

## **REPORT TO COUNCIL: 28 FEBRUARY 2022**

File No.:5/1/1/1[21/22]

Author: EXECUTIVE MAYOR (XOLA PAKATI)/AS

### **2021/2022 MID-YEAR ADJUSTMENTS BUDGET REPORT**

#### **1. PURPOSE**

The purpose of the report is for the Council to **consider** and **approve** the Mid-Year Adjustments Budget of Buffalo City Metropolitan Municipality for the 2021/2022 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

#### **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.”*

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

*“(1) an adjustments budget referred to in Section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.”*

*“An adjustment budget and supporting documentation 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).*

*In terms of Section 54(1) on receipt of a statement or report submitted by the Accounting Officer of the municipality and 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 the revision 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 adjustment.”*

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

## **5. EXPOSITION OF FACTS**

The mid-year adjustments budget is being prepared as informed by the Mid-Year Budget and Performance Assessment and certain adjustments have been identified in terms of Section 28(2) of the MFMA. The Mid-Year Budget and Performance Assessment was tabled at Council on 26<sup>th</sup> January 2022. The following are the main reasons for the adjustment budget but not limited to:

- i. reduction in collection rate;
- ii. appropriation of additional revenue (grant funding) that has become available;  
and
- iii. revision and re-allocation of budget between capital and operating budget, votes, expenditure categories and revenue sources in order to improve operational efficiencies and service delivery.

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 APPROVED ADJ. BUDGET	2021/2022 FIRST ADJ. BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJ. BUDGET	2022/2023 FINAL BUDGET	2023/2024 FINAL BUDGET
<b>Total Revenue</b>	<b>8,087,386,313</b>	<b>8,168,245,082</b>	<b>4,549,380</b>	<b>8,172,794,462</b>	<b>8,681,022,951</b>	<b>9,306,824,636</b>
<b>Total Operating Expenditure Excluding Operating Projects</b>	<b>7,754,080,904</b>	<b>7,754,080,904</b>	<b>-29,381,135</b>	<b>7,724,699,769</b>	<b>8,381,025,144</b>	<b>8,963,211,737</b>
<b>Operating Projects</b>	<b>330,938,495</b>	<b>411,797,264</b>	<b>33,930,515</b>	<b>445,727,779</b>	<b>298,345,161</b>	<b>340,099,000</b>
<b>Total Operating Expenditure Including Operating Projects</b>	<b>8,085,019,399</b>	<b>8,165,878,168</b>	<b>4,549,380</b>	<b>8,170,427,548</b>	<b>8,679,370,305</b>	<b>9,303,310,737</b>
<b>Surplus / (Deficit)</b>	<b>2,366,914</b>	<b>2,366,914</b>	<b>0</b>	<b>2,366,914</b>	<b>1,652,646</b>	<b>3,513,899</b>
<b>Total Capital Expenditure</b>	<b>1,802,391,613</b>	<b>2,006,526,247</b>	<b>-180,176,364</b>	<b>1,826,349,881</b>	<b>2,207,494,392</b>	<b>2,115,931,751</b>
<b>Total Opex and Capex Budget</b>	<b>9,887,411,012</b>	<b>10,172,404,415</b>	<b>-175,626,984</b>	<b>9,996,777,431</b>	<b>10,886,864,697</b>	<b>11,419,242,488</b>

B. The following table provides a high-level summary of the Operating and Capital Budget Adjustments for the Municipal entity (BCMDA):

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022 APPROVED ADJ. BUDGET	2021/2022 FIRST ADJ. BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJ. BUDGET	2022/2023 FINAL BUDGET	2023/2024 FINAL BUDGET
<b>Total Revenue</b>	<b>146,725,314</b>	<b>148,087,871</b>	<b>-18,154,787</b>	<b>129,933,084</b>	<b>123,488,693</b>	<b>82,995,770</b>
<b>Total Operating Expenditure including Operating projects</b>	<b>146,725,314</b>	<b>148,087,871</b>	<b>-18,154,787</b>	<b>129,933,084</b>	<b>123,488,693</b>	<b>82,995,770</b>
<b>Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>0</b>	<b>1,200,000</b>	<b>1,280,000</b>	<b>1,366,400</b>
<b>Total Opex and Capex Budget</b>	<b>147,925,314</b>	<b>149,287,871</b>	<b>-18,154,787</b>	<b>131,133,084</b>	<b>124,768,693</b>	<b>84,362,170</b>

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022	2021/2022	ADJUSTMENTS	2021/2022	2022/2023	2023/2024
	APPROVED ADJ. BUDGET	FIRST ADJ. BUDGET		MID-YEAR ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
<b>Total Revenue</b>	<b>8,234,111,627</b>	<b>8,316,332,953</b>	<b>-13,605,407</b>	<b>8,302,727,546</b>	<b>8,804,511,644</b>	<b>9,389,820,406</b>
<b>Total Operating Expenditure Excluding Operating Projects</b>	<b>7,900,806,218</b>	<b>7,902,168,775</b>	<b>-47,495,922</b>	<b>7,854,672,853</b>	<b>8,504,513,837</b>	<b>9,046,207,507</b>
<b>Operating Projects</b>	<b>330,938,495</b>	<b>411,797,264</b>	<b>33,890,515</b>	<b>445,687,779</b>	<b>298,345,161</b>	<b>340,099,000</b>
<b>Total Operating Expenditure Including Operating Projects</b>	<b>8,231,744,713</b>	<b>8,313,966,039</b>	<b>-13,605,407</b>	<b>8,300,360,632</b>	<b>8,802,858,998</b>	<b>9,386,306,507</b>
<b>Surplus / (Deficit)</b>	<b>2,366,914</b>	<b>2,366,914</b>	<b>0</b>	<b>2,366,914</b>	<b>1,652,646</b>	<b>3,513,899</b>
<b>Total Capital Expenditure</b>	<b>1,803,591,613</b>	<b>2,007,726,247</b>	<b>-180,176,364</b>	<b>1,827,549,881</b>	<b>2,208,774,392</b>	<b>2,117,298,151</b>
<b>Total Opex and Capex Budget</b>	<b>10,035,336,326</b>	<b>10,321,692,286</b>	<b>-193,781,771</b>	<b>10,127,910,515</b>	<b>11,011,633,390</b>	<b>11,503,604,658</b>

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

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## ABBREVIATIONS AND ACRONYMS

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



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

## 5.1 EXECUTIVE MAYOR'S REPORT

The 2021/2022 mid-year adjustments budget is being prepared as informed by the Mid-Year Budget and Performance Assessment and in terms of the MFMA and Municipal Budget and Reporting Regulations. The main reason for this adjustment budget is to factor reduction in collection rate; to appropriate additional revenue (grant funding) that has become available and the revision and re-allocation of budget between capital and operating budget, votes, expenditure categories and revenue sources in order to improve operational efficiencies and service delivery. 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 APPROVED ADJ. BUDGET	2021/2022 FIRST ADJ. BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJ. BUDGET	2022/2023 FINAL BUDGET	2023/2024 FINAL BUDGET
<b>Total Revenue</b>	<b>8,234,111,627</b>	<b>8,316,332,953</b>	<b>-13,605,407</b>	<b>8,302,727,546</b>	<b>8,804,511,644</b>	<b>9,389,820,406</b>
<b>Total Operating Expenditure</b>	<b>8,231,744,713</b>	<b>8,313,966,039</b>	<b>-13,605,407</b>	<b>8,300,360,632</b>	<b>8,802,858,998</b>	<b>9,386,306,507</b>
<b>Surplus / (Deficit)</b>	<b>2,366,914</b>	<b>2,366,914</b>	<b>0</b>	<b>2,366,914</b>	<b>1,652,646</b>	<b>3,513,899</b>
<b>Total Capital Expenditure</b>	<b>1,803,591,613</b>	<b>2,007,726,247</b>	<b>-180,176,364</b>	<b>1,827,549,881</b>	<b>2,208,774,392</b>	<b>2,117,298,151</b>
<b>Total Opex and Capex Budget</b>	<b>10,035,336,326</b>	<b>10,321,692,286</b>	<b>-193,781,771</b>	<b>10,127,910,515</b>	<b>11,011,633,390</b>	<b>11,503,604,658</b>

The following factors were considered in the formulation of the mid-year adjustments budget:

- (a) Projected annual revenue for all revenue sources after taking into consideration the actual revenue realised in the mid-year.
- (b) Ability to improve revenue performance.
- (c) Reduction of budgeted expenditure due to the reduction in collection rate (collection rate revised downwards from 85% to 83.5%).
- (d) Adjustments between the different expenditure types as requested by directorates.

- (e) Adjustments between the different expenditure types for correct classification.
- (f) Continuous enforcement of cost containment measures.
- (g) Funding availability and affordability.
- (h) Status of implementation readiness for each project.

Therefore, the proposed adjustments are mainly reductions on the budgeted expenditure and re-allocations within and across directorates and expenditure types as well as revenue sources.

## **5.2 COUNCIL RESOLUTIONS**

On 31 May 2021 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2021/22 – 2023/24 MTREF Budget. The Council further met on 25 August 2021 to consider and approve the roll-over 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 2021/2022 Mid-Year Adjustment Budget as follows:
  - i. The adjustment from R8 168 245 082 to R8 172 794 462 of the BCMM 2021/2022 Operating Revenue Budget.
  - ii. The adjustment from R8 165 878 168 to R8 170 427 548 of the BCMM 2021/2022 Operating Expenditure Budget.
  - iii. The adjustment from R2 006 526 247 to R1 826 349 881 of the BCMM 2021/2022 Capital Budget.

B. The adjusted budget of the Municipal Entity (BCMDA) for the 2021/2022 Mid-Year Adjustment Budget as follows:

- i. The adjustment from R148 087 871 to R129 933 084 of the BCMDA 2021/2022 Operating Revenue Budget.
- ii. The adjustment from R148 087 871 to R129 933 084 of the BCMDA 2021/2022 Operating Expenditure Budget.
- iii. There are no adjustments to the total BCMDA 2021/2022 Capital Budget. The BCMDA capital budget remains at R1 200 000.

C. The consolidated adjusted budget for the 2021/2022 Mid-Year Adjustment Budget as follows:

- i. The adjustment from R8 316 332 953 to R8 302 727 546 of the consolidated 2021/2022 Operating Revenue Budget.
- ii. The adjustment from R8 313 966 039 to R8 300 360 632 of the consolidated 2021/2022 Operating Expenditure Budget.
- iii. The adjustment from R2 007 726 247 to R1 827 549 881 of the consolidated 2021/2022 Capital Budget.

D. Council **notes** 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).



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**X. PAKATI**

**EXECUTIVE MAYOR**

**BUFFALO CITY METROPOLITAN MUNICIPALITY**

ANDILE SIHLAHLA/ NS

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**DATE**

### **5.3 EXECUTIVE SUMMARY**

The Buffalo City Metropolitan Municipality is still mindful 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. The City is not immune to these challenges and the decline to the revenue collection rate attests to these challenges.

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this mid-year adjustment 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 assessment also indicated low collection rate which led to the reduction of the collection rate from 85% to 83.5%. Budget cuts on both the Operating and Capital budget had to be implemented due to these factors.

The debtor's collection rate for the period ended 31 December 2021 is 67.40%, this is below the set target of 85%. The approved Debt Incentive Scheme has been extended by Council to 30 June 2022 and is currently being implemented. The full Credit Control Policy is also being implemented. There is a panel of debt collectors that has been appointed and allocated to the City's respective regions for a more focused approach in dealing with old debtors. All these efforts are to assist in the improvement of the collection rate.

The consolidated capital budget spending as at 31 December 2021 is 26% (R518.12 million, inclusive of reclaimed vat) of its 2021/2022 adjusted capital budget of R2.01 billion. This reflects a slight decline when compared to the same period in the previous financial year where 28% (R563.72 million, inclusive of reclaimed vat) of the adjusted budget of R2.04 billion was spent.

Having assessed the consolidated mid-year performance of the City, the operating revenue budget has been reduced by R13 605 407 from R8 316 332 953 to R8 302 727 546. The operating expenditure budget has been reduced by the same amount (R13 605 407) from R8 313 966 039 to R8 300 360 632; these are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains stagnant at R2 366 914. The capital expenditure budget has been reduced by R180 176 364 from R2 007 726 245 to R1 827 549 881; this is detailed in section 5.6 of the report.

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is the reduction of the collection rate and the revision and the re-allocation of budget between capital and operating budget, votes, expenditure types, revenue sources to improve operational efficiencies and service delivery. The table below indicates the summary of the 2021/2022 Consolidated mid-year adjustments budget.

**Table 2: 2021/2022 Consolidated Mid-Year Adjustment Budget Summary**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2021/2022	2021/2022	ADJUSTMENTS	2021/2022	2022/2023	2023/2024
	APPROVED ADJ. BUDGET	FIRST ADJ. BUDGET		MID-YEAR ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
<b>Total Revenue</b>	8,234,111,627	8,316,332,953	-13,605,407	8,302,727,546	8,804,511,644	9,389,820,406
<b>Total Operating Expenditure Excluding Operating Projects</b>	7,900,806,218	7,902,168,775	-47,495,922	7,854,672,853	8,504,513,837	9,046,207,507
<b>Operating Projects</b>	330,938,495	411,797,264	33,890,515	445,687,779	298,345,161	340,099,000
<b>Total Operating Expenditure Including Operating Projects</b>	8,231,744,713	8,313,966,039	-13,605,407	8,300,360,632	8,802,858,998	9,386,306,507
<b>Surplus / (Deficit)</b>	2,366,914	2,366,914	0	2,366,914	1,652,646	3,513,899
<b>Total Capital Expenditure</b>	1,803,591,613	2,007,726,247	-180,176,364	1,827,549,883	2,208,774,392	2,117,298,151
<b>Total Opex and Capex Budget</b>	10,035,336,326	10,321,692,286	-193,781,771	10,127,910,515	11,011,633,390	11,503,604,658

## 5.4 OPERATING REVENUE FRAMEWORK

The following factors were taken into consideration in arriving to the proposed adjustments in the City's Revenue Framework:

- (a) Projected annual revenue for all revenue sources after taking into consideration the actual revenue realised in the mid-year.
- (b) Ability to improve revenue performance.
- (c) Reduction of the budgeted expenditure due to the reduction in collection rate (Collection rate revised downwards from 85% to 83.5%).

The following table (Table 3) depicts adjustments to the consolidated operating revenue budget per source. Table 3 below reflects that there has been a decrease in revenue totalling to R13 605 407.

**Table 3: 2021/22 Consolidated Mid-Year Adjusted Revenue per Source**

2021/2022 BUDGET REVENUE & EXPENDITURE FRAMEWORK	2021/2022 APPROVED BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJUSTMENT BUDGET
<b>Revenue by Source</b>				
Property rates	1,834,764,190	1,834,764,190	0	1,834,764,190
Service charges - electricity revenue	2,367,669,175	2,367,669,175	4,668,817	2,372,337,992
Service charges - water revenue	795,707,988	795,707,988	0	795,707,988
Service charges - sanitation revenue	447,060,205	447,060,205	0	447,060,205
Service charges - refuse revenue	367,953,776	367,953,776	0	367,953,776
Rental of facilities and equipment	20,959,164	20,959,164	0	20,959,164
Interest earned - external investments	36,489,853	36,489,853	-5,835,469	30,654,384
Interest earned - outstanding debtors	109,695,656	109,695,656	6,000,000	115,695,656
Fines, penalties and forfeits	21,407,384	21,407,384	0	21,407,384
Licences and permits	18,834,621	18,834,621	0	18,834,621
Agency services	43,069,698	43,069,698	1,676,775	44,746,473
Transfers and subsidies - Operating	1,301,395,383	1,383,616,709	-13,503,720	1,370,112,989
Other revenue	869,104,534	869,104,534	-6,611,810	862,492,724
<b>Total Direct Operating Revenue</b>	<b>8,234,111,627</b>	<b>8,316,332,953</b>	<b>-13,605,407</b>	<b>8,302,727,546</b>

**Net downward adjustments amounting to R13 605 407:**

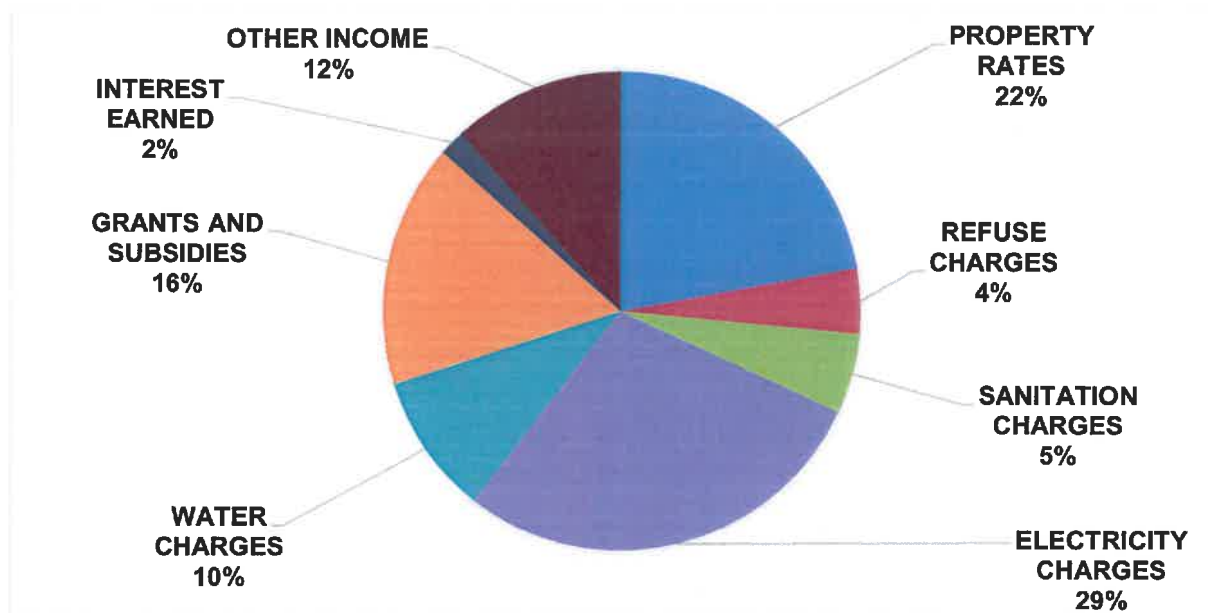
- i. Service Charges (Electricity) adjusted upwards by R4 668 817**
  - BCMM recovery of costs incurred for registered mail in line with BCMM's Credit Control Policy.
  
- ii. Interest Earned on External Investments adjusted downwards by: R5 835 469**
  - BCMM Interest Earned on External Investments is adjusted downwards by R6 000 000 due to projected interest not realised due to decreased cash reserves.
  - BCMDA Interest Earned on External Investment is adjusted upwards by R164 531.
  
- iii. Interest Earned on Outstanding Debtors adjusted upwards by: R6 000 000**
  - BCMM Interest Earned on Outstanding Debtors is adjusted upwards by R6 000 000 due to increase in outstanding debtors.
  
- iv. BCMDA Agency Services adjusted upwards by R1 676 775:**
  - An upward adjustment by BCMDA on the understated project management fees.
  
- v. Transfers & Subsidies (Operational) adjusted downwards by R13 503 720:**
  - BCMM has been allocated R20 505 493 for the Public Employment Programme through the Neighborhood Partnership Development Grant. This allocation was approved by National Treasury on 17 November 2021 and is now being appropriated into the budget. An allocation of **R19 616 533** of this grant has been budgeted for under Operating expenditure budget and the balance of it under Capital budget.
  - A budget of R36 000 000 funded through European Union was allocated to (BCMDA) for the Duncan Village Buy Back Centre. BCMDA submitted revised cash flow projections for the 2021/2022 Mid-Year Adjustment Budget, resulting in the budget reduction of **R21 062 720**. The reduction amount will be utilized in the outer years of the MTREF.
  - A reduction of **R100 000** resulting from a budget transfer of USDG funding from EPMO consultancy fees under Operating projects to Office Furniture & Equipment Capital budget.



- A reduction of **R1 573 250** resulting from a budget transfer of ISUPG funding from the operating Project “Feasibility Studies/Township establishment to Capital budget to fund “Land Acquisition”.
  - An increase of **R3 000 000** resulting from a budget transfer of ISUPG funding from Capital budget “CNIP Victims Project” to Operating projects to fund “Social Facilitation”
  - The BCMDA downward adjustment of its budget for Transfers & Grants by **R13 384 283** results mainly from:
    - An increase of R7 658 300 relating to the Integrated Waste Management, Beautification & Greening project funded through the NDPG Public Employment Programme(PEP)
    - A reduction of R21 062 720 from an allocated budget of R36 000 000 funded through European Union grant and allocated to fund the Duncan Village Buy Back Centre.
- vi. **BCMDA is adjusting its budget for Other Revenue downwards by R6 611 810.**
- Four lease contracts were budgeted to be lodged and registered at the Deeds office, However, to date only one lease contracts has been lodged and registered at the Deeds office. This has resulted in a downward adjustment to the budgeted revenue for development charges.

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 29% of the total revenue, this is followed by water tariffs at 10%, sanitation tariff at 5% and refuse tariff at 4%. The Property Rates revenue totals 22% of the total municipal revenue. The municipality receives operating grants and subsidies totalling 16% of the total revenue, interest earned is 2% of the total revenue. Other revenue contributes 12% of the total revenue.

**Figure 1: 2021/2022 Consolidated Operating Revenue per Source**



## **5.5 OPERATING EXPENDITURE FRAMEWORK**

In arriving to the proposed operating expenditure framework adjustments in the mid-year adjustment budget, the following factors were considered:

- (a) Identified potential savings versus additional budget requests received.
- (b) Adjustments between the different expenditure types as requested by directorates.
- (c) Adjustments between the different expenditure types for correct classification.
- (d) Continuous enforcement of cost containment measures.
- (e) Reduction of the budgeted expenditure due to the reduction in collection rate (collection rate revised downwards from 85% to 83.5%).
- (f) Funding availability and affordability.
- (g) Status of implementation readiness for each project.

The following table (Table 4) details adjustments to the Consolidated operating expenditure budget per category. Table 4 below reflects that there is a total reduction of R13 605 407. The adjustments in table 4 below are mainly due to the budget reductions & reallocation of the budget to fund critical expenditure items. It also reflects reallocation of funding between the expenditure types to improve operational efficiency.

**Table 4: 2021/2022 Consolidated Mid-Year Adjusted Expenditure Budget per Category**

2021/2022 BUDGET REVENUE & EXPENDITURE FRAMEWORK	2021/2022 APPROVED BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET	ADJUSTMENT	2021/2022 MID-YEAR ADJUSTMENT BUDGET
<b>Expenditure Per Category</b>				
Employee related costs	2,524,700,982	2,524,700,982	-2,642,672	2,522,058,310
Remuneration of councillors	76,549,605	76,549,605	-8,015,366	68,534,239
Debt impairment	871,973,300	871,973,300	94,920,850	966,894,150
Depreciation & asset impairment	649,172,695	649,172,695	145,912	649,318,607
Finance charges	59,935,810	59,935,810	-36,700,367	23,235,443
Electricity Bulk Purchases	2,010,260,650	2,010,260,650	0	2,010,260,650
Contracted services	287,250,727	288,613,284	-59,249,548	229,363,736
Transfers and grants	106,208,623	106,208,623	-13,025,667	93,182,956
Repairs and Maintenance	407,950,435	407,950,435	6,598,969	414,549,404
Operating projects	330,938,495	411,797,264	33,890,515	445,687,779
Other expenditure	487,414,772	487,414,772	10,328,630	497,743,402
Other materials	419,388,619	419,388,619	-39,856,663	379,531,956
<b>Total Direct Operating Expenditure</b>	<b>8,231,744,713</b>	<b>8,313,966,039</b>	<b>-13,605,407</b>	<b>8,300,360,632</b>

After assessing the mid-year performance of the City and taking into account the considerations that are indicated above, it has been necessary that the following adjustments on the Operating Expenditure Budget be made:

- i. **Employee Related Costs have been adjusted downwards by R2 642 672:**
  - A budget of R3 800 000 has been transferred from overtime votes to fund Overtime Work Study Operating project (Corporate Services).
  - A budget of R50 000 is being transferred to Employee related costs.
  - Additional budget allocated from Operating budget due to fund Basic Salaries & allowances shortfall of R16 132.
  - BCMDA is increasing its understated Employee related costs by R1 091 196. This understatement has been reallocated from BCMDA's Contracted services budget.
  
- ii. **Remuneration of Councilors has been adjusted downwards by R8 015 366:**
  - The budget for the Remuneration of Councilors is being reduced by R9 504 891 in order to align to the Gazette on Upper limits.
  - BCMDA is increasing its Remuneration of Councilors by R1 489 525. The budget increase is due to the organizational design process warranting more meetings by the Board of Directors than anticipated.

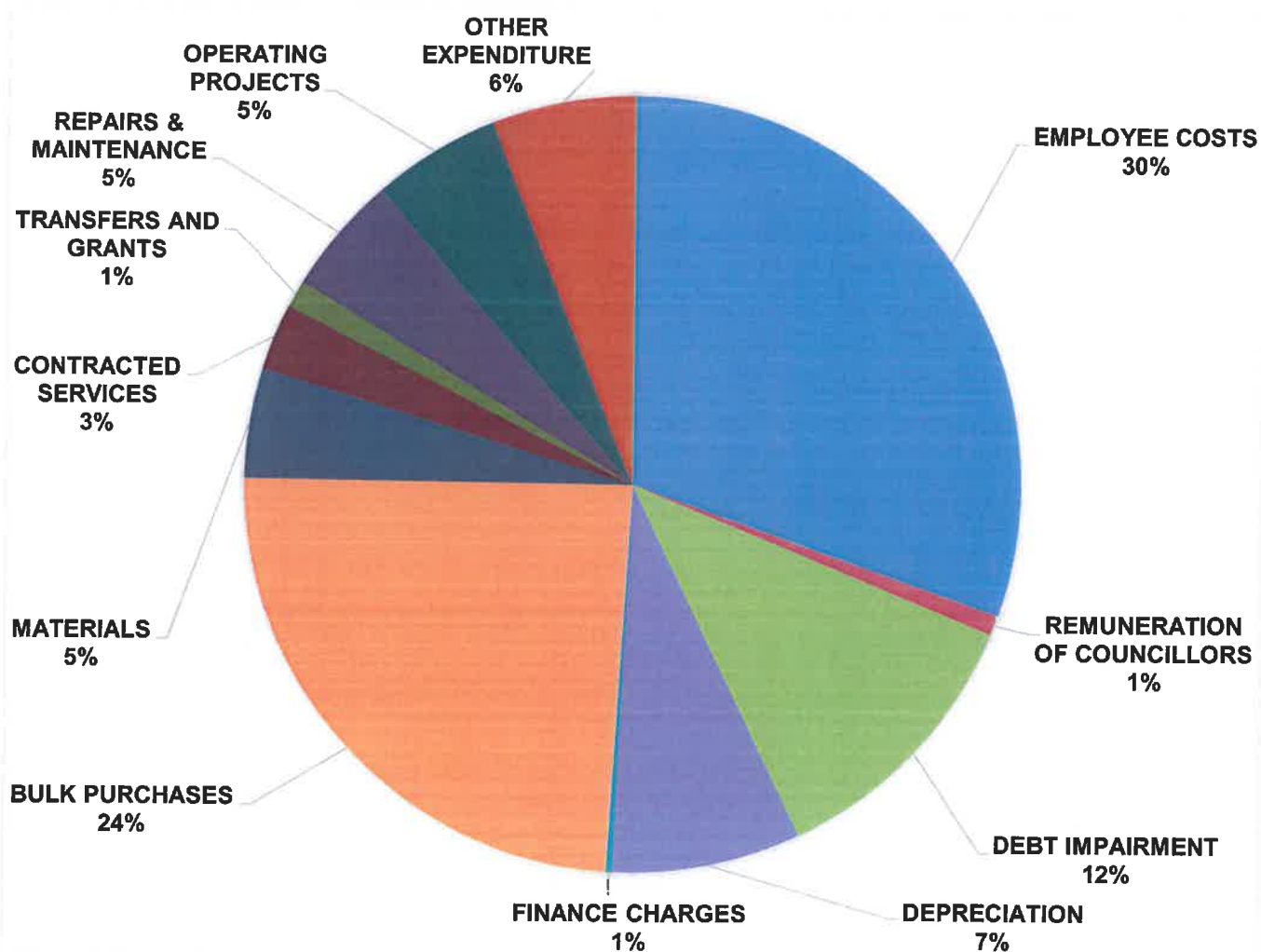
- iii. **Debt Impairment has been adjusted upwards by R94 920 850:**
- Budget transfer of R771 210 from Health, Public Safety & Emergency Services' Metro Police Operating project.
  - A budget transfer of R36 700 367 from Finance charges to Debt impairment.
  - A budget transfer of R9 504 891 from Remuneration of Councillors resulting from the alignment of the budget to the Upper Limits Gazette.
  - An amount of R28 189 011 transferred from Other Materials votes of the various directorates.
  - Budget transferred from Other Expenditure amounts to R9 055 090.
  - Budget transferred from Contracted Services totalling to R10 700 281
- iv. **BCMDA has adjusted its Depreciation upwards by R145 912 due to understatement.**
- v. **Finance Charges have been adjusted downwards R36 700 367.** This reduced budget has been reallocated to fund Debt impairment
- vi. **Contracted Services have been adjusted downwards by R59 249 548:**
- Budget reallocated to Debt impairment as already alluded above is R10 700 281.
  - Budget transferred from Contracted services to Other expenditure types to improve operating efficiency is R25 337 207.
  - BCMDA has adjusted its budget for Contracted services downwards by R23 212 060. This reduction is mainly due to the budget reduction on the European Union grant funding.
- vii. **Transfers & Grants have been adjusted downwards by R13 025 667:**
- Budget of R714 683 is being transferred from other expenditure types to Transfers & Grants to improve operating efficiency.
  - Budget has been reduced on the European Union grant funding allocated to BCMDA for the Duncan Village Buy Back Centre by R21 062 720. This reduction is based on the revised cash flow projections submitted by BCMDA to the parent municipality.

- An allocation of R7 122 020 to BCMDA for implementation of Integrated Waste Management, Beautification & Greening project that is funded through the NDPG Public Employment Programme that was approved by National Treasury on 17 November 2021 and is now being allocated to the City's budget.
  - BCMDA has adjusted its budget for Transfers & Grants upwards by R200 350. This is due to the misallocated grants to be paid to non-profit organizations.
- viii. **Repairs & Maintenance have been adjusted upwards by R6 598 969:**
- An amount of R6 648 969 has been transferred from Other expenditure types to improve operational efficiency.
  - BCMDA has adjusted its budget for Repairs & Maintenance downwards by R50 000. This is due to the reduction of invoiced amount for repairs and maintenance of buildings.
- ix. **Other Expenditure has been adjusted upwards by R10 328 630:**
- Budget reallocated to Debt impairment as already alluded above is R9 055 090.
  - Budget reallocated from Contracted services to Other expenditure to improve operating efficiency is R13 657 356.
  - Budget allocated to other expenditure to be recovered from debt collection for registered mail amounts to R4 668 817.
  - BCMDA has adjusted its budget for Other Expenditure upwards by R1 057 547. This adjustment is due to an increase in the budgeted amount for Software licenses.
- x. **Other Materials has been adjusted downwards R39 856 663:**
- Budget reallocated from Other Material votes to Debt impairment as already alluded above is R16 598 253.
  - Budget reallocated from Other Materials to Debt impairment is R11 590 758.
  - Budget reallocated from Other Materials to other expenditure types to improve operational efficiency is R12 770 395.
  - BCMDA has adjusted its budget for Other Materials upwards by R1 122 743 to fund materials for the Integrated Waste Management, Beautification & Greening project.

- xi. **Operating Projects have been adjusted upwards by R33 890 515.** Refer to section 5.5.1 below 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**.

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, 30% and 24% of the total operating expenditure respectively. Depreciation totals 7% 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 6% 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 12%. Finance Charges account for 1%, Contracted Services account for 3%, and Remuneration of Councillors account for 1%.

**Figure 2: 2021/2022 Consolidated Operating Expenditure per Type**



### 5.5.1 Mid-Year 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 R33 890 515 (an increase of R20 069 252 in Own funding and an increase of R12 494 513 in Grant funding).

**Table 5: 2021/2022 Consolidated Mid-Year Adjustments to Operating Projects  
- Funding Source**

FUNDING SOURCE	2021/2022 APPROVED OPEX BUDGET	2021/2022 ROLL OVERS OPEX BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJUSTED OPEX BUDGET
OWN FUNDING	152,651,093	152,651,094	20,069,252	172,720,346
<b>TOTAL OWN FUNDING</b>	<b>152,651,093</b>	<b>152,651,094</b>	<b>20,069,252</b>	<b>172,720,346</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	44,741,150	44,741,150	-100,000	44,641,150
FINANCE MANAGEMENT GRANT	1,000,000	1,000,000	0	1,000,000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT (ISUPG)	6,873,250	6,873,250	1,426,750	8,300,000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	10,350,000	10,350,000	0	10,350,000
SALIDA C/O	8,941,000	8,941,000	0	8,941,000
EXPANDED PUBLIC WORKS PROGRAMME	0	380,857	0	380,857
HUMAN SETTLEMENTS DEVELOPMENT GRANT	7,300,000	7,300,000	0	7,300,000
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	99,082,000	99,082,000	0	99,082,000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	0	80,477,912	0	80,477,912
<b>TOTAL GRANTS</b>	<b>0</b>	<b>0</b>	<b>12,494,513</b>	<b>12,494,513</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>178,287,400</b>	<b>259,146,169</b>	<b>13,821,263</b>	<b>272,967,432</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>330,938,493</b>	<b>411,797,263</b>	<b>33,890,515</b>	<b>445,687,778</b>

Table 5 above depicts that the overall consolidated operating projects expenditure budget is adjusted upwards by R33 890 515 from R411 797 263 to R445 687 778. It reflects that the total own funding budget is increasing by R20 069 252 from R152 651 094 to R172 720 346. The overall grant funding that is allocated to the operating projects is increasing by R13 821 263 from R259 146 169 to R272 967 432.

The increase of R20 069 252 in **own funded** projects:

- i. This results from the transfer of budget from municipal running costs to operating projects in order to improve operational efficiencies.

An increase of R13 890 515 in **grant funding** is resulting from the following:

- i. A downward adjustment of R100 000 is a transfer from the EP MO operating projects to the EP MO Capital budget to fund Office Furniture & Equipment (USDG).



- ii. An increase of R1 426 750 to the Informal Settlements Upgrading Partnership Grant:
  - a. R3 000 000 to Social Facilitation Operating project from the CNIP Victims capital project (Human Settlements)
  - b. Feasibility Studies /Township Establishment Operating project reduced by R1 573 250 that has been transferred to fund Land acquisition Capital project (Spatial Planning & Development)
  
- iii. An increase of R12 494 513 to the Neighbourhood Development Partnership Grant Public Employment Programme:
  - a. An allocation of R4 151 102 to the Future Skills Hub (Economic Development & Agencies)
  - b. An allocation of R4 544 416 to the Urban Food Systems (Economic Development & Agencies)
  - c. An allocation of R3 798 995 to the Call to Action programme (Solid Waste, Environmental & Health Management).

**Table 6: 2021/2022 Consolidated Mid-Year Adjustments to Operating Projects – Directorate**

DIRECTORATE	2021/2022 APPROVED OPEX BUDGET	2021/2022 ROLL OVERS OPEX BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJUSTED OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	51,827,160	52,208,017	1,261,000	53,469,017
CITY MANAGER'S OFFICE	45,634,400	45,634,400	2,800,000	48,434,400
CORPORATE SERVICES	11,350,000	11,350,000	20,029,462	31,379,462
SPATIAL PLANNING & DEVELOPMENT	10,323,250	10,323,250	-1,573,250	8,750,000
ECONOMIC DEVELOPMENT & AGENCIES	5,650,000	5,650,000	8,695,518	14,345,518
FINANCE SERVICES	46,371,684	46,371,684	1,450,000	47,821,684
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	2,200,000	2,200,000	-1,971,210	228,790
HUMAN SETTLEMENTS	100,382,000	180,859,912	3,000,000	183,859,912
INFRASTRUCTURE SERVICES	45,500,000	45,500,000	0	45,500,000
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	1,500,000	1,500,000	400,000	1,900,000
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	10,200,000	10,200,000	-201,005	9,998,995
<b>TOTAL OPERATING PROJECTS</b>	<b>330,938,493</b>	<b>411,797,263</b>	<b>33,890,515</b>	<b>445,687,778</b>

Table 6 above reflects that the overall consolidated operating projects budget is adjusted upwards by R33 890 515 from R411 797 263 to R445 687 778. The adjustments between directorates are detailed below:

**1. Executive Support Services: R1 261 000**

- a. A budget of R1 261 000 to fund the Youth Development Programme has been reallocated from operating budget.

**2. City Manager's Office: R2 800 000**

- a. An increase of R2 900 000 to fund GTAC Cost Recovery Fees has been reallocated from operating budget.
- b. A reduction of R100 000 in USDG EPMO consultancy fees to fund Office Furniture & Equipment Capital project.

**3. Corporate Services: R20 029 462**

- a. A budget of R3 800 000 to fund Overtime Work Study has been reallocated from overtime votes across all directorates.
- b. A budget of R3 800 000 to fund Review of Job Evaluation Process has been reallocated from Consultancy vote.
- c. An increase of R450 105 to fund Express Route for Azure Cloud Services has been reallocated from Operating budget.
- d. A budget of R11 979 357 to fund Covid-19 Temps has been reallocated from other Material votes.

**4. Spatial Planning & Development: (R1 573 250)**

- a. A budget reduction of R1 573 250 from the Feasibility Studies/Towship Establishment Operating project in order to fund Land Acquisition Capital project

**5. Economic Development & Agencies: R8 695 518**

- a. An allocation of R4 151 102 to the Future Skills Hub from the NDPG Public Employment Programme.

- b. An allocation of R4 544 416 to the Urban Food Systems from the NDPG Public Employment Programme.

**6. Health, Public Safety & Emergency Services: (R1 971 210)**

- a. A budget of R1 000 000 from Metro Police Operating project under the Public Safety & Protection Services cost centre is being transferred to fund the Repairs & Maintenance for CCTV cameras under Law Enforcement Services cost centre.
- b. A reduction of R771 210 to Metro Police Operating project to fund Debt impairment.
- c. A reduction of R200 000 by Law enforcement services from the Community Safety Forums to fund Repairs & Maintenance

**7. Human Settlements: R3 000 000**

- a. A budget increase of R3 000 000 to fund the Social Facilitation Operating project has been transferred from CNIP Victims Capital project.

**8. Sport, Recreation & Community Development: R400 000**

- a. A budget reallocation of R400 000 has been transferred from Hire Charges to fund the Regional Cemeteries & Crematoria Operating project.

**9. Solid Waste, Environmental & Health Management: (R201 005)**

- a. An allocation of R3 798 995 to the Call to Action Programme funded through the NDPG Public Employment Programme.
- b. A budget reduction of R4 000 000 from the Waste Co-Operatives Programme to fund Refuse bags under operating budget.

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 following factors were considered in arriving in the proposed adjustments on the capital expenditure framework:

- (a) Decrease in cash reserves and liquidity position.
- (b) Identified savings versus additional budget requests received.
- (c) Continuous enforcement of cost containment measures.
- (d) Funding availability and affordability.
- (e) Status of implementation readiness for each project.

Therefore, the proposed adjustments are mainly re-allocations within and across directorates.

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively. To arrive in the adjustments that are summarised in the two tables (table 7 and 8) below, 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 for re-allocating funding without compromising the municipality's strategic objectives and priorities as set up in the IDP. Details of reallocation of funding are provided below.

**5.6.1 2021/2022 Mid-Year Adjustments to Consolidated Capital Expenditure Budget**

**Table 7: 2021/2022 Mid-Year Adjustments to Capital Expenditure Budget – Funding**

CAPITAL BUDGET PER FUNDING	2021/2022 APPROVED CAPITAL BUDGET	2021/2022 ROLL OVERS CAPITAL BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJUSTED CAPITAL BUDGET
OWN FUNDING	701,378,735	905,513,367	-49,822,794	855,690,573
LOAN	369,714,278	369,714,278	-134,403,278	235,311,000
<b>TOTAL OWN FUNDING</b>	<b>1,071,093,013</b>	<b>1,275,227,645</b>	<b>-184,226,072</b>	<b>1,091,001,573</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	454,963,850	454,963,850	100,000	455,063,850
URBAN SETTLEMENT DEVELOPMENT GRANT C/O	0	0	0	0
BCMETS C/O	0	0	487,498	487,498
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	259,384,750	259,384,750	-1,426,750	257,958,000
ENERGY EFFICIENCY DEMAND SIDE MANAGEMENT GRANT	9,000,000	9,000,000	0	9,000,000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	9,000,000	9,000,000	4,888,960	13,888,960
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150,000	150,000	0	150,000
<b>TOTAL GRANTS</b>	<b>732,498,600</b>	<b>732,498,600</b>	<b>4,049,708</b>	<b>736,548,308</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>1,803,591,613</b>	<b>2,007,726,245</b>	<b>-180,176,364</b>	<b>1,827,549,881</b>

**Table 8: 2021/2022 Mid-Year Adjustments to Capital Expenditure Budget - Directorate**

CAPITAL BUDGET PER DIRECTORATE	2021/2022 APPROVED CAPITAL BUDGET	2021/2022 ROLL OVERS CAPITAL BUDGET	ADJUSTMENTS	2021/2022 MID-YEAR ADJUSTED CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	3,800,000	6,386,978	0	6,386,978
CITY MANAGER'S OFFICE	4,969,239	7,980,066	-4,072,889	3,907,177
CORPORATE SERVICES	12,082,220	20,538,910	-3,848,200	16,690,710
SPATIAL PLANNING & DEVELOPMENT	110,117,852	124,728,314	5,660,748	130,389,062
ECONOMIC DEVELOPMENT & AGENCIES	72,500,000	94,730,167	-4,500,000	90,230,167
FINANCE SERVICES	254,515,439	281,420,009	-96,037,900	185,382,109
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	22,000,000	39,486,519	-9,187,900	30,298,619
HUMAN SETTLEMENTS	292,384,750	292,384,750	-6,500,000	285,884,750
INFRASTRUCTURE SERVICES	932,660,406	1,012,709,840	-57,965,378	954,744,462
SPORTS , RECREATION & COMMUNITY DEVELOPMENT	23,500,000	46,197,199	-2,513,805	43,683,394
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	23,861,707	28,600,935	-1,211,040	27,389,895
<b>TOTAL CAPITAL BUDGET: BCMM</b>	<b>1,752,391,613</b>	<b>1,955,163,688</b>	<b>-180,176,364</b>	<b>1,774,987,324</b>
BCMDA	51,200,000	52,562,557	0	52,562,557
<b>TOTAL CAPITAL: CONSOLIDATED</b>	<b>1,803,591,613</b>	<b>2,007,726,245</b>	<b>-180,176,364</b>	<b>1,827,549,881</b>

Table 7 & 8 above indicate that the overall consolidated capital expenditure budget is adjusted downwards by R180 176 364 from R2 007 726 245 to R1 827 549 881. This is resulting from the following adjustments:

**1. City Manager's office: (R4 072 889)**

- a. Budget reduction of R2 000 000 from the Coastal Municipal Court project.
- b. Budget reduction of R2 172 889 from the Inland Municipal Court project.
- c. An increase of R100 000 emanating from the reallocation of USDG funds from the EPMO Operating projects to fund EPMO Office Furniture & Equipment.

**2. Corporate Services: (R3 848 200)**

- a. Budget reduction of R4 348 200 from the Employee Performance Management System.
- b. Budget reduction of R500 000 from the budget for Scanners project.
- c. An increase of R1 000 000 to the budget for Server Hardware, this funding has been reallocated from the Back Up Generators project under the directorate of Finance.

**3. Spatial Planning & Development: R5 660 748**

- a. A reduction of R3 000 000 from the Upgrading of KWT Payments Hall c/o project.
- b. An allocation of R3 100 000 to the Billie Road capital project funded from the increase in the revised NDPG allocation.
- c. Budget amounting to R487 498 allocated to the Traffic Signals project funded from the available balance of the BCMET grant.
- d. An increase of R5 073 250 to the budget for Land acquisition. This funding has been reallocated from the following ISUPG funded projects:
  - R3 000 000 from CNIP Victims capital project under the Human Settlements directorate.
  - R500 000 from D-Hostel capital project under the Human Settlements directorate.

- R1 573 250 transferred from the Feasibility Studies/Township Establishment operating project under Spatial Planning & Development.

**4. Economic Development & Agencies: (R4 500 000)**

- a. A reduction of R1 250 000 from the Film Studio Development.
- b. A reduction of R250 000 from the Installation of Recreational Facilities.
- c. A reduction of R2 000 000 from the King William's Town Art Centre.
- d. A reduction of R1 000 000 from the Revitalisation of Industrial Areas.

**5. Finance Services: (R96 037 900)**

- a. A reduction of R19 310 700 from the Smart Metering Solutions: Electricity, the loan to fund this project has not been secured.
- b. A reduction of R71 227 200 from the Smart Metering Solutions: Water, the loan to fund this project has not been secured.
- c. A reduction of R2 000 000 from the Construction of Office Accommodation Midland.
- d. A reduction of R2 500 000 from the Cost Reflective Tariff Structure.
- e. A reduction of R1 000 000 from Back Up Generators c/o to transfer to the Server Hardware under the directorate of Corporate Services.

**6. Health, Public Safety & Emergency Services: (R9 187 900)**

- a. A reduction of R2 000 000 from the Refurbishment of Law Enforcement Offices Taylor Street in KWT.
- b. A reduction of R4 000 000 from the Construction of New Fire Station – Berlin Ward 45.
- c. A reduction of R2 187 900 from New Fire Station: Berlin-Ward 45 c/o.
- d. A reduction of R1 000 000 from the Back Up Generators c/o.

**7. Human Settlements: (R6 500 000)**

- a. A budget reduction of R3 000 000 from CNIP Victims project is being transferred to Land Acquisition under the Directorate of Spatial Planning & Development.
- b. A budget reduction of R3 000 000 from CNIP Victims project is being transferred to the Social Facilitation Operating project.
- c. A budget reduction of R500 000 from D-Hostel is being transferred to Land Acquisition under the Directorate of Spatial Planning & Development.

**8. Infrastructure Services: (R57 965 378)**

- a. A reduction of R1 000 000 from Building Alterations: Beacon Bay Civic Centre & Operations Depot.
- b. A reduction of R300 000 from Building Alterations: Beacon Bay Civic Centre & Operations Depot carry over.
- c. A reduction of R1 500 000 from Bowls Road Rehabilitation (Ward 3).
- d. A reduction of R500 000 from Rehabilitation of Beaconhurst Drive.
- e. A reduction of R500 000 from Rehabilitation of Ziphunzana Bypass.
- f. A reduction of R400 000 from Road Provision (Ward 43).
- g. An additional allocation of R900 000 to the Construction of Road Infrastructure (Toyana Road) funded from an increase in the revised NDPG allocation.
- h. Reduction of R100 000 000 from the Upgrading of Zwelitsha Wastewater Treatment Works, the loan to fund this project has not been secured.
- i. A reduction of R800 000 from the East Beach Sewer Upgrade.
- j. An increase of R66 134 622 to the Loan funded E/L Sewer Diversion (Central to Reeston)
- k. Reduction of R10 000 000 from the KWT and Bisho Infrastructure (Bulk Mains), the loan to fund this project has not been secured.
- l. A reduction of R10 000 000 from BCMM Fleet, Plant & Specialised Vehicle.



**9. Solid Waste, Environmental & Health Management: (R1 211 040)**

- a. A reduction of R100 000 from Nature Reserve Plant.
- b. A reduction of R2 000 000 from Solid Waste Fleet & Plant.
- c. A budget allocation of R352 680 to the Call to Action Programme funded through the NDPG Public Employment Programme.
- d. A budget allocation of R536 280 to the Integrated Waste Management, Beautification and Greening project funded through the NDPG Public Employment Programme.

**10. Sport, Recreation & Community Development: (R2 513 805)**

- a. A reduction of R300 000 from the Development of Community Halls & Facilities.
- b. A reduction of R800 000 from the Upgrading & Refurbishment of Existing Community Halls & Facilities.
- c. A reduction of R1 000 000 from the Construction of Office and Guard House Nahoon Caravan Park carry over.
- d. A reduction of R313 805 from the Construction of Braai stands at Nahoon Caravan Park.
- e. A reduction of R100 000 from the Refurbishment of Aquarium.

The details of adjustments per programme/project are reflected on the schedule of operating 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).

**6. CHALLENGES**

None.

**7. STAFF IMPLICATIONS**

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

## **8. FINANCIAL IMPLICATIONS**

The mid-year adjustments to the consolidated 2021/2022 budget do not have an impact on tariffs as these are funded from current operating revenue that was already approved by Council, conditional grants 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 Mid-Year Adjustment Budget as follows:
  - i. The adjustment from R8 168 245 082 to R8 172 794 462 of the BCMM 2021/2022 Operating Revenue Budget.
  - ii. The adjustment from R8 165 878 168 to R8 170 427 548 of the BCMM 2021/2022 Operating Expenditure Budget.
  - iii. The adjustment from R2 006 526 247 to R1 826 349 881 of the BCMM 2021/2022 Capital Budget.
  
- B. The adjusted budget of the Municipal Entity (BCMDA) for the 2021/2022 Mid-Year Adjustment Budget as follows:
  - i. The adjustment from R148 087 871 to R129 933 084 of the BCMDA 2021/2022 Operating Revenue Budget.
  - ii. The adjustment from R148 087 871 to R129 933 084 of the BCMDA 2021/2022 Operating Expenditure Budget.
  - iii. There are no adjustments to the total BCMDA 2021/2022 Capital Budget. The BCMDA capital budget remains at R1 200 000.
  
- C. The consolidated adjusted budget for the 2021/2022 Mid-Year Adjustment Budget as follows:
  - i. The adjustment from R8 316 332 953 to R8 302 727 546 of the consolidated 2021/2022 Operating Revenue Budget.
  - ii. The adjustment from R8 313 966 039 to R8 300 360 632 of the consolidated 2021/2022 Operating Expenditure Budget.

- iii. The adjustment from R2 007 726 247 to R1 827 549 881 of the consolidated 2021/2022 Capital Budget.

**9. OTHER PARTIES CONSULTED**

- 9.1 All Directorates.
- 9.2 Budget Steering Committee / Mayoral Committee.
- 9.3 Buffalo City Metropolitan Council.

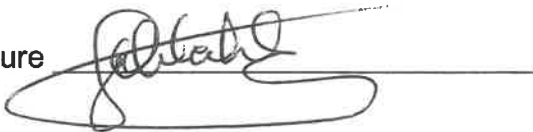
**10. CITY MANAGER'S QUALITY CERTIFICATE**

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 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

A handwritten signature in black ink, appearing to read 'Andile Sihlahla', is written over a horizontal line. The signature is stylized and cursive.

Date

14/02/2022

**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: National Treasury B Schedules (BCMDA)