



Ref: BCMDA-SUB-051-22

Enquires: V Ntsodo

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REPORT TO THE EXECUTIVE MAYOR TO NOTE BCMDA'S APPROVED 2022/23 FINAL MTREF BUDGET

1. PURPOSE

The purpose of the report is to present to the Executive Mayor the BCMDA's Board approved 2022/23 Final MTREF Budget and request noting thereof.

2. BACKGROUND

- 2.1. In terms of section 87 (9) of the MFMA, the Executive Mayor is required to table the budget of a municipal entity as approved by its Board of Directors, at the next Council meeting of the municipality.
- 2.2. This submission, therefore follows the approval by Board of Directors of BCMDA's budget for the 2022/23 MTREF period.
- 2.3. A strategic session was held by management in December 2021, followed by a Board strategic session and amendments were made in the 5-year strategic plan and the annual APP for the 2022/23 financial year.
- 2.4. Numerous engagements took place with BCMM Finance team in trying to finalise the budget of the entity.
- 2.5. It is worth noting that the approved Financial Sustainability Strategy (FSS), has not been fully operationalised by the BCMM, main reason being limited financial resources.
- 2.6. The approved FSS is summarised as follows:
 - 2.6.1. An investment to fund the operations of the agency of R60 million annually over a period of 5 years, wherein funds will be re-invested and yield returns that would offset the amount received as a grant from the City after year 5;
 - 2.6.2. 8% of project management fee on all City projects implemented by the Agency; and
 - 2.6.3. PM fees will be realised on invoices certified on a quarterly basis and received through invoicing of BCMM;

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2.6.4. BCMDA capital projects to be fully funded by BCMM through grants which shall be received quarterly in advance.

2.7. The entity then budgeted for the BCMM operational grant for an amount of R60 million based on the approved FSS after which the City advised that the allocation has to be adjusted downwards due to limited financial resources. The below budget is based on the following funding allocation confirmed by the City:

Description	2022/23	2023/24	2024/25
BCMM Operating Grant	50 891 941	53 182 078	55 572 272
BCMM Operating Grant – Capital Projects	47 100 074	18 000 000	0
Total	97 992 015	71 182 078	55 572 272

3. DISCUSSION

- 3.1. In line with the aforementioned requirements of the MFMA, below is the narration of the 2022/23 budget.
- 3.2. In the SDA, the parent municipality mandated the agency amongst other economic development initiatives to undertake various projects for implementation within the current MTREF period.
- 3.3. Below are the detailed requirements of the agency:

CAPITAL BUDGET REQUIREMENTS

3.3.1. Capital Projects – R47 million

- a) In the current financial year (2021/22), R 50 million was set aside to continue with the implementation of the Court Crescent and Water World projects. Additional funds that were requested wherein the City at the beginning of the financial year had committed to attend to the additional fund request during the adjustment budget of 2021/22 financial year. Unfortunately did not succeed, only a roll-over of R1.3 million was added to the allocation of R50 million.
- b) Currently, the Agency has a challenge of settling contractor invoices as the projects are anticipated to be completed by 30 June 2022. Engagements between the two institutions are in progress in trying to resolve the existing challenge which is a risk for both institutions.
- c) BCMDA has been allocated R47 million for the 2022/23 financial year.

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OPERATIONAL BUDGET REQUIREMENTS

3.3.2. The City has approved an allocation for the 2022/23 MTREF as mentioned in 2.5 above.

3.3.3. The breakdown of the R50.8 million operating grant allocation and other sources of revenue is as follows:

Sources	Draft Budget 2022/2023	Draft Budget 2023/24	Draft Budget 2024/25
BCMM Operational Grant	50 891 941	53 182 078	55 572 272
BCMM Operational Grant- Recreational Projects	47 100 074	18 000 000	0
Neighbourhood Development Programme	33 136 668	0	0
Public Employment Programme	4 000 000	4 000 000	0
LG Seta Grant	37 152	38 638	40 184
Project Management Fees	3 768 006	1 440 000	0
Development Levy	14 635 062	19 704 445	29 211 269
Interest Received	636 784	664 278	657 495
Other Income	25 642	25 641	25 642
Total Revenue	154 231 329	97 055 080	85 506 862
General Expenditure	35 512 438	36 941 607	46 442 039
Employee Related Costs	29 856 098	32 511 468	34 005 280
BCMM Recreational projects expenditure	47 100 074	18 000 000	0
Neighbourhood Development Programme	33 136 668	0	0
Board Fees	2 497 473	2 597 372	2 701 266
Depreciation	984 123	1 768 799	1 023 761
Finance Charges	4 455	4 634	4 820
Public Employment Programme	4 000 000	4 000 000	0
Total Operational Expenditure	153 091 329	95 823 880	84 177 166
Capital Expenditure	1 140 000	1 231 200	1 329 696
Total Expenditure	154 231 329	97 055 080	85 506 862

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3.3.4. Expenditure that will be funded by the revenue sources above is as outlined below:

3.3.4.1. General expenditure: R35.5 million

- Included in general expenditure are operational costs of running the Agency and other projects that included in the APP. The detail is provided as Annexure A. These projects are anticipated to cost the Agency R 22.3 million.

3.3.4.2. Socio- Economic Projects: Corporate Social Investment (CSI): R0.3 million

- In responding to the mandate of Socio- economic development and keeping cognisance of financial scenarios, the agency will reach out and assist Non-Profit Organisations with contributory or seed funding for opportunities that enhance the role of women and youth that implement projects that complement the work of government.
- Due to financial constraints, this has been allocated R321 095 with a split between CSI for sponsorships and donations, Training for NPO's and Community Development Projects through assistance of NPO's.

3.3.4.3. Skills Development- Training and Study Assistance: R.515 million

- The Skills Development Act requires organisations to invest in skilling its workforce in line with the set objectives of the Employment Equity Act. The agency has allocated an amount of R 515 600 in relation to skills development.
- Included above is R200 000 for study assistance and the balance towards training initiatives and workshops.

3.3.4.4. Employee Related Costs: R 29.8 million

- Included in the budget is employee related costs of R29.8 million compared to R 28.7 million original budget of 2021/22 and adjustment budget of R22.2 million.
- There is R7.6 million increase which translates to 34% increase, due to the following positions budgeted to be filled in 2022/23 financial year:
 - Chief Investment Officer
 - Executive Manager: Strategy and Research
 - Executive Manager: Investment and Tourism Promotion

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- Project Manager: Rural Development
- Project Manager: Facilities Management
- In addition, the budget includes 5% cost of living salary adjustment.
- The Agency made a performance bonus provision of 5% of the 2021/22 salary cost, which approximates R 1 million.
- It should be noted that the performance bonuses are subject to Board's approval, after a process of performance review which is also approved by the Organisational Committee (OC) of the Board.
- Included further in the salary cost is the cost of salaries to be paid to those that will be participating in the internship and learnership programme. This is estimated at R 519 046.

3.3.5. Board Remuneration: R2.4 million

- The basis for the line item is based on the currently Board Remuneration Policy, scheduled meetings and allowances payable.
- There is a decrease of 25% when comparing the R2.4 million with the R3.3million adjusted budget of the Board. This is due to the fact that Board activities in the 2022/23 financial year will be reduced as the Organisation Design process is almost being concluded with the recruitment of the Agency's Executives.

3.3.6. Assets and Liabilities

- Other than the capital projects alluded to above, the agency has catered for additional computer equipment and related software for staff members that will be joining the agency and to replace those that would have reached their useful lives to ensure effective functionality.
- The agency has also made provision for the office furniture as procurement processes to accommodate the new staff members who will be joining the agency.

3.3.7. Operating Income

- Other than the operating grant of R50.8 million to be received from the parent municipality, the agency anticipates earning interest of R.6 million arising from investment that would have been made. The said interest would increase if allocations for capital projects can be received at the beginning of financial year.

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- A portion of the 8% project management fee earned from projects implemented on behalf of the City will be re-invested as part of the reserves of the agency if it is not fully utilised. It is anticipated that in total R3.7 million, will be earned through project management fees from BCMM.
- The Agency further anticipates receipt of R 14.6 million as a development levy fee for facilitating investment deals on behalf of the City. The two are anticipated to be receivable in the 2022/23 financial year and will arise from Sea View Terrace and the Water World development.
- There's also a Neighbourhood Development Partnership Grant meant for the Duncan Village buy-back centres and integrated waste management services amounting to R 33.1 million which is funded by the European Union and administered by National Treasury and the City.
- In addition, there is continued funding of R4 million for the Public Employment programme.

4. LEGAL IMPLICATIONS

- 4.1. Compliance with Section 87 (9) of the MFMA.

5. FINANCIAL IMPLICATIONS

- 5.1. The agency's budget for the 2022/2023 is R154 million; broken down as follows:
 - BCMM operational grant: R50.8 million;
 - BCMM operational grant for capital projects: R 47.1 million;
 - Neighbourhood Development Partnership Grant: R 33.1 million;
 - Public Employment Programme: R4 million
 - Other Revenue: R19 million.

6. RECOMMENDATION

- 6.1. It is recommended that the Executive Mayor notes, Board's approval of the 2022/23 Final MTREF Budget.



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CHIEF EXECUTIVE OFFICER

MR B NELANA

DATE: 31 MAY 2022

ANNEXURE A – DETAIL OF OTHER GENERAL EXPENDITURE

No	Outcome	Project Name	Project Description	Budget Amount
1.	Dynamic Tourist Attraction	Tourism Research reports development	2 Market research index	600 000
2.		BCM World Class Tourism Route Development	Tourism Route Development (TIM)	1 000 000
3.		TIM Assessment report	Review of TIM document and provide detailed costing of needs	600 000
4.		BCMDA Stakeholder and strategic engagements project	BCMDA Strategic Engagements and Events	850 000
5.		Public Art Installation Programme	Design, develop and install public art features	2 000 000
6.	Attractive home for global investments and sustainable economic development	Investment research report	One investment research report	300 000
7.		Investment deal concluded	Notarial lease concluded for Water world	500 000
8.		Number of technical reports on property developed (Water World Racetrack)	One technical report on property developments (Water World Racetrack)	300 000
9.		Technical Report BCMM office Space needs	One technical report on property development on BCMM Space needs developed	1 000 000
10.		Water World Development agreement concluded	Development agreement for Water World draft concluded	500 000
11.		Victoria Grounds Development agreement concluded	Development of Victoria Grounds draft developed	500 000

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No	Outcome	Project Name	Project Description	Budget Amount
12.	A robust property market	Implementation of a Business Improvement Initiative in a selected Rural Node	Infrastructure Upgrades of a municipal open space in the BCMM inland or midlands area	1 500 000
13.		Implementation of the Integrated Beach Front development programme in Winter Strand Beach	Infrastructure Upgrades of the beach front area to enhance tourism aspect	1 500 000
14.		Operationalisation and Marketing of Court Crescent Recreational Park	Ensuring that the Operator manages the facility, including maintenance and events	1 500 000
15.		Operationalisation and Marketing of Water World Water Park	Ensuring that the Operator manages the facility, including maintenance and events	1 500 000
16.		Mixed Development Master Planning and Implementation process at Port of East London	Feasibility Studies for a Waterfront Development in the Port of East London	2 000 000
17.		Mixed Development Master Planning and Implementation process at Eats London Racetrack/Grand Prix	Finalise Lease Agreement between Developer and Border Motor sport and initiate concepts for redevelopment of the precinct	1 500 000
18.	Delivered Socio-Economic Development programs	Community development projects supported by CSI	Three projects supported by CSI	300 000
19.		Rural Development Programmes programme implementation	Shushu B Business case developed and investor identified	1 000 000

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No	Outcome	Project Name	Project Description	Budget Amount
20.			One Investment business case developed for Maclean town	800 000
21.			Rural Development Strategy	800 000
23.			SMME Implementation	One SMME Strategy Implementation report (Support to SMMEs participating in BCMDA projects, and Duncan Village Route)
	A well governed and viable agency	Communication strategies report	One communication strategy implementation report	1 200 000
	Total			22 350 000