



**Ref: BCMDA-SUB-059-23**

**Enquires: V Ntsodo**

**Tel: 043 492 2088**

## **REPORT TO THE CITY MANAGER TO APPROVE THE 2022/23 ADJUSTMENT BUDGET AND REVISED ANNUAL PERFORMANCE PLAN**

### **1. PURPOSE**

The purpose of the report is to present to the City the 2022/23 Adjustment Budget and the revised Annual Performance Plan of the Agency for approval.

### **2. BACKGROUND**

- 2.1 The agency has an Approved Budget of R154.2 million, which includes a grant from BCMM of R 50.8 million (operational) and R47.1 million (capital recreational projects).
- 2.2 Included in the R 154.2 million is also a development levy of R14.6 million, a Neighbourhood Development Partnership Grant of R33.1 million, Public Employment Programme of R4 million and project management fees of R3.7 million in relation to the capital recreational projects.
- 2.3 Both tranches of the operational grant of R50.8 million have been received from BCMM; the first was received in July 2022 and the second tranche was received in December 2022.
- 2.4 The second tranche was received earlier than usual due to a request made by BCMDA upon depletion of funds in November. As previously reported, the funds were depleted because the Agency had to service the debt due to the contractors in order to remain compliant with the MFMA.
- 2.5 An amount of R21.1 million has been recognised as revenue in relation to the R47.1 million allocation for the capital recreational projects.

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### 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 or authorise expenditure of any additional allocations to the municipal entity from its parent municipality.
- 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.
- 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 2022/2023	Actuals/Accrued Revenue	Adjustments	Adjusted Budget 2022/2023
<b>Revenue by Source</b>				
BCMM Operational Grant	50 891 941	50 891 941	0	50 891 941
BCMM Operational Grant-Recreational Projects	47 100 000	21 104 630	-17 474 785	29 625 289
Neighbourhood Development Programme	33 136 668	5 283 595	0	33 136 668
Public Employment Programme	4 000 000	5 771 581	14 551 066	18 551 066
LG Seta Grant	37 152	25 750	20 000	57 152
Project Management Fees	3 768 006	1 688 370	-1 033 453	2 734 553
Development Levy	14 635 062	0	-10 822 618	3 812 444
Interest Received	636 785	492 547	-56 135	580 650
Other Income	25 642	0	-25 642	0

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Sources	Approved Budget 2022/2023	Actuals/Accrued Revenue	Adjustments	Adjusted Budget 2022/2023
<b>Total Revenue</b>	<b>154 231 330</b>	<b>85 258 414</b>	<b>-14 841 567</b>	<b>139 389 763</b>
<b>Expenditure by Source</b>				
General Expenditure	35 512 438	10 370 515	-11 622 547	23 889 891
Employee Related Costs	29 856 098	14 916 715	163 545	30 019 642
BCMM Recreational projects expenditure	47 100 074	21 104 630	-17 474 785	29 625 289
Neighbourhood Development Programme	33 136 668	5 283 595	0	33 136 668
Public Employment Programme	4 000 000	5 771 581	14 551 066	18 551 066
Board Fees	2 497 473	1 432 058	-24 354	2 473 119
Depreciation	984 123	486 429	-173 603	810 521
Finance Charges	4 456	0	-2 228	2 228
<b>Total Operational Expenditure</b>	<b>153 091 330</b>	<b>59 365 523</b>	<b>-14 582 905</b>	<b>138 508 424</b>
Capital Expenditure	1 140 000	171 394	-258 661	881 339
<b>Total Expenditure</b>	<b>154 231 330</b>	<b>59 536 917</b>	<b>-14 841 567</b>	<b>139 389 763</b>

### 3.4 Revenue by Source

3.4.1 The R47.1 million Operational grant for the recreational capital projects has been adjusted downwards to R29.6 million. The adjustment follows discussions held with the City in relation to the recreational projects; wherein the City committed

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in writing to the R29.6 million and an additional amount of R17.4 million to be received during the course of the financial year.

- 3.4.2 The background to the adjustments budget is that the City had a third adjustments budget in 2021/22 financial year, wherein BCMDA's allocation was adjusted upwards to R90 million, in that process the City adjusted BCMDA's allocation for 2022/23 to R5.73 million.
- 3.4.3 An upward adjustment on related project management fees as the basis is 8% of invoices certified resulting to an adjusted budget of R2.7 million.
- 3.4.4 Development Facilitation Levy of R14.6 million has been adjusted to R3.8 million, due to lack of progress on conclusion of the development agreement, that would have led to a facilitation fee accruing to BCMDA. The adjustment to R3.8 million, has a negative impact on items that were planned, as a result the Annual Performance Plan (APP) has been adjusted for the 2022/23 financial year.
- 3.4.5 An upward adjustment on the Public Employment Programme is due to the roll-over of unspent funds amounting to R7 million and additional funding committed by the City on the programme.

### **3.5 Expenditure by Type**

- 3.5.1 The net effect of the adjustment is downwards due to reasons documented on preceding paragraphs in relation to recreational operational grants and the development levy.
- 3.5.2 The budget for the remuneration of Directors was adjusted downwards due to anticipated Board sittings until year-end.
- 3.5.3 There is an upward adjustment on employee related costs due to a need to capacitate the Office of the Company Secretary.
- 3.5.4 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;

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- 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.

4.2 Furthermore, section 87(9) 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 overall downward adjustment of R 14.8 million giving effect to the total adjustment budget of R 139.3 million.

### **6. RECOMMENDATION**

6.1 It is recommended that the City tables the Adjustments Budget for the 2022/2023 financial year and the Adjusted Annual Performance Plan at the next Council meeting as approved by Board in March 2023.



**MR M SIBAM**

**INTERIM CHIEF EXECUTIVE OFFICER**

**DATE: 15 MARCH 2023**

**Attachment: Annexure A: Revised APP 2022/23**