



Ref: BCMDA-SUB-004-22

Enquires: V Ntsodo

Tel: 043 492 288

REPORT TO THE EXECUTIVE MAYOR TO APPROVE THE 2021/22 PROPOSED ADJUSTMENT BUDGET AND REVISED ANNUAL PERFORMANCE PLAN

1. PURPOSE

The purpose of the report is to request approval of the 2021/22 Proposed Adjustment Budget and the revised Annual Performance Plan of the Agency for noting.

2. BACKGROUND

- 2.1 The agency has an Approved Budget of R 119 million, which includes a grant from BCMM of R 48.4 million (operational) and R 50 million (capital recreational projects).
- 2.2 Included in the R 119 million is also a development levy of R7.9 million, a Neighbourhood Development Partnership Grant of R7.7 and project management fees of R4 million in relation to the capital recreational projects.
- 2.3 The first tranche of the operational grant of R24 million has been received from BCMM and the second tranche has been billed, anticipated to be received before 31 January 2022.
- 2.4 R34.1million for capital projects has also been received on a claim basis from BCMM.

3. DISCUSSION

- 3.1 In terms of section 87(6) of the MFMA, the Board may with the approval of the Mayor, revise the budget of the municipal entity to adjust the revenue and expenditure estimates downwards when there is material under-collection of revenue.
- 3.2 The Agency has encountered challenges mentioned hereunder and as a result, requests the Executive Mayor to approve the adjustments to operate effectively for the remainder of the financial year.

REQUEST TO APPROVE BCMDA'S 2020/21 ADJUSTED BUDGET

3.3 The table below reflects the financial performance of the agency including the proposed adjustments in relation to both income and expenditure.

Sources	Approved Budget 2021/2022	Actuals/Accrued Revenue	Adjustments	Adjusted Budget 2021/2022
Revenue by Source				
BCMM Operational Grant	48 468 515	21 073 267	0	48 468 515
BCMM Operational Grant- Recreational Projects	50 000 000	34 106 470	20 959 683	70 959 683
Neighbourhood Development Programme (NDP)	7 708 125	1 094 254	7 797 280	15 505 405
Public Employment Programme (PEP)	0	0	7 658 300	7 658 300
DFFE Grant	0	203	203	203
LG Seta Grant	22 218	17 576	19 934	42 152
Project Management Fees	4 439 875	2 728 518	1 676 775	6 116 650
Development Levy	7 948 299	0	-6 634 733	1 313 567
Interest Received	467 482	316 007	164 531	632 013
Other Income	10 800	7 328	22 923	33 723
Total Revenue	119 065 314	59 343 623	31 664 896	150 730 211
Expenditure by Source				
General Expenditure	28 551 243	11 236 291	-834 233	27 717 010
Employee Related Costs	28 757 152	12 052 640	-5 551 571	23 205 582

REQUEST TO APPROVE BCMDA'S 2020/21 ADJUSTED BUDGET

Sources	Approved Budget 2021/2022	Actuals/Accrued Revenue	Adjustments	Adjusted Budget 2021/2022
BCMM Recreational projects expenditure	50 000 000	32 310 526	20 959 683	70 959 683
NDP-Other Expenditure	7 708 125	1 070 854	6 455 394	14 163 519
NDP- Employee Related Costs	-	-	1 341 886	1 341 886
Board Fees	1 849 699	1 223 134	1 489 525	3 339 224
Depreciation	994 811	617 510	145 912	1 140 723
Finance Charges	4 285	1	-	4 285
PEP- Other Expenditure	-	-	2 357 420	2 357 420
PEP- Employee Related Costs	-	-	5 300 880	5 300 880
Total Operational Expenditure	117 865 315	58 510 956	31 664 896	149 530 212
Capital Expenditure	1 200 000	288 686	0	1 200 000
Total Expenditure	119 065 315	58 799 642	31 664 896	150 730 212

3.4 Revenue by Source

3.4.1 The R50 million Operational grant for the recreational capital projects has been adjusted upwards by R20.9 million to cater for the variation orders that were approved during the financial year. These are due to additional works which were caused by a number of factors arising out of project implementation as detailed on the variation order submissions. The budget has therefore been adjusted to R70.9 million.

3.4.2 An upward adjustment on related project management fees as the basis is 8% of invoices certified resulting to an adjusted budget of R5.6 million.

3.4.3 Development Facilitation Levy of R7.9 million has been adjusted to R1.3, due to delays experienced on signing of lease agreements with the developers of the

REQUEST TO APPROVE BCMDA'S 2020/21 ADJUSTED BUDGET

four land parcels. Only one lease agreement has been lodged and registered at the Deeds Office. Based on the calculations received only R1.3 million will accrued to the Agency in the current financial year.

3.4.4 There is an upward adjustment on the Neighbourhood Development Programme. The adjustment is as a result of funding received by BCMM from National Treasury, which will be transferred to BCMDA and the project account balance from the prior year.

3.4.5 New allocation of R7.6 million for the Public Employment Programme was received through the Neighbourhood Partnership Development Grant, with the appointment of 234 beneficiaries expected.

3.5 Expenditure by Type

3.5.1 The net effect of the adjustment is upwards due to reasons documented on preceding paragraphs in relation to recreational operational grant of R20.9 million, Neighbourhood Development Programme R7.7 million and the Public Employment Programme of RR 7.6 million.

3.5.2 The budget for the remuneration of Directors was adjusted upwards due to the number meetings that have taken place between July and December 2021 and the anticipated additional meetings as a result of the recruitment processes of the Executive Managers positions and other HR related matters that require Board's decision.

3.5.3 The detail of items included under general expenditure is outlined in Annexure A, that reflects the adjustments made.

4. LEGAL IMPLICATIONS

4.1 In terms of MFMA section 87 (6), the Board is allowed through the approval of the Mayor to revise the approved annual budget but only for the following reasons:

- a) To adjust the revenue downwards if there is material under-collection of revenue during the current year;
- b) To authorise expenditure of any additional allocations to the municipal entity from its parent municipality;
- c) To authorise within a prescribed any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality;
- d) To authorise any other expenditure within a prescribed framework.

REQUEST TO APPROVE BCMDA'S 2020/21 ADJUSTED BUDGET

4.2 Furthermore, section 87(10) of the MFMA states that the Mayor must table the adjusted budget of a municipal entity as approved by its Board of Directors at the next Council meeting of the municipality.

4.3 The major reasons for the adjustment budget are as outlined in the background paragraph.

5. FINANCIAL IMPLICATIONS

5.1 An upward adjustment of R 31.4 million giving effect to the total adjustment budget of R 150.7 million. Refer to attached Annexures A and B.

6. RECOMMENDATION

6.1 It is recommended that the Executive Mayor consider the approval of the Proposed Adjustments Budget for the 2021/2022 financial year and the Adjusted Annual Performance Plan.



MR B NELANA

CHIEF EXECUTIVE OFFICER

DATE: 11 FEBRUARY 2022

Attachment: Annexure A: Revised APP 2021/22
Annexure B: E Schedule – Adjustments Budget