were unspent in the 2020/2021 financial year. At year end on 30 June 2021, various directorates indicated that certain projects provided for execution in the 2020/2021 financial year could not be completed. Such under-spending on projects could not reasonably have been foreseen at the time of execution and finalisation of 2021/2022 MTREF.

An intensive process of assessing and determining whether the unspent funding that is requested to be rolled over is committed to identifiable projects was undertaken. To enable the completion of these projects, it is necessary to incorporate these projects in the already approved 2021/2022 budget. This process is in line with the legislative requirements of section 28 of the MFMA and Municipal Budget and Reporting Regulations for submitting a municipal rollover budget to Council for adoption.

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	2021/2022	ADJUSTMENTS	2021/2022	2022/2023	2023/2024
	APPROVED ADJ. BUDGET		FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 087 386 313	80 858 769	8 168 245 082	8 681 022 951	9 306 824 636
Total Operating Expenditure Excluding Operating Projects	7 754 080 904	0	7 754 080 904	8 381 025 144	8 963 211 737
Operating Projects	330 938 495	80 858 769	411 797 264	298 345 161	340 099 000
Total Operating Expenditure Including Operating Projects	8 085 019 399	80 858 769	8 165 878 168	8 679 370 305	9 303 310 737
Surplus / (Deficit)	2 366 914	0	2 366 914	1 652 646	3 513 899
Total Capital Expenditure	1 802 391 613	204 134 634	2 006 526 247	2 207 494 392	2 115 931 751
Total Opex and Capex Budget	9 887 411 012	284 993 403	10 172 404 415	10 886 864 697	11 419 242 488

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022	ADJUSTMENTS	2021/2022	2022/2023	2023/2024
	APPROVED ADJ. BUDGET		FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 234 111 627	82 221 326	8 316 332 953	8 804 511 644	9 389 820 406
Total Operating Expenditure Excluding Operating Projects	7 900 806 218	1 362 557	7 902 168 775	8 504 513 837	9 046 207 507
Operating Projects	330 938 495	80 858 769	411 797 264	298 345 161	340 099 000
Total Operating Expenditure Including Operating Projects	8 231 744 713	82 221 326	8 313 966 039	8 802 858 998	9 386 306 507
Surplus / (Deficit)	2 366 914	0	2 366 914	1 652 646	3 513 899
Total Capital Expenditure	1 803 591 613	204 134 634	2 007 726 247	2 208 774 392	2 117 298 151
Total Opex and Capex Budget	10 035 336 326	286 355 960	10 321 692 286	11 011 633 390	11 503 604 658

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

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR’S REPORT

The primary reason for the recommendation to consider and adopt the first adjustment budget during August 2021 emanates from prior year commitment that compels rollovers and re-alignment of budgetary provision.

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

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

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022		2021/2022	2022/2023	2023/2024
	APPROVED ADJ. BUDGET	ADJUSTMENTS	FIRST ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 234 111 627	82 221 326	8 316 332 953	8 804 511 644	9 389 820 406
Total Operating Expenditure	8 231 744 713	82 221 326	8 313 966 039	8 802 858 998	9 386 306 507
Surplus / (Deficit)	2 366 914	0	2 366 914	1 652 646	3 513 899
Total Capital Expenditure	1 803 591 613	204 134 634	2 007 726 247	2 208 774 392	2 117 298 151
Total Opex and Capex Budget	10 035 336 326	286 355 960	10 321 692 286	11 011 633 390	11 503 604 658

The following factors were taken into cognisance when formulating the 2021/2022 first adjustment budget:

- a) Those contractual components or works awarded or commenced during the 2020/2021 financial year but not yet completed and settled by 30 June 2021 and therefore no budgetary provision made on the 2021/2022 budget.
- b) Reasons explaining why the 2020/2021 budgetary provisions were committed but not spent by 30 June 2021.
- c) Consideration of roll-over proposals on Council's 2021/2022 operating and capital budget was taken in the context of affordability and funding certainty for the period, and furthermore informed by the adopted 2021/2022 MTREF as well as implementation capacity for the financial period.

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

The roll-over of own funded operating projects has the potential of reducing the surplus budgeted in the original approved budget and may even drive it into a deficit. To avoid the above, the roll-over of own funded operating projects was not considered in this adjustment budget as there are no savings realised in the 2021/2022 financial year budget that could be used to fund such roll-overs. Therefore, the net effect of the consolidated Metro's budget after first adjustment remains constant at a surplus of R 2 366 914 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 31 May 2021 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2021/2022 MTREF Budget. In terms of Chapter 4, Section 28 (1) to (7) of the Municipal Finance Management Act No. 56 of 2003, "A municipality may adjust an approved budget through an adjustment budget."

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

- A. The adjusted budget of the Parent municipality (BCMM) for the 2021/2022 First Adjustment Budget as follows:
- i. The adjustment from R8 087 386 313 to R8 168 245 082 of the BCMM 2021/2022 Operating Revenue Budget.
 - ii. The adjustment from R8 085 019 399 to R 8 165 878 168 of the BCMM 2021/2022 Operating Expenditure Budget.
 - iii. The adjustment from R1 802 391 613 to R2 006 526 247 of the BCMM 2021/2022 Capital Budget.
- B. The consolidated adjusted budget for the 2021/2022 First Adjustment Budget as follows:
- i. The adjustment from R8 234 111 627 to R8 316 332 953 of the consolidated 2021/2022 Operating Revenue Budget.
 - ii. The adjustment from R8 231 744 713 to R8 313 966 039 of the consolidated 2021/2022 Operating Expenditure Budget.
 - iii. The adjustment from R1 803 591 613 to R2 007 726 247 of the consolidated 2021/2022 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



DATE

5.3 EXECUTIVE SUMMARY

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

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

The consolidated operating revenue budget has been increased by R82 221 326 from R8 234 111 627 to R8 316 332 953. The consolidated operating expenditure budget has also increased by the same amount (R82 221 326) from R8 231 744 713 to R8 313 966 039.

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 R2 366 914.

The consolidated capital expenditure budget has increased by R 204 134 634 from R 1 803 591 613 to R 2 007 726 247. This is due to roll-over own funded projects. These are detailed in section 5.6 of the report

5.3.1 Budget Adjustment Summary

The reason for this adjustment budget is the following:

- i. To roll-over budget that was unspent in the 2020/2021 financial year but committed to identifiable projects for own funding and unconditional grants.

The table below indicates the summary of the 2021/2022 consolidated first adjustment budget.

Table 2: 2021/2022 Consolidated First Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022		2021/2022	2022/2023	2023/2024
	APPROVED	ADJUSTMENTS	FIRST	FINAL	FINAL
	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	8 234 111 627	82 221 326	8 316 332 953	8 804 511 644	9 389 820 406
Total Operating Expenditure Excluding Operating Projects	7 900 806 218	1 362 557	7 902 168 775	8 504 513 837	9 046 207 507
Operating Projects	330 938 495	80 858 769	411 797 264	298 345 161	340 099 000
Total Operating Expenditure Including Operating Projects	8 231 744 713	82 221 326	8 313 966 039	8 802 858 998	9 386 306 507
Surplus / (Deficit)	2 366 914	0	2 366 914	1 652 646	3 513 899
Total Capital Expenditure	1 803 591 613	204 134 634	2 007 726 247	2 208 774 392	2 117 298 151
Total Opex and Capex Budget	10 035 336 326	286 355 960	10 321 692 286	11 011 633 390	11 503 604 658

5.4 OPERATING REVENUE FRAMEWORK

The following table depicts an upward adjustment to the consolidated operating revenue budget per source totalling to R82 221 326. This amount of R82 221 326 is made-up of the following adjustments:

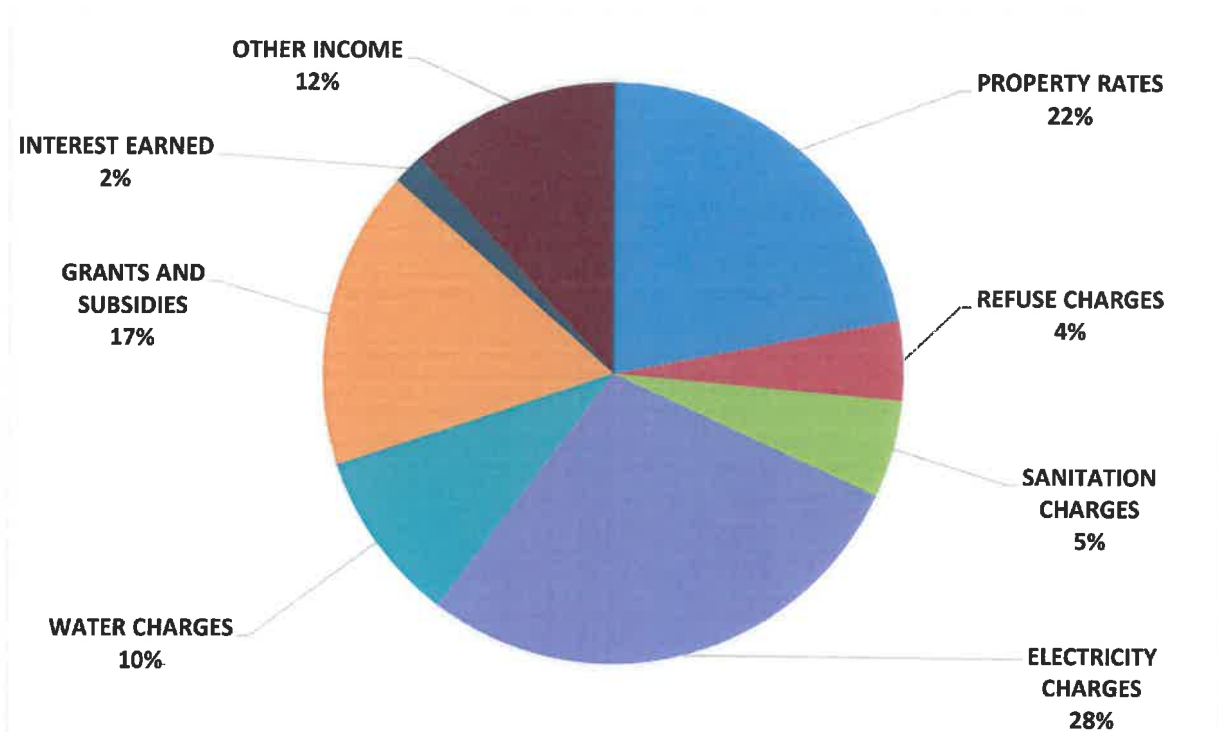
- a) An increase of R380 857 resulting from the rollover of unspent unconditional grant (Salaida) from the 2021/2022 financial year.
- b) An increase of R1 362 557 resulting from the rollover of unspent unconditional grant (Buffalo City Development Agency) from the 2021/2022 financial year.
- c) An increase of R 80 447 912 resulting from the rollover of unspent grant (Human Settlement Development Grant) from the 2021/2022 financial year.

Table 3: 2021/2022 First Adjusted Revenue per Source

2021/2022 BUDGET REVENUE FRAMEWORK	2021/2022 APPROVED BUDGET	ADJUSTMENTS	2021/2022 FIRST ADJUSTMENT BUDGET
Revenue by Source			
Property rates	1 834 764 190	0	1 834 764 190
Service charges - electricity revenue	2 367 669 175	0	2 367 669 175
Service charges - water revenue	795 707 988	0	795 707 988
Service charges - sanitation revenue	447 060 205	0	447 060 205
Service charges - refuse revenue	367 953 776	0	367 953 776
Rental of facilities and equipment	20 959 164	0	20 959 164
Interest earned - external investments	36 489 853	0	36 489 853
Interest earned - outstanding debtors	109 695 656	0	109 695 656
Fines, penalties and forfeits	21 407 384	0	21 407 384
Licences and permits	18 834 621	0	18 834 621
Agency services	43 069 698	0	43 069 698
Transfers and subsidies - Operating	1 301 395 383	82 221 326	1 383 616 709
Other revenue	869 104 534	0	869 104 534
Total Direct Operating Revenue	8 234 111 627	82 221 326	8 316 332 953

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 10%, 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 17% 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 R82 221 326. This amount of R82 221 326 is made-up of the following adjustments:

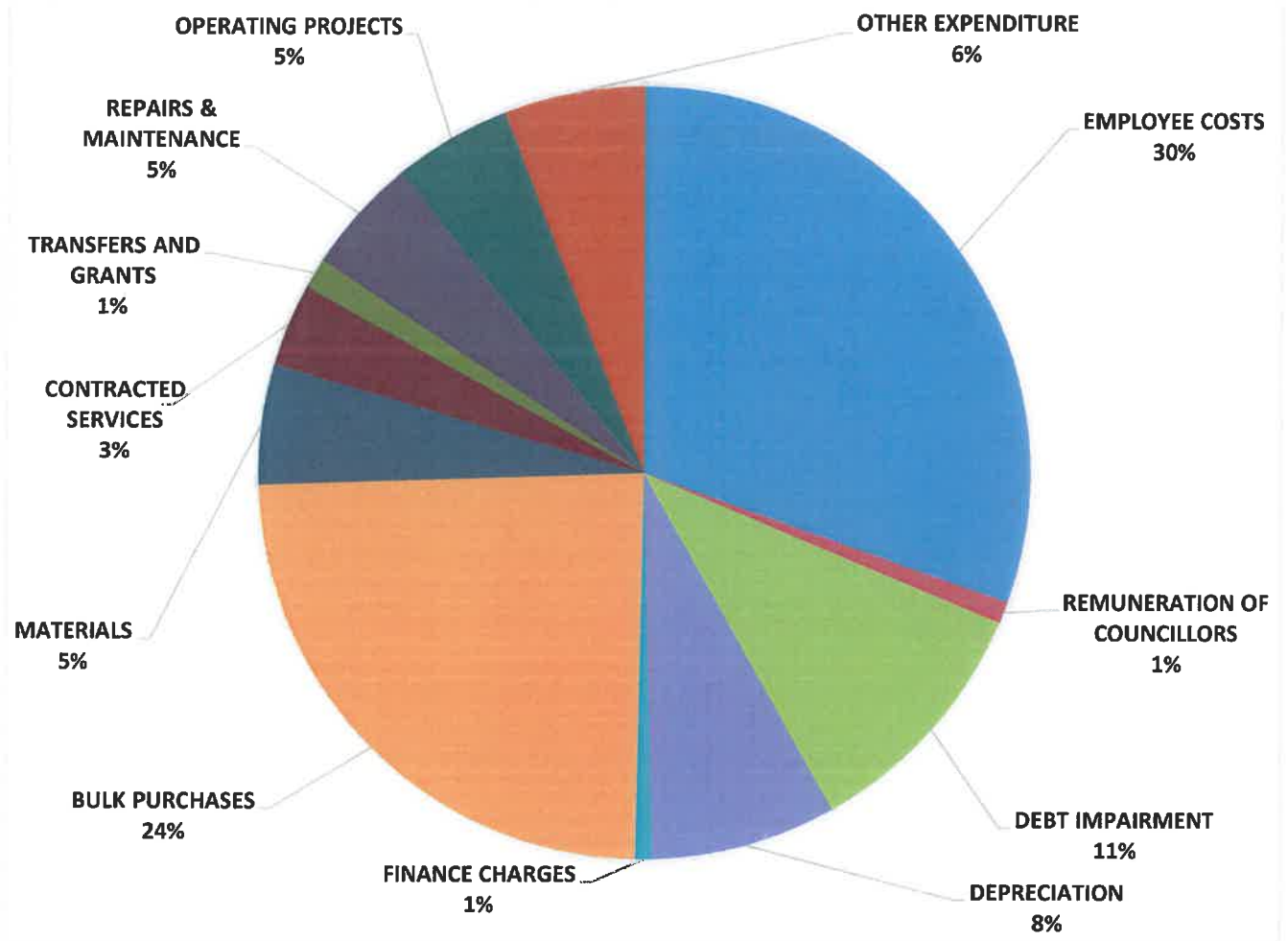
- a) An increase of R380 857 in the budgeted amount for Operating Projects resulting from the rollover of unspent grant (Salaida) from the 2021/2022 financial year.
- b) An increase of R1 362 557 resulting from the rollover of unspent unconditional grant (Buffalo City Development Agency) from the 2021/2022 financial year.
- c) An increase of R80 477 912 in the budgeted amount for Operating Projects resulting from the rollover of unspent grant (Human Settlements Development Grant) from the 2021/2022 financial year.

Table 4: 2021/2022 First Adjusted Expenditure Budget per Category

2020/2021 FIRST ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2021/2022 APPROVED OPEX BUDGET	ADJUST.	2021/2022 FIRST ADJUSTMENT OPEX BUDGET	2022/2023 OPEX BUDGET	2023/2024 OPEX BUDGET
Expenditure Per Category					
Employee related costs	2 524 700 982	0	2 524 700 982	2 656 239 657	2 799 450 965
Remuneration of councillors	76 549 605	0	76 549 605	80 530 184	84 878 814
Debt impairment	871 973 300	0	871 973 300	1 088 861 481	1 176 020 713
Depreciation & asset impairment	649 172 695	0	649 172 695	684 293 117	711 329 384
Finance charges	59 935 810	0	59 935 810	130 647 180	215 130 266
Electricity Bulk Purchases	2 010 260 650	0	2 010 260 650	2 208 472 350	2 426 227 724
Contracted services	287 250 727	1 362 557	288 613 284	272 779 578	229 926 821
Transfers and grants	106 208 623	0	106 208 623	82 598 923	74 354 061
Repairs and Maintenance	407 950 435	0	407 950 435	407 673 715	411 837 416
Operating projects	330 938 495	80 858 769	411 797 264	298 345 161	340 099 000
Other expenditure	487 414 772	0	487 414 772	483 089 109	483 511 795
Other materials	419 388 619	0	419 388 619	409 328 543	433 539 548
Total Direct Operating Expenditure	8 231 744 713	82 221 326	8 313 966 039	8 802 858 998	9 386 306 507

The figure below gives the split of consolidated operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 30% of the total operating expenditure. Bulk Purchases for Electricity represents 24% of the total costs. Other Expenditure contribute 6% of total operating expenditure. Depreciation totals 8% 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 10%. Contracted Services and Other materials 3% and 5% 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: 2021/2022 Operating Expenditure per Type



5.5.1 First Budget Adjustment on Operating Projects

The following tables (table 5 and 6) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total increase of R80 858 769 to the operating projects budget due to the following adjustments:

a) Executive Support Services:

- Rollover amount of 380 857 of the Salaida grant for the following projects:

- i. Nahoon Point Reserve;

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

b) Directorate of Human Settlements:

- Rollover amount of R80 477 912 of the Human Settlements Development Grant for the following projects:

- i. Cluster 1 p5 - R4 077 383
- ii. Cluster 1 p5 - R4 220 929
- iii. Cluster 2 p5 - 647 units - R2 000 000
- iv. Cluster 3 p5 - R3 301 820
- v. Peelton Cluster - p5 - R27 199 975
- vi. Potsdam Ikhwezi Block 1- p5 - R20 498 363
- vii. Cambridge West - CNIP Victims 275 unit's - R16 755 924
- viii. Ilitha North - 177 units p5 - R511 517
- ix. Tyutyu Phase 3 –R 412 000
- x. Phase 2 Storm Damaged Houses in Rural Areas –
R1 500 000

Table 5: 2021/2022 Operating Projects Per Funding Source First Adjustment Budget

FUNDING SOURCE	2021/2022 APPROVED OPEX BUDGET	ADJUST.	2021/2022 FIRST ADJUSTMENT OPEX BUDGET	2022/2023 OPEX BUDGET	2023/2024 OPEX BUDGET
OWN FUNDING	152 651 093	0	152 651 094	123 971 180	134 603 980
TOTAL OWN FUNDING	152 651 093	0	152 651 094	123 971 180	134 603 980
URBAN SETTLEMENT DEVELOPMENT GRANT	44 741 150	0	44 741 150	44 784 980	75 441 020
FINANCE MANAGEMENT GRANT	1 000 000	0	1 000 000	1 000 000	1 000 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	6 873 250	0	6 873 250	7 522 000	7 071 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	10 350 000	0	10 350 000	11 500 000	12 000 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	8 941 000	0	8 941 000	9 454 000	9 870 000
SALAIDA C/O	0	380 857	380 857	0	0
EXPANDED PUBLIC WORKS PROGRAMME	7 300 000	0	7 300 000	0	0
HUMAN SETTLEMENTS DEVELOPMENT GRANT	99 082 000	0	99 082 000	100 113 000	100 113 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	80 477 912	80 477 912	0	0
TOTAL GRANTS	178 287 400	80 858 769	259 146 169	174 373 980	205 495 020
TOTAL OPERATING PROJECTS BUDGET	330 938 493	80 858 769	411 797 263	298 345 160	340 099 000

Table 6: 2021/2022 Operating Projects Adjustments Per Directorate

DIRECTORATE	2021/2022		2021/2022		2023/2024
	APPROVED OPEX BUDGET	ADJUST.	FIRST ADJUSTMENT OPEX BUDGET	2022/2023 OPEX BUDGET	
EXECUTIVE SUPPORT SERVICES	51 827 160	380 857	52 208 017	52 202 160	50 375 000
CITY MANAGER'S OFFICE	44 334 400	0	44 334 400	28 808 000	28 045 902
CORPORATE SERVICES	11 350 000	0	11 350 000	13 000 000	40 000 000
SPATIAL PLANNING & DEVELOPMENT	10 323 250	0	10 323 250	13 572 000	8 571 000
ECONOMIC DEVELOPMENT & AGENCIES	6 950 000	0	6 950 000	8 750 000	18 700 000
FINANCE SERVICES	46 371 684	0	46 371 684	18 000 000	12 700 000
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	2 200 000	0	2 200 000	5 300 000	0
HUMAN SETTLEMENTS	100 382 000	80 477 912	180 859 912	101 613 000	100 113 000
INFRASTRUCTURE SERVICES	45 500 000	0	45 500 000	41 300 000	73 049 098
DIRECTORATE OF SPORTS , RECREATION & COMMUNITY DEVELOPMENT	1 500 000	0	1 500 000	2 800 000	2 200 000
DIRECTORATE OF SOLID WASTE & ENVIRONMENTAL MANAGEMENT	10 200 000	0	10 200 000	13 000 000	6 345 000
TOTAL OPERATING PROJECTS	330 938 493	80 858 769	411 797 263	298 345 160	340 099 000

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 R204 134 633 which is made of roll-overs for own funds of R204 134 633.

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 Own Funding - R204 134 633

- i. Directorate of Executive Support Services – committed funds amounting to R 2 586 978 to be rolled over:
 - a. A budget amounting to R1 101 500 for Replacement of Council Chamber horseshoe leather chairs and tables;
 - b. A budget amounting to R200 000 for KWT Council Chamber Chairs;
 - c. A budget amounting to R100 000 for Bhisho Council Chamber Chairs;
 - d. A budget amounting to R200 000 for KWT Mayor's Parlour Office Furniture;
 - e. A budget amounting to R424 073 for Councillors and Traditional Leader's Furniture and Equipment for a New Term of Council;
 - f. A budget amounting to R561 406 for Office furniture & equipment of the directorate.

- ii. Directorate of City Manager– committed funds amounting to R3 010 827 to be rolled over:
 - a. A budget amounting to R1 819 366 for All-In-One Computer Hardware & Software;
 - b. A budget amounting to R1 191 461 for Enterprise Risk Management System - Risk Management.

- iii. Directorate of Corporate Services – committed funds amounting to R8 456 690 to be rolled over:
 - a. A budget amounting to R312 981 for Office Furniture and Equipment (Directorate);
 - b. A budget amounting to R768 625 for Scanners;
 - c. A budget amounting to R138 776 for Procurement of ICT Equipment;
 - d. A budget amounting to R244 036 for Call Budgeting System Software;
 - e. A budget amounting to R2 989 875 for Employee Performance Management System;
 - f. A budget amounting to R354 469 for Network Equipment Refresh (KWT, Mdantsane, Bisho);
 - g. A budget amounting to R711 171 for LTE Infrastructure;
 - h. A budget amounting to R936 757 for Disaster Recovery Enhancement;
 - i. A budget amounting to R2 000 000 for Intelligent Operating Centre Hardware & Software.

- iv. Directorate of Spatial Planning and Development – committed funds amounting to R 14 610 462 to be rolled over:
 - a. A budget amounting to R3 000 000 for Upgrading of Kwt Payments Hall;
 - b. A budget amounting to R1 085 202 for Taxi Rank Infrastructure (Roads & Ablution Facilities);
 - c. A budget amounting to R160 634 for Market Square Taxi Rank;
 - d. A budget amounting to R4 000 000 for North West Corridor;
 - e. A budget amounting to R2 517 840 for Fencing of Acquired Land;

- f. A budget amounting to R1 268 204 for Land Acquisition
 - g. A budget amounting to R1 249 540 for Refurbishment of Acquired Building;
 - h. A budget amounting to R1 329 042 for Orient Theatre Refurbishment.
- v. Directorate of Economic Development and Agencies – committed funds amounting to R22 230 167 to be rolled over:
- a. A budget amounting to R349 528 for Upgrading of Market Hall;
 - b. A budget amounting to R243 832 for Construction of Waste Area;
 - c. A budget amounting to R1 135 121 for Expansion of Guard House and Gate;
 - d. A budget amounting to R267 119 for Plant and Equipment;
 - e. A budget amounting to R3 123 638 for Kwt Art Centre;
 - f. A budget amounting to R321 197 for Upgrading of Buildings;
 - g. A budget amounting to R517 421 for Informal Trade (Hawker Stalls);
 - h. A budget amounting to R260 870 for Revitalisation of Industrial Area;
 - i. A budget amounting to R474 584 for Hydroponics and Packhouse;
 - j. A budget amounting to R2 958 617 for Extension of Mdantsane Art Centre;
 - k. A budget amounting to R992 116 for Building of Memorial Stones;
 - l. A budget amounting to R341 399 for Installation of Recreational Facilities;
 - m. A budget amounting to R1 674 474 for Tourism Hub;

- n. A budget amounting to R198 084 for Fencing of World War 1;
 - o. A budget amounting to R1 000 000 for Restoration of Cattle Killing Heritage in Kwt;
 - p. A budget amounting to R1 997 060 for Extension of Mdantsane Art Centre;
 - q. A budget amounting to R600 000 for Restoration for Work Desmond Tutu Monument;
 - r. A budget amounting to R1 025 084 for Restoration Work - Settlers Way;
 - s. A budget amounting to R4 750 024 for Improve Access Road and Road Signage.
- vi. Directorate of Finance – committed funds amounting to R26 904 571 to be rolled over:
- a. A budget amounting to R10 725 524 for Acquire ERP System (Asset Management System, Procurement System, Etc.);
 - b. A budget amounting to R5 000 000 for Back-Up Generators;
 - c. A budget amounting to R3 357 075 for Construction of Office Accommodation -Customer Care Office-Midland;
 - d. A budget amounting to R2 500 000 for Indigent Management System;
 - e. A budget amounting to R1 212 103 for Rehabilitation of Cash Offices, Installation of CCTV and Hardware for Cash Offices;
 - f. A budget amounting to R3 361 345 for Smart Metering Solutions (Electricity);
 - g. A budget amounting to R748 524 for Smart Metering Water Solutions;

- vii. Directorate Health, Public Safety and Emergency Service – committed funds amounting to R17 486 519 to be rolled over:
 - a. A budget amounting to R226 592 for Office Furniture & Equipment (Directorate);
 - b. A budget amounting to R59 820 for Disaster Management: Event Safety Equipment;
 - c. A budget amounting to R6 738 347 for Fire Engines Procured;
 - d. A budget amounting to R539 264 for Refurbish & Rehabilitation - Fire Infrastructure;
 - e. A budget amounting to R2 129 382 for Tactical Radio Network;
 - f. A budget amounting to R438 286 for Fire Equipment;
 - g. A budget amounting to R3 792 200 for New Fire Station - Berlin Ward 45;
 - h. A budget amounting to R29 099 for Refurbishment of Disaster Management Centre;
 - i. A budget amounting to R819 176 for Traffic and Law Enforcement Equipment;
 - j. A budget amounting to R1 000 000 for Back-Up Generators;
 - k. A budget amounting to R700 000 for Ablution Facilities - Mdantsane Traffic Centre;
 - l. A budget amounting to R1 014 353 for Closed Circuit Television Network – CCTV.

- viii. Directorate of Infrastructure Services – committed funds amounting to R80 049 434 to be rolled over:
 - a. A budget amounting to R750 000 for Building Alterations - Beacon Bay Civic Centre & Operations Depot;
 - b. A budget amounting to R79 299 434 for Rehabilitation of Settlers Way.

- ix. Directorate of Sports, Recreation & Community Development – committed funds amounting to R22 697 199 to be rolled over:
- a. A budget amounting to R57 317 for Halls-Tools and Equipment;
 - b. A budget amounting to R2 060 319 for Construction of office and Guard House Nahoon Caravan Park;
 - c. A budget amounting to R140 536 for Demolishing and Construction of Dinning Hall at Gonubie Resorts;
 - d. A budget amounting to R2 982 for Refurbishment of Ablution Blocks at Resorts;
 - e. A budget amounting to R137 558 for Purchase of Furniture for Chalets;
 - f. A budget amounting to R245 456 for office Furniture & Equipment;
 - g. A budget amounting to R595 145 for Building of Swimming Pools at Gonubie Resorts;
 - h. A budget amounting to R313 805 for Construction of Braai Stands at Nahoon Caravan Park;
 - i. A budget amounting to R498 874 for Upgrading of Zoo;
 - j. A budget amounting to R16 589 043 for Redevelopment of Mdantsane Sport Precinct - Nu2 Swimming Pool;
 - k. A budget amounting to R200 000 for Refurbishment of Swimming Pools;
 - l. A budget amounting to R286 724 for Nu 6 Mdantsane Depot;
 - m. A budget amounting to R210 705 for Grass Cutting Equipment;
 - n. A budget amounting to R500 000 for Upgrading and Development of Community Parks - Coastal;
 - o. A budget amounting to R500 000 for Upgrading and Development of Community Parks - Midland;

- p. A budget amounting to R358 735 for Upgrading and Development of Community Parks – Inland.
- x. Directorate of Solid Waste & Environmental Management – committed funds amounting to R4 739 228 to be rolled over:
- a. A budget amounting to R4 511 290 for Metal Skips;
- b. A budget amounting to R227 938 for Air Monitoring Station.
- xi. Buffalo City Development Agency– committed funds amounting to R 1 362 557 to be rolled over for the East London Beachfront & Waterworld project.

Table 7: 2021/2022 Capital Budget Adjustment Per Funding

CAPITAL BUDGET PER FUNDING	2021/2022 APPROVED CAPITAL BUDGET	ADJUST.	2021/2022 ADJUSTED CAPITAL BUDGET	2022/2023 APPROVED CAPITAL BUDGET	2023/2024 APPROVED CAPITAL BUDGET
OWN FUNDING	701 378 735	0	701 378 735	728 580 992	491 750 169
OWN FUNDING c/o	0	204 134 633	204 134 633	0	0
LOAN	369 714 278	0	369 714 278	723 990 380	866 770 002
TOTAL OWN FUNDING	1 071 093 013	204 134 633	1 275 227 645	1 452 571 372	1 358 520 171
URBAN SETTLEMENT DEVELOPMENT GRANT	454 963 850	0	454 963 850	451 381 020	442 592 980
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	259 384 750	0	259 384 750	274 600 000	287 485 000
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT GRANT	9 000 000	0	9 000 000	10 222 000	0
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	9 000 000	0	9 000 000	20 000 000	28 700 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	0	150 000	0	0
TOTAL GRANTS	732 498 600	0	732 498 600	756 203 020	758 777 980
TOTAL CAPITAL BUDGET	1 803 591 613	204 134 633	2 007 726 245	2 208 774 392	2 117 298 151

Table 8: 2021/2022 Capital Budget Adjustments per Directorate

CAPITAL BUDGET PER DIRECTORATE	2021/2022		2021/2022	2022/2023	2023/2024
	APPROVED		ADJUSTED	APPROVED	APPROVED
	CAPITAL BUDGET	ADJUST.	CAPITAL BUDGET	CAPITAL BUDGET	CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	3 800 000	2 586 978	6 386 978	500 000	500 000
CITY MANAGER'S OFFICE	4 969 239	3 010 827	7 980 066	600 000	600 000
CORPORATE SERVICES	12 082 220	8 456 690	20 538 910	4 829 959	500 000
SPATIAL PLANNING & DEVELOPMENT	110 117 852	14 610 462	124 728 314	121 840 632	167 616 510
ECONOMIC DEVELOPMENT & AGENCIES	72 500 000	22 230 167	94 730 167	110 000 000	69 350 000
FINANCE SERVICES	254 515 439	26 904 571	281 420 009	255 214 280	226 028 490
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	22 000 000	17 486 519	39 486 519	29 181 259	16 000 000
HUMAN SETTLEMENTS	292 384 750	0	292 384 750	259 600 000	331 585 000
INFRASTRUCTURE SERVICES	932 660 406	80 049 434	1 012 709 840	1 303 039 201	1 235 301 751
DIRECTORATE OF SPORTS , RECREATION & COMMUNITY DEVELOPMENT	23 500 000	22 697 199	46 197 199	45 320 000	23 450 000
DIRECTORATE OF SOLID WASTE & ENVIRONMENTAL MANAGEMENT	23 861 707	4 739 228	28 600 935	30 268 987	27 000 000
TOTAL CAPITAL BUDGET: BCMM	1 752 391 613	202 772 076	1 955 163 688	2 160 394 318	2 097 931 751
BCMDA	51 200 000	1 362 557	52 562 557	48 380 074	19 366 400
TOTAL CAPITAL: CONSOLIDATED	1 803 591 613	204 134 633	2 007 726 245	2 208 774 392	2 117 298 151

PART 2 – SUPPORTING DOCUMENTATION

6. SUPPORTING DOCUMENTATION

6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS

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

6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

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

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

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

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

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

7. CHALLENGES

None.

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The first adjustments to the consolidated 2021/2022 budget do not have an impact on tariffs as these are funded from unconditional grants rollover funding from 2020/2021 financial year and own funding reserves. The effects of the adjustments to the consolidated 2021/2022 Operating and Capital Budget are outlined below:

A. The adjusted budget of the Parent municipality (BCMM) for the 2021/2022 First Adjustment Budget as follows:

- i. The adjustment from R8 087 386 313 to R8 168 245 082 of the BCMM 2021/2022 Operating Revenue Budget.
- ii. The adjustment from R8 085 019 399 to R 8 165 878 168 of the BCMM 2021/2022 Operating Expenditure Budget.
- iii. The adjustment from R1 802 391 613 to R2 006 526 247 of the BCMM 2021/2022 Capital Budget.

B. The consolidated adjusted budget for the 2021/2022 First Adjustment Budget as follows:

- iv. The adjustment from R8 234 111 627 to R8 316 332 953 of the consolidated 2021/2022 Operating Revenue Budget.
- v. The adjustment from R8 231 744 713 to R8 313 966 039 of the consolidated 2021/2022 Operating Expenditure Budget.
- vi. The adjustment from R1 803 591 613 to R2 007 726 247 of the consolidated 2021/2022 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 SIHLAHLA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 13.08.2021

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