



Ref: BCMDA-SUB-056-24

Enquires: A Gqoboka

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REPORT TO THE CITY TO CONSIDER AND APPROVE THE 3RD DRAFT BUDGET FOR THE 2024/2025 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

1. PURPOSE

The purpose of this report is to present to the City the 3rd draft budget of the Buffalo City Metropolitan Development Agency (BCMDA) for the 2024/25 MTREF.

2. BACKGROUND

2.1 In the 2023/2024 MTREF the Agency had requested an operational grant of R120 000 000 for 2023/2024, R115 000 000 for 2024/2025 and R120 290 000 for 2025/2026 financial years. The City then approved the bellow allocations for both operational and capital expenditures:

	2023/2024	2024/2025	2025/2026
OPERATING GRANT	R53 182 078	R55 575 272	R58 187 309
CAPITAL GRANT	R5 000 000	R7 000 000	R0

2.2 As part of the Budget processes mandated by Section 87(1) of the MFMA, wherein the board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. The below draft budget was then submitted to the City in January 2024:

	Draft Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27
Revenue Sources			
BCMM Operational Grant	64 208 405	84 379 005	89 457 956
BCMM Operational Projects (Capital Budget)	20 500 000	10 000 000	0



Neighbourhood Development Programme Grant	19 108 869	2 130 000	-
LG Seta Grant	58 556	60 898	63 700
Project Management Fees	1 640 000	800 000	0
Development Levy	14 000 000	0	0
Interest Received	1 655 547	1 730 926	1 810 549
Total Revenue	121 171 377	99 100 830	91 332 205
Expenditure Type			
General Expenditure	42 346 216	45 796 172	48 295 448
Employee Related Costs	34 354 813	36 016 651	37 564 964
BCMM Recreational projects expenditure	20 500 000	10 000 000	0
Neighbourhood Development Programme Grant	19 108 869	2 130 000	-
Board Fees	2 591 312	2 710 512	2 832 485
Depreciation	917 830	960 050	1 003 252
Finance Charges	2 337	2 445	2 555
Total Operational Expenditure	119 821 377	97 615 830	89 698 705
Capital Expenditure	1 350 000	1 485 000	1 633 500
Total Expenditure	121 171 377	99 100 830	91 332 205

2.3 After submission of the above budget, the City communicated back to the Agency in March advising on the allocations for the next MTREF. The said allocations enforced the Agency to effect baseless downward adjustments which will result in redundancy of certain functions.

3. DISCUSSION

3.1 In terms of section 87(3) of the MFMA, The mayor of the parent municipality must table the proposed budget the municipal entity in the council when the annual budget of the municipality for the relevant year is tabled.

3.2 The table below reflects the Agency's revenue sources and expenditure types for the 2024/2025 MTREF period:

	Draft Budget 2024/25	Draft Budget 2025/26	Draft Budget 2026/27
Revenue Sources			
BCMM Operational Grant	42 545 662	44 502 763	46 505 387
Neighbourhood Development Programme Grant	31 775 741	-	-
Public Employment Programme	13 100 000	-	-
LG Seta Grant	58 556	60 898	63 700
Interest Received	1 655 547	1 730 926	1 810 549
Total Revenue	89 135 506	46 294 588	48 379 636
Expenditure Type			
General Expenditure	7 854 841	8 315 135	8 631 271
Employee Related Costs	34 354 813	36 016 651	37 564 964
Neighbourhood Development Programme Grant- Employee Related Costs	3 154 165	-	-
Neighbourhood Development Programme Grant-General Expenditure	28 621 576		
Public Employment Programme- Employee Related Costs	10 623 382	-	-
Public Employment Programme -General Expenditure	2 476 618	-	-
Board Fees	1 281 903	1 281 903	1 281 903
Depreciation	518 208	430 899	281 498
Total Operational Expenditure	88 885 506	46 044 588	47 759 636
Capital Expenditure	250 000	250 000	620 000
Total Expenditure	89 135 506	46 294 588	48 379 636

3.3 Revenue by Source

- 3.3.1 The Agency anticipates receiving an operational grant of R 42.5 million from the parent municipality, which will be used for the day-to-day operations.
- 3.3.2 The Agency anticipates earning interest of R1.6 million arising from investment that would have been made and for maintaining a positive bank balance on the primary bank account.
- 3.3.3 There's a further Neighbourhood Development Programme Grant meant for concluding the Duncan Village buy-back centre amounting to R31.7 million which administered by the City.
- 3.3.4 There's a further Neighbourhood Development Programme Grant (Public Employment Programme) for integrated waste management and beautification amounting to R13.1 million which is administered by the City.
- 3.3.5 There is also anticipated funding from Local Government Sector and Training Authority (LGSETA) for all training initiatives sourced by the Agency.

3.4 Expenditure by Type

- 3.4.1 Included in general expenditure of R 7.8 million are operational costs of running the Agency with no projects to be included in the Annual Performance Plan.
- 3.4.2 The employee related cost budget is based on the current staff complement salaries with increases pertaining to cost-of-living adjustments as per CPI inflation rate contained in Circular 128 of National Treasury ,13th cheque, performance bonuses and leave pay adjustments.
- 3.4.3 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 minimal funds which in turn will affect the realisation of the LGSETA grant which forms part of the revenue.
- 3.4.4 The basis for the Board Fees is based on the current Board Remuneration Policy, scheduled meetings and allowances payable.

4. LEGAL IMPLICATIONS


- 4.1 Compliance with Section 87 (3) of the MFMA.


5. FINANCIAL IMPLICATIONS

- 5.1 The Agency's 3rd draft budget for the 2024/2025 financial year of R 89.1 million.

6. RECOMMENDATION

- 6.1 It is recommended that the City considers and approves the 3rd draft budget for the 2024/25 financial year for Board Approval.
- 6.2 That the City consider revising the budget allocated to the Agency to ensure execution of the service delivery initiatives.

PREPARED BY.....
MISS S MGUDLWA
ACTING CHIEF FINANCIAL OFFICER
DATE: 23 MAY 2024

APPROVED BY.....
MR A GQOBOKA
CHIEF EXECUTIVE OFFICER
DATE: 23 MAY 2024

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QUALITY CERTIFICATE

I, A Gqoboka, Chief Executive Officer of Buffalo City Metropolitan Development Agency, hereby submit and certify that the:

- 3rd Draft Budget

for the 2024/2025 financial year has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Mr. A Gqoboka

Chief Executive Officer of Buffalo City Metropolitan Development Agency.

Signature

Date

23 MAY 2024