

## REPORT TO COUNCIL: 28 FEBRUARY 2023

File No.:5/1/1/1[22/23]

AUTHOR: Executive Mayor (Xola Pakati)

### **MID-YEAR ADJUSTMENTS BUDGET REPORT FOR THE 2022/2023 FINANCIAL YEAR**

#### **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 2022/2023 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 31<sup>st</sup> January 2023. The following are the main reasons for the adjustment budget but not limited to:

- i. appropriation of additional revenue (grant funding) that has become available; and
- ii. 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	2022/2023	2022/2023		2022/2023	2023/2024	2024/2025
	APPROVED	FIRST	ADJUSTMENTS	MID YEAR	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	8 720 086 374	8 758 060 803	(25 224 926)	8 732 835 877	9 212 926 594	9 805 314 1
<b>Total Operating Expenditure Excluding Operating Projects</b>	8 334 281 228	8 063 627 736	82 019 659	8 145 647 396	8 842 442 705	9 456 171 5
<b>Operating Projects</b>	384 575 840	422 550 269	4 587 382	427 137 651	368 066 576	347 389 7
<b>Total Operating Expenditure Including Operating Projects</b>	8 718 857 068	8 486 178 005	86 607 041	8 572 785 047	9 210 509 281	9 803 561 2
<b>Surplus /(Deficit)</b>	1 229 306	271 882 798	(111 831 967)	160 050 830	2 417 313	1 752 8
<b>Total Capital Expenditure</b>	2 085 222 240	1 794 425 897	(398 901 000)	1 395 524 897	1 809 952 098	1 287 373 7
<b>Total Opex and Capex Budget</b>	10 804 079 308	10 280 603 902	(312 293 959)	9 968 309 944	11 020 461 379	11 090 935 0

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	2022/2023	2022/2023		2022/2023	2023/2024	2024/2025
	APPROVED	FIRST	ADJUSTMENTS	MID YEAR	FINAL	FINAL
	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	151 552 381	151 552 381	(18 872 768)	132 679 613	95 823 881	84 180 166
<b>Total Operating Expenditure Including Operating Projects</b>	151 552 381	151 552 381	(18 872 768)	132 679 613	95 823 881	84 180 166
<b>Surplus /(Deficit)</b>	0	0	0	0	0	0
		0				
<b>Total Capital Expenditure</b>	1 140 000	1 140 000	0	1 140 000	1 231 200	1 329 696
<b>Total Opex and Capex Budget</b>	152 692 381	152 692 381	(18 872 768)	133 819 613	97 055 081	85 509 862

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2022/2023	2022/2023		2022/2023	2023/2024	2024/2025
	APPROVED	FIRST	ADJUSTMENTS	MID YEAR	FINAL	FINAL

	BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	8 871 638 755	8 909 613 184	(44 097 694)	8 865 515 490	9 308 750 475	9 889 494 27
<b>Total Operating Expenditure Excluding Operating Projects</b>	8 485 833 609	8 215 180 117	63 146 892	8 278 327 009	8 938 266 586	9 540 351 71
<b>Operating Projects</b>	384 575 840	422 550 269	4 587 382	427 137 651	368 066 576	347 389 72
<b>Total Operating Expenditure Including Operating Projects</b>	8 870 409 449	8 637 730 386	67 734 274	8 705 464 660	9 306 333 162	9 887 741 43
<b>Surplus / (Deficit)</b>	1 229 306	271 882 798	(111 831 968)	160 050 831	2 417 313	1 752 84
<b>Total Capital Expenditure</b>	2 086 362 240	1 795 565 897	(398 901 000)	1 396 664 897	1 811 183 298	1 288 703 46
<b>Total Opex and Capex Budget</b>	10 956 771 689	10 433 296 283	(331 166 726)	10 102 129 557	11 117 516 460	11 176 444 89

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 2022/2023 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 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	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET		MID YEAR ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
<b>Total Revenue</b>	8 871 638 755	8 909 613 184	(44 097 694)	8 865 515 490	9 308 750 475	9 889 494 271
<b>Total Operating Expenditure</b>	8 870 409 449	8 637 730 386	67 734 274	8 705 464 660	9 306 333 162	9 887 741 430
<b><u>Surplus / (Deficit)</u></b>	1 229 306	271 882 798	(111 831 968)	160 050 831	2 417 313	1 752 841
<b>Total Capital Expenditure</b>	2 086 362 240	1 795 565 897	(398 901 000)	1 396 664 897	1 811 183 298	1 288 703 467
<b>Total Opex and Capex Budget</b>	10 956 771 689	10 433 296 283	(331 166 726)	10 102 129 557	11 117 516 460	11 176 444 897

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

Therefore, the proposed adjustments are mainly budget additions 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 2022 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 24 August 2022 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 2022/2023 Mid-Year Adjustment Budget as follows:
- i. The adjustment from R8 758 060 803 to R8 732 835 877 of the BCMM 2022/2023 Operating Revenue Budget.
  - ii. The adjustment from R 8 486 178 005 to R8 572 785 047 of the BCMM 2022/2023 Operating Expenditure Budget.
  - iii. The adjustment from R1 794 425 897 to R1 395 524 897 of the BCMM 2022/2023 Capital Budget.
- B. The adjusted budget of the Municipal Entity (BCMDA) for the 2022/2023 Mid-Year Adjustment Budget as follows:
- iv. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Revenue Budget.
  - v. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Expenditure Budget.
  - vi. There are no adjustments to the total BCMDA 2022/2023 Capital Budget. The BCMDA capital budget remains at R1 140 000.

B. The adjusted budget of the Municipal Entity (BCMDA) for the 2022/2023 Mid-Year Adjustment Budget as follows:

- iv. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Revenue Budget.
- v. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Expenditure Budget.
- vi. There are no adjustments to the total BCMDA 2022/2023 Capital Budget. The BCMDA capital budget remains at R1 140 000.

C. The consolidated adjusted budget for the 2022/2023 Mid-Year Adjustment Budget as follows:

- i. The adjustment from R8 909 613 184 to R8 865 515 490 of the consolidated 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R8 637 730 386 to R8 705 464 660 of the consolidated 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 795 565 897 to R1 396 664 897 of the consolidated 2022/2023 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).

  
X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

MDOLUZI YAWA AX

20/02/2023

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, stagnant revenue base, declining investment, job losses and business failures.

BCMM continues to take a more conservative approach in the manner in which it approaches budgeting including this second adjustment budget. This approach involved an intensive internal process of assessing mid-year performance 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 capital budget spending as at 31 December 2022 is 23% (R417.64 million, inclusive of reclaimed vat) of its 2022/2023 adjusted capital budget of R1.80 billion. This reflects a decline when compared to the same period in the previous financial year where 26% (R518.12 million, inclusive of reclaimed vat) of the adjusted budget of R2.01 billion was spent.

Having assessed the consolidated mid-year performance of the City, the operating revenue budget has been reduced by R44 097 694 from R8 909 613 184 to R8 865 515 490. The operating expenditure budget has been increased by R67 734 274 from R8 637 730 386 to R8 705 464 660; these are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers reduces by R111 831 968 from R271 882 798 to R160 050 831. The capital expenditure budget has been reduced by R398 901 000 from R1 795 565 897 to R1 396 664 897; 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 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 2022/2023 Consolidated mid-year adjustments budget.

**Table 2: 2022/2023 Consolidated Mid-Year Adjustment Budget Summary**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET		MID YEAR ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
<b>Total Revenue</b>	8 871 638 755	8 909 613 184	(44 097 694)	8 865 515 490	9 308 750 475	9 889 494 271
<b>Total Operating Expenditure Excluding Operating Projects</b>	8 485 833 609	8 215 180 117	63 146 892	8 278 327 009	8 938 266 586	9 540 351 710
<b>Operating Projects</b>	384 575 840	422 550 269	4 587 382	427 137 651	368 066 576	347 389 720
<b>Total Operating Expenditure Including Operating Projects</b>	8 870 409 449	8 637 730 386	67 734 274	8 705 464 660	9 306 333 162	9 887 741 430
<b>Surplus / (Deficit)</b>	1 229 306	271 882 798	(111 831 968)	160 050 831	2 417 313	1 752 841
<b>Total Capital Expenditure</b>	2 086 362 240	1 795 565 897	(398 901 000)	1 396 664 897	1 811 183 298	1 288 703 467
<b>Total Opex and Capex Budget</b>	10 956 771 689	10 433 296 283	(331 166 726)	10 102 129 557	11 117 516 460	11 176 444 897

### 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.

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 R43 497 694.

**Table 3: 2022/23 Consolidated Mid-Year Adjusted Revenue per Source**

2022/2023 MID-YEAR ADJUSTMENT BUDGET REVENUE FRAMEWORK	2022/2023 APPROVED BUDGET	2022/2023 FIRST ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 MID-YEAR ADJUSTMENT BUDGET
<b>Revenue by Source</b>				
Property rates	1 958 216 274	1 958 216 274	0	1 958 216 274
Service charges - electricity revenue	2 549 551 640	2 549 551 640	(80 000 000)	2 469 551 640
Service charges - water revenue	849 617 204	849 617 204	0	849 617 204
Service charges - sanitation revenue	468 519 095	468 519 095	0	468 519 095
Service charges - refuse revenue	385 615 557	385 615 557	0	385 615 557
Rental of facilities and equipment	21 965 204	21 965 204	0	21 965 204
Interest earned - external investments	30 876 217	30 876 217	0	30 876 217
Interest earned - outstanding debtors	121 249 047	121 249 047	80 000 000	201 249 047
Fines, penalties and forfeits	22 434 938	22 434 938	(3 365 237)	19 069 701
Licences and permits	19 738 683	19 738 683	(2 960 791)	16 777 892
Agency services	44 713 050	44 713 050	(16 834 263)	27 878 787
Transfers and subsidies - Operating	1 446 763 267	1 484 737 696	(20 937 403)	1 463 800 293
Other revenue	952 378 579	952 378 579	0	952 378 579
<b>Total Direct Operating Revenue</b>	<b>8 871 638 755</b>	<b>8 909 613 184</b>	<b>(44 097 694)</b>	<b>8 865 515 490</b>

**Net downward adjustments amounting to R44 097 694:****i. Service Charges (Electricity) adjusted downwards by R80 000 000**

- Reduction of Service charges by R80 000 000 is due to underperformance. The MFMA indicates that budgeted revenue is to be based on realistically revenue to be collected. Taking into account the huge difference between the year to date budget and the year to date actual it is proposed that this revenue budget be revised downwards by R80 000 000.

**ii. Interest Earned on Outstanding debtors adjusted upwards by R80 000 000**

- Through the Mid-year performance assessment, it was identified that the actual interest earned on outstanding debtors exceeded the allocated budget for this revenue source. Taking this into account it is proposed that this revenue budget be revised upwards by R80 000 000.

iii. **Fines, Penalties & Forfeits adjusted downwards by R3 365 237**

- Reduction of budgeted revenue is due to underperformance mainly caused by the following:
  - Traffic fines (section 56 notices) that are struck off the court roll.
  - Tracing offenders is a challenge due to people not updating their particulars i.e., residential address when relocating.
  - Buyers of vehicles not registering their vehicles in their name thus details are not updated to new owner's details which makes it difficult to trace traffic offenders.

iv. **Licences & Permits adjusted downwards by R2 960 791**

- Reduction of budgeted revenue is due to underperformance caused by the following:
  - Three companies other than BCMM also offer roadworthy testing of vehicles.
  - Learners Licenses and Professional Driver's License testing can also be undertaken at the Department of Transport.

v. **Agency Services adjusted downwards by R16 834 263**

- Reduction of budgeted revenue for Agency fees is mainly attributed to the fact that vehicle licences can be renewed at the Post Office, Pick and Pay and the Provincial Department of Transport directly. Members of the public go to the closest convenient point in order to pay which may not always be BCMM, certain Banks also offer the same services.

vi. **Transfers & Subsidies (Operational) adjusted downwards by R20 937 403:**

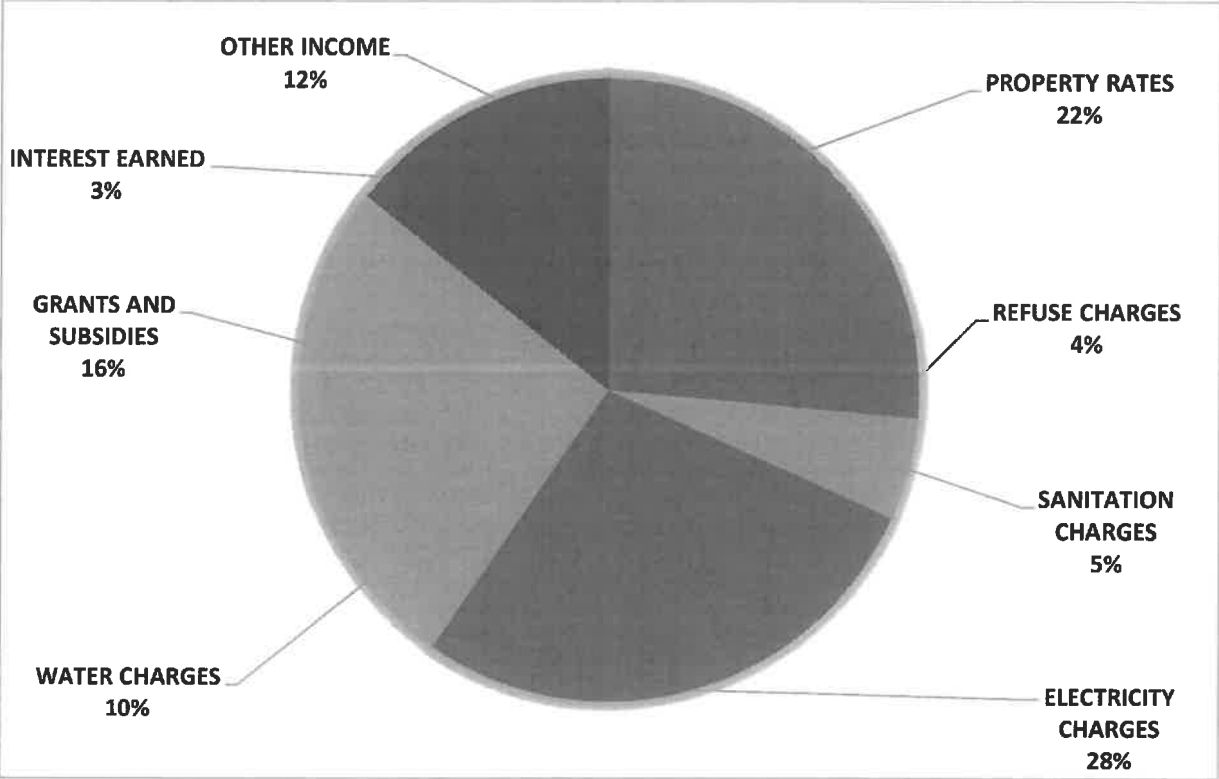
- Additional grant funding allocated to the Project "Integrated Design Framework & Implementation Plan for Public Transport, NMT & Public Realm Upgrades in the East London CBD & Inner City" at the Directorate of Spatial Planning & Development: R4 224 000 (PPPSG).
- Approved rollover of unspent grant for Urban Food systems programme, which is a Public Employment Programme under the directorate of Economic Development & Agencies: R3 411 916 (NDPG).
- Transfer of funding from the FMG programme to Capital projects at the directorate of Finance to fund the purchase of computer equipment for interns: R23 000 (FMG).



- Budget is reduced as it relates to claim payments by Eastern Cape: Human Settlements: R25 255 703 (HSDG).
- Approved rollover of unspent grant for Call to Action programme, which is a Public Employment Programme at the directorate of Solid waste & Environmental Management: R5 633 242 (NDPG).
- Approved rollover of unspent grant for the Integrated Waste Management, Greening & Beautification Programme which is a Public Employment Programme at the directorate of Solid waste & Environmental Management: R9 146 927 (NDPG).
- Transfer of funding from the EPMD operating projects to their Capital projects to fund Office furniture & Equipment: R600 000 (USDG).
- Budget reduction on BCMDA books as BCMDA had not reduced the allocation for the Capital projects they are implementing on behalf of BCMM during the 2022/2023 First adjustment budget: R17 474 785.

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 28% of the total revenue, this is followed by water revenue at 10%, sanitation revenue at 5% and refuse revenue 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 3% of the total revenue. Other revenue contributes 12% of the total revenue.

**Figure 1: 2022/2023 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) Funding availability and affordability.
- (f) 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 increase of R68 334 274. The adjustments in table 4 below reflect additional budget allocated as well as 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: 2022/2023 Consolidated Mid-Year Adjusted Expenditure Budget per Category**

2022/2023 FIRST ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2022/2023 APPROVED BUDGET	2022/2023 FIRST ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 MID YEAR ADJUSTMENT BUDGET
<b>Expenditure Per Category</b>				
Employee related costs	2 650 375 589	2 568 565 618	0	2 568 565 618
Remuneration of councillors	70 262 860	70 262 860	0	70 262 860
Debt impairment	1 211 246 355	1 211 246 355	0	1 211 246 355
Depreciation & asset impairment	614 396 599	614 396 599	0	614 396 599
Finance charges	49 360 667	49 360 667	0	49 360 667
Bulk purchases:	0	0	0	0
Electricity Bulk Purchases	2 160 427 121	2 120 427 121	0	2 120 427 121
Water Bulk Purchases	0	0	0	0
Contracted services	292 548 012	243 017 645	2 493 539	245 719 769
Transfers and grants	104 645 216	104 645 216	0	104 645 216
Repairs and Maintenance	446 129 919	446 129 919	26 330 731	472 520 650
Operating projects	384 575 840	422 550 269	4 587 382	427 137 651
Other expenditure	506 973 655	461 357 232	27 962 878	489 263 110
Losses	82 136 093	82 136 093	0	82 136 093
Other materials	297 331 523	243 634 792	6 359 744	249 782 951
<b>Total Direct Operating Expenditure</b>	<b>8 870 409 449</b>	<b>8 637 730 386</b>	<b>67 734 274</b>	<b>8 705 464 660</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:

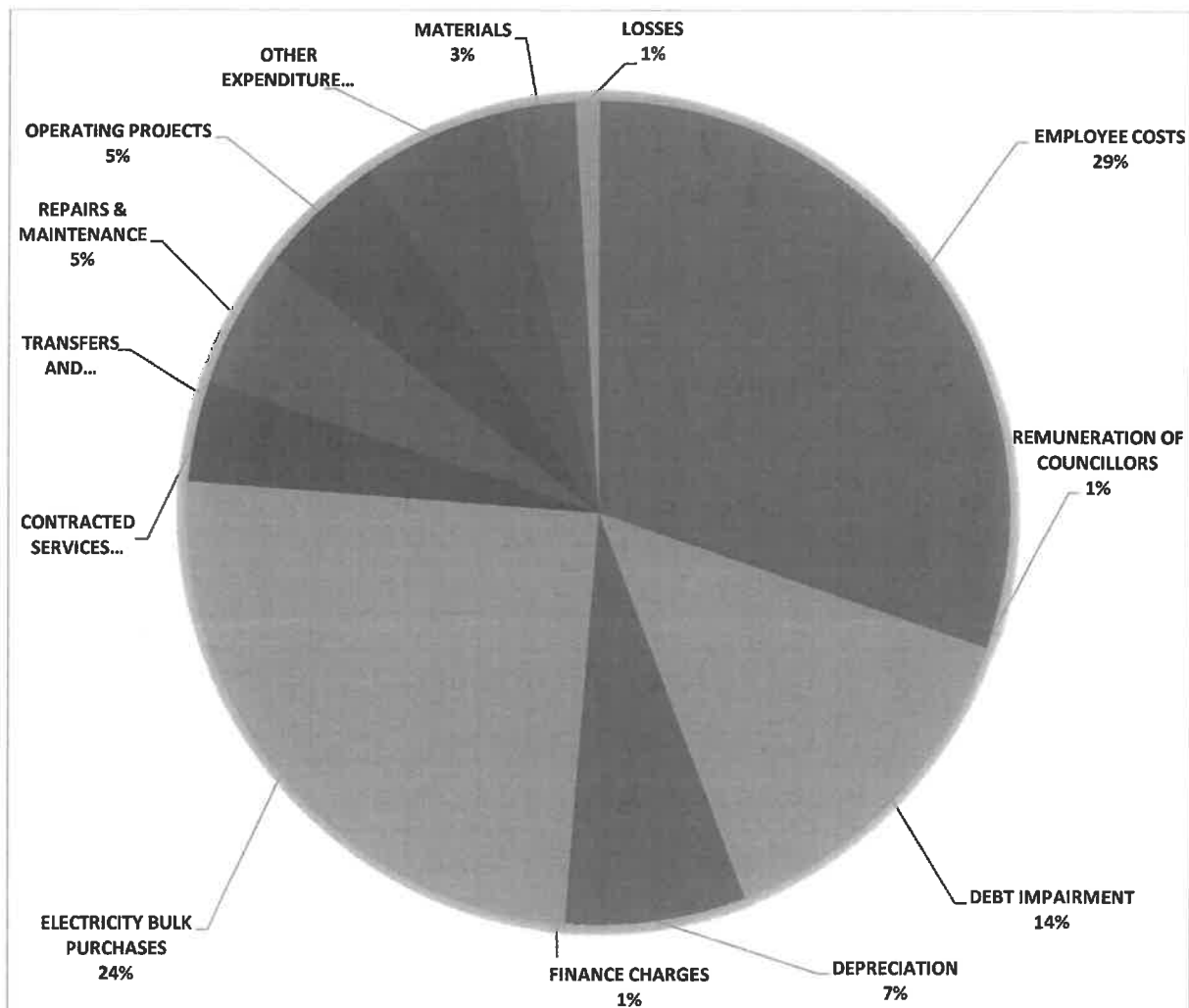
- i. **Contracted services have been adjusted upwards by R2 493 539:**
  - A budget of R37 093 has been allocated for Catering in the Deputy Mayor's office
  - A budget of R38 976 has been allocated to Contracted in the Deputy Mayor's office
  - The following budget has been allocated to fund for the Annual Report Review Process (MPAC):
    - ❖ Catering services: R131 600
    - ❖ Contracted services: R140 000
    - ❖ Event Promoters: R518 000
  - A budget of R500 000 has been allocated for Forensic Investigators
  - A budget of R10 000 000 has been allocated for Legal costs & Litigation
  - A budget of R6 428 405 has been allocated for Consultants at the Finance directorate

- A budget of R1 270 000 has been allocated to Personnel & Labour vote at Infrastructure Services
  - A budget of R530 532 has been allocated to fund Seasonal lifeguards at Solid Waste & Environmental Management
  - A budget of R580 214 has been allocated to fund Animal care at the directorate of Sport, Recreation & Community Development
  - A budget of R221 055 has been allocated to fund Seasonal lifeguards at Sport, Recreation & Community Development
  - Reduction of R17 474 785 to BCMDA Contractors vote as BCMDA had not reduced the allocation for the Capital projects they are implementing on behalf of BCMM during the 2022/2023 First adjustment budget
  - A budget of R427 551 has been transferred from Contracted Services to repairs & maintenance
- ii. **Repairs & Maintenance have been adjusted upwards by R26 330 731:**
- Budget allocation of R20 000 000 has been allocated to Infrastructure Services for Repairs and Maintenance as follows:
    - ❖ R5 000 000 allocated to Electricity Services
    - ❖ R5 000 000 allocated to Roads
    - ❖ R5 000 000 allocated to Waste Water
    - ❖ R5 000 000 allocated to Water Services
  - Budget allocation of R5 272 289 has been allocated to Spatial planning & Development for the Maintenance of Buildings & Facilities:
  - Budget reallocation of R427 551 has been transferred from contracted services to repairs & maintenance
  - Budget reallocation of R630 891 has been transferred from Operating projects to repairs & maintenance
- iii. **Other Expenditure has been adjusted upwards by R27 962 878:**
- Budget allocation of R1 000 000 for Public Participation
  - Budget allocation of R29 844 for Telephone expenses at the Deputy Mayor's office

- The following budget has been allocated to fund for the Annual Report Review Process (MPAC):
    - ❖ Printing & Publication: R44 100
    - ❖ Registration Fees: R94 500
    - ❖ Travelling & Subsistence (Accommodation): R210 000
  - Budget allocation of R599 991 for the Audit Software Licences
  - Budget allocation of R358 000 for Printing expenses at Corporate Services
  - Budget allocation of R54 079 for Agency fees to be paid to BCMDA
  - Budget allocation of R3 704 945 for Audit fees at Directorate of Finance
  - Budget allocation of R1 661 000 for Workmen's compensation at Directorate of Finance
  - Budget allocation of R9 000 000 for Hire charges at the Directorate of Sport, Recreation & Community Development
  - Budget allocation of R10 000 000 for Hire charges at the Directorate of Solid Waste & Environmental Management
  - Budget reduction of R1 397 983 to Other expenditure of BCMDA due to their reduction of the Agency fees projected to be received from BCMM
  - Budget transfer of R2 604 402 has been transferred form Operating projects to Other expenditure.
- iv. **Other Materials has been adjusted upwards by R6 359 744:**
- Budget allocation of R60 067 for Inventory Materials at the Deputy Mayor's office
  - Budget allocation of R1 000 000 for Fuel for a backup generator at the Fresh Produce Market
  - Budget allocation of R4 284 970 for Chemicals at Water Services
  - Budget transfer of R1 014 707 has been transferred from Operating projects to Other Materials.
- v. **Operating Projects have been adjusted upwards by R4 587 382.** 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, 29% 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 3% 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 14%. Finance Charges account for 1%, Contracted Services account for 3%, and Remuneration of Councillors account for 1%.

**Figure 2: 2022/2023 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 R4 587 382 (an increase of R8 050 000 in Own funding and a reduction of R3 462 618 in Grant funding).

**Table 5: 2022/2023 Consolidated Mid-Year Adjustments to Operating Projects  
- Funding Source**

FUNDING SOURCE	2022/2023 APPROVED OPEX BUDGET	2022/2023 FIRST ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2022/2023 MID - YEAR ADJUSTMENT OPEX BUDGET
OWN FUNDING	163 215 180	163 215 180	8 050 000	171 265 180
<b>TOTAL OWN FUNDING</b>	<b>163 215 180</b>	<b>163 215 180</b>	<b>8 050 000</b>	<b>171 265 180</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	44 784 980	44 784 980	-600 000	44 184 980
FINANCE MANAGEMENT GRANT	1 000 000	1 000 000	-23 000	977 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	18 358 680	18 358 680	0	18 358 680
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11 600 000	11 600 000	0	11 600 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	13 776 000	13 776 000	4 224 000	18 000 000
SALAIDA C/O	0	189 775	0	189 775
EXPANDED PUBLIC WORKS PROGRAMME	10 728 000	10 728 000	0	10 728 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	100 113 000	41 609 610	0	41 609 610
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	96 707 045	(25 255 703)	71 451 342
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	21 000 000	20 581 000	18 192 085	38 773 085
<b>TOTAL GRANTS</b>	<b>221 360 660</b>	<b>259 335 089</b>	<b>(3 462 618)</b>	<b>255 872 471</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>384 575 840</b>	<b>422 550 269</b>	<b>4 587 382</b>	<b>427 137 651</b>

Table 5 above depicts that the overall consolidated operating projects expenditure budget is adjusted upwards by R4 587 382 from R422 550 269 to R427 137 651. It reflects that the total own funding budget is increasing by R8 050 000 from R163 215 180 to R171 265 180. The overall grant funding that is allocated to the operating projects is reducing by R3 462 618 from R259 335 089 to R255 872 471.

The increase of R8 050 000 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.

A reduction of R3 462 618 in **grant funding** is resulting from the following:

- i. A downward adjustment of R23 000 is a transfer from the FMG programme to Capital projects to fund the purchase of computer equipment for interns.
- ii. An increase of R4 224 000 to the PPPSG funding is the gazetted additional allocation to BCMM.
- iii. A reduction of R25 255 703 is being applied to the HSDG funding as it relates to claim payments by the Eastern Cape Department of Human Settlements
- iv. A downward adjustment of R600 000 is a transfer from the EPMO USDG Operating project to Capital projects to fund the purchase of Office furniture & Equipment.
- v. An increase of R18 192 085 to the Neighbourhood Development Partnership Grant Public Employment Programme is the approved rollover of unspent funds from the 2021/2022 financial year:
  - a. Urban Food Systems Programme: R3 411 916 (Economic Development & Agencies)
  - b. Call to Action Programme: R5 633 242 (Solid Waste & Environmental Management).
  - c. Integrated Waste Management, Greening & Beautification Programme: R9 146 927 (Solid Waste & Environmental Management).



**Table 6: 2022/2023 Consolidated Mid-Year Adjustments to Operating Projects – Directorate**

DIRECTORATE	2022/2023 APPROVED OPEX BUDGET	2022/2023 FIRST ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2022/2023 MID - YEAR ADJUSTMENT OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	52 724 205	52 913 980	194 648	53 108 627
CITY MANAGER'S OFFICE	45 163 200	45 163 200	518 568	45 681 768
CORPORATE SERVICES	12 600 000	12 600 000	8 300 000	20 900 000
SPATIAL PLANNING & DEVELOPMENT	11 572 000	11 572 000	4 224 000	15 796 000
ECONOMIC DEVELOPMENT & AGENCIES	16 374 522	13 173 131	3 226 130	16 399 261
FINANCE SERVICES	52 792 800	52 792 800	(23 000)	52 769 800
PUBLIC SAFETY & EMERGENCY SERVICES	5 771 256	5 771 256	(1 824 289)	3 946 966
HUMAN SETTLEMENTS	114 949 680	153 153 335	(25 255 703)	127 897 632
INFRASTRUCTURE SERVICES	42 968 000	42 968 000	559 284	43 527 284
DIRECTORATE OF SPORTS, RECREATION & COMMUNITY DEVELOPMENT	2 910 177	2 910 177	525 793	3 435 971
DIRECTORATE OF SOLID WASTE & ENVIRONMENTAL MANAGEMENT	26 750 000	29 532 391	14 141 951	43 674 343
<b>TOTAL OPERATING PROJECTS</b>	<b>384 575 840</b>	<b>422 550 269</b>	<b>4 587 382</b>	<b>427 137 651</b>

Table 6 above reflects that the overall consolidated operating projects budget is adjusted upwards by R4 587 382 from R422 550 269 to R427 137 651. The adjustments between directorates are detailed below:

**1. Executive Support Services: R194 648**

- a. Own funding allocated for the counter funding of the EPWP: R194 648

**2. City Manager's Office: R518 568**

- a. Own funding allocated for the counter funding of the EPWP: R1 118 568
- b. A downward adjustment of R600 000 is a transfer from the EPMO USDG Operating project to Capital projects to fund the purchase of Office furniture & Equipment.

**3. Corporate Services: R8 300 000**

- a. Allocated budget for the Overtime Work Study: R2 000 000.
- b. Allocated budget for the Review of Job Evaluation Process: R3 800 000
- c. Allocated budget to fund Covid-19 Temporary Staff: R3 000 000

**4. Spatial Planning & Development: R4 224 000**

- a. An increase to the PPPSG funding is the additional allocation to BCMM. This funding has been allocated to the Integrated Design Framework & Implementation Plan for Public Transport, NMT & Public Realm Upgrades in the East London CBD & Inner City: R4 224 000

**5. Economic Development & Agencies: R3 226 130**

- a. Own funding allocated for the counter funding of the EPWP: R214 214
- b. Budget reduction on Dipping Tanks transferred to Municipal running costs: R300 000
- c. Budget reduction on Tractor & Implements Maintenance to Municipal Running costs: R100 000
- d. Rollover of unspent grant for Urban Food systems programme, which is a Public Employment Programme funded through the Neighbourhood Development Grant: R3 411 916

**6. Finance Services: (R23 000)**

- a. Budget reduction on the FMG programme to Capital projects to fund the purchase of computer equipment for interns: -R23 000 (FMG)

**7. Public Safety & Emergency Services: (R1 824 289)**

- a. Transfer from Metro Police to Municipal running costs: R2 000 000
- b. Own funding allocated for the counter funding of the EPWP: R175 711

**8. Human Settlements: (R25 255 703)**

- a. This funding is reduced as it relates to claim payments by Eastern Cape: Human Settlements: R25 255 703 (HSDG)

**9. Infrastructure Services: R559 284**

- a. Own funding allocated for the counter funding of the EPWP: R559 284

**10. Sport, Recreation & Community Development: R525 793**

- a. Own funding allocated for the counter funding of the EPWP: R525 793

**11. Solid Waste & Environmental Management: R14 141 951**

- a. Own funding allocated for the counter funding of the EPWP: R1 211 782
- b. Budget reduction from the following Operating Projects transferred to Municipal running costs:
- Budget reduction on Operations & Maintenance of Waste Cells: R1 500 000
  - Budget reduction on Review Existing Climate Change Strategy to Uniform & Clothing: R80 000
  - Budget reduction on Review Existing Climate Change Strategy to Inventory Materials & Supplies: R70 000
  - Budget reduction on Review Coastal Management Plan to Inventory Materials: R50 000
  - Budget reduction on Review Coastal Management Plan to Uniform & Protective Clothing: R50 000
  - Budget reduction on Existing Integrated Environmental Management Plan to Inventory Materials & Supplies: R100 000
- c. Rollover of unspent grant for Call to Action programme, which is a Public Employment Programme funded through the Neighbourhood Development Grant: R5 633 242
- d. Rollover of unspent grant for the Integrated Waste Management, Greening & Beautification Programme which is a Public Employment Programme funded through the Neighbourhood Development Grant: R9 146 927

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 2022/2023 Mid-Year Adjustments to Consolidated Capital Expenditure Budget

**Table 7: 2022/2023 Mid-Year Adjustments to Capital Expenditure Budget – Funding**

CAPITAL BUDGET PER FUNDING	2022/2023 APPROVED CAPITAL BUDGET	2022/2023 FIRST ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2022/2023 MID - YEAR ADJUSTMENT CAPITAL BUDGET
OWN FUNDING	618 872 520	661 166 557	0	661 166 557
LOAN	732 614 380	399 524 000	(399 524 000)	0
<b>TOTAL OWN FUNDING</b>	<b>1 351 486 900</b>	<b>1 060 690 557</b>	<b>(399 524 000)</b>	<b>661 166 557</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	451 381 020	451 381 020	600 000	451 981 020
FINANCE MANAGEMENT GRANT	0	0	23 000	23 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	263 763 320	263 763 320	0	263 763 320
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 581 000	19 581 000	0	19 581 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	150 000	0	150 000
<b>TOTAL GRANTS</b>	<b>734 875 340</b>	<b>734 875 340</b>	<b>623 000</b>	<b>735 498 340</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>2 086 362 240</b>	<b>1 795 565 897</b>	<b>(398 901 000)</b>	<b>1 396 664 897</b>

**Table 8: 2022/2023 Mid-Year Adjustments to Capital Expenditure Budget - Directorate**

CAPITAL BUDGET PER DIRECTORATE	2022/2023 APPROVED CAPITAL BUDGET	2022/2023 FIRST ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2022/2023 MID - YEAR ADJUSTMENT CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	1 200 300	0	1 200 300
CITY MANAGER'S OFFICE	600 000	600 000	1 050 009	1 650 009
CORPORATE SERVICES	4 979 959	16 654 017	(1 989 875)	14 664 142
SPATIAL PLANNING & DEVELOPMENT	105 340 632	109 598 787	(9 200 000)	100 398 787
ECONOMIC DEVELOPMENT & AGENCIES	56 460 848	72 116 422	(23 764 716)	48 351 706
FINANCE SERVICES	250 714 280	76 190 041	7 947 539	84 137 580
PUBLIC SAFETY & EMERGENCY SERVICES	22 900 000	44 805 314	(5 000 000)	39 805 314
HUMAN SETTLEMENTS	235 992 070	235 992 070	0	235 992 070
INFRASTRUCTURE SERVICES	1 274 245 390	1 130 865 035	(397 974 009)	732 891 026
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	47 870 000	54 789 291	1 100 000	55 889 291
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	38 518 987	50 919 384	0	50 919 384
<b>TOTAL CAPITAL BUDGET:BCMM</b>	<b>2 038 122 166</b>	<b>1 793 730 660</b>	<b>(427 831 052)</b>	<b>1 365 899 609</b>
BCMDA	48 240 074	1 835 237	28 930 052	30 765 289
<b>TOTAL CAPITAL: CONSOLIDATED</b>	<b>2 086 362 240</b>	<b>1 795 565 897</b>	<b>(398 901 000)</b>	<b>1 396 664 897</b>

Table 7 & 8 above indicate that the overall consolidated capital expenditure budget is adjusted downwards by R398 901 000 from R1 795 565 897 to R1 396 664 897. This is resulting from the following adjustments:

**1. City Manager's office: R1 050 009**

- a. Budget allocation of R450 009 for the Teammate Audit
- b. USDG funding transferred from EPMO Operating projects to Capital for the purchase of Office furniture & equipment: R 23 000.

**2. Corporate Services: (R1 989 875)**

- a. Budget reduction of R1 989 875 to the Employee Performance Management System.

**3. Spatial Planning & Development: (R9 200 000)**

- a. ISUPG funding amounting to R9 000 000 transferred from the Directorate of Economic Development & Agencies to Transport Planning to fund the Qumza Highway Project.
- b. A budget reduction of R19 000 000 from own funds released by the directorate from the following projects:
  - Upgrading of KWT Payments Hall: R3 000 000
  - Qumza Highway: R6 200 000
  - Taxi Rank Infrastructure: R7 000 000
  - Township Regeneration Enabling Infrastructure: R2 000 000

**4. Economic Development & Agencies: (R23 764 716)**

- a. ISUPG funding for the Fort Jackson Junction Hub project is being released to the Directorate of Spatial Planning to fund the Qumza Highway Project: R9 000 000
- b. The Building of Memorial Stones Capital project has been transferred to the directorate of Sports, Recreation & Community Development as the function for this project has moved: R2 100 000

- c. The Restoration of Heritage Sites Capital project has been transferred to the Directorate of Sports, Recreation & Community Development as the function for this project has moved: R1000 000
- d. A budget reduction of R11 664 716 from the following own funded projects:
  - Extension of Mdantsane Art Centre: R9 566 254
  - Hydroponics & Packhouse: R1 167 087
  - Revitalisation of Industrial areas: R550 748
  - Upgrading of Market Hall: R380 627

**5. Finance Services: (R7 947 539)**

- a. A budget allocation to the Acquire ERP system capital project: R8 000 000
- b. FMG funding transferred from Operating projects for the purchase of computer equipment for interns: R 23 000.
- c. A budget reduction to Asset replacement: R75 461

**6. Public Safety & Emergency Services: (R5 000 000)**

- a. A budget reduction of R5 000 000 from the following own funded projects:
  - New Fire Station – Berlin Ward 45: R4 000 000 (Own Funds)
  - Refurbishment of Fire Stations: R1 000 000 (Own funds)

**7. Infrastructure Services: (R397 974 009)**

- a. Removal of loan funded budget for the E/L Sewer Diversion (Central to Reeston) project: R399 524 000
- b. A budget allocation for Alternative Water Supply capital project: R1 549 991

**8. Sport, Recreation & Community Development: R1 100 000**

- a. The Building of Memorial Stones Capital project is transferred from the Directorate of Economic Development & Agencies as the function has moved: R2 100 000

- b. The Restoration of Heritage Sites Capital project is transferred from the Directorate of Economic Development & Agencies as the function has moved: R1000 000
- c. A budget reduction to the Upgrading & Refurbishment of existing Community Halls & Facilities: R2 000 000

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 2022/2023 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 2022/2023 Operating and Capital Budget are outlined below:

- A. The adjusted budget of the Parent municipality (BCMM) for the 2022/2023 Mid-Year Adjustment Budget as follows:
  - i. The adjustment from R8 758 060 803 to R8 732 835 877 of the BCMM 2022/2023 Operating Revenue Budget.
  - ii. The adjustment from R 8 486 178 005 to R8 572 785 047 of the BCMM 2022/2023 Operating Expenditure Budget.
  - iii. The adjustment from R1 794 425 897 to R1 395 524 897 of the BCMM 2022/2023 Capital Budget.



B. The adjusted budget of the Municipal Entity (BCMDA) for the 2022/2023 Mid-Year Adjustment Budget as follows:

- i. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R151 552 381 to R132 679 613 of the BCMDA 2022/2023 Operating Expenditure Budget.
- iii. There are no adjustments to the total BCMDA 2022/2023 Capital Budget. The BCMDA capital budget remains at R1 140 000.

C. The consolidated adjusted budget for the 2022/2023 Mid-Year Adjustment Budget as follows:

- i. The adjustment from R8 909 613 184 to R8 865 515 490 of the consolidated 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R8 637 730 386 to R8 705 464 660 of the consolidated 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 795 565 897 to R1 396 664 897 of the consolidated 2022/2023 Capital Budget.

## **9. OTHER PARTIES CONSULTED**

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


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

I, Mxolisi Yawa, 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: Mxolisi Yawa

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature



Date 20 / 02 / 2023

**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)