

REPORT TO COUNCIL: 22 AUGUST 2024

File No.:5/1/1/1[23/24]

AUTHOR: Executive Mayor (P. Faku)/my

FOURTH ADJUSTMENT BUDGET REPORT FOR THE 2023/2024 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 2023/2024 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 misallocations made during the 2023/2024 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 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	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	2023/2024 THIRD ADJ. BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 347 595 449	9 350 657 567	9 287 640 246	9 297 380 371	-15 340 267	9 282 040 104	10 039 707 815	10 837 229 726
Total Operating Expenditure Excluding Operating Projects	8 940 142 163	8 940 142 163	8 932 163 051	8 932 163 051	0	8 932 163 051	9 682 738 350	10 458 793 769
Operating Projects	397 238 176	400 300 294	355 240 781	364 980 906	-15 340 267	349 640 639	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 337 380 339	9 340 442 457	9 287 403 832	9 297 143 957	-15 340 267	9 281 803 690	10 029 495 670	10 829 650 596
Surplus /(Deficit)	10 215 110	10 215 110	236 414	236 414	0	236 414	10 212 145	7 579 130
Total Capital Expenditure	1 217 893 078	1 293 887 019	1 293 087 019	1 323 284 617	15 340 267	1 338 624 884	1 166 286 224	1 191 506 658
						0		
Total Opex and Capex Budget	10 555 273 417	10 634 329 476	10 580 490 851	10 620 428 574	0	10 620 428 574	11 195 781 894	12 021 157 254

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	2023/2024 THIRD ADJ. BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 396 269 971	-15 340 267	9 380 929 704	10 102 818 139	10 895 461 779
Total Operating Expenditure Excluding Operating Projects	9 008 103 654	9 008 103 654	9 031 052 653	9 031 052 653	0	9 031 052 653	9 745 848 674	10 517 025 822
Operating Projects	397 238 176	400 300 294	355 240 781	364 980 906	-15 340 267	349 640 639	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 396 033 559	-15 340 267	9 380 693 292	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	236 412	0	236 412	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	1 324 092 760	15 340 267	1 339 433 027	1 167 806 254	1 193 096 609
Total Opex and Capex Budget	10 624 668 134	10 703 724 193	10 680 188 596	10 720 126 319	0	10 720 126 319	11 260 412 248	12 080 979 258

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

Table of Contents

REPORT TO COUNCIL: 22 AUGUST 2024.....	1
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
PART 1 – ADJUSTMENT BUDGET.....	2
5.1 EXECUTIVE MAYOR’S REPORT	2
5.2 COUNCIL RESOLUTIONS.....	3
5.3 EXECUTIVE SUMMARY	5
5.5 OPERATING EXPENDITURE FRAMEWORK.....	8
5.6 CAPITAL EXPENDITURE FRAMEWORK	12
PART 2 – SUPPORTING DOCUMENTATION.....	14
6. SUPPORTING DOCUMENTATION	14
6.1. ADJUSTMENT TO BUDGET ASSUMPTIONS	14
6.2. ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY	14
6.3. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN.....	14
7. CHALLENGES	14
8. STAFF IMPLICATIONS.....	14
9. FINANCIAL IMPLICATIONS.....	14
10. OTHER PARTIES CONSULTED.....	15
11. CITY MANAGER’S QUALITY CERTIFICATE.....	16

LIST OF TABLES

Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments	2
Table 2: 2023/2024 Consolidated Fourth Adjustment Budget Summary	5
Table 3: 2023/2024 Fourth Adjusted Revenue per Source	6
Table 4: 2023/2024 Fourth Adjusted Expenditure Budget per Category.....	8
Table 5: 2023/2024 Fourth Adjustments to Operating Projects - Funding Source	11
Table 6: 2023/2024 Fourth Adjustments to Operating Projects – Directorate	11
Table 7: 2023/2024 Fourth Adjustments to Capital Expenditure Budget –Funding.....	12
Table 8: 2023/2024 Fourth Adjustments to Capital Expenditure Budget – Directorate ..	12

LIST OF FIGURES

Figure 1: 2023/2024 Operating Revenue per Source	7
Figure 2: 2023/2024 Operating Expenditure per Type	10

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 2023/2024 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.

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	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	2023/2024 THIRD ADJ. BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 396 269 971	-15 340 267	9 380 929 704	10 102 818 139	10 895 461 779
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 396 033 559	-15 340 267	9 380 693 292	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	236 412	0	236 412	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	1 324 092 760	15 340 267	1 339 433 027	1 167 806 254	1 193 096 609
Total Opex and Capex Budget	10 624 668 134	10 703 724 193	10 680 188 596	10 720 126 319	0	10 720 126 319	11 260 412 248	12 080 979 258

5.2 COUNCIL RESOLUTIONS

On 31 May 2023 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2023/24 – 2025/26 MTREF Budget. The Council further met on 25 August 2023 to consider and approve the roll-over adjustment budget. On 28 February 2024, BCMM Council met to consider the 2023/2024 mid-year adjustment budget. On 26 April 2024 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 2023/2024 Fourth Adjustment Budget as follows:
 - i. The adjustment from R9 297 380 371 to R9 282 040 104 of the BCMM 2023/2024 Operating Revenue Budget.
 - ii. The adjustment from R9 297 143 957 to R9 281 803 690 of the BCMM 2023/2024 Operating Expenditure Budget.
 - iii. The adjustment from R1 323 284 617 to R1 338 624 884 of the BCMM 2023/2024 Capital Budget.

- B. The consolidated adjusted budget for the 2023/2024 Fourth Adjustment Budget as follows:
 - i. The adjustment from R9 396 269 971 to R9 380 929 704 of the consolidated 2023/24 Operating Revenue Budget.
 - ii. The adjustment from R9 396 033 559 to R9 380 693 292 of the consolidated 2023/2024 Operating Expenditure Budget.

- iii. The adjustment from R1 324 092 760 to R1 339 433 027 of the consolidated 2023/2024 Capital Budget.

P. FAKU

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

MXOLISI YAWA/ VP

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 2023/2024 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 R15 340 267 from R9 396 269 971 to R9 380 929 704 (refer to section 5.4 below for details). The operating expenditure budget has also reduced by R15 340 267 from R9 396 033 559 to R9 380 693 292 (refer to section 5.5 below for details). The capital budget has increased by R15 340 267 from R1 324 092 760 to R1 339 433 027 (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 2023/2024 annual budget. The table below indicates the summary of the 2023/2024 fourth adjustment budget.

Table 2: 2023/2024 Consolidated Fourth Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	2023/2024 THIRD ADJ. BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 396 269 971	-15 340 267	9 380 929 704	10 102 818 139	10 895 461 779
Total Operating Expenditure Excluding Operating Projects	9 008 103 654	9 008 103 654	9 031 052 653	9 031 052 653	0	9 031 052 653	9 745 848 674	10 517 025 822
Operating Projects	397 238 176	400 300 294	355 240 781	364 980 906	-15 340 267	349 640 639	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 396 033 559	-15 340 267	9 380 693 292	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	236 412	0	236 412	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	1 324 092 760	15 340 267	1 339 433 027	1 167 806 254	1 193 096 609
Total Opex and Capex Budget	10 624 668 134	10 703 724 193	10 680 188 596	10 720 126 319	0	10 720 126 319	11 260 412 248	12 080 979 258

5.4 OPERATING REVENUE FRAMEWORK

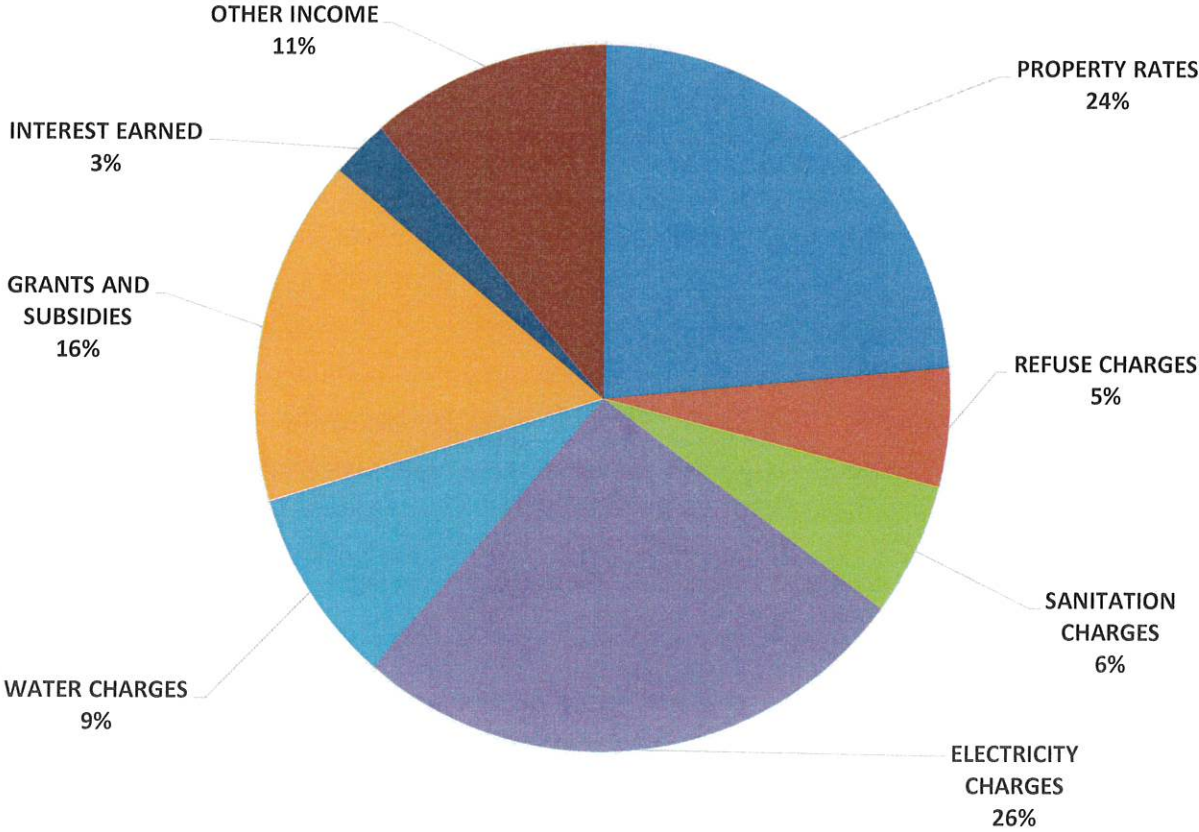
The following table (table 3) depicts an adjustment to the operating revenue budget per source. The reduction in the budget for operating revenue of R15 340 267 is resulting from the re-allocation of grant funding from Operating projects to Capital projects.

Table 3: 2023/2024 Fourth Adjusted Revenue per Source

2023/2024 FOURTH ADJUSTMENT BUDGET REVENUE FRAMEWORK	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
Revenue by Source						
Property rates	2 208 577 405	2 208 577 405	2 208 577 405	2 208 577 405	0	2 208 577 405
Service charges - electricity revenue	2 614 160 794	2 614 160 794	2 459 295 652	2 459 295 652	0	2 459 295 652
Service charges - water revenue	933 423 445	933 423 445	845 688 567	845 688 567	0	845 688 567
Service charges - sanitation revenue	493 350 607	493 350 607	573 554 533	573 554 533	0	573 554 533
Service charges - refuse revenue	406 053 181	406 053 181	509 293 320	509 293 320	0	509 293 320
Rental of facilities and equipment	23 129 360	23 129 360	23 129 360	23 129 360	0	23 129 360
Interest earned - external investments	24 054 418	24 054 418	38 553 497	38 553 497	0	38 553 497
Interest earned - outstanding debtors	211 915 246	211 915 246	211 915 246	211 915 246	0	211 915 246
Fines, penalties and forfeits	20 080 395	20 080 395	9 238 546	9 238 546	0	9 238 546
Licences and permits	17 667 120	17 667 120	13 367 120	13 367 120	0	13 367 120
Agency services	27 260 728	27 260 728	27 932 621	27 932 621	0	27 932 621
Transfers and subsidies - Operating	1 463 862 078	1 466 924 196	1 493 946 470	1 503 686 594	-15 340 267	1 488 346 327
Sale of Goods and Rendering of Services	145 957 834	145 957 834	145 957 834	145 957 834	0	145 957 834
Fuel Levy	741 926 000	741 926 000	741 926 000	741 926 000	0	741 926 000
Other revenue	84 138 329	84 138 329	84 153 376	84 153 376	0	84 153 376
Total Direct Operating Revenue	9 415 556 940	9 418 619 058	9 386 529 547	9 396 269 671	-15 340 267	9 380 929 404

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 26% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 6% and refuse tariff at 5%. Property rates revenue totals 24% of the total Municipal revenue. The municipality receives grants and subsidies totalling 16% of the total revenue, interest earned is 3% of the total revenue. Other revenue contributes 11% of the total revenue.

Figure 1: 2023/2024 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 R15 340 267 is resulting from the re-allocation of grant funding from Operating Projects to Capital projects as well as re-allocation of funding between expenditure types.

Table 4: 2023/2024 Fourth Adjusted Expenditure Budget per Category

2023/2024 FOURTH ADJUSTMENT BUDGET REVENUE FRAMEWORK	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
Employee related costs	2 844 638 310	2 844 638 310	2 652 563 020	2 652 563 020	73 666 777	2 726 229 797
Remuneration of councillors	76 503 054	76 503 054	76 503 054	76 503 054	-5 089 675	71 413 379
Debt impairment	1 328 916 502	1 328 916 502	1 483 890 895	1 483 890 895	0	1 483 890 895
Depreciation & asset impairment	609 619 463	609 619 463	609 619 463	609 619 463	0	609 619 463
Finance charges	13 567 183	13 567 183	13 567 183	13 567 183	0	13 567 183
Electricity Bulk Purchases	2 512 494 096	2 512 494 096	2 512 494 096	2 512 494 096	-194 196 800	2 318 297 296
Contracted services	175 748 202	175 748 202	196 667 177	196 667 177	12 507 423	209 174 600
Transfers and grants	76 051 060	76 051 060	86 069 670	86 069 670	-2 378 741	83 690 929
Repairs and Maintenance	497 440 370	497 440 370	506 352 297	506 352 297	-37 151 235	469 201 062
Operating projects	397 238 177	400 300 295	355 240 781	364 980 906	-15 340 267	349 640 639
Other expenditure	512 386 394	512 386 394	532 715 036	532 715 036	110 121 915	642 836 951
Losses	92 539 935	92 539 935	92 539 935	92 539 935	479 771	93 019 706
Other materials	268 199 084	268 199 084	268 070 825	268 070 825	42 040 565	310 111 390
Total Operating Expenditure	9 405 341 830	9 408 403 948	9 386 293 432	9 396 033 557	-15 340 267	9 380 693 290

THE FOLLOWING IS THE DETAIL ON THE EXPENDITURE TYPES WHICH HAVE INCURRED OVER-EXPENDITURE:

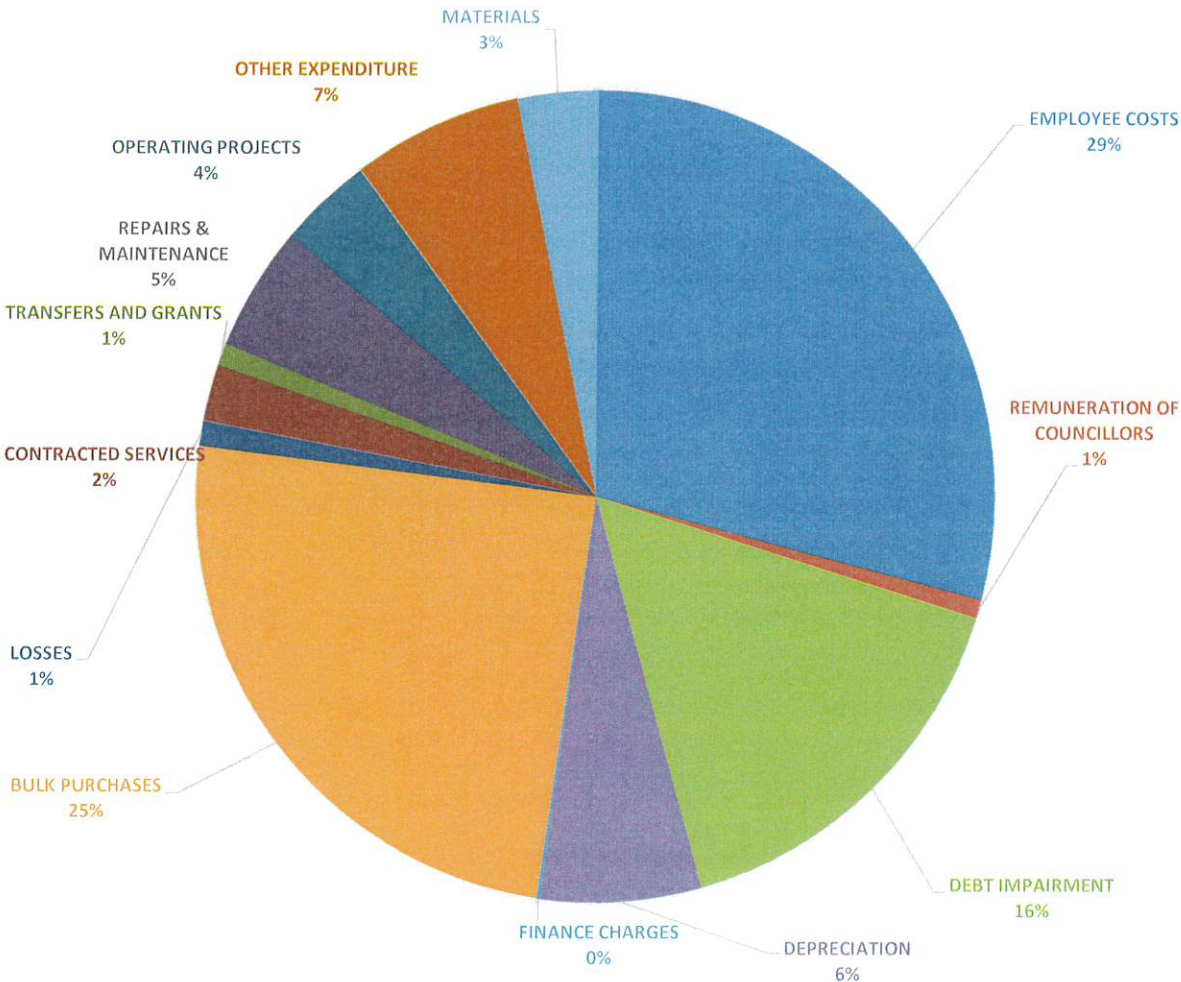
1. Employee related costs - The over-expenditure incurred on employee related costs relates to mainly to the Current service cost that has been incurred Medical aid obligation.
2. Contracted services – This over-expenditure on Contracted services is caused by the high expenditure on Legal & Litigation costs
3. Other expenditure – The over-expenditure incurred on Other expenditure is mainly

attributable to the high expenditure that has been incurred on by the city on Hired plant.

4. Other Materials - The over-expenditure incurred on Other Materials is due mainly due to the over-expenditure that was incurred on Fuel of R41 000 000.

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 25% of the total operating expenditure respectively. Depreciation totals 6% 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 4% and 5% of the total operating budget respectively. Contracted Services and Other Materials each account to 2% and 3% of the total operating expenditure budget respectively. Debt Impairment accounts for 16% for the total operating budget. Remuneration of Councillors and Transfers and Grants account for 1%.

Figure 2: 2023/2024 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: 2023/2024 Fourth Adjustments to Operating Projects - Funding Source

FUNDING SOURCE	2023/2024 APPROVED OPEX BUDGET	2023/2024 FIRST ADJUSTMENT OPEX BUDGET	2023/2024 MID-YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
OWN FUNDING	153 838 476	153 838 476	127 641 605	127 641 605	0	127 641 605
TOTAL OWN FUNDING	153 838 476	153 838 476	127 641 605	127 641 605	0	127 641 605
URBAN SETTLEMENT DEVELOPMENT GRANT	45 441 020	45 441 020	45 441 020	45 441 020	-15 849 207	29 591 813
FINANCE MANAGEMENT GRANT	1 000 000	1 000 000	1 000 000	1 000 000	0	1 000 000
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	27 407 680	27 407 680	23 207 680	23 207 680	504 556	23 712 236
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	10 850 000	10 850 000	10 620 000	10 620 000	4 384	10 624 384
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	18 908 000	18 908 000	10 000 000	12 908 000	0	12 908 000
EXPANDED PUBLIC WORKS PROGRAMME	6 093 000	6 093 000	5 753 000	6 093 000	0	6 093 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	112 700 000	91 200 000	80 836 864	80 836 864	0	80 836 864
HUMAN SETTLEMENTS DEVELOPMENT GRANT (C/O)	0	24 947 434	24 947 434	24 947 434	0	24 947 434
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	21 000 000	20 581 000	25 759 494	20 581 000	0	20 581 000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT C/O	0	0	0	5 178 494	0	5 178 494
SETA	0	0	0	6 492 125	0	6 492 125
SALIDA C/O	0	33 684	33 684	33 684	0	33 684
TOTAL GRANTS	243 399 700	246 461 818	227 599 176	237 339 301	-15 340 267	221 999 034
TOTAL OPERATING PROJECTS BUDGET	397 238 176	400 300 294	355 240 781	364 980 906	-15 340 267	349 640 639

Table 6: 2023/2024 Fourth Adjustments to Operating Projects – Directorate

DIRECTORATE	2023/2024 APPROVED OPEX BUDGET	2023/2024 FIRST ADJUSTMENT OPEX BUDGET	2023/2024 MID-YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
EXECUTIVE SUPPORT SERVICES	52 954 160	52 987 844	26 329 412	26 329 412	-1 246 812	25 082 600
CITY MANAGER'S OFFICE	37 784 800	37 784 800	35 675 040	36 015 040	2 801 110	38 816 150
CORPORATE SERVICES	22 950 000	22 950 000	15 420 000	15 420 000	1 584 760	17 004 760
SPATIAL PLANNING & DEVELOPMENT	9 954 000	9 954 000	11 754 000	11 754 000	-2 627 563	9 126 437
ECONOMIC DEVELOPMENT & AGENCIES	28 798 286	28 379 286	26 040 606	32 532 731	2 073 755	34 606 486
FINANCE SERVICES	23 790 936	23 790 936	27 590 936	27 590 936	3 758 176	31 349 112
PUBLIC SAFETY & EMERGENCY SERVICES	2 320 000	2 320 000	1 320 000	1 320 000	-913 495	406 505
HUMAN SETTLEMENTS	136 036 680	139 484 114	124 920 978	124 920 979	-831 250	124 089 729
INFRASTRUCTURE SERVICES	58 901 600	56 901 600	50 993 600	53 901 600	-22 118 119	31 783 481
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	576 000	1 500 000	1 970 000	1 970 000	-36 333	1 933 667
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	23 171 714	24 247 714	33 226 208	33 226 208	2 215 504	35 441 712
TOTAL OPERATING PROJECTS	397 238 176	400 300 294	355 240 780	364 980 906	-15 340 267	349 640 639

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

Detailed schedule of operating projects is attached as **Annexure 1**.

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: 2023/2024 Fourth Adjustments to Capital Expenditure Budget –Funding

CAPITAL BUDGET PER FUNDING	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
TOTAL OWN FUNDING	459 854 004	535 847 945	535 222 862	487 435 460	0	487 435 460
URBAN SETTLEMENT DEVELOPMENT GRANT	472 592 980	472 592 980	472 592 980	572 592 980	15 849 207	588 442 187
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	267 148 320	267 148 320	271 348 320	253 914 320	-504 556	253 409 764
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 581 000	19 581 000	14 581 000	10 000 000	0	10 000 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	150 000	150 000	150 000	-4 384	145 616
TOTAL GRANTS	759 472 300	759 472 300	758 672 300	836 657 300	15 340 267	851 997 567
TOTAL CAPITAL BUDGET	1 219 326 304	1 295 320 245	1 293 895 162	1 324 092 760	15 340 267	1 339 433 027

Table 8: 2023/2024 Fourth Adjustments to Capital Expenditure Budget – Directorate

CAPITAL BUDGET PER DIRECTORATE	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	2023/2024 THIRD ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 FOURTH ADJUSTMENTS BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	500 000	500 000	500 000	-272 396	227 604
CITY MANAGER'S OFFICE	600 000	600 000	600 000	9 600 000	-9 011 678	588 322
CORPORATE SERVICES	10 639 875	12 218 189	10 218 189	10 218 189	-3 042 342	7 175 847
SPATIAL PLANNING & DEVELOPMENT	136 616 510	137 459 760	114 818 785	102 818 785	-7 635 849	95 182 936
ECONOMIC DEVELOPMENT & AGENCIES	59 100 000	64 123 046	64 123 046	57 123 046	-27 388 882	29 734 164
FINANCE SERVICES	71 938 110	91 627 184	132 227 709	142 227 709	-38 057 944	104 169 765
PUBLIC SAFETY & EMERGENCY SERVICES	32 187 900	54 762 315	42 724 561	44 924 561	-3 049 931	41 874 630
HUMAN SETTLEMENTS	278 200 000	278 200 000	282 400 000	261 766 000	-21 743 816	240 022 184
INFRASTRUCTURE SERVICES	520 460 683	520 460 683	519 460 683	558 892 281	131 119 127	690 011 408
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	60 650 000	66 161 224	65 161 224	65 361 224	-6 347 560	59 013 664
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	42 000 000	54 375 952	47 454 156	56 454 156	771 538	57 225 694
TOTAL CAPITAL BUDGET: BCMM	1 212 893 078	1 280 488 353	1 279 688 353	1 309 885 951	15 340 267	1 325 226 218
BCMDA	6 433 226	14 831 893	14 206 810	14 206 810	0	14 206 810
TOTAL CAPITAL: CONSOLIDATED	1 219 326 304	1 295 320 246	1 293 895 163	1 324 092 761	15 340 267	1 339 433 028

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 2023/2024 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 2023/2024 Capital and Operating Budget are outlined below:

A. The adjusted budget of the Parent municipality (BCMM) for the 2023/2024 Fourth Adjustment Budget as follows:

- i. The adjustment from R9 297 380 371 to R9 282 040 104 of the BCMM 2023/2024 Operating Revenue Budget.
- ii. The adjustment from R9 297 143 957 to R9 281 803 690 of the BCMM 2023/2024 Operating Expenditure Budget.
- iii. The adjustment from R1 323 284 617 to R1 338 624 884 of the BCMM 2023/2024 Capital Budget.

B. The consolidated adjusted budget for the 2023/2024 Fourth Adjustment Budget as follows:

- i. The adjustment from R9 396 269 971 to R9 380 929 704 of the consolidated 2023/24 Operating Revenue Budget.
- ii. The adjustment from R9 396 033 559 to R9 380 693 292 of the consolidated 2023/2024 Operating Expenditure Budget.
- iii. The adjustment from R1 324 092 760 to R1 339 433 027 of the consolidated 2023/2024 Capital Budget

10. OTHER PARTIES CONSULTED

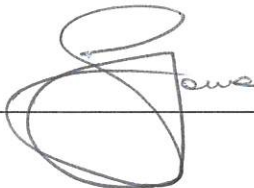
All Directorates.

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 12/08/2024