

REPORT TO COUNCIL: 25 AUGUST 2023

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

AUTHOR: Executive Mayor (P. Faku)/my

FOURTH ADJUSTMENT BUDGET REPORT FOR THE 2022/2023 FINANCIAL YEAR

1. PURPOSE

The purpose of the report is for Council to **CONSIDER** and **APPROVE** the fourth adjustment budget report 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

The Constitution of the Republic of South Africa, 1996
Municipal Finance Management Act No 56, 2003 Chapter 4, Section 28
Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

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

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

(2) An adjustments budget—

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

- unavoidable expenditure recommended by the mayor of the municipality;*
- d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
 - e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
 - f) may correct any errors in the annual budget; and*
 - g) may provide for any other expenditure within a prescribed framework.*
- (3) An adjustments budget must be in a prescribed form.*
- (4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*
- (5) When an adjustments budget is tabled, it must be accompanied by—*
- a) an explanation how the adjustments budget affects the annual budget;*
 - b) a motivation of any material changes to the annual budget;*
 - c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
 - d) any other supporting documentation that may be prescribed.*
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”*

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

5. EXPOSITION OF FACTS

The fourth adjustment budget is being prepared for the purpose of correcting identified errors in the annual budget that are mostly as a result of misallocations made during the 2022/2023 financial year. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements. This process also assists in improving the City's expenditure performance.

An intensive process of assessing the transactions allocated to the operating and capital budget was undertaken and such misallocations were detected and are being corrected in line with the requirements of section 28(2) (f) of the MFMA. This process is in line with the Metro's Budget Management Policy, MBRR and MFMA and other National Treasury guidelines such as MFMA Budget Circulars.

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	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED	FIRST	MID YEAR	THIRD		FOURTH	FINAL	FINAL
	BUDGET	ADJ. BUDGET	ADJ. BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	8 720 086 374	8 758 060 803	8 732 835 877	8 732 835 877	(4 018 776)	8 728 817 101	9 212 926 594	9 805 314 105
Total Operating Expenditure Excluding Operating Projects	8 334 281 228	8 063 627 736	8 145 647 396	8 149 763 000	0	8 149 763 000	8 842 442 705	9 456 171 544
Operating Projects	384 575 840	422 550 269	427 137 651	423 022 047	(4 018 776)	419 003 271	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 718 857 068	8 486 178 005	8 572 785 047	8 572 785 047	(4 018 776)	8 568 766 271	9 210 509 281	9 803 561 264
Surplus /(Deficit)	1 229 306	271 882 798	160 050 830	160 050 830	0	160 050 830	2 417 313	1 752 841
Total Capital Expenditure	2 085 222 240	1 794 425 897	1 395 524 897	1 390 524 897	213 776	1 390 738 673	1 809 952 098	1 287 373 771
Total Opex and Capex Budget	10 804 079 308	10 280 603 902	9 968 309 944	9 963 309 944	(3 805 000)	9 959 504 944	11 020 461 379	11 090 935 035

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2022/2023	2022/2023	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID YEAR ADJ. BUDGET	THIRD ADJ. BUDGET		FOURTH ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	151 552 381	151 552 381	132 679 613	138 508 424	(689 875)	137 818 549	95 823 881	84 180 166
Total Operating Expenditure Including Operating Projects	151 552 381	151 552 381	132 679 613	138 508 424	(689 875)	137 818 549	95 823 881	84 180 166
Surplus / (Deficit)	0	0	0	0	0	0	0	0
Total Capital Expenditure	1 140 000	1 140 000	1 140 000	881 339	(428 034)	453 305	1 231 200	1 329 696
Total Opex and Capex Budget	152 692 381	152 692 381	133 819 613	139 389 763	(1 117 909)	138 271 854	97 055 081	85 509 862

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2022/2023	2022/2023	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID YEAR ADJ. BUDGET	THIRD ADJ. BUDGET		FOURTH ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	8 871 344 301	(4 708 651)	8 866 635 651	9 308 750 475	9 889 494 271
Total Operating Expenditure Excluding Operating Projects	8 485 833 609	8 215 180 117	8 278 327 009	8 288 271 424	(689 875)	8 287 581 549	8 938 266 586	9 540 351 710
Operating Projects	384 575 840	422 550 269	427 137 651	423 022 047	(4 018 776)	419 003 271	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 870 409 449	8 637 730 386	8 705 464 660	8 711 293 471	(4 708 651)	8 706 584 820	9 306 333 162	9 887 741 430
Surplus / (Deficit)	1 229 306	271 882 798	160 050 831	160 050 831	0	160 050 831	2 417 313	1 752 841
Total Capital Expenditure	2 086 362 240	1 795 565 897	1 396 664 897	1 391 406 236	(214 258)	1 391 191 978	1 811 183 298	1 288 703 467
Total Opex and Capex Budget	10 956 771 689	10 433 296 283	10 102 129 557	10 102 699 707	(4 922 909)	10 097 776 798	11 117 516 460	11 176 444 897

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		

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR’S REPORT

The 2022/2023 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. This adjustment budget also seeks to address the unauthorised expenditure that has been identified, through re-allocation of funds from where there are savings to overspent votes.

The following table provides a high-level summary of the 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	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED	FIRST	MID YEAR	THIRD		FOURTH	FINAL	FINAL
	BUDGET	ADJ. BUDGET	ADJ. BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	8 871 344 301	(4 708 651)	8 866 635 651	9 308 750 475	9 889 494 271
Total Operating Expenditure	8 870 409 449	8 637 730 386	8 705 464 660	8 711 293 471	(4 708 651)	8 706 584 820	9 306 333 162	9 887 741 430
Surplus / (Deficit)	1 229 306	271 882 798	160 050 831	160 050 831	0	160 050 831	2 417 313	1 752 841
Total Capital Expenditure	2 086 362 240	1 795 565 897	1 396 664 897	1 391 406 236	(214 258)	1 391 191 978	1 811 183 298	1 288 703 467
Total Opex and Capex Budget	10 956 771 689	10 433 296 283	10 102 129 557	10 102 699 707	(4 922 909)	10 097 776 798	11 117 516 460	11 176 444 897

5.2 COUNCIL RESOLUTIONS

On 31 May 2022 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2022/23 – 2024/25 MTREF Budget. The Council further met on 24 August 2022 to consider and approve the roll-over adjustment budget. On 28 February 2023, BCMM Council met to consider the 2022/2023 mid-year adjustment budget. On 26 April 2023 the Council met to consider and approve the third 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 Fourth Adjustment Budget as follows:
 - i. The adjustment from R8 732 835 877 to R8 728 817 101 of the BCMM 2022/2023 Operating Revenue Budget.
 - ii. The adjustment from R8 572 785 047 to R8 568 766 271 of the BCMM 2022/2023 Operating Expenditure Budget.
 - iii. The adjustment from R1 390 524 897 to R1 390 738 673 of the BCMM 2022/2023 Capital Budget.

- B. The adjusted budget for BCMDA for the 2022/2023 Fourth Adjustment Budget as follows:
 - i. The adjustment from R138 508 424 to R137 818 549 of the BCMDA 2022/23 Operating Revenue Budget.
 - ii. The adjustment from R138 508 424 to R137 818 549 of the BCMDA 2022/2023 Operating Expenditure Budget.
 - iii. The adjustment from R881 339 to R453 305 of the BCMDA 2022/2023 Capital Budget.

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

- i. The adjustment from R8 871 344 301 to R8 866 635 651 of the consolidated 2022/23 Operating Revenue Budget.
- ii. The adjustment from R8 711 293 471 to R8 706 584 820 of the consolidated 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 391 406 236 to R1 391 191 978 of the consolidated 2022/2023 Capital Budget.


P. FAKU

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

MXOLISL YAWA/AX

17-08-2023

DATE

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 E Schedules (BCMDA)

Annexure 5: National Treasury B Schedules (Consolidated)

5.3 EXECUTIVE SUMMARY

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this fourth adjustment budget. The 2022/2023 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. This process also assists in improving the City's expenditure performance.

The operating revenue budget has reduced by R4 708 651 from R8 871 344 301 to R8 866 635 651 (refer to section 5.4 below for details). The operating expenditure budget has also reduced by R4 708 651 from R8 711 293 471 to R8 706 584 820 (refer to section 5.5 below for details). The capital budget has reduced by R214 258 from R1 391 406 236 to R1 391 191 978 (refer to section 5.6 below for details).

5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to effect realignments and misallocations in the 2022/2023 annual budget. The table below indicates the summary of the 2022/2023 fourth adjustment budget.

Table 2: 2022/2023 Consolidated Fourth Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2022/2023	2022/2023	2022/2023	2022/2023	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID YEAR ADJ. BUDGET	THIRD ADJ. BUDGET		FOURTH ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	8 871 344 301	(4 708 651)	8 866 635 651	9 308 750 475	9 889 494 271
Total Operating Expenditure Excluding Operating Projects	8 485 833 609	8 215 180 117	8 278 327 009	8 288 271 424	(689 875)	8 287 581 549	8 938 266 586	9 540 351 710
Operating Projects	384 575 840	422 550 269	427 137 651	423 022 047	(4 018 776)	419 003 271	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 870 409 449	8 637 730 386	8 705 464 660	8 711 293 471	(4 708 651)	8 706 584 820	9 306 333 162	9 887 741 430
Surplus / (Deficit)	1 229 306	271 882 798	160 050 831	160 050 831	0	160 050 831	2 417 313	1 752 841
Total Capital Expenditure	2 086 362 240	1 795 565 897	1 396 664 897	1 391 406 236	(214 258)	1 391 191 978	1 811 183 298	1 288 703 467
Total Opex and Capex Budget	10 956 771 689	10 433 296 283	10 102 129 557	10 102 699 707	(4 922 909)	10 097 776 798	11 117 516 460	11 176 444 897

5.4 OPERATING REVENUE FRAMEWORK

The following table (table 3) depicts an adjustment to the operating revenue budget per source. The reduction in the budget for operating revenue of R4 708 651 is resulting from mostly the re-allocation of grant funding from Capital projects to Operating projects and BCMDA adjustments. This amount is made up of the following adjustments:

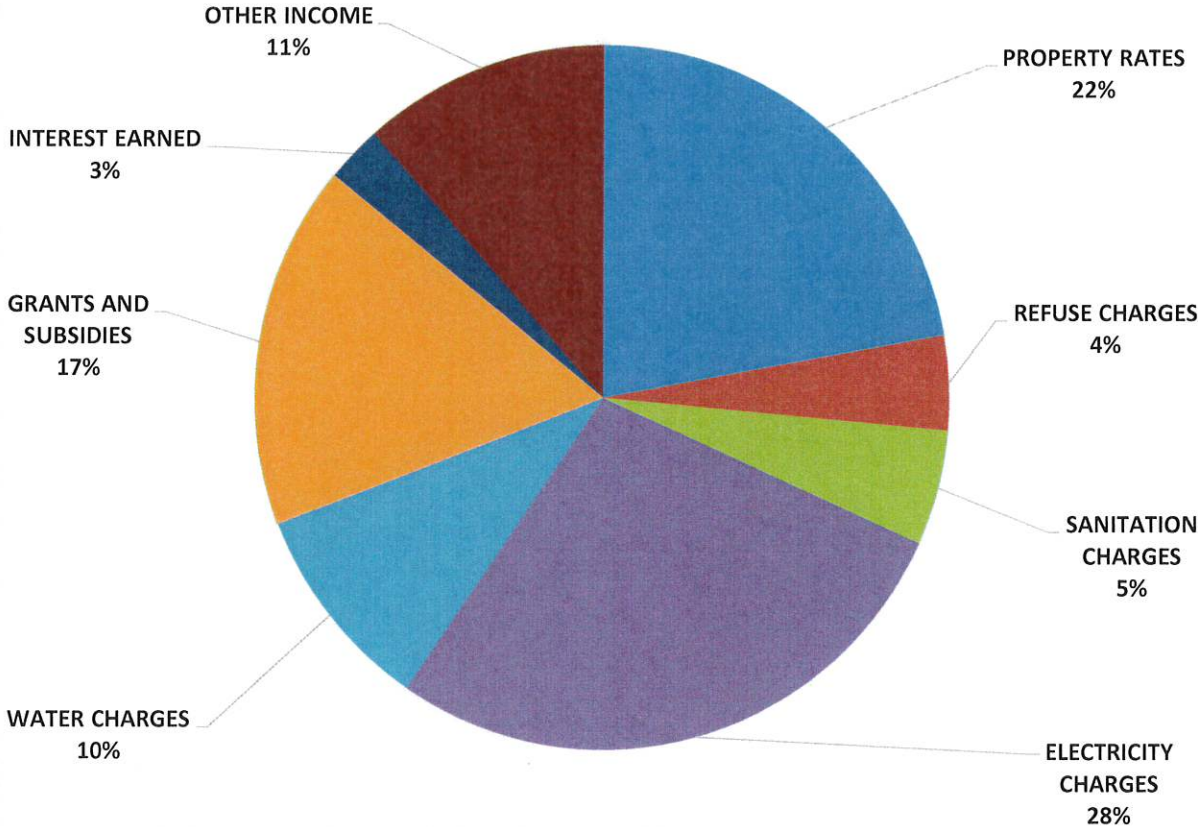
- a) An increase of R536 359 to BCMDA's Interest Earned on External Investments to align to the actual interest earned.
- b) A reduction of R725 801 to BCMDA's Agency Services
- c) A reduction of R3 600 814 to Transfers & Subsidies:
 - i. An increase of R37 of Urban Settlement Development Grant, this funding is transferred from to Capital Projects
 - ii. An increase of R1 798 to Finance Management Grant, this funding is transferred from Capital projects.
 - iii. A reduction of R193 111 to Informal Settlements Upgrading Partnership Grant (ISUPG), this is funding is transferred to Capital projects
 - iv. A reduction of R22 500 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Operating projects
 - v. A reduction of R4 224 000 to the Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.
 - vi. An increase of R419 000 to the Public Employment Programmes funded through the Neighbourhood Development Partnership Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.
 - vii. BCMDA increase of an amount of R417 962 to Operating Transfers & Grants
- d) A reduction of R918 394 to BCMDA's Other revenue to align to actual Other revenue earned.

Table 3: 2022/2023 Fourth Adjusted Revenue per Source

2022/2023 FOURTH ADJUSTMENT BUDGET REVENUE FRAMEWORK	2022/2023 MID YEAR ADJUSTMENT BUDGET	2022/2023 THIRD ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 FOURTH ADJUSTMENT BUDGET
Revenue by Source				
Property rates	1 958 216 274	1 958 216 274	0	1 958 216 274
Service charges - electricity revenue	2 469 551 640	2 469 551 640	0	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	30 820 083	536 359	31 356 442
Interest earned - outstanding debtors	201 249 047	201 249 047	0	201 249 047
Fines, penalties and forfeits	19 069 701	19 069 701	0	19 069 701
Licences and permits	16 777 892	16 777 892	0	16 777 892
Agency services	27 878 787	28 243 317	(725 801)	27 517 516
Transfers and subsidies - Operating	1 463 800 293	1 480 168 968	(3 600 814)	1 476 568 154
Other revenue	952 378 579	941 530 319	(918 394)	940 611 925
TOTAL OPERATING REVENUE	8 865 515 490	8 871 344 301	(4 708 651)	8 866 635 650

The pie chart (figure 1) below depicts operating revenue budget per source. In terms of service revenue, electricity continues to be the main contributor to the revenue of the municipality by generating 28% of the total revenue. This is followed by water tariffs at 10%, sanitation tariff at 5% and refuse tariff at 4%. Property rates revenue totals 22% of the total Municipal revenue. The municipality receives grants and subsidies totalling 17% of the total revenue, interest earned is 3% of the total revenue. Other revenue contributes 11% of the total revenue.

Figure 1: 2022/2023 Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (table 4) details adjustments to the operating expenditure budget per category. The net reduction in the budget for operating expenditure of R4 708 651 is mostly resulting from the re-allocation of grant funding from Capital Projects to Operating projects, BCMDA adjustments as well as re-allocation of funding between expenditure types. The adjustments are necessary to reduce / eliminate unauthorised expenditure as well as to improve efficiency.

Table 4: 2022/2023 Fourth Adjusted Expenditure Budget per Category

2022/2023 FOURTH ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2022/2023 MID YEAR ADJUSTMENT BUDGET	2022/2023 THIRD ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT BUDGET
Expenditure Per Category				
Employee related costs	2 568 565 618	2 568 704 809	(25 295 967)	2 543 408 842
Remuneration of councillors	70 262 860	70 262 860	(2 596)	70 260 264
Debt impairment	1 211 246 355	1 211 246 355	0	1 211 246 355
Depreciation & asset impairment	614 396 599	614 222 997	6 436 381	620 659 378
Finance charges	49 360 667	49 358 439	(20 607 656)	28 750 783
Electricity Bulk Purchases	2 120 427 121	2 120 427 121	(105 648 412)	2 014 778 709
Contracted services	245 719 769	260 431 419	378 058	260 809 477
Transfers and grants	104 645 216	104 645 216	(89 187)	104 556 029
Repairs and Maintenance	472 520 650	472 493 010	0	472 493 010
Operating projects	427 137 651	423 022 047	(4 018 776)	419 003 271
Other expenditure	489 263 110	481 436 790	103 277 632	584 714 422
Losses	82 136 093	82 136 093	0	82 136 093
Other materials	249 782 951	252 906 315	40 861 872	293 768 187
Total Direct Operating Expenditure	8 705 464 660	8 711 293 471	(4 708 651)	8 706 584 820

A NET REDUCTION OF R4 708 649 IS DUE TO THE FOLLOWING ADJUSTMENTS:

1. Reduction of R25 295 967 to Employee related costs results from the following:
 - a) BCMM reallocation of an amount of R27 815 846 to the following overspent expenditure types:
 - Depreciation & Asset impairment – R6 417 442
 - Other Materials - R18 594 945
 - Other Expenditure – R2 803 459

- b) BCMDA reduction of R2 519 879 to Employee Related costs budget to align budget to actual expenditure. This budget has been reallocated from the following expenditure types:
- Board of Directors – R2 596
 - Finance Charges – R2 048
 - Transfers & Grants – R89 187
 - Other Expenditure – R2 426 048
2. A budget reallocation of R2 596 from BCMDA Board of Directors budget, this funding has been reallocated to BCMDA Employee related
3. Increase of R6 436 381 to Depreciation and Asset impairment results from the following adjustments:
- a) An amount of R6 417 442 reallocated from Employee related costs to address over-expenditure in Depreciation
 - b) BCMDA budget reallocation of R18 939 to Depreciation, this budget has been reallocated from Other Expenditure
4. Reduction of R20 607 656 to Finance Charges from the following:
- a) BCMM reallocation of an amount of R20 605 608 to Other Materials to address over-expenditure
 - b) BCMDA reallocation of R2048 from Finance charges, this budget has been reallocated to Employee related costs
5. Reduction of R105 648 412 to Electricity Bulk Purchases results from the following:
- a) BCMM reallocation of an amount of R105 648 412 to the following overspent expenditure type:
 - Other Expenditure – R105 648 412
6. A budget increase of R378 058 to BCMDA Contracted services, this budget has been reallocated from Other Expenditure

7. A reduction of R89 187 to BCMDA Transfers & Grants, this budget has been reallocated to BCMDA Employee related costs
8. Operating Projects budget is reducing by R4 018 776, this reduction results from the following adjustments:
 - a) An increase of R37 of Urban Settlement Development Grant, this funding is transferred from to Capital Projects
 - b) An increase of R1 798 to Finance Management Grant, this funding is transferred from Capital projects
 - c) A reduction of R193 111 to Informal Settlements Upgrading Partnership Grant (ISUPG), this is funding is transferred to Capital projects
 - d) A reduction of R22 500 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Operating projects
 - e) A reduction of R4 224 000 to the Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.
 - f) An increase of R419 000 to the Public Employment Programmes funded through the Neighbourhood Development Partnership Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.
9. An increase of R103 277 632 to Other expenditure is resulting from the following Adjustments:
 - a) Additional allocation of R108 451 871 to Other expenditure transferred from the following expenditure types:
 - Electricity Bulk Purchases to address over-expenditure - R105 648 412
 - Employee related costs - R2 803 459
 - b) BCMDA reduction of R5 174 239 to Other expenditure, this funding has been reallocated to the following expenditure types:
 - Employee Related Costs - R2 426 048
 - Depreciation - R18 939
 - Contracted Services - R378 058
 - Other Materials -R 1 661 319
10. An increase of R40 861 872 to Other Materials results from the following

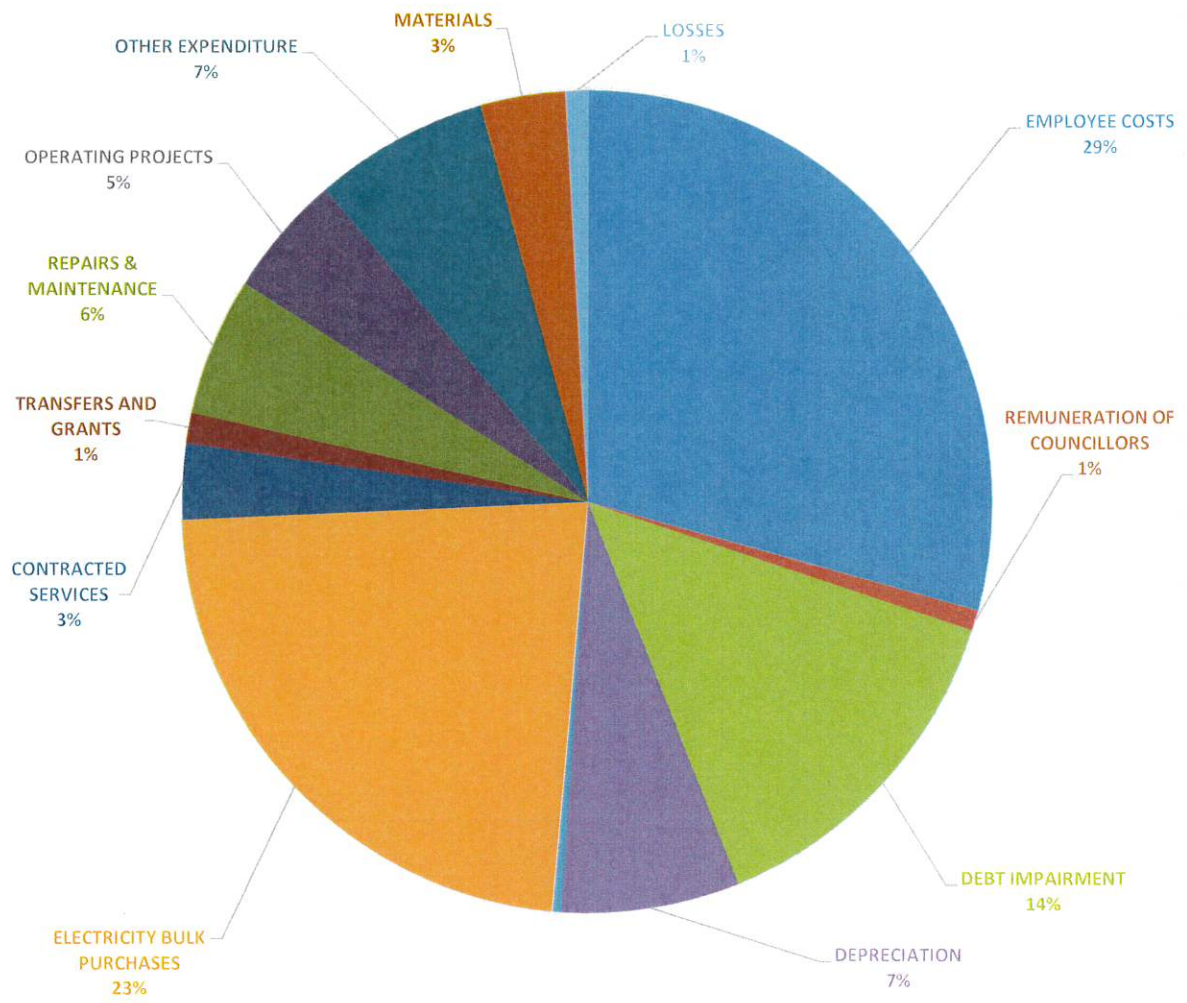
Adjustments:

- a) Additional allocation of R39 200 553 to Other Materials transferred from the following expenditure types:
 - Employee Related Costs - R1 255 519
 - Electricity Bulk Purchases – R17 339 458
 - Finance Charges – R20 605 608

- b) BCMDA increase of R1 661 319 to Other Materials, this funding has been reallocated from Other expenditure

The pie chart (figure 2) below depicts split of operating expenditure budget per category. Employee Costs and Electricity Bulk Purchases represent the largest cost of the municipality at 29% and 23% 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 account is 7% of the total operating budget. Operating Projects and Repairs and Maintenance each account for 5% and 6% of the total operating budget respectively. Contracted Services and Other Materials each account to 3% of the total operating expenditure budget. Debt Impairment accounts for 14% for the total operating budget. Remuneration of Councillors and Transfers and Grants account for 1%.

Figure 2: 2022/2023 Operating Expenditure per Type



5.5.1 Fourth Adjustment Budget on Operating Projects

The following tables (table 5 and 6) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively.

Table 5: 2022/2023 Fourth Adjustments to Operating Projects - Funding Source

FUNDING SOURCE	2022/2023 APPROVED OPEX BUDGET	2022/2023 FIRST ADJUSTMENT OPEX BUDGET	2022/2023 MID - YEAR ADJUSTMENT OPEX BUDGET	2022/2023 THIRD ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2022/2023 FOURTH ADJUSTMENT OPEX BUDGET
OWN FUNDING	163 215 180	163 215 180	171 265 180	167 149 576	0	167 149 576
TOTAL OWN FUNDING	163 215 180	163 215 180	171 265 180	167 149 576	0	167 149 576
URBAN SETTLEMENT DEVELOPMENT GRANT	44 784 980	44 784 980	44 184 980	44 184 980	37	44 185 017
FINANCE MANAGEMENT GRANT	1 000 000	1 000 000	977 000	977 000	1 798	978 798
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	18 358 680	18 358 680	18 358 680	18 358 680	(193 111)	18 165 569
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11 600 000	11 600 000	11 600 000	11 600 000	(22 500)	11 577 500
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	13 776 000	13 776 000	18 000 000	18 000 000	(4 224 000)	13 776 000
SALAIDA C/O	0	189 775	189 775	189 775		189 775
EXPANDED PUBLIC WORKS PROGRAMME	10 728 000	10 728 000	10 728 000	10 728 000		10 728 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	100 113 000	41 609 610	41 609 610	41 609 610		41 609 610
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	96 707 045	71 451 342	71 451 342		71 451 342
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	21 000 000	20 581 000	20 581 000	20 581 000	419 000	21 000 000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT			18 192 085	18 192 085		18 192 085
TOTAL GRANTS	221 360 660	259 335 089	255 872 471	255 872 471	(4 018 776)	251 853 695
TOTAL OPERATING PROJECTS BUDGET	384 575 840	422 550 269	427 137 651	423 022 047	(4 018 776)	419 003 271

Table 6: 2022/2023 Fourth Adjustments to Operating Projects – Directorate

DIRECTORATE	2022/2023 APPROVED OPEX BUDGET	2022/2023 FIRST ADJUSTMENT OPEX BUDGET	2022/2023 MID - YEAR ADJUSTMENT OPEX BUDGET	2022/2023 THIRD ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2022/2023 FOURTH ADJUSTMENT OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	52 724 205	52 913 980	53 108 627	53 108 627	(1 504 513)	51 604 114
CITY MANAGER'S OFFICE	45 163 200	45 163 200	45 681 768	45 681 768	(6 439 411)	39 242 357
CORPORATE SERVICES	12 600 000	12 600 000	20 900 000	20 900 000	(22 500)	20 877 500
SPATIAL PLANNING & DEVELOPMENT	11 572 000	11 572 000	15 796 000	11 976 000	(646 586)	11 329 414
ECONOMIC DEVELOPMENT & AGENCIES	16 374 522	13 173 131	16 399 261	16 399 261	(2 785 122)	13 614 139
FINANCE SERVICES	52 792 800	52 792 800	52 769 800	49 154 196	1 798	49 155 994
PUBLIC SAFETY & EMERGENCY SERVICES	5 771 256	5 771 256	3 946 966	3 446 966	0	3 446 966
HUMAN SETTLEMENTS	114 949 680	153 153 335	127 897 632	131 717 632	(118 549)	131 599 083
INFRASTRUCTURE SERVICES	42 968 000	42 968 000	43 527 284	43 527 284	(256 888)	43 270 396
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	2 910 177	2 910 177	3 435 971	3 435 971	2 604 596	6 040 567
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	26 750 000	29 532 391	43 674 343	43 674 343	5 148 399	48 822 742
TOTAL OPERATING PROJECTS	384 575 840	422 550 269	427 137 651	423 022 047	(4 018 776)	419 003 271

The adjustments show a total net decrease of R4 018 776 resulting from the following:

1. An increase of R37 of Urban Settlement Development Grant, this funding is transferred from Capital projects.
2. An increase of R1 798 to Finance Management Grant, this funding is transferred from Capital projects.
3. A reduction of R193 111 to Informal Settlements Upgrading Partnership Grant (ISUPG), this is funding is transferred to Capital projects
4. A reduction of R22 500 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred to Operating projects
5. A reduction of R4 224 000 to the Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.
6. An increase of R419 000 to the Public Employment Programmes funded through the Neighbourhood Development Partnership Programme & Project Preparation Support Grant to align to the Gazetted DoRA allocation.

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively.

Table 7:2022/2023 Fourth Adjustments to Capital Expenditure Budget –Funding

CAPITAL BUDGET PER FUNDING	2022/2023 APPROVED CAPITAL BUDGET	2022/2023 FIRST ADJUSTMENT CAPITAL BUDGET	2022/2023 MID - YEAR ADJUSTMENT CAPITAL BUDGET	2022/2023 THIRD ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2022/2023 FOURTH ADJUSTMENT CAPITAL BUDGET
OWN FUNDING	618 872 520	661 166 557	661 166 557	660 907 896	(428 034)	660 479 862
LOAN	732 614 380	399 524 000	0	0	0	0
TOTAL OWN FUNDING	1 351 486 900	1 060 690 557	661 166 557	660 907 896	(428 034)	660 479 862
URBAN SETTLEMENT DEVELOPMENT GRANT	451 381 020	451 381 020	451 981 020	451 981 020	(37)	451 980 983
FINANCE MANAGEMENT GRANT	0	0	23 000	23 000	(1 798)	21 202
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	263 763 320	263 763 320	263 763 320	263 763 320	193 111	263 956 431
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 581 000	19 581 000	19 581 000	14 581 000		14 581 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	150 000	150 000	150 000	22 500	172 500
TOTAL GRANTS	734 875 340	734 875 340	735 498 340	730 498 340	213 776	730 712 116
TOTAL CAPITAL BUDGET	2 086 362 240	1 795 565 897	1 396 664 897	1 391 406 236	(214 258)	1 391 191 978

Table 8: 2022/2023 Fourth Adjustments to Capital Expenditure Budget – Directorate

CAPITAL BUDGET PER DIRECTORATE	2022/2023 APPROVED CAPITAL BUDGET	2022/2023 FIRST ADJUSTMENT CAPITAL BUDGET	2022/2023 MID - YEAR ADJUSTMENT CAPITAL BUDGET	2022/2023 THIRD ADJUSTMENT CAPITAL BUDGET	ADJUSTMENTS	2022/2023 FOURTH ADJUSTMENT CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	1 200 300	1 200 300	1 200 300	(266 533)	933 767
CITY MANAGER'S OFFICE	600 000	600 000	1 650 009	1 650 009	(1 428 941)	221 068
CORPORATE SERVICES	4 979 959	16 654 017	14 664 142	14 664 142	(2 802 122)	11 862 020
SPATIAL PLANNING & DEVELOPMENT	105 340 632	109 598 787	100 398 787	98 398 787	(5 110 084)	93 288 703
ECONOMIC DEVELOPMENT & AGENCIES	56 460 848	72 116 422	48 351 706	50 351 706	(7 019 150)	43 332 556
FINANCE SERVICES	250 714 280	76 190 041	84 137 580	83 137 580	15 753 756	98 891 336
PUBLIC SAFETY & EMERGENCY SERVICES	22 900 000	44 805 314	39 805 314	40 805 314	37 891	40 843 205
HUMAN SETTLEMENTS	235 992 070	235 992 070	235 992 070	235 992 070	(16 507 849)	219 484 221
INFRASTRUCTURE SERVICES	1 274 245 390	1 130 865 035	732 891 026	727 891 026	18 782 377	746 673 403
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	47 870 000	54 789 291	55 889 291	55 889 291	(325 221)	55 564 070
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	38 518 987	50 919 384	50 919 384	50 919 384	(900 348)	50 019 036
TOTAL CAPITAL BUDGET: BCMM	2 038 122 166	1 793 730 660	1 365 899 609	1 360 899 609	213 776	1 361 113 385
BCMDA	48 240 074	1 835 237	30 765 289	30 506 628	(428 034)	30 078 594
TOTAL CAPITAL: CONSOLIDATED	2 086 362 240	1 795 565 897	1 396 664 897	1 391 406 236	(214 258)	1 391 191 978

The adjustments reflect a net decrease of R214 258 which is made up of the following:

1. A reduction of R37 of Urban Settlement Development Grant, this funding is transferred to operating projects.
2. A reduction of R1 798 to Finance Management Grant, this funding is transferred to operating projects.
3. An increase of R193 111 to Informal Settlements Upgrading Partnership Grant (ISUPG), this is funding is transferred from Operating projects
4. An increase of R22 500 to Infrastructure Skills Development Grant (ISDG), this is funding is transferred from Operating projects
5. A reduction of R428 034 to the capital projects of the Buffalo City Development Agency (BCMDA).

Various adjustments as detailed in table 8 above were made between directorates within same funding sources in order to improve overall performance within capital projects.

Detailed schedule of capital projects is attached as **Annexure 2**.

PART 2 – SUPPORTING DOCUMENTATION

6. SUPPORTING DOCUMENTATION

6.1. ADJUSTMENT TO BUDGET ASSUMPTIONS

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

6.2. ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

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

6.3. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

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

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

This adjustment budget is in respect of projects that are already in the IDP and SDBIP and therefore it has not been necessary revise these documents.

7. CHALLENGES

None.

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The 2022/2023 Fourth Adjustment Budget does 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 2022/2023 Capital and Operating Budget are outlined below:

A. The adjusted budget of the Parent municipality (BCMM) for the 2022/2023 Fourth Adjustment Budget as follows:

- i. The adjustment from R8 732 835 877 to R8 728 817 101 of the BCMM 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R8 572 785 047 to R8 568 766 271 of the BCMM 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 390 524 897 to R1 390 738 673 of the BCMM 2022/2023 Capital Budget.

B. The adjusted budget for BCMDA for the 2022/2023 Fourth Adjustment Budget as follows:

- i. The adjustment from R138 508 424 to R137 818 549 of the BCMDA 2022/23 Operating Revenue Budget.
- ii. The adjustment from R138 508 424 to R137 818 549 of the BCMDA 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R881 339 to R453 305 of the BCDA 2022/2023 Capital Budget.

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

- i. The adjustment from R8 871 344 301 to R8 866 635 651 of the consolidated 2022/23 Operating Revenue Budget.
- ii. The adjustment from R8 711 293 471 to R8 706 584 820 of the consolidated 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 391 406 236 to R1 391 191 978 of the consolidated 2022/2023 Capital Budget.

10. OTHER PARTIES CONSULTED

All Directorates.

11. 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 17 / 08 / 2023