

REPORT TO COUNCIL: 26 APRIL 2024

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AUTHOR: Executive Mayor (P. Faku)/my

THIRD ADJUSTMENTS BUDGET REPORT - 2023/2024 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 2023/2024 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.50318

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 20 March 2024, the National Treasury issued a Government Gazette No.50318. The 2023/2024 Third Adjustments Budget is being prepared mainly to align the Buffalo City Metropolitan Municipality’s 2023/2024 budget to the revised allocations on the newly issued Government Gazette No.50318. This adjustment budget is also being prepared to reallocate funds within operating budget transfers and capital transfers 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	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 347 595 449	9 350 657 567	9 287 640 246	9 740 125	9 297 380 371	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	0	8 932 163 051	9 682 738 350	10 458 793 769
Operating Projects	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 337 380 339	9 340 442 457	9 287 403 832	9 740 125	9 297 143 957	10 029 495 670	10 829 650 596
Surplus /(Deficit)	10 215 110	10 215 110	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	30 197 598	1 323 284 617	1 166 286 224	1 191 506 658
Total Opex and Capex Budget	10 555 273 417	10 634 329 476	10 580 490 851	39 937 723	10 620 428 574	11 195 781 894	12 021 157 254

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	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ.BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJ.BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	67 961 491	67 961 491	98 889 601	0	98 889 601	63 110 324	58 232 053
Total Operating Expenditure Including Operating Projects	67 961 491	67 961 491	98 889 601	0	98 889 601	63 110 324	58 232 053
Surplus /(Deficit)	0	0	0	0	0	0	0
Total Capital Expenditure	1 433 226	1 433 226	808 143	0	808 143	1 520 030	1 589 952
Total Opex and Capex Budget	69 394 717	69 394 717	99 697 744	0	99 697 744	64 630 354	59 822 005

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 740 125	9 396 269 971	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	0	9 031 052 653	9 745 848 674	10 517 025 822
Operating Projects	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 740 125	9 396 033 558	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	0	236 413	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	30 197 598	1 324 092 760	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	39 937 723	10 720 126 319	11 260 412 248	12 080 979 258

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

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ABBREVIATIONS AND ACRONYMS

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

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

5.1 EXECUTIVE MAYOR'S REPORT

The 2023/2024 Third Adjustments Budget is being tabled at Council in terms of Section 28 of the MFMA for the main purpose of aligning the BCMM's 2023/2024 budget to the revised allocations on the newly issued Government Gazette 50318. In this adjustment budget, budget reallocations have also been effected between programmes/projects in order to improve operational efficiencies & 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	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 740 125	9 396 269 971	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	0	9 031 052 653	9 745 848 674	10 517 025 822
Operating Projects	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 740 125	9 396 033 558	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	0	236 413	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	30 197 598	1 324 092 760	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	39 937 723	10 720 126 319	11 260 412 248	12 080 979 258

The City continues with its efforts of producing a surplus budget that is funded in line with National Treasury requirements. The surplus after the 2023/2024 Third adjustment budget remains stagnant at R236 413 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 31 May 2023 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2023/24 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. 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 Third Adjustments Budget as follows:
- i. The adjustment from R9 287 640 246 to R9 297 380 371 of the BCMM 2023/2024 Operating Revenue Budget.
 - ii. The adjustment from R9 287 403 832 to R9 297 143 957 of the BCMM 2023/2024 Operating Expenditure Budget.
 - iii. The adjustment from R1 293 087 019 to R1 323 284 617 of the BCMM 2023/2024 Capital Budget.
- B. The adjusted budget of the Municipal Entity (BCMDA) for the 2023/2024 Third Adjustment Budget as follows:
- i. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Operating revenue budget remains at R98 889 601.
 - ii. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Operating expenditure budget remains at R98 889 601.
 - iii. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Capital budget remains at R808 143.
- C. The consolidated adjusted budget for the 2023/2024 Third Adjustments Budget as follows:
- i. The adjustment from R9 386 529 847 to R9 396 269 971 of the consolidated 2023/2024 Operating Revenue Budget.
 - ii. The adjustment from R9 386 293 434 to R9 396 033 558 of the consolidated 2023/2024 Operating Expenditure Budget.
 - iii. The adjustment from R1 293 895 162 to R1 324 092 760 of the consolidated 2023/2024 Capital Budget.

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



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: Detailed National Treasury B – Schedules (Parent)

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

Annexure 5: Presentation on 2023/2024 Third adjustment budget

5.3 EXECUTIVE SUMMARY

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this 2023/2024 Third Adjustments Budget. 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. 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 R9 740 125 from R9 386 529 847 to R9 396 269 971. The consolidated operating expenditure has also been increased by R9 740 125 from R9 386 293 434 to R9 396 033 558. These are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains unchanged at R236 413.

The consolidated capital expenditure budget is adjusted upwards by R30 197 598 from R1 293 895 162 to R1 324 092 760.

5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is align the BCMM budget to the revised allocations on Government Gazette 50318 that was issued on the 20th March 2024. 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 2023/2024 Third Adjustments Budget.

Table 2: 2023/2024 Third Adjustments Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJ. BUDGET	2023/2024 MID-YEAR ADJ. BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJ. BUDGET	2024/2025 FINAL BUDGET	2025/2026 FINAL BUDGET
Total Revenue	9 415 556 940	9 418 619 058	9 386 529 847	9 740 125	9 396 269 971	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	0	9 031 052 653	9 745 848 674	10 517 025 822
Operating Projects	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906	346 757 320	370 856 827
Total Operating Expenditure Including Operating Projects	9 405 341 830	9 408 403 948	9 386 293 434	9 740 125	9 396 033 558	10 092 605 994	10 887 882 649
Surplus / (Deficit)	10 215 110	10 215 110	236 413	0	236 413	10 212 145	7 579 130
Total Capital Expenditure	1 219 326 304	1 295 320 245	1 293 895 162	30 197 598	1 324 092 760	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	39 937 723	10 720 126 319	11 260 412 248	12 080 979 258

5.4 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 R9 740 125.

Table 3: 2023/2024 Third Adjusted Revenue per Source

2023/2024 THIRD ADJUSTMENT BUDGET REVENUE FRAMEWORK	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
Revenue by Source					
Property rates	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	0	2 459 295 652
Service charges - water revenue	933 423 445	933 423 445	845 688 567	0	845 688 567
Service charges - sanitation revenue	493 350 607	493 350 607	573 554 533	0	573 554 533
Service charges - refuse revenue	406 053 181	406 053 181	509 293 320	0	509 293 320
Rental of facilities and equipment	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	0	38 553 497
Interest earned - outstanding debtors	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	0	9 238 546
Licences and permits	17 667 120	17 667 120	13 367 120	0	13 367 120
Agency services	27 260 728	27 260 728	27 932 621	0	27 932 621
Transfers and subsidies - Operating	1 463 862 078	1 466 924 196	1 493 946 470	9 740 125	1 503 686 594
Sale of Goods and Rendering of Services	145 957 834	145 957 834	145 957 834	0	145 957 834
Fuel Levy	741 926 000	741 926 000	741 926 000	0	741 926 000
Other revenue	84 138 329	84 138 329	84 153 376	0	84 153 376
Total Direct Operating Revenue	9 415 556 940	9 418 619 058	9 386 529 547	9 740 125	9 396 269 671

The revenue increase of R9 740 125 relates to the following:

5.4.1.1 Increase to EPWP funding: R340 000

- The EPWP grant has been revised upwards by R340 000 on Government Gazette 50318.

5.4.1.2 Increase to PPPSG funding: R2 908 000

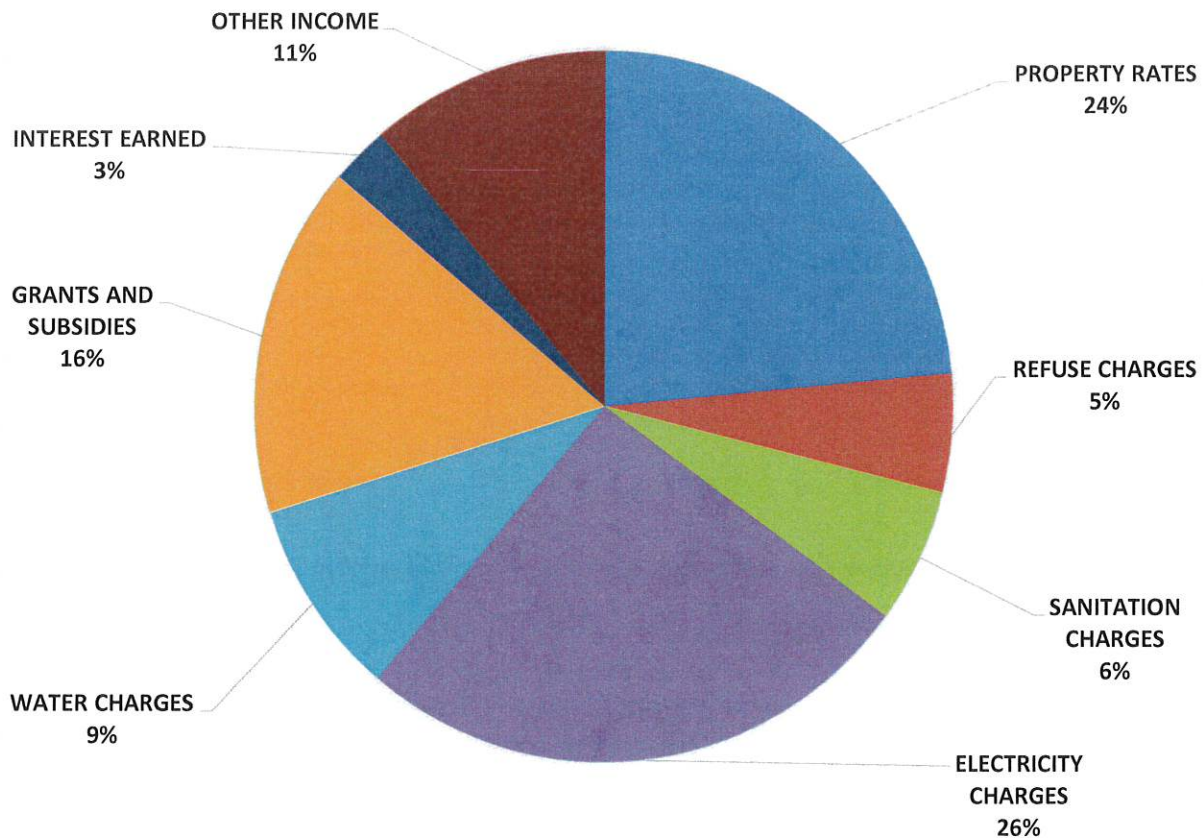
- The PPPSG grant has been revised upwards by R2 908 000 on Government Gazette 50318.

5.4.1.3 SETA allocation: R6 492 125

- The Directorate of Economic Development and Agencies has received a new SETA discretionary allocation. This allocation amounts to R6 492 125 for the 2023/2024 financial year.

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 26% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 6% and refuse tariff at 5%. The 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

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 R9 740 125 to the Operating expenditure budget of the city.

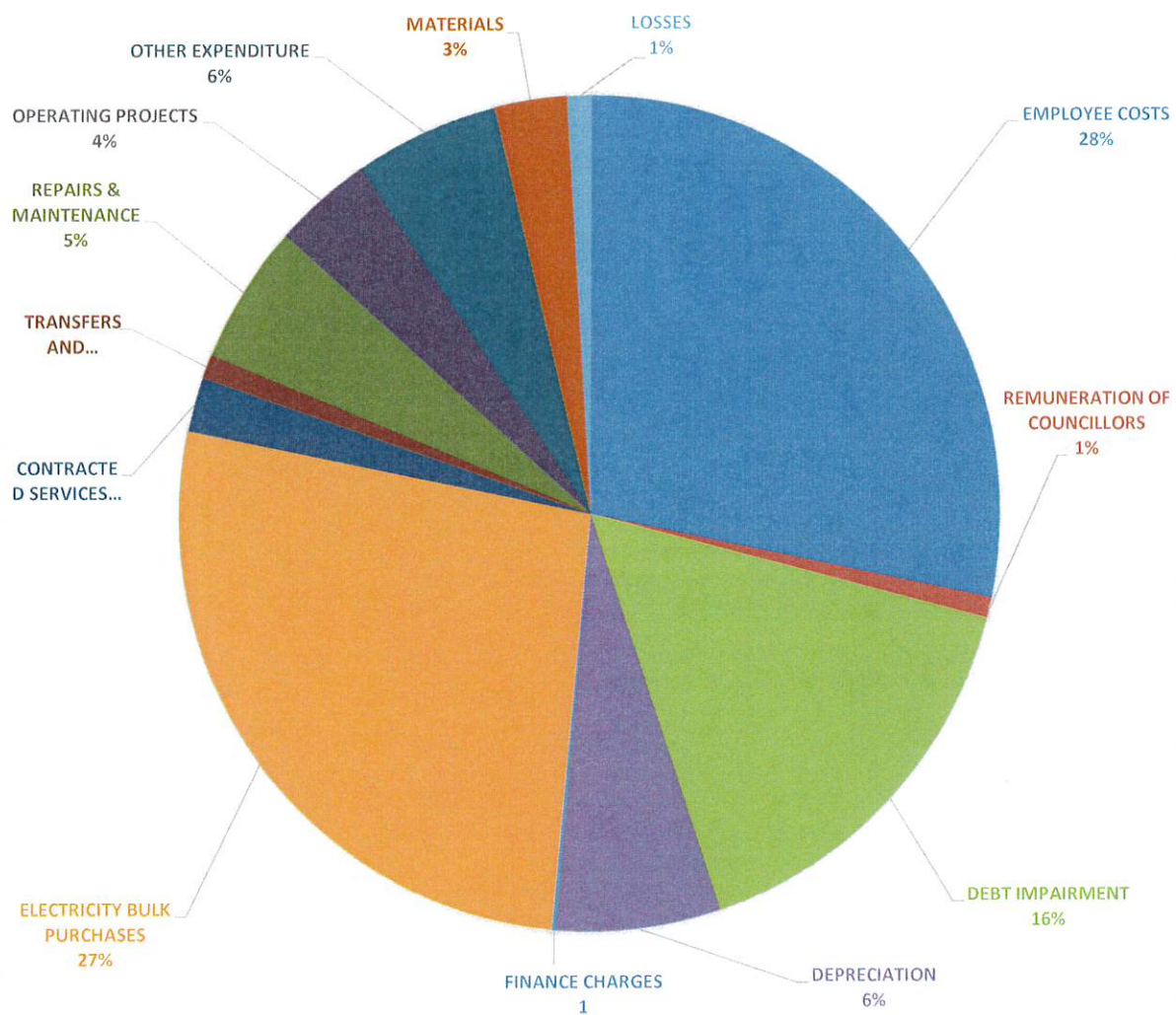
Table 4: 2023/2024 Third Adjusted Expenditure Budget per Category

2023/2024 THIRD ADJUSTMENT BUDGET REVENUE FRAMEWORK	2023/2024 APPROVED BUDGET	2023/2024 FIRST ADJUSTMENT BUDGET	2023/2024 MID YEAR ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
Employee related costs	2 844 638 310	2 844 638 310	2 652 563 020	0	2 652 563 020
Remuneration of councillors	76 503 054	76 503 054	76 503 054	0	76 503 054
Debt impairment	1 328 916 502	1 328 916 502	1 483 890 895	0	1 483 890 895
Depreciation & asset impairment	609 619 463	609 619 463	609 619 463	0	609 619 463
Finance charges	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	0	2 512 494 096
Contracted services	175 748 202	175 748 202	196 667 177	0	196 667 177
Transfers and grants	76 051 060	76 051 060	86 069 670	0	86 069 670
Repairs and Maintenance	497 440 370	497 440 370	506 352 297	0	506 352 297
Operating projects	397 238 177	400 300 295	355 240 781	9 740 125	364 980 906
Other expenditure	512 386 394	512 386 394	532 715 036	0	532 715 036
Losses	92 539 935	92 539 935	92 539 935	0	92 539 935
Other materials	268 199 084	268 199 084	268 070 825	0	268 070 825
Total Operating Expenditure	9 405 341 830	9 408 403 948	9 386 293 432	9 740 125	9 396 033 557

The adjustments on the table above reflects the operational transfers that were received (Table 3) and to be spent under operating projects.

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 28% and 27% 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 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 4%. Debt impairment also account for 16%. Contracted Services account for 2%, and Remuneration of Councillors account for 1%.

Figure 2: 2023/2024 Operating Expenditure per Type



5.5.1 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 increase of R9 740 125 to the Operating projects budget.

Table 5: 2023/2024 Third 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	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
OWN FUNDING	153 838 476	153 838 476	127 641 605	0	127 641 605
TOTAL OWN FUNDING	153 838 476	153 838 476	127 641 605		127 641 605
URBAN SETTLEMENT DEVELOPMENT GRANT	45 441 020	45 441 020	45 441 020	0	45 441 020
FINANCE MANAGEMENT GRANT	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	0	23 207 680
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	10 850 000	10 850 000	10 620 000	0	10 620 000
PROGRAMME AND PROJECT PREPARATION SUPPORT GRANT (PPPSG)	18 908 000	18 908 000	10 000 000	2 908 000	12 908 000
EXPANDED PUBLIC WORKS PROGRAMME	6 093 000	6 093 000	5 753 000	340 000	6 093 000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	112 700 000	91 200 000	80 836 864	0	80 836 864
HUMAN SETTLEMENTS DEVELOPMENT GRANT (C/O)	0	24 947 434	24 947 434	0	24 947 434
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	21 000 000	20 581 000	25 759 494	-5 178 494	20 581 000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT C/O	0	0	0	5 178 494	5 178 494
SETA	0	0	0	6 492 125	6 492 125
SALADA C/O	0	33 684	33 684	0	33 684
TOTAL GRANTS	243 399 700	246 461 818	227 599 176	9 740 125	237 339 301
TOTAL OPERATING PROJECTS BUDGET	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906

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

DIRECTORATE	2023/2024 APPROVED OPEX BUDGET	2023/2024 FIRST ADJUSTMENT OPEX BUDGET	2023/2024 MID- YEAR ADJUSTMENTS BUDGET	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
EXECUTIVE SUPPORT SERVICES	52 954 160	52 987 844	26 329 412	0	26 329 412
CITY MANAGER'S OFFICE	37 784 800	37 784 800	35 675 040	340 000	36 015 040
CORPORATE SERVICES	22 950 000	22 950 000	15 420 000	0	15 420 000
SPATIAL PLANNING & DEVELOPMENT	9 954 000	9 954 000	11 754 000	0	11 754 000
ECONOMIC DEVELOPMENT & AGENCIES	28 798 286	28 379 286	26 040 606	6 492 125	32 532 731
FINANCE SERVICES	23 790 936	23 790 936	27 590 936	0	27 590 936
PUBLIC SAFETY & EMERGENCY SERVICES	2 320 000	2 320 000	1 320 000	0	1 320 000
HUMAN SETTLEMENTS	136 036 680	139 484 114	124 920 978	0	124 920 978
INFRASTRUCTURE SERVICES	58 901 600	56 901 600	50 993 600	2 908 000	53 901 600
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	576 000	1 500 000	1 970 000	0	1 970 000
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	23 171 714	24 247 714	33 226 208	0	33 226 208
TOTAL OPERATING PROJECTS	397 238 176	400 300 294	355 240 781	9 740 125	364 980 906

The details of adjustments per programme/project are reflected on the schedule of operating projects that is attached as **Annexure 1** where the projects have been rolled up at programme level (**Annexure 1.1** has also been attached and provides details of accounts / votes that make up a programme / project).

5.6 **CAPITAL EXPENDITURE FRAMEWORK**

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively. It shows an upward adjustment of R30 197 598 in the Capital Budget. This adjustment is resulting from aligning the capital budget with the newly issued Government Gazette 50318. 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).

Table 7: 2023/2024 Third 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	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
TOTAL OWN FUNDING	459 854 004	535 847 945	535 222 862	-47 787 402	487 435 460
URBAN SETTLEMENT DEVELOPMENT GRANT	472 592 980	472 592 980	472 592 980	100 000 000	572 592 980
INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT	267 148 320	267 148 320	271 348 320	-17 434 000	253 914 320
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	19 581 000	19 581 000	14 581 000	-4 581 000	10 000 000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150 000	150 000	150 000	0	150 000
TOTAL GRANTS	759 472 300	759 472 300	758 672 300	77 985 000	836 657 300
TOTAL CAPITAL BUDGET	1 219 326 304	1 295 320 245	1 293 895 162	30 197 598	1 324 092 760

Table 8: 2023/2024 Third 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	ADJUSTMENTS	2023/2024 THIRD ADJUSTMENTS BUDGET
EXECUTIVE SUPPORT SERVICES	500 000	500 000	500 000	0	500 000
CITY MANAGER'S OFFICE	600 000	600 000	600 000	9 000 000	9 600 000
CORPORATE SERVICES	10 639 875	12 218 189	10 218 189	0	10 218 189
SPATIAL PLANNING & DEVELOPMENT	136 616 510	137 459 760	114 818 785	-12 000 000	102 818 785
ECONOMIC DEVELOPMENT & AGENCIES	59 100 000	64 123 046	64 123 046	-7 000 000	57 123 046
FINANCE SERVICES	71 938 110	91 627 184	132 227 709	10 000 000	142 227 709
PUBLIC SAFETY & EMERGENCY SERVICES	32 187 900	54 762 315	42 724 561	2 200 000	44 924 561
HUMAN SETTLEMENTS	278 200 000	278 200 000	282 400 000	-20 634 000	261 766 000
INFRASTRUCTURE SERVICES	520 460 683	520 460 683	519 460 683	39 431 598	558 892 281
SPORTS, RECREATION & COMMUNITY DEVELOPMENT	60 650 000	66 161 224	65 161 224	200 000	65 361 224
SOLID WASTE & ENVIRONMENTAL MANAGEMENT	42 000 000	54 375 952	47 454 156	9 000 000	56 454 156
TOTAL DRAFT CAPITAL BUDGET: BCMM	1 212 893 078	1 280 488 352	1 279 688 352	30 197 598	1 309 885 950
BCMDA	6 433 226	14 831 893	14 206 810	0	14 206 810
TOTAL DRAFT CAPITAL: CONSOLIDATED	1 219 326 304	1 295 320 245	1 293 895 162	30 197 598	1 324 092 760

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

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

- i. The adjustment from R9 287 640 246 to R9 297 380 371 of the BCMM 2023/2024 Operating Revenue Budget.
- ii. The adjustment from R9 287 403 832 to R9 297 143 957 of the BCMM 2023/2024 Operating Expenditure Budget.
- iii. The adjustment from R1 293 087 019 to R1 323 284 617 of the BCMM 2023/2024 Capital Budget.

B. The adjusted budget of the Municipal Entity (BCMDA) for the 2023/2024 Third Adjustment Budget as follows:

- i. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Operating revenue budget remains at R98 889 601.
- ii. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Operating expenditure budget remains at R98 889 601.
- iii. There are no adjustments for BCMDA in the 2023/2024 Third adjustment budget and the BCMDA Capital budget remains at R808 143.

C. The consolidated adjusted budget for the 2023/2024 Third Adjustments Budget as follows:

- i. The adjustment from R9 386 529 847 to R9 396 269 971 of the consolidated 2023/2024 Operating Revenue Budget.
- ii. The adjustment from R9 386 293 434 to R9 396 033 558 of the consolidated 2023/2024 Operating Expenditure Budget.
- iii. The adjustment from R1 293 895 162 to R1 324 092 760 of the consolidated 2023/2024 Capital Budget.

9. OTHER PARTIES CONSULTED

All Directorates.

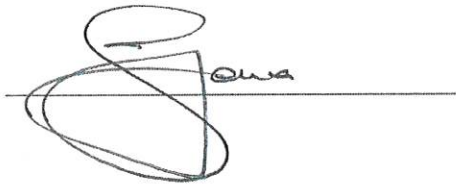
10. CITY MANAGER'S QUALITY CERTIFICATE

I, Mxolisi Yawa, City Manager of Buffalo City Metropolitan Municipality, hereby certify that the adjusted budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual 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

A handwritten signature in black ink, appearing to be 'Mxolisi Yawa', written over a horizontal line.

Date

11 / 04 / 2024