

REPORT TO COUNCIL: 26 APRIL 2023

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

AUTHOR: Executive Mayor (P. Faku)/an

THIRD ADJUSTMENTS BUDGET REPORT - 2022/2023 FINANCIAL YEAR

1. PURPOSE

The purpose of the report is for the Council to **consider** and **approve** the Third Adjustments Budget of the 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
- 3.4 Division of Revenue Act, 2021
- 3.5 Government Gazette No.46095

4. BACKGROUND

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

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

(2) *An adjustments budget—*

(a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;

(b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

(c) may, within a prescribed framework, authorise unforeseeable and

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

According to the Municipal Budget and Reporting Regulations (MBRR),2009, (Reg. 23) “(3) if a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in Section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.”

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

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

5. EXPOSITION OF FACTS

On 29 March 2023, the National Treasury issued a Government Gazette No.48327. This Government Gazette provides for a reduction on the Neighbourhood Development Partnership Grant (NDPG) amounting to R5 000 000 for Buffalo City Metropolitan Municipality. The 2022/2023 Third Adjustments Budget is being prepared mainly to reduce the NDPG funding appropriated to the Buffalo City Metropolitan Municipality's 2022/2023 budget by R5 000 000. This adjustment budget is also being prepared to reallocate funds within operating budget, operating projects and capital projects in order to improve efficiency and service delivery.

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

A. The following table provides a high-level summary of the Operating and Capital Budget Adjustments for the Parent Municipality (BCMM):

OPERATING AND CAPITAL BUDGET EXPENDITURE	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	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 720 086 374	8 758 060 803	8 732 835 877	0	8 732 835 877	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	4 115 604	8 149 763 000	8 842 442 705	9 456 171 544
Operating Projects	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 718 857 068	8 486 178 005	8 572 785 047	0	8 572 785 047	9 210 509 281	9 803 561 264
Surplus /(Deficit)	1 229 306	271 882 798	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	-5 000 000	1 390 524 897	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	-5 000 000	9 963 309 944	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 Municipal entity (BCMDA):

OPERATING AND CAPITAL BUDGET EXPENDITURE	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	FINAL BUDGET	FINAL BUDGET
Total Revenue	151 552 381	151 552 381	132 679 613	5 828 811	138 508 424	95 823 881	84 180 166
Total Operating Expenditure Including Operating Projects	151 552 381	151 552 381	132 679 613	5 828 811	138 508 424	95 823 881	84 180 166
Surplus /(Deficit)	0	0	0	0	0	0	0
Total Capital Expenditure	1 140 000	1 140 000	1 140 000	-258 661	881 339	1 231 200	1 329 696
Total Opex and Capex Budget	152 692 381	152 692 381	133 819 613	5 570 150	139 389 763	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	ADJUSTMENTS	2022/2023	2023/2024	2024/2025
	APPROVED BUDGET	FIRST ADJ. BUDGET	MID YEAR ADJ. BUDGET		THIRD ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	5 828 811	8 871 344 301	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	9 944 415	8 288 271 424	8 938 266 586	9 540 351 710
Operating Projects	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 870 409 449	8 637 730 386	8 705 464 660	5 828 811	8 711 293 471	9 306 333 162	9 887 741 430
Surplus /(Deficit)	1 229 306	271 882 798	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	-5 258 661	1 391 406 236	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	570 150	10 102 699 707	11 117 516 460	11 176 444 897

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

TABLE OF CONTENTS

1. PURPOSE	1
2. AUTHORITY	1
3. LEGAL / STATUTORY REQUIREMENTS.....	1
4. BACKGROUND	1
5. EXPOSITION OF FACTS.....	3
LIST OF TABLES	6
LIST OF FIGURES	6
ABBREVIATIONS AND ACRONYMS.....	7
5.1 EXECUTIVE MAYOR'S REPORT.....	9
5.2 COUNCIL RESOLUTIONS	10
5.3 EXECUTIVE SUMMARY	12
5.4 OPERATING REVENUE FRAMEWORK.....	14
5.5 OPERATING EXPENDITURE FRAMEWORK.....	15
5.6 CAPITAL EXPENDITURE FRAMEWORK.....	22

LIST OF TABLES

Table 1: High Level Summary of Operating and Capital Budget Adjustments	9
Table 2: 2022/2023 Third Adjustments Budget Summary	13
Table 3: 2022/2023 Third Adjusted Revenue per Source	14
Table 4: 2022/2023 Third Adjusted Expenditure Budget per Category	16
Table 5: 2022/2023 Third Adjustments to Operating Projects - Funding Source	21
Table 6: 2022/2023 Third Adjustments to Operating Projects – Directorate	22
Table 7: 2022/2023 Third Adjustments to Capital Expenditure Budget – Funding	24
Table 8: 2022/2023 Third Adjustments to Capital Expenditure Budget – Directorate	24

LIST OF FIGURES

Figure 1: 2022/2023 Operating Revenue per Source	15
Figure 2: 2022/2023 Operating Expenditure per Type	19

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 Third Adjustments Budget is being tabled at Council in terms of Section 28 of the MFMA for the main purpose of reducing the NDPG allocation that is appropriated in the City's 2022/2023 budget by R5 000 000. In this adjustment budget, budget reallocations have also been effected between programmes/projects as well as on the operating expenditure categories in order to improve operational efficiencies and service delivery.

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

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	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	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	5 828 811	8 871 344 301	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	9 944 415	8 288 271 424	8 938 266 586	9 540 351 710
Operating Projects	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 870 409 449	8 637 730 386	8 705 464 660	5 828 811	8 711 293 471	9 306 333 162	9 887 741 430
Surplus / (Deficit)	1 229 306	271 882 798	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	-5 258 661	1 391 406 236	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	570 150	10 102 699 707	11 117 516 460	11 176 444 897

The City continues with its efforts of producing a surplus budget that is funded in line with National Treasury requirements. This adjustment budget has a surplus of R160 050 831 before capital transfers recognised.

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. 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 Third Adjustments Budget as follows:
- i. There are no adjustments to the BCMM 2022/2023 Operating Revenue Budget in the Third adjustment budget. The BCMM Operating Revenue Budget remains at R8 732 835 877.
 - ii. There are no adjustments to the BCMM 2022/2023 Operating Expenditure Budget in the Third adjustment budget. The BCMM Operating Expenditure Budget remains at R8 572 785 047.
 - iii. The adjustment from R1 395 524 897 to R1 390 524 897 of the BCMM 2022/2023 Capital Budget.
- B. The adjusted budget of the Municipal Entity (BCMDA) for the 2022/2023 Third Adjustment Budget as follows:
- i. The adjustment from R132 679 613 to R138 508 424 of the BCMDA 2022/2023 Operating Revenue Budget.
 - ii. The adjustment from R132 679 613 to R138 508 424 of the BCMDA 2022/2023 Operating Expenditure Budget.
 - iii. The adjustment from R1 140 000 to R881 339 of the BCMDA 2022/2023 Capital Budget.
- C. The consolidated adjusted budget for the 2022/2023 Third Adjustments Budget as follows:
- i. The adjustment from R8 865 515 490 to R8 871 344 301 of the consolidated 2022/2023 Operating Revenue Budget.
 - ii. The adjustment from R8 705 464 660 to R8 711 293 471 of the consolidated 2022/2023 Operating Expenditure Budget.

iii. The adjustment from R1 396 664 897 to R1 391 406 236 of the consolidated 2022/2023 Capital Budget.

D. Council **note** that, in order to improve operational efficiency, the consolidated detailed schedules of operating projects and capital projects that are attached as **Annexure 1 and 2** respectively have been rolled up to project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget (**Annexure 1.1 and 2.1** are provided for information only).



P. FAKU

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

APPANNA NAIDOO/ AX

14/04/2023
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: Detailed National Treasury B – Schedules (Parent)

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

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 the budgeting including this 2022/2023 Third Adjustments Budget. This approach involved an intensive internal process of assessing and determining whether the budgeted programs and projects are responding to the City's strategic needs and priorities. This process further assessed the implementation readiness of the budgeted programs and projects and the re-allocation of the expenditure budget was informed by this assessment.

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

The consolidated operating revenue budget has been increased by R5 828 811 from R8 865 515 490 to R8 871 344 301. The consolidated operating expenditure has also been increased by the same amount (R5 828 811) from R8 705 464 660 to R8 711 293 471. These are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains unchanged at R160 050 831.

The consolidated capital expenditure budget is adjusted downwards by R5 258 661 from R1 396 664 897 to R1 391 406 236. This reduction is mainly resulting from the R5 000 000 reduction in the NDPG funding allocated to the City.

5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to reduce the NDPG funding appropriated in the City's 2022/2023 budget by R5 000 000 in accordance with Government Gazette No. 48327, dated 29 March 2022. In this adjustment budget, budget reallocations have also been effected between programmes/projects as well as on the operating expenditure categories in order to improve operational efficiencies and service delivery.

The table below indicates the summary of the 2022/2023 Third Adjustments Budget.

Table 2: 2022/2023 Third Adjustments Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	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	FINAL BUDGET	FINAL BUDGET
Total Revenue	8 871 638 755	8 909 613 184	8 865 515 490	5 828 811	8 871 344 301	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	9 944 415	8 288 271 424	8 938 266 586	9 540 351 710
Operating Projects	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047	368 066 576	347 389 720
Total Operating Expenditure Including Operating Projects	8 870 409 449	8 637 730 386	8 705 464 660	5 828 811	8 711 293 471	9 306 333 162	9 887 741 430
Surplus / (Deficit)	1 229 306	271 882 798	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	-5 258 661	1 391 406 236	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	570 150	10 102 699 707	11 117 516 460	11 176 444 897

OPERATING REVENUE FRAMEWORK

The following table (Table 3) depicts adjustments to the operating revenue budget per source. It reflects that there has been an increase of revenue totalling to R5 828 811.

Table 3: 2022/2023 Third Adjusted Revenue per Source

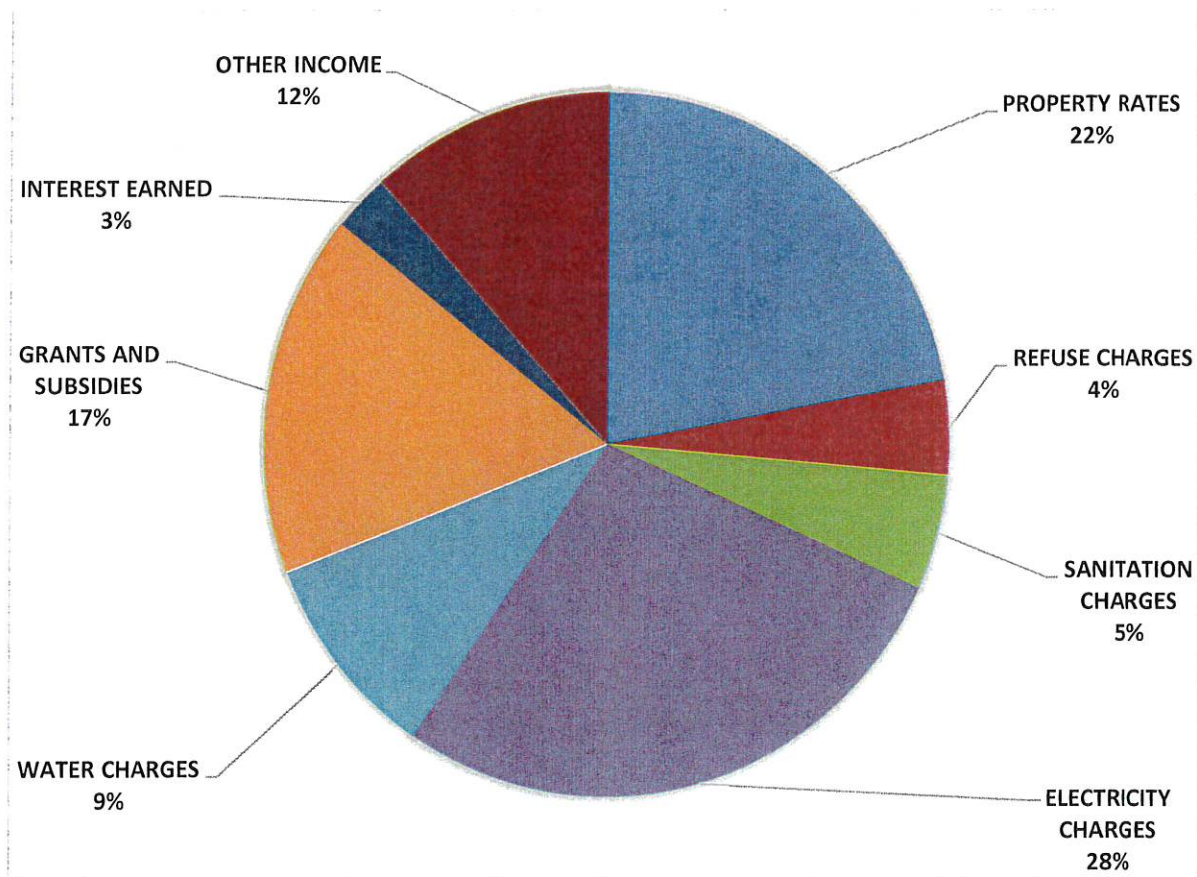
2022/2023 MID-YEAR ADJUSTMENT BUDGET REVENUE FRAMEWORK	2022/2023 APPROVED BUDGET	2022/2023 FIRST ADJUSTMENT BUDGET	2022/2023 MID YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT BUDGET
Revenue by Source					
Property rates	1 958 216 274	1 958 216 274	1 958 216 274	0	1 958 216 274
Service charges - electricity revenue	2 549 551 640	2 549 551 640	2 469 551 640	0	2 469 551 640
Service charges - water revenue	849 617 204	849 617 204	849 617 204	0	849 617 204
Service charges - sanitation revenue	468 519 095	468 519 095	468 519 095	0	468 519 095
Service charges - refuse revenue	385 615 557	385 615 557	385 615 557	0	385 615 557
Rental of facilities and equipment	21 965 204	21 965 204	21 965 204	0	21 965 204
Interest earned - external investments	30 876 217	30 876 217	30 876 217	-56 134	30 820 083
Interest earned - outstanding debtors	121 249 047	121 249 047	201 249 047	0	201 249 047
Fines, penalties and forfeits	22 434 938	22 434 938	19 069 701	0	19 069 701
Licences and permits	19 738 683	19 738 683	16 777 892	0	16 777 892
Agency services	44 713 050	44 713 050	27 878 787	364 530	28 243 317
Transfers and subsidies - Operating	1 446 763 267	1 484 737 696	1 463 800 293	16 368 675	1 480 168 968
Other revenue	952 378 579	952 378 579	952 378 579	-10 848 260	941 530 319
Total Direct Operating Revenue	8 871 638 755	8 909 613 184	8 865 515 490	5 828 811	8 871 344 301

5.3.1.1 The increase of R5 828 811 results from the following adjustments by BCMDA:

- Reduction of R56 134 to interest earned from external investments by R56 134 after assessing and considering projected revenue performance.
- Increase of R364 530 to Agency services after assessing and considering projected revenue performance.
- An increase of R16 368 675 to Transfers and subsidies. This is mainly due to the reallocation and the rollover of unspent NDPG grant funding the Public Employment Partnership programme.
- A reduction of R10 848 260 to Other revenue is due to the reduction in 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 28% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 5% and refuse tariff at 4%. The Property Rates revenue totals 22% of the total Municipal revenue. The municipality receives grants and subsidies totalling 17% of the total revenue, interest earned is 3% of the total revenue. Other revenue contributes 12% of the total revenue.

Figure 1: 2022/2023 Operating Revenue per Source



5.4 OPERATING EXPENDITURE FRAMEWORK

Table 4 below details adjustments to the consolidated operating expenditure budget per category. The adjustments in table 4 reflects reallocation of funding between the expenditure types to improve operational efficiency. The adjustments also reflect an upward adjustment of R5 858 661 to the Operating expenditure budget of the City.

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

2022/2023 MID-YEAR ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2022/2023 APPROVED BUDGET	2022/2023 FIRST ADJUSTMENT BUDGET	2022/2023 MID YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT BUDGET
<u>Expenditure Per Category</u>					
Employee related costs	2 650 375 589	2 568 565 618	2 568 565 618	139 191	2 568 704 809
Remuneration of councillors	70 262 860	70 262 860	70 262 860	0	70 262 860
Debt impairment	1 211 246 355	1 211 246 355	1 211 246 355	0	1 211 246 355
Depreciation & asset impairment	614 396 599	614 396 599	614 396 599	-173 602	614 222 997
Finance charges	49 360 667	49 360 667	49 360 667	-2 228	49 358 439
Electricity Bulk Purchases	2 160 427 121	2 120 427 121	2 120 427 121	0	2 120 427 121
Contracted services	292 548 012	243 017 645	245 719 769	14 711 650	260 431 419
Transfers and grants	104 645 216	104 645 216	104 645 216	0	104 645 216
Repairs and Maintenance	446 129 919	446 129 919	472 520 650	-27 640	472 493 010
Operating projects	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047
Other expenditure	506 973 655	461 357 232	489 263 110	-7 826 320	481 436 790
Losses	82 136 093	82 136 093	82 136 093	0	82 136 093
Other materials	297 331 523	243 634 792	249 782 951	3 123 364	252 906 315
Total Direct Operating Expenditure	8 870 409 449	8 637 730 386	8 705 464 660	5 828 811	8 711 293 471

The upward adjustment of R5 828 811 to the Operating Expenditure budget of the City is after taking into account the following:

5.4.1 Employee related costs: (R139 191)

a) Buffalo City Metropolitan Development Agency: R139 191

- i. The BCMDA is allocating funding of R139 191 to fund employee related costs after assessing and considering expenditure performance.

5.4.2 Depreciation and Asset impairment: (R173 602)

a) Buffalo City Metropolitan Development Agency: R173 602

- i. The BCMDA reduces the funding allocated to fund Depreciation and Asset impairment after assessing and considering expenditure performance.

5.4.3 Finance charges: (R2 228)

a) Buffalo City Metropolitan Development Agency: R2 228

- i. The BCMDA reduces the funding allocated to fund Finance charges after assessing and considering expenditure performance.

5.4.4 Contracted charges: R14 711 650

a) Buffalo City Metropolitan Development Agency: R13 486 650

- i. The BCMDA increases the funding allocated to fund contracted charges due to the increase resulting from the rollover of the NDPG grant funding the Public Employment Partnership grant

b) Buffalo City Metropolitan Municipality: R1 225 000

- i. The BCMM increases the budget allocated to Contracted services by R1 000 000. This funding has been transferred from Operating projects to fund Legal costs and litigations within the Directorate of Finance.
- ii. An amount of R225 000 has also been transferred from Operating costs to fund Contracted services within the Directorate of Corporate services.

5.4.5 Repairs and maintenance: (R27 640)

a) Buffalo City Metropolitan Development Agency: (R27 640)

- ii. The BCMDA reduces the budget allocated to fund Repairs and Maintenance after assessing and considering expenditure performance

5.4.6 Operating Projects: (R4 115 604)

a) The City has reallocated funding from the following Operating projects to Operating costs: (R4 115 604)

- i. Transfer of R1 115 604 from Support and Maintenance Operating projects to fund software licences (operational costs) at the Directorate of Finance
- ii. Transfer of R1 000 000 from General valuations project to fund Legal costs and litigations (operational costs) within the Directorate of Finance.
- iii. Transfer of R1 500 000 from General valuations project to fund Licences (operational costs) within the Directorate of Finance.
- iv. Transfer of R500 000 from Feasibility Study of Traffic Services & Law Enforcement to fund Inventory Materials within the directorate (operational costs) at the Directorate of Public Safety & Emergency services.

5.4.7 Other expenditure: (R7 826 320)

a) Buffalo City Metropolitan Development Agency: (R10 196 924)

- i. The BCMDA reduces the budget allocated to Other expenditure by R10 196 924. This is to align the budgeted expenditure to budgeted revenue after the reduction of the budgeted revenue for Development costs.

b) Buffalo City Metropolitan Municipality: R2 370 604

- i. The BCMM increases the budget allocated to Other expenditure by R2 370 604.
 - R1 115 604 of this funding has been transferred from Operating projects to fund Software licences and R1 500 000 has been transferred from Operating projects to fund Licences within the Directorate of Finance.
 - R245 000 has been transferred from Operating costs to other expenditure types within the Directorate of Corporate Services

5.4.8 Other Materials: R3 123 364

a) Buffalo City Metropolitan Development Agency: R2 603 364

- i. The BCMDA increases the budget allocated to Other Materials by R2 603 364 after assessing and considering expenditure performance.

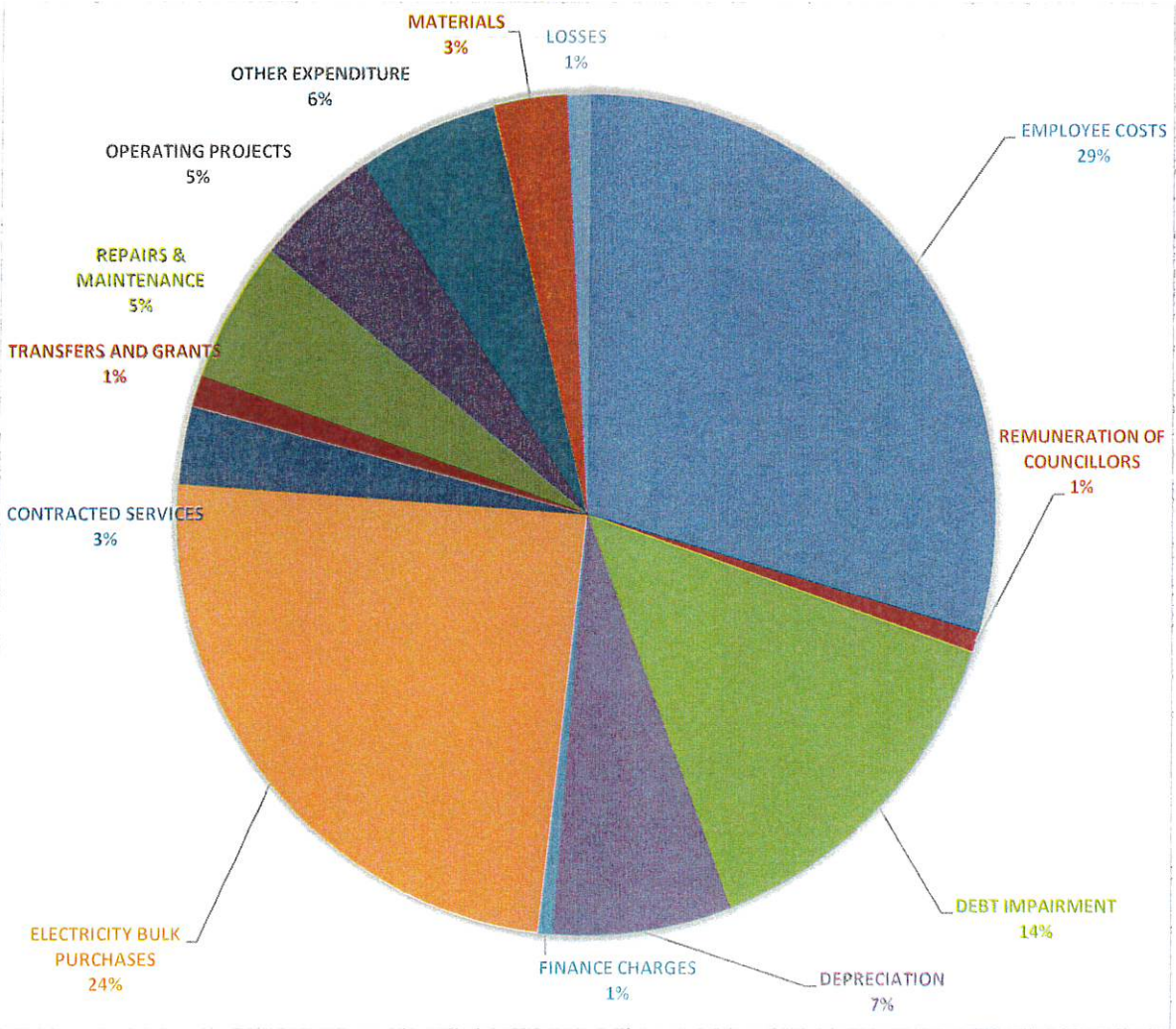
b) Buffalo City Metropolitan Municipality: R520 000

- i. The BCMM increases the budget allocated to Other Materials by R520 000.
 - R500 000 of this funding has been transferred from Operating projects to fund Inventory Materials within the Directorate of Public Safety & Development.
 - R20 000 has been transferred from Operating costs to Inventory Materials within the Directorate of Corporate Services.

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 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% and Operating Projects account for 5%. Debt impairment also account for 14%. Contracted Services account for 3%, and Remuneration of Councillors account for 1%.

Figure 2: 2022/2023 Operating Expenditure per Type



5.4.9 Third Budget Adjustments on Operating Projects

The following tables (table 5 and 6) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total reduction of R4 115 604 to the Operating projects budget.

5.4.9.1 Reduction in Own funding:

The Own funding budget for Operating projects is reducing by R4 115 604:

5.4.9.1.1 Finance Directorate: (R3 615 604)

- a) Transfer of R1 115 604 from Support and Maintenance Operating projects to fund software licences (operational costs) within the directorate.
- b) Transfer of R1 000 000 from General valuations project to fund Legal costs and litigations within the directorate (operational costs).
- c) Transfer of R1 500 000 from General valuations project to fund Licence fees within the directorate (operational costs).

5.4.9.1.2 Public Safety & Emergency services: (R500 000)

Transfer of R500 000 from Feasibility Study of Traffic Services & Law Enforcement to fund Inventory Materials within the directorate (operational costs).

5.4.9.2 Grant funding adjustments (ISUPG):

The ISUPG budget for Operating projects is being reallocated across directorates:

5.4.9.2.1 Spatial Planning & Development: (R3 820 000)

- a) Transfer of R850 000 from the Cadastral Survey Operating project to the Directorate of Human Settlements.

- b) Transfer of R1 500 000 from the Opening of township register Operating projects to the Directorate of Human Settlements.
- c) Transfer of R970 000 from the Opening of township register Operating project to the Directorate of Human Settlements.
- d) Transfer of R500 000 from the Street Naming Operating project to the Directorate of Human Settlements.

5.4.9.2.2 Human Settlements: R3 820 000

- a) Transfer of R1 126 980 from the Directorate of Spatial planning & Development allocated to fund Social facilitation.
- b) Transfer of R2 693 020 from the Directorate of Spatial planning & Development allocated to fund the Opscap project.

Table 5: 2022/2023 Third 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	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT OPEX BUDGET
OWN FUNDING	163 215 180	163 215 180	171 265 180	-4 115 604	167 149 576
URBAN SETTLEMENT DEVELOPMENT GRANT	44 784 980	44 784 980	44 184 980	0	44 184 980
FINANCE MANAGEMENT GRANT	1 000 000	1 000 000	977 000	0	977 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	18 358 680	18 358 680	18 358 680	0	18 358 680
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11 600 000	11 600 000	11 600 000	0	11 600 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	13 776 000	13 776 000	18 000 000	0	18 000 000
SALAIDA C/O	0	189 775	189 775	0	189 775
EXPANDED PUBLIC WORKS PROGRAMME	10 728 000	10 728 000	10 728 000	0	10 728 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	100 113 000	41 609 610	41 609 610	0	41 609 610
HUMAN SETTLEMENTS DEVELOPMENT GRANT C/O	0	96 707 045	71 451 342	0	71 451 342
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	21 000 000	20 581 000	38 773 085	0	38 773 085
TOTAL GRANTS	221 360 660	259 335 089	255 872 471	0	255 872 471
TOTAL OPERATING PROJECTS BUDGET	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047

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

DIRECTORATE	2022/2023 APPROVED OPEX BUDGET	2022/2023 FIRST ADJUSTMENT OPEX BUDGET	2022/2023 MID - YEAR ADJUSTMENT OPEX BUDGET	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT OPEX BUDGET
EXECUTIVE SUPPORT SERVICES	52 724 205	52 913 980	53 108 627	0	53 108 627
CITY MANAGER'S OFFICE	45 163 200	45 163 200	45 681 768	0	45 681 768
CORPORATE SERVICES	12 600 000	12 600 000	20 900 000	0	20 900 000
SPATIAL PLANNING & DEVELOPMENT	11 572 000	11 572 000	15 796 000	-3 820 000	11 976 000
ECONOMIC DEVELOPMENT & AGENCIES	16 374 522	13 173 131	16 399 261	0	16 399 261
FINANCE SERVICES	52 792 800	52 792 800	52 769 800	-3 615 604	49 154 196
PUBLIC SAFETY & EMERGENCY SERVICES	5 771 256	5 771 256	3 946 966	-500 000	3 446 966
HUMAN SETTLEMENTS	114 949 680	153 153 335	127 897 632	3 820 000	131 717 632
INFRASTRUCTURE SERVICES	42 968 000	42 968 000	43 527 284	0	43 527 284
DIRECTORATE OF SPORTS , RECREATION & COMMUNITY DEVELOPMENT	2 910 177	2 910 177	3 435 971	0	3 435 971
DIRECTORATE OF SOLID WASTE & ENVIRONMENTAL MANAGEMENT	26 750 000	29 532 391	43 674 343	0	43 674 343
TOTAL OPERATING PROJECTS	384 575 840	422 550 269	427 137 651	-4 115 604	423 022 047

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).

5.5 **CAPITAL EXPENDITURE FRAMEWORK**

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively. It shows a total reduction of R5 258 661 in the Capital Budget. This adjustment is resulting mainly from the reduced NDPG allocation in accordance with Government Gazette 48327 where the NDPG allocated to the City is adjusted downwards by R5 000 000. The effects of the adjustments are tabulated in the below tables (table 7 and 8).

Budget re-allocations have also been made between capital projects within the same funding source. A detailed analysis was undertaken to determine those projects that are

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

5.5.1 Reduction in Neighbourhood Development Partnership Grant (NDPG):

(R5 000 000)

The NDPG allocation to BCMM is being reduced by R5 000 000 to align to the gazetted amount in Government Gazette 48327. This additional budget has been allocated as follows:

5.5.1.1 Infrastructure Services: (R5 000 000)

- a) Construction of Road Infrastructure –Toyana Road is reducing by R5 000 000.

5.5.2 Reduction in Own funding – (R258 661)

5.5.2.1 Buffalo City Development Agency (R258 661)

- a) Budget allocated by BCMDA for Computer equipment is reducing by R258 661.

The details of adjustments per programme/project are reflected on the schedule of capital projects that is attached as **Annexure 2** where the projects have been rolled up at programme level (**Annexure 2.1** has also been attached, it provides the detail of accounts / votes that make up the programme / project).

Table 7: 2022/2023 Third 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	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT CAPITAL BUDGET
OWN FUNDING	618 872 520	661 166 557	661 166 557	-258 661	660 907 896
LOAN	732 614 380	399 524 000	0	0	0
TOTAL OWN FUNDING	1 351 486 900	1 060 690 557	661 166 557	-258 661	660 907 896
URBAN SETTLEMENT DEVELOPMENT GRANT	451 381 020	451 381 020	451 981 020	0	451 981 020
FINANCE MANAGEMENT GRANT	0	0	23 000	0	23 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	263 763 320	263 763 320	263 763 320	0	263 763 320
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 581 000	19 581 000	19 581 000	-5 000 000	14 581 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	150 000	150 000	0	150 000
TOTAL GRANTS	734 875 340	734 875 340	735 498 340	-5 000 000	730 498 340
TOTAL CAPITAL BUDGET	2 086 362 240	1 795 565 897	1 396 664 897	-5 258 661	1 391 406 236

Table 8: 2022/2023 Third 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	ADJUSTMENTS	2022/2023 THIRD ADJUSTMENT CAPITAL BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	1 200 300	1 200 300	0	1 200 300
CITY MANAGER'S OFFICE	600 000	600 000	1 650 009	0	1 650 009
CORPORATE SERVICES	4 979 959	16 654 017	14 664 142	0	14 664 142
SPATIAL PLANNING & DEVELOPMENT	105 340 632	109 598 787	100 398 787	-2 000 000	98 398 787
ECONOMIC DEVELOPMENT & AGENCIES	56 460 848	72 116 422	48 351 706	2 000 000	50 351 706
FINANCE SERVICES	250 714 280	76 190 041	84 137 580	-1 000 000	83 137 580
PUBLIC SAFETY & EMERGENCY SERVICES	22 900 000	44 805 314	39 805 314	1 000 000	40 805 314
HUMAN SETTLEMENTS	235 992 070	235 992 070	235 992 070	0	235 992 070
INFRASTRUCTURE SERVICES	1 274 245 390	1 130 865 035	732 891 026	-5 000 000	727 891 026
SPORTS , RECREATION & COMMUNITY DEVELOPMENT	47 870 000	54 789 291	55 889 291	0	55 889 291
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	38 518 987	50 919 384	50 919 384	0	50 919 384
TOTAL CAPITAL BUDGET: BCMM	2 038 122 166	1 793 730 660	1 365 899 609	-5 000 000	1 360 899 609
BCMDA	48 240 074	1 835 237	30 765 289	-258 661	30 506 628
TOTAL CAPITAL: CONSOLIDATED	2 086 362 240	1 795 565 897	1 396 664 897	-5 258 661	1 391 406 236

6. CHALLENGES

None.

7. STAFF IMPLICATIONS

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

8. FINANCIAL IMPLICATIONS

The Third adjustments to the 2022/2023 budget do not have an impact on tariffs as these adjustments are resulting from an additional allocation from National treasury. The effects of the adjustments to the 2022/2023 Capital and Operating Budget are outlined below:

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

- i. There are no adjustments to the BCMM 2022/2023 Operating Revenue Budget in the Third adjustment budget. The BCMM Operating Revenue Budget remains at R8 732 835 877.
- ii. There are no adjustments to the BCMM 2022/2023 Operating Expenditure Budget in the Third adjustment budget. The BCMM Operating Expenditure Budget remains at R8 572 785 047.
- iii. The adjustment from R1 395 524 897 to R1 390 524 897 of the BCMM 2022/2023 Capital Budget.

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

- i. The adjustment from R132 679 613 to R138 508 424 of the BCMDA 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R132 679 613 to R138 508 424 of the BCMDA 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 140 000 to R881 339 of the BCMDA 2022/2023 Capital Budget.

C. The consolidated adjusted budget for the 2022/2023 Third Adjustments Budget as follows:

- i. The adjustment from R8 865 515 490 to R8 871 344 301 of the consolidated 2022/2023 Operating Revenue Budget.
- ii. The adjustment from R8 705 464 660 to R8 711 293 471 of the consolidated 2022/2023 Operating Expenditure Budget.
- iii. The adjustment from R1 396 664 897 to R1 391 406 236 of the consolidated 2022/2023 Capital Budget.

9. **OTHER PARTIES CONSULTED**

All Directorates.

10. CITY MANAGER'S QUALITY CERTIFICATE

I, Appanna Naidoo, Acting 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Appanna Naidoo

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature



Date

14/4/2014