



**BUFFALO CITY METROPOLITAN  
MUNICIPALITY**

**2016/2017 – FIRST (ROLL-OVER)  
ADJUSTMENT BUDGET**

**31 AUGUST 2016**

## REPORT TO COUNCIL: 31 AUGUST 2016

File No.:5/1/1/1[16/17]

Author: EXECUTIVE MAYOR (XOLA PAKATI)/NN

### 2016/17 FIRST (ROLL-OVER) ADJUSTMENTS BUDGET REPORT

#### 1. PURPOSE

The purpose of the report is for the Council to consider and approve the first adjustments budget of Buffalo City Metropolitan Municipality for the 2016/17 financial year.

#### 2. AUTHORITY

Council

#### 3. LEGAL / STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 7, Section 71

Municipal Budget and Reporting Regulations, 2009

#### 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 adjustments 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.”*

Furthermore the Municipal Budget and Reporting Regulations (MBRR), 2009, (Reg. 23) “(5) stipulates the following:

*“ An adjustments budget referred to in Section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.”*

*“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) (e)) and follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

## 5. EXPOSITION OF FACTS

The first adjustment budget is being prepared as informed by requests from various directorate for roll-over of own funding and unconditional grants that were unspent in the 2015/16 financial. At year end on the 30 June 2016, various directorates indicated that certain projects, provided for execution in the 2015/16 financial year, could not be completed. Such under-spending on projects could not reasonably have been foreseen at the time of execution and finalisation of 2016/17 MTREF.

An intensive process of assessing and determining whether the unspent funding that is requested to be rolled-over is committed to identifiable projects was undertaken. To enable the completion of these projects, it is necessary to incorporate these projects in the already approved 2016/17 budget. This process is in line with the legislative requirements of the section 28 of the MFMA and the MFMA guiding circulars no.28 and 54 which provides directive and guidelines for submitting a municipal rollover budgets to Council for adoption.

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

OPERATING AND CAPITAL EXPENDITURE BUDGET	2016/2017 ADOPTED BUDGET YR1	2016/2017 1ST ADJ ADJUSTMENTS	2016/2017 1ST ADJ BUDGET	2017/2018 ADOPTED BUDGET YR2	2018/2019 ADOPTED BUDGET YR3
Total Operating Revenue	(5 906 770 453)	1 631 290	(5 905 139 163)	(6 379 358 789)	(6 993 842 508)
Total Operating Expenditure Excluding Operating Projects	5 576 672 327	0	5 576 672 327	5 839 930 905	6 125 938 084
Operating Projects	329 020 031	(1 631 290)	327 388 741	537 760 050	865 148 791
Total Operating Expenditure Including Operating Projects	5 905 692 358	(1 631 290)	5 904 061 068	6 377 690 955	6 991 086 875
(Surplus) / Deficit	(1 078 095)	0	(1 078 095)	(1 667 834)	(2 755 633)
Total Capital Expenditure	1 558 133 958	135 020 764	1 693 154 722	1 720 822 763	1 777 998 762
Total Capex & Opex Budget	7 463 826 316	133 389 474	7 597 215 790	8 098 513 718	8 769 085 637

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

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## ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	kℓ	kilolitre
ASGISA	Accelerated and Shared Growth Initiative	km	kilometre
BCMM	Buffalo City Metropolitan Municipality	KPA	Key Performance Area
BSC	Budget Steering Committee	KPI	Key Performance Indicator
CBD	Central Business District	kWh	kilowatt hour
CFO	Chief Financial Officer	ℓ	litre
CM	City Manager	LED	Local Economic Development
CoGTA	Cooperative Government & Traditional Affairs	MBRR	Municipal Budgeting and Reporting Regulations
CPI	Consumer Price Index	MEC	Member of the Executive Committee
CRRF	Capital Replacement Reserve Fund	MFMA	Municipal Financial Management Act
DBSA	Development Bank of South Africa	MIG	Municipal Infrastructure Grant
GDP	Gross Domestic Product	MMC	Member of Mayoral Committee
DoRA	Division of Revenue Act	MPRA	Municipal Properties Rates Act
DWA	Department of Water Affairs	MSA	Municipal Systems Act
EE	Employment Equity	MTEF	Medium-term Expenditure Framework
EEDSM	Energy Efficiency Demand Side Management	MTREF	Medium-term Revenue and Expenditure Framework
EM	Executive Mayor	NDPG	Neighbourhood Development Partnership Grant
EPWP	Expanded Public Works Programme	NERSA	National Electricity Regulator South Africa
FBS	Free basic services	NGO	Non-Governmental organisations
FMG	Finance Management Grant	NKPIs	National Key Performance Indicators
GAMAP	Generally Accepted Municipal Accounting Practice	OP	Operational Plan
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSDG	Human Settlement Development Grant	SALGA	South African Local Government Association
HSRC	Human Science Research Council	SDBIP	Service Delivery Budget Implementation Plan
IDP	Integrated Development Plan	SMME	Small Micro and Medium Enterprises
ELIDZ	East London Industrial Development Zone	USDG	Urban Settlement Development Grant
INEP	Integrated National Electrification Programme	WSA	Water Services Authority
IDP	Integrated Development Plan	WSDP	Water Services Development Plan
ICT	Information and Communication Technology		

## PART 1 – ADJUSTMENT BUDGET

### 5.1 EXECUTIVE MAYOR'S REPORT

The primary reason for the recommendations to consider and adopt the 1<sup>st</sup> adjustment budget (roll over) during August 2016, emanates prior year commitment that compels rollovers and re-alignment of budgetary provision.

BCMM experienced under-spending in some of its projects in the 2015/16 financial year which 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 Council.

The first adjustment budget is being tabled at Council in terms of the Section 28 (2)(e) of the MFMA and Regulation 23 (5) of the Municipal Budget and Reporting Regulations for the purpose of appropriating into the current budget own funding and unconditional grants that were unspent in the 2015/16 financial.

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 EXPENDITURE BUDGET	2016/2017 ADOPTED BUDGET YR1	2016/2017 1ST ADJ ADJUSTMENTS	2016/2017 1ST ADJ BUDGET	2017/2018 ADOPTED BUDGET YR2	2018/2019 ADOPTED BUDGET YR3
Total Operating Revenue	(5 906 770 453)	1 631 290	(5 905 139 163)	(6 379 358 789)	(6 993 842 508)
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Operating Projects	329 020 031	(1 631 290)	327 388 741	537 760 050	865 148 791
Total Operating Expenditure Including Operating Projects	5 905 692 358	(1 631 290)	5 904 061 068	6 377 690 955	6 991 086 875
<b>(Surplus) / Deficit</b>	<b>(1 078 095)</b>	<b>0</b>	<b>(1 078 095)</b>	<b>(1 667 834)</b>	<b>(2 755 633)</b>
Total Capital Expenditure	1 558 133 958	135 020 764	1 693 154 722	1 720 822 763	1 777 998 762
<b>Total Capex &amp; Opex Budget</b>	<b>7 463 826 316</b>	<b>133 389 474</b>	<b>7 597 215 790</b>	<b>8 098 513 718</b>	<b>8 769 085 637</b>



**The following factors were taken into cognisance when formulating the 2016/17 rollover budget:**

- Those contractual components or works awarded or commenced during the 2015/16 financial year, but not yet completed and settled by the 30 June 2016, in other words the monetary value of commitments and for which no budgetary provision was made on the 2016/17 budget.
- As per the "unforeseen" definition and interpretation of the relevant MFMA stipulates, departments must have had a reasonable expectation that work would have been completed by 30 June 2016.
- Proposals for roll-over provisions catered for both internally- and externally (unconditional grants) funded budgetary provisions.
- Reasons explaining why the 2015/16 budgetary provisions were committed, but not spent by 30 June 2016.
- Consideration of roll-over proposals on Council's 2016/17 operating and capital projects budget was taken in the context of affordability constraints and funding certainty for the period, as furthermore informed by the adopted MTREF as well as implementation capacities for the financial period.

There is a continuous focus to budget for a surplus for the institution and produce a funded budget which is in line with National Treasury requirements. What continues to be of concern is the potential financial impact of depreciation on the operations of the institution. There needs to be ongoing vigilance to reduce costs and become more efficient to allow for the funding of depreciation whilst charging affordable tariffs to the consumers.


The roll-over of own funded operating projects has the potential of reducing the surplus budgeted in the original approved budget and may even drive it into a deficit. It is therefore imperative that before these roll-overs are approved, potential savings are identified to avoid budgeting a deficit. The net effect of the Metro's budget after rollover adjustment remain constant at a surplus of R1, 078,095 before capital transfers recognised.

## 5.2 COUNCIL RESOLUTIONS

On 30 May 2016 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2016/17 – 2018/19 MTREF 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:

- (a) The 2016/17 first (roll-over) adjustment budget report be considered and approved by Council.
- (b) The adjustment from R5,906,770,453 to R 5,905,139,163 of the 2016/17 Operating Revenue Budget be approved by Council.
- (c) The adjustment from R5,905,692,358 to R 5,904,061,068 of the 2016/17 Operating Expenditure Budget be approved by Council.
- (d) The adjustment from R1,558,133,958 to R1,693,154,722 of the 2016/17 Capital Budget be approved by Council.

  
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**X. A. PAKATI**  
**EXECUTIVE MAYOR**

25 / 08 / 2016

**DATE**

### 5.3 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is still taking cognisance of the economic challenges that are experienced by South African that are characterised by low economic growth, high unemployment rate, lower exports earnings, lower revenue, declining investment, job losses and business failures.

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this first adjustment budget. This approach involved an intensive internal process of assessing and determining whether the unspent funding that is requested to be rolled-over is committed to identifiable projects. This process is in line with the process followed by National Treasury for approval of conditional grants roll-overs.

The operating revenue budget has been decreased by R1,631,290 from R5,906,770,453 to R5,905,139,163 mainly due to a reduction of R3 million grant allocation from Transnet which was understood to be a direct transfer, however it has since been clarified that the project will be implemented directly by Transnet within the BCMM jurisdiction and therefore is an in-kind allocation. There is also an increase of R1.4 million for unconditional grants that are rolled over from 2015/16 to 2016/17 financial year. The operating expenditure budget has also decreased by R1, 631,290 from R5, 905,692,358 to R5, 904,061,068 due to the same reasons highlighted above.

The 2016/17 roll-over of operating projects yielded a net decrease from R329, 020,031 to R327,388,741, the reasons for the reduction are detailed in section 5.5 below. The overall operating surplus before capital transfers recognised remains stagnant at R1, 078,095.

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to roll-over budget that was unspent in the 2016/17 financial year but committed to identifiable projects for own funding and unconditional grants, despite the reduction as a result of the in-kind grant from Transnet. The table below indicate the summary of the 2016/17 first budget adjustments.

**Table 2: 2016/17 First Adjustment Budget Summary**

<b>OPERATING AND CAPITAL EXPENDITURE BUDGET</b>	<b>2016/2017 ADOPTED BUDGET YR1</b>	<b>2016/2017 1ST ADJ ADJUSTMENTS</b>	<b>2016/2017 1ST ADJ BUDGET</b>	<b>2017/2018 ADOPTED BUDGET YR2</b>	<b>2018/2019 ADOPTED BUDGET YR3</b>
Total Operating Revenue	(5 906 770 453)	1 631 290	(5 905 139 163)	(6 379 358 789)	(6 993 842 508)
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<u>(Surplus) / Deficit</u>	(1 078 095)	0	(1 078 095)	(1 667 834)	(2 755 633)
Total Capital Expenditure	1 558 133 958	135 020 764	1 693 154 722	1 720 822 763	1 777 998 762
Total Capex & Opex Budget	7 463 826 316	133 389 474	7 597 215 790	8 098 513 718	8 769 085 637

## 5.4 OPERATING REVENUE FRAMEWORK

The following table depicts adjustments to the operating revenue budget per source. It reflects that there has been a net decrease in revenue totalling R1.6 million. The reduction is due to the following:

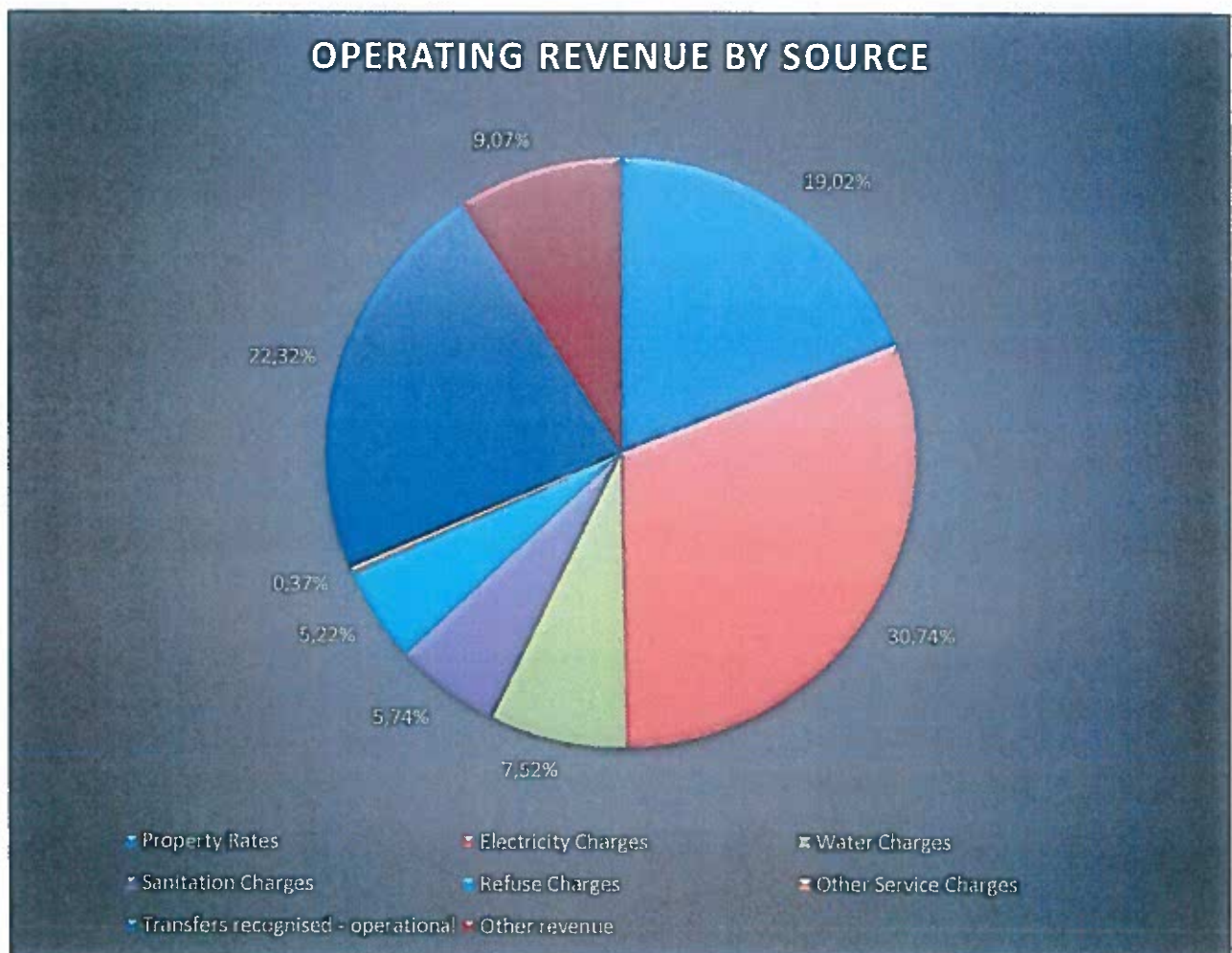
- GLASGOW (Lightning Project, increase, roll-over from prior years): R89,858;
- IEC (Municipal Election, increase, roll-over from prior years): R261,565;
- HSDG (DVRI Pilot Project, increase, roll-over from prior year): R1,017,287; and
- Transnet (Enterprise Development Hub, decrease, Transnet has since advised BCMM that the funding allocated will not be directly transferred but rather an in-kind allocation): -R3, 000,000.

**Table 3: 2016/17 First Adjusted Revenue per Source**

2016/2017 MTREF BUDGET REVENUE FRAMEWORK	2016/2017 ADOPTED BUDGET	2016/2017 ADJUSTMENTS	2016/2017 ADJUSTED BUDGET	2017/2018 ADOPTED BUDGET	2018/2019 ADOPTED BUDGET
<b>Revenue Per Source</b>					
Property Rates	1 122 920 106	0	1 122 920 106	1 203 770 354	1 288 034 279
Electricity Charges	1 815 256 137	0	1 815 256 137	1 953 941 706	2 103 222 852
Water Charges	444 291 186	0	444 291 186	479 345 760	517 309 944
Sanitation Charges	339 107 134	0	339 107 134	364 540 169	390 787 061
Refuse Charges	308 375 397	0	308 375 397	331 503 552	355 371 808
Other Service Charges	21 580 186	0	21 580 186	23 133 959	24 753 336
Rental of facilities and equipment	20 045 086	0	20 045 086	21 488 332	22 992 515
Interest earned - external investments	143 775 020	0	143 775 020	152 689 071	161 697 726
Interest earned - outstanding debtors	34 650 686	0	34 650 686	37 256 677	40 021 217
Fines	8 385 278	0	8 385 278	8 989 018	9 618 249
Licences and permits	13 958 268	0	13 958 268	14 963 263	16 010 692
Transfers recognised - operational	1 319 728 331	(1 631 290)	1 318 097 041	1 450 381 060	1 703 052 050
Other revenue	314 697 638	0	314 697 638	337 355 867	360 970 778
<b>Total Revenue Excluding Capital Transfers</b>	<b>5 906 770 453</b>	<b>(1 631 290)</b>	<b>5 905 139 163</b>	<b>6 379 358 789</b>	<b>6 993 842 508</b>

The figure below provides split of operating revenue budget per source. In terms of service revenue, on tariffs, electricity continue to be the main contributor to the revenue of the municipality by generating 30.7% of the total revenue. This is followed by water tariffs at 7.6%, sewerage tariff at 5.7% and refuse tariff at 5.2%. The implementation of Valuations Roll continue to have a positive impact on the Property Rates revenue which totals 19% of the total Municipal revenue. The municipality receives grants and subsidies totalling 22.4% of the total revenue and Other revenue contributes 9% of the total revenue.

**Figure 1: Operating Revenue per Source**



## 5.5 OPERATING EXPENDITURE FRAMEWORK

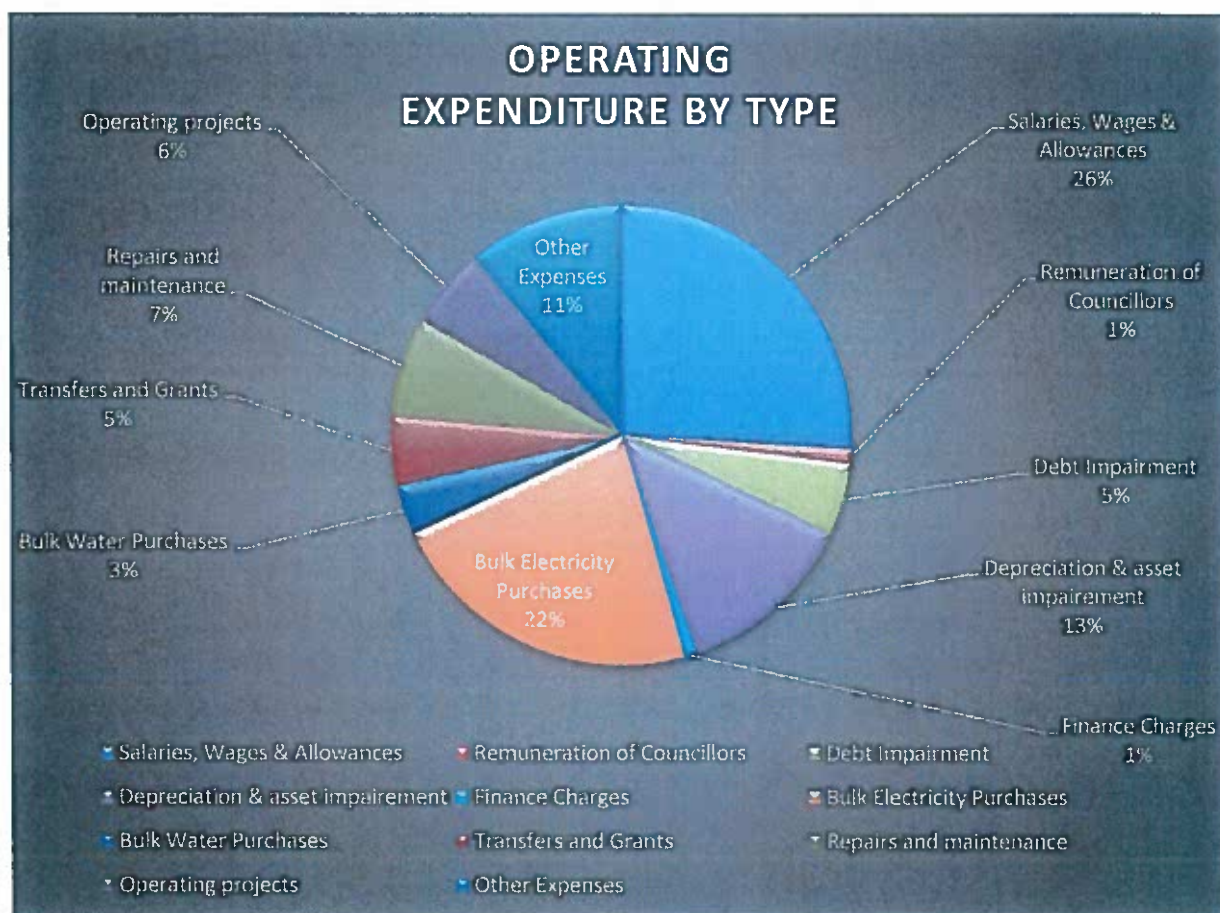
The following table details adjustments to the operating expenditure budget per category. It reflects that there is a total net decrease of R1.6 million as a result of roll-overs for operating projects funded by unconditional grants amounting to R1.4 million and a reduction of R3 million due to Transnet in-kind allocation grant that was previously budgeted as a direct transfer. There were also re-alignment of general expenditure budget amounting to R2.8 million between directorates within the general expenditure category to improve operational efficiency.

**Table 4: 2016/17 First Adjusted Expenditure Budget per Category**

2016/2017 1ST ADJUSTMENT BUDGET	2016/2017	2016/2017	2016/2017	2017/2018	2018/2019
	ADOPTED	BUDGET YR1	1ST ADJ	ADOPTED	ADOPTED
	BUDGET YR1	ADJUSTMENTS	BUDGET	BUDGET YR2	BUDGET YR3
<b>Expenditure Per Category</b>					
Salaries, Wages & Allowances	1 531 068 329	0	1 531 068 329	1 641 305 249	1 546 368 169
Remuneration of Councillors	58 098 804	0	58 098 804	62 281 917	60 576 877
Debt Impairment	303 864 761	0	303 864 761	326 717 663	305 967 648
Depreciation & asset impairment	748 339 019	0	748 339 019	794 736 038	945 613 547
Finance Charges	57 105 142	0	57 105 142	70 938 326	735 548 900
Bulk Electricity Purchases	1 316 771 582	0	1 316 771 582	1 420 269 828	1 531 903 037
Bulk Water Purchases	204 815 851	0	204 815 851	225 297 436	247 827 179
Contracted Services	22 486 459	0	22 486 459	23 880 620	450 611 983
Transfers and Grants	288 467 764	0	288 467 764	310 162 694	44 055 000
Repairs and maintenance	414 790 827		414 790 827	456 269 909	501 896 900
Operating projects	329 020 031	(1 631 290)	327 388 741	373 853 928	537 760 050
Other Expenses	630 863 789	0	630 863 789	674 528 470	717 369 578
<b>Total Direct Operating Expenditure</b>	<b>5 905 692 358</b>	<b>(1 631 290)</b>	<b>5 904 061 068</b>	<b>6 380 242 079</b>	<b>7 625 498 868</b>

The figure below give the split of operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 26% of the total operating expenditure. Bulk Electricity at 22% represents the purchase of Electricity from Eskom. The Bulk Water purchases of 3% comprise the water purchases from Amatola Water. General Expenses contribute 11% of total operating expenditure. Depreciation totals 13% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. The main contributor for Operating projects at 39% of the total cost base is the housing project top structure funded from the Human Settlement Development Grant. Repairs and Maintenance is equal to 7% of the operating expenditure budget. Debt impairment account for 5% and finance charges account for 1%.

**Figure 2: 2016/17 Operating Expenditure per Type**





### **5.5.1 First Budget Adjustment on Operating Projects**

The following tables (table 5 and 6) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total net decrease of R1.6 million which is detailed below (Detailed schedule of operating projects is attached as annexure 1):

- GLASGOW (Lightning Project, increase, roll-over from prior years): R89,858;
- IEC (Municipal Election, increase, roll-over from prior years): R261,565;
- HSDG (DVRI Pilot Project, increase, roll-over from prior year): R1,017,287; and
- Transnet (Enterprise Development Hub, decrease, Transnet has since advised BCMM that the funding allocated will not be directly transferred but rather an in-kind allocation): -R3, 000,000.

**Table 5: 2016/17 Operating Projects Per Funding Source First Adjustment Budget**

2016/2017 OPEX PROJECTS BUDGET PER FUNDING SOURCE	2016/2017	2016/2017	2016/2017	2017/2018	2018/2019
	Approved	Adjustments	1st Adj.	Approved	Approved
	Opex Budget	Opex Budget	Opex Budget	Opex Budget	Opex Budget
<b>Own Funding</b>					
Own Funds	112 519 700	0	112 519 700	99 427 868	123 060 000
<b>Total Own Funding</b>	<b>112 519 700</b>	<b>0</b>	<b>112 519 700</b>	<b>99 427 868</b>	<b>123 060 000</b>
<b>Grant Funding</b>					
City of Oldenburg	495 761	0	495 761	0	0
Department of Public Works	2 469 600	0	2 469 600	0	0
Expanded Public Works Programme Incentives Grant	1 188 000	0	1 188 000	0	0
Finance Management Grant	1 200 000	0	1 200 000	1 200 000	900 000
Glasgow	0	89 858	89 858	0	0
Human Settlement Development Grant	123 802 000	0	123 802 000	196 100 000	297 500 000
Human Settlement Development Grant c/o	0	1 017 287	1 017 287	0	0
Infrastructure Skills Development Grant	8 900 000	0	8 900 000	10 900 000	11 900 000
IEC c/o	0	261 565	261 565	0	0
Transnet	3 000 000	(3 000 000)	0	3 000 000	0
Urban Settlement Development Grant	75 444 970	0	75 444 970	63 226 060	104 400 050
<b>Total Grant Funding</b>	<b>216 500 331</b>	<b>(1 631 290)</b>	<b>214 869 041</b>	<b>274 426 060</b>	<b>414 700 050</b>
<b>Total Funding</b>	<b>329 020 031</b>	<b>(1 631 290)</b>	<b>327 388 741</b>	<b>373 853 928</b>	<b>537 760 050</b>

**Table 6: 2016/17 Operating Projects Per Directorate First Adjustment Budget**

2016/2017 OPEX BUDGET PER DIRECTORATE	2016/2017	2016/2017	2016/2017	2017/2018	2018/2019
	Approved	Adjustment s	1 <sup>st</sup> Adj.	Approved	Approved
	Opex Budget	Opex Budget	Opex Budget	Opex Budget	Opex Budget
<b>Directorate</b>					
Directorate of Executive Support Services	7 950 000	89 858	8 039 858	4 000 000	3 000 000
Directorate of City Manager	26 022 970	261 565	26 284 535	22 926 060	26 600 050
Directorate of Human Settlements	126 302 000	1 017 287	127 319 287	198 600 000	299 750 000
Directorate of Financial Services	53 449 700	0	53 449 700	47 337 868	21 900 000
Directorate of Corporate Services	8 900 000	0	8 900 000	10 900 000	11 900 000
Directorate of Infrastructure Services	54 495 761	0	54 495 761	44 500 000	89 500 000
Directorate of Development and Spatial Planning	1 250 000	0	1 250 000	1 450 000	1 500 000
Directorate of Economic Development & Agencies	36 500 000	(3 000 000)	33 500 000	37 000 000	64 000 000
Directorate of Health / Public Safety and Emergency Services	3 599 600	0	3 599 600	1 390 000	3 610 000
Directorate of Municipal Services	10 550 000	0	10 550 000	5 750 000	16 000 000
<b>Total All Directorates</b>	<b>329 020 031</b>	<b>(1 631 290)</b>	<b>327 388 741</b>	<b>373 853 928</b>	<b>537 760 050</b>

## 5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicates adjustments to the capital expenditure budget per funding source. It shows a total increase of R135 million which is made of roll-overs for own and unconditional grant funding. The following summarises the identifiable projects on which the requested roll-over funding is committed to (Detailed schedule of capital projects is attached as annexure 2):

### Grant Funding:

- The amount of R458, 860 from Galve grant funding is committed for the fencing of Garcia Flats, there was a change of scope of the fencing requirements and the directorate could not spend the funds during the 2015-16 financial year hence the request for the 2016/17 roll-over.
- An amount of R35 million has been transferred within USDG from Bulk Regional Sewerage Scheme - Phase 2 Zwelitsha WWTW to fund the Fibre Optic Broadband (ICT upgrades) for the Metro to overcome the network challenges.
- From the R8.5 million of the USDG Grant funding that was meant to fund the "Yellow Fleet", an amount of R6.7 million has been transferred to New KWT Traffic Building and R1.8 million has been transferred for the procurement of Transfer Stations. This is to align the funded projects with the grant conditions (Yellow Fleet has since been funded by own funding).
- An amount of R199, 168 from Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) that comes from old conditional grants will be utilised for the rehabilitation of Stoney Drift landfill site as per the recent directive from DEDEAT.

### Own Funding:

- The amount of R849, 301 is committed for Office Furniture and Equipment for Councillors, the tender for this project was awarded closer to the end of 2015/16 financial year. There is also a commitment of R395,723 for Office furniture requirements by various directorates and most of the furniture are awaiting for delivery.

- The project of Extension to Employee Wellness Centre is well under way and approaching its finalisation and only air-conditioning system, ICT infrastructure and telephone networking are to be installed for the entire project to be complete. The roll-over request of R309, 790 is committed to the project.
- The Consulting Engineers were awarded the contract for the design and Implementation of the contract for Bulk Sanitation Provision – Eastern Beach Sewers and an amount of R21 million is committed to this project, however the unsuccessful bidders has challenged the award process, hence the request for rolling over the funding to be executed in the 2016/17 financial year.
- An amount of R1.2 million is committed for the acquisition of a service delivery public participation truck with its full sound system, the tender is at the awarding stages of the procurement processes and will be implemented during the 2016/17 financial year hence the request for the rollover.
- An amount of R25 million is committed to the KWT Regional Scheme phase 2 for the bulk sanitation for the replacement of existing infrastructure that has been awarded to a successful bidder and the project is progressing well and as at 30 June 2016 the project was at about 62% towards completion. The project could not be completed within the 2015/16 budget due to unforeseen circumstances, the project will be completed within the 2016/17 financial year hence the request for the rollover.
- An amount of R2.5 million is committed to a project of upgrading laboratory infrastructure and could not be completed within 2015/16, however the funding is to be rollover for completion in the 2016/17 financial year. The completion of the project will lead to successful application for accreditation of the laboratory methods.
- An amount of R8.5 million has been allocated for the procurement of the Graders for Rural Roads -"Yellow Fleet, this is due to the replacement of the USDG funding that has been re-allocated in line with the conditions of the grant.
- An amount of R3.7 million is committed for the project implementation for Closed Circuit Television Network and CCTV Cameras for Cash Offices projects and there were delays in successful awarding, hence the request roll over for 201/17 financial year.

- The contract for implementation of Solid Waste Mechanical Plant for Vehicles was awarded and the funding of R30.5 million is committed to the project as the delivery was not yet done at year-end.
- An amount of R4 million is committed for the acquisition of Drop off Points and project was at Bid Awarding stages during year ending June 2016, hence the request for roll over.
- The project for Fire Equipment was at the awarding stages during year end of June 2016, hence the request for the rollover in 2016/17 and an amount of R1.5 million is committed to the project.
- The tender for Replacement of Vehicles has been awarded and the BCMM, was waiting for delivery at year end and an amount of R1.8 million is committed to this project.
- The projects for traffic control and law enforcement have a commitment of R2.5 million for the generator /solar system, vehicle testing station equipment, and traffic & law enforcement equipment.
- The Service Provider is on site in the solid waste project, Weigh Bridge, and the requested roll-over of R504,555 is committed to this project and it is approaching its completion stage, hence the request for the rollover in 2016/17 financial year.
- An amount of R4 million is committed for the LED infrastructure programs such as: market scrubber, market office refurbishment and market cold rooms. The supplier has been appointed for the scrubber as well as for the market refurbishment and anticipated to complete by August 2016 respectively.

**Table 7: 2016/17 First Adjustments to Capital Expenditure Budget Per Funding**

2016/2017 CAPITAL PROJECTS BUDGET PER FUNDING SOURCE	2016/2017	2016/2017	2016/2017	2017/2018	2018/2019
	Approved	Adjustments	1 <sup>st</sup> Adj.	Approved	Approved
	Capex Budget	Capex Budget	Capex Budget	Capex Budget	Capex Budget
<b>Own Funding</b>					
Own Funds	640 283 103	8 598 558	648 881 661	638 685 218	631 622 100
Own Funds c/o	0	112 317 649	112 317 649	0	0
Loan	69 581 825	0	69 581 825	189 351 605	176 866 712
<b>Total Own Funding</b>	<b>709 864 928</b>	<b>120 916 207</b>	<b>830 781 135</b>	<b>828 036 823</b>	<b>808 488 812</b>
<b>Grant Funding</b>					
DoE(Integrated National Electrification Programme)	25 000 000	0	25 000 000	30 000 000	30 000 000
DEDEAT c/o	0	199 168	199 168	0	0
DRSAC c/o	0	4 411 277	4 411 277	0	0
Electricity Demand Side Management Grant	0	0	0	5 000 000	3 000 000
Finance Management Grant	100 000	0	100 000	100 000	100 000
Galve c/o	0	458 000	458 000	0	0
Local Government & Traditional Affairs c/o	0	9 036 112	9 036 112	0	0
Infrastructure Skills Development Grant	100 000	0	100 000	100 000	100 000
Integrated City Development Grant	6 080 000	0	6 080 000	10 829 000	11 457 000
Neighbourhood Development Partnership Grant	19 346 000	0	19 346 000	24 979 000	49 525 000
Urban Settlement Development Grant	656 054 030	0	656 054 030	710 975 940	708 934 950
Human Settlement Development Grant	106 300 000	0	106 300 000	50 635 000	0
Public Transport Infrastructure and Systems Grant	35 289 000	0	35 289 000	60 167 000	166 393 000
<b>Total Grant Funding</b>	<b>848 269 030</b>	<b>14 104 557</b>	<b>862 373 588</b>	<b>892 785 940</b>	<b>969 509 950</b>
<b>Total Funding</b>	<b>1 558 133 958</b>	<b>135 020 764</b>	<b>1 693 154 722</b>	<b>1 720 822 763</b>	<b>1 777 998 762</b>

**Table 8: 2016/17 First Adjustments to Capital Expenditure Budget per Directorate**

2016/2017 CAPITAL BUDGET PER DIRECTORATE	2016/2017	2016/2017	2016/2017	2017/2018	2018/2019
	Approved	Adjustments.	1st Adj.	Approved	Approved
	Capital Budget	Capital Budget	Capital Budget	Capital Budget	Capital Budget
<b>Directorate</b>					
Directorate of Executive Support Services	5 500 000	2 507 062	8 007 062	500 000	500 000
Directorate of the City Manager	17 521 500	35 000 000	52 521 500	31 678 100	19 000 000
Directorate of Human Settlements	202 441 082	9 036 112	211 477 194	190 530 454	198 127 200
Directorate of Financial Services	600 000	147 535	747 535	600 000	600 000
Directorate of Corporate Services	7 100 000	1 933 820	9 033 820	2 100 000	600 000
Directorate of Infrastructure Services	887 670 580	14 359 799	902 030 379	1 059 352 769	1 010 629 252
Directorate of Development and Spatial Planning	230 290 051	127 168	230 417 219	259 450 000	331 918 000
Directorate of Economic Development & Agencies	44 500 000	10 234 025	54 734 025	45 500 000	57 500 000
Directorate of Health/ Public Safety and Emergency Services	30 032 401	16 451 511	46 483 912	19 817 400	11 618 520
Directorate of Municipal Services	122 478 344	45 223 732	167 702 076	101 294 040	137 505 790
<b>Total Directorates</b>	<b>1 548 133 958</b>	<b>135 020 764</b>	<b>1 683 154 722</b>	<b>1 710 822 763</b>	<b>1 767 998 762</b>
<b>Asset Replacement</b>	<b>10 000 000</b>	<b>0</b>	<b>10 000 000</b>	<b>10 000 000</b>	<b>10 000 000</b>
<b>Grand Total</b>	<b>1 558 133 958</b>	<b>135 020 764</b>	<b>1 693 154 722</b>	<b>1 720 822 763</b>	<b>1 777 998 762</b>



## **PART 2 – SUPPORTING DOCUMENTATION**

### **6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS**

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs.

### **6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY**

There have been no adjustments to allocations or grants made by the municipality.

### **6.3 ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN**

Section 54 (1) of the MFMA 56 of 2003 states: On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must –

*(c ) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;.*

This adjustment budget is in respect of roll-overs for projects that are already in the IDP and SDBIP and therefore it has not been necessary revise these documents.

### **6.4 CHALLENGES**

None

### **6.5 STAFF IMPLICATIONS**

The adjustment budget is linked to the Performance Plans of Head of Departments and are therefore responsible to spend the revised budget.

## **6.6 FINANCIAL IMPLICATIONS**

The first adjustments to the 2016/17 budget do not have an impact on tariffs as these are funded from current operating revenue, unconditional grants rollover funding from 2015/16 financial year and own funding reserves. The effects of the adjustments to the 2016/17 Capital and Operating Budget are outlined below:

- A decrease in the Operational Revenue Budget of R1,631,290 from R5,906,770,453 to R5,905,139,163.
- An increase in the Operational Expenditure Budget of R1,631,290 from R5,905,692,358 to R5,904,061,068.
- A decrease in the Capital Project Budget of R135,020,764 from R1,558,133,958 to R1,693,154,722.

## **6.7 OTHER PARTIES CONSULTED**

All Directorates

**6.8 CITY MANAGER'S QUALITY CERTIFICATE**

I NCEBA MGUNYANA, Acting City Manager of Buffalo City Metropolitan Municipality, hereby certify that the 2016/2017 first adjustment 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 2016/2017 first adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name NCEBA MGUNYANA

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 24/08/2016

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**ANNEXURES:**

Annexure 1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects

Annexure 3: Detailed National Treasury B - Schedules