



**BUFFALO CITY METROPOLITAN  
MUNICIPALITY**

**2016/2017 – THIRD  
ADJUSTMENT BUDGET**

**25 AUGUST 2017**

**2016/17 THIRD ADJUSTMENTS BUDGET REPORT**

**1. PURPOSE**

The purpose of the report is for the Council to consider and approve the Adjustments Budget of Buffalo City Metropolitan Municipality for the 2016/17 financial year in terms of section 28 of the MFMA.

**2. AUTHORITY**

Buffalo City Metropolitan Council

**3. LEGAL / STATUTORY REQUIREMENTS**

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003

Municipal Budget and Reporting Regulations, 2009

MFMA Circular No. 78, 2015

**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 adjustment 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.*
- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”*

This report responds to the above sections of MFMA (28(2)(f)) and its format follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

## 5. EXPOSITION OF FACTS

The third adjustment budget is being prepared as informed by correcting any errors in the annual budget that may be as a result of misallocation made during the 2016/17 financial year. These errors could not be detected during the financial year when departments were transacting and they are as a result of the incorrect understanding and interpretation of the accounting standards and accounting policy relating to the requirements that must be met for the recognition of an asset. The complexity of some of the transactions makes it difficult to have a clear determination whether it is an operating or a capital transaction.

An intensive process of assessing the transactions allocated to the capital budget was undertaken and such misallocations were detected and are being corrected in line with the requirements of section 28(2) (f) of the MFMA. This process is in line with the Metro's Budget Management Policy, MBRR and MFMA and other National Treasury guidelines such as MFMA Budget Circulars.

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

<b>OPERATING AND CAPITAL BUDGET EXPENDITURE</b>	<b>2016/2017 MID-YEAR ADJ BUDGET</b>	<b>2016/2017 FINAL ADJUSTMENTS</b>	<b>2016/2017 FINAL BUDGET</b>	<b>2017/2018 APPROVED BUDGET</b>	<b>2018/2019 APPROVED BUDGET</b>
<b>Total Revenue</b>	<b>(5 943 456 598)</b>	<b>2 379 137</b>	<b>(5 941 077 461)</b>	<b>(6 379 358 789)</b>	<b>(6 993 842 508)</b>
Total Operating Expenditure Excluding Operating Projects	5 605 469 116	25 000 000	5 630 469 116	6 003 837 027	6 453 326 825
Operating Projects	336 909 386	(27 379 137)	309 530 249	373 853 928	537 760 050
<b>Total Operating Expenditure Including Operating Projects</b>	<b>5 942 378 503</b>	<b>(2 379 137)</b>	<b>5 939 999 366</b>	<b>6 377 690 955</b>	<b>6 991 086 875</b>
<b>(Surplus) / Deficit</b>	<b>(1 078 095)</b>	<b>0</b>	<b>(1 078 095)</b>	<b>(1 667 834)</b>	<b>(2 755 634)</b>
<b>Total Capital Expenditure</b>	<b>1 491 447 975</b>	<b>2 379 137</b>	<b>1 493 827 112</b>	<b>1 720 822 763</b>	<b>1 777 998 762</b>
<b>Total Opex and Capex Budget</b>	<b>7 433 826 478</b>	<b>0</b>	<b>7 433 826 478</b>	<b>8 098 513 718</b>	<b>8 769 085 637</b>

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	MSCOA	Municipal Standard Chart of Account
EEDSM	Energy Efficiency Demand Side Management	MTEF	Medium-term Expenditure Framework
EM	Executive Mayor	MTREF	Medium-term Revenue and Expenditure Framework
EPWP	Expanded Public Works Programme	NDPG	Neighbourhood Development Partnership Grant
FBS	Free basic services	NERSA	National Electricity Regulator South Africa
FMG	Finance Management Grant	NGO	Non-Governmental organisations
GAMAP	Generally Accepted Municipal Accounting Practice	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OP	Operational Plan
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSDG	Human Settlement Development Grant	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	SALGA	South African Local Government Association
IDP	Integrated Development Plan	SDBIP	Service Delivery Budget Implementation Plan
ELIDZ	East London Industrial Development Zone	SMME	Small Micro and Medium Enterprises
INEP	Integrated National Electrification Programme	USDG	Urban Settlement Development Grant
IDP	Integrated Development Plan	WSA	Water Services Authority
ICT	Information and Communication Technology	WSDP	Water Services Development Plan

## **PART 1 – ADJUSTMENT BUDGET**

### **5.1 EXECUTIVE MAYOR’S REPORT**

The 2016/17 3<sup>rd</sup> adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. Moreover, the majority of these budgetary alignments are as result of projects that were budgeted under capital projects but due to asset capitalisation process they were deemed to be operational in nature.

These errors could not be detected during the financial year when departments were transacting and they are as a result of the inappropriate understanding and interpretation of the accounting standards and accounting policy relating to the requirements that must be met for an asset. An intensive process of assessing the transactions allocated to the capital budget was undertaken as part of financial year end procedures and yielded to the detection of such errors. Such misallocations between operating and capital expenditures will be reduced in the 2017/18 financial year as the process of doing interim capitalisation during the financial year is being explored. A thorough analysis and stringent internal control is being put in place to eliminate such from reoccurrence through an inter-departmental collaboration efforts of detecting controls. The City is also in the process of establishing the asset management unit which will play a vital role on asset management planning and capitalisation process. This is envisaged to drastically reduce the expenditure misallocations that are done at planning as well at implementation stage of infrastructure investments.



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**

<b>OPERATING AND CAPITAL BUDGET EXPENDITURE</b>	<b>2016/2017 THIRD ADJ BUDGET</b>	<b>2016/2017 FINAL ADJUSTMENTS</b>	<b>2016/2017 FINAL BUDGET</b>	<b>2017/2018 APPROVED BUDGET</b>	<b>2018/2019 APPROVED BUDGET</b>
Total Operating Revenue	(5 943 456 598)	2 379 137	(5 941 077 461)	(6 379 358 789)	(6 993 842 508)
Total Operating Expenditure	5 942 378 503	(2 379 137)	5 939 999 366	6 377 690 955	6 991 086 875
Total Capital Expenditure	1 491 447 975	2 379 137	1 493 827 112	1 720 822 763	1 777 998 762
Total Opex & Capex Budget	7 433 826 478	0	7 433 826 478	8 098 513 718	8 769 085 637

## **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. The Council further met on 31 August 2016 to consider and approve the roll-over adjustment budget. The Council also met on 28 February 2017 to consider and approve the mid-year adjustment 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 Third Adjustment Budget report be considered and approved by Council.
- (b) The adjustment from R5 943 456 598 to R 5 941 077 461 of the 2016/17 Operating Revenue Budget be approved by Council.
- (c) The adjustment from R5 942 378 503 to R 5 939 999 366 of the 2016/17 Operating Expenditure Budget be approved by Council.
- (d) The adjustment from R1 491 447 975 to R 1 493 827 112 of the 2016/17 Capital Budget be approved by Council.

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

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**DATE**

### **5.3 EXECUTIVE SUMMARY**

The Buffalo City Metropolitan Municipality is still taking cognisance of the economic challenges that are experienced by South Africa as cited by the Honourable Minister of Finance in his budget speech on 22 February 2017. The challenges are characterised by uneven and slow growth, wealth remain highly concentrated and high unemployment rate among others. There is also continued structural constraints and low levels of investor confidence in the domestic economy, which have led to rising unemployment. The increase in unemployment in the BCMM demographic area has a direct impact on the revenue collection of the City, which affect the cash at hand required for municipal daily operations.

BCMM has undertaken to put remedial actions to prevent the risk of re-occurrence of operating expenditure being incurred under the capital budgeting in the 2017/18 financial year. An integrated inter-departmental approach is being put in place to mitigate such misallocations and misalignment. Furthermore, the asset analysis process will be performed bi-annually to minimise the risk of misallocation of expenditures.

The operating revenue budget has been decreased by R2 379 137 from R5 943 456 598 to R5 941 077 461 (refer to section 5.4 below for details). The operating expenditure budget has also decreased by R2 379 137 from R5 942 378 503 to R5 939 999 366 (refer to section 5.5 below for details). The overall operating surplus before capital transfers recognised remains stagnant at R1 078 095. The capital budget has increased by R2 379 137 from R1 491 447 975 to R1 493 827 112 (refer to section 5.6 below for details).

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to effect realignments, misallocations and approved virements in the 2015/16 annual budget. The table below indicate the summary of the 2016/17 third budget adjustments.

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

<b>OPERATING AND CAPITAL BUDGET EXPENDITURE</b>	<b>2016/2017 MID-YEAR ADJ BUDGET</b>	<b>2016/2017 FINAL ADJUSTMENTS</b>	<b>2016/2017 FINAL BUDGET</b>	<b>2017/2018 APPROVED BUDGET</b>	<b>2018/2019 APPROVED BUDGET</b>
<b>Total Revenue</b>	<b>(5 943 456 598)</b>	<b>2 379 137</b>	<b>(5 941 077 461)</b>	<b>(6 379 358 789)</b>	<b>(6 993 842 508)</b>
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<b>(Surplus) / Deficit</b>	<b>(1 078 095)</b>	<b>0</b>	<b>(1 078 095)</b>	<b>(1 667 834)</b>	<b>(2 755 634)</b>
<b>Total Capital Expenditure</b>	<b>1 491 447 975</b>	<b>2 379 137</b>	<b>1 493 827 112</b>	<b>1 720 822 763</b>	<b>1 777 998 762</b>
<b>Total Opex and Capex Budget</b>	<b>7 433 826 478</b>	<b>0</b>	<b>7 433 826 478</b>	<b>8 098 513 718</b>	<b>8 769 085 637</b>

## 5.4 OPERATING REVENUE FRAMEWORK

The following table (Table 3) depicts adjustments to the operating revenue budget per source. It reflects that there has been a decrease in revenue totalling to R2.4 million. This is mainly due to decrease in Transfers Recognised Operational which is a re-allocation of USDG funding from Operating Budget to Capital Budget. Details of the transfers are provided in section 5.5.1 below. Electricity Service is adjusted downwards by R104 million due to reclassification of internal billing for municipal buildings in line with MSCOA. Water Service is adjusted upwards by R104 million to consider water provision that is made indigents that are in the rural and informal areas. This was previously not accounted as there were no meters to account for water consumed using communal standing water taps.

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

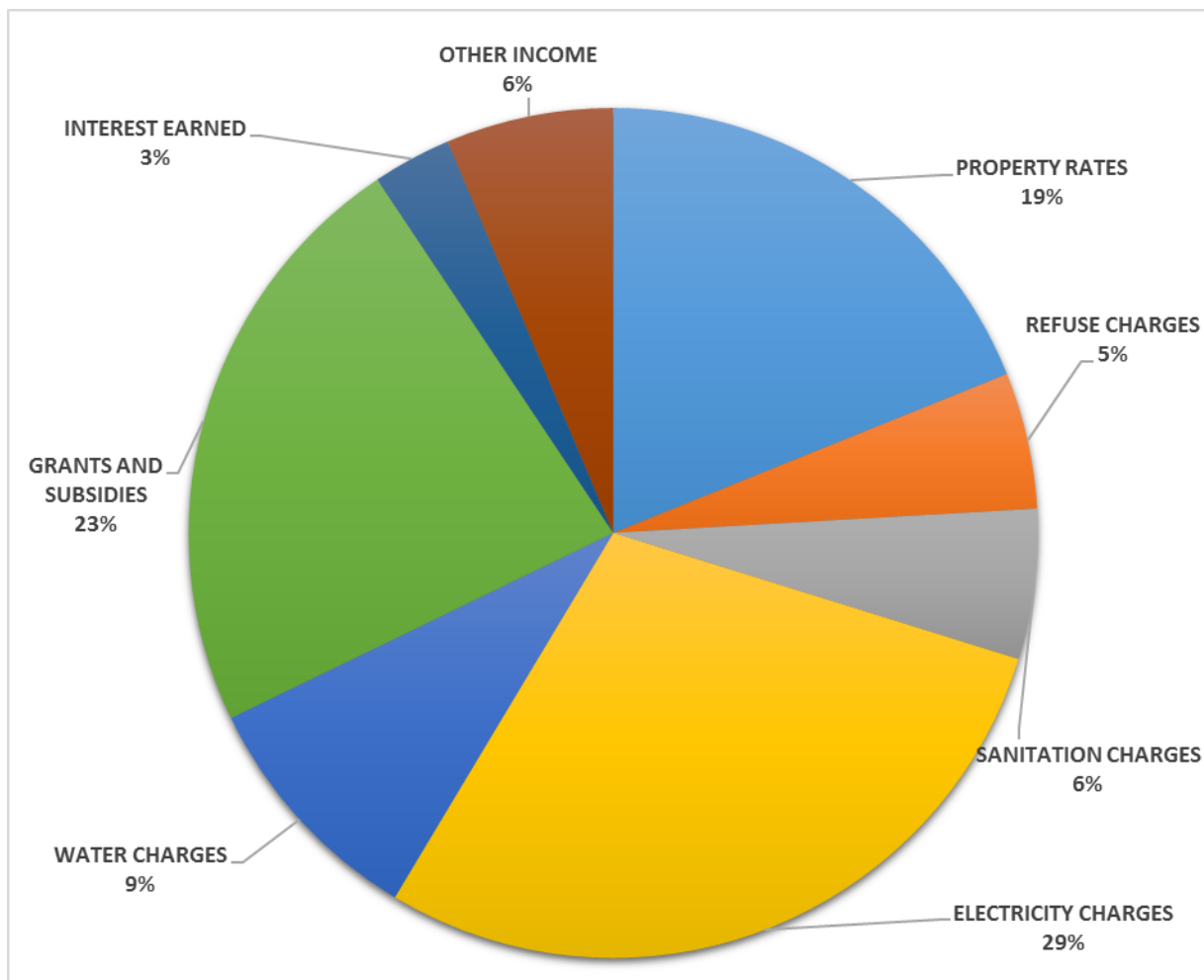
<b>2016/2017 MID-YEAR ADJUSTMENT BUDGET REVENUE FRAMEWORK</b>	<b>2016/2017 MID-YEAR BUDGET</b>	<b>2016/2017 FINAL ADJUSTMENTS</b>	<b>2016/2017 FINAL BUDGET</b>	<b>2017/2018 APPROVED BUDGET</b>	<b>2018/2019 APPROVED BUDGET</b>
<b><u>Revenue Per Source</u></b>					
Property Rates	1 122 920 106	0	1 122 920 106	1 203 770 354	1 288 034 279
Electricity Charges	1 815 256 137	(104 080 620)	1 711 175 517	1 953 941 706	2 103 222 852
Water Charges	444 291 186	104 080 620	548 371 806	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	1 356 414 476	(2 379 137)	1 354 035 339	1 450 381 060	1 703 052 050
Other revenue	314 697 638	0	314 697 638	337 355 867	360 970 778
<b><u>Total Direct Operating Income</u></b>	<b>5 943 456 598</b>	<b>(2 379 137)</b>	<b>5 941 077 461</b>	<b>6 379 358 789</b>	<b>6 993 842 508</b>

The pie chart (Figure 1) below depicts operating revenue budget per source. In terms of service revenue, electricity continues to be the main contributor to the revenue of the municipality by generating 29% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 6% and refuse tariff at 5%.

The implementation of Valuations Roll continues 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 23% of the total revenue, interest earned is 3% of the total revenue. Other revenue contributes 6% of the total revenue.

**Figure 1: 2016/17 Operating Revenue per Source**



## 5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (Table 4) details adjustments to the operating expenditure budget per category. It reflects that there is a total decrease of R2.4 million. This is mainly due to a re-allocation of USDG funding from Operating Budget to Capital Budget. Details of the transfers are provided in section 5.5.1 below. The following realignment between expenditure categories has been undertaken:

- Employee Related Costs is adjusted upwards by R6.4 million to consider the salaries standardisation.
- A saving of R3 million from Councillors Remuneration is reallocated to Employee Related Costs.
- Debt Impairment is adjusted upwards by R7.1 million in line with the approved calculation methodology.
- Depreciation and Asset Impairment is adjusted upwards by R46.3 million to take into consideration the new assets intake.
- A saving of R2.7 million on Finance Charges is reallocated to Depreciation and Asset Impairment
- Bulk Purchases have been adjusted upwards by R31.9 million to cover the shortfall.
- A saving of R1.4 million on Contracted Services has been reallocated to Employee Related Costs (R940 871) as well as Depreciation and Asset Impairment (R459 129).
- Transfers and Grants is adjusted upwards by R104 million to consider water provision that is made to indigent consumers that are in rural and informal settlements. This was previously not accounted as there were no meters to account for water consumed using communal standing water taps.
- A saving of R34.8 million on Repairs and Maintenance is reallocated to Bulk Purchases (R31.9 million) and Employee Related Costs (R2.9 million).
- A saving of R25 million on Operating Projects is reallocated to Depreciation and Asset Impairment.
- An amount of R4 067 from FMG funded operating projects has been reallocated from capital budget to operating projects.

- An amount of R2.4 million from USDG has been reallocated from Operating Projects to Capital Budget.
- A saving of R128.8 million on Other Expenditure that is mainly due to the reclassification of internal billing charges for municipal buildings in line with MSCOA is reallocated to Debt Impairment (R7.1 million), Transfers and Grants (R104 million) as well as Depreciation and Asset Impairment (R1.9 million).

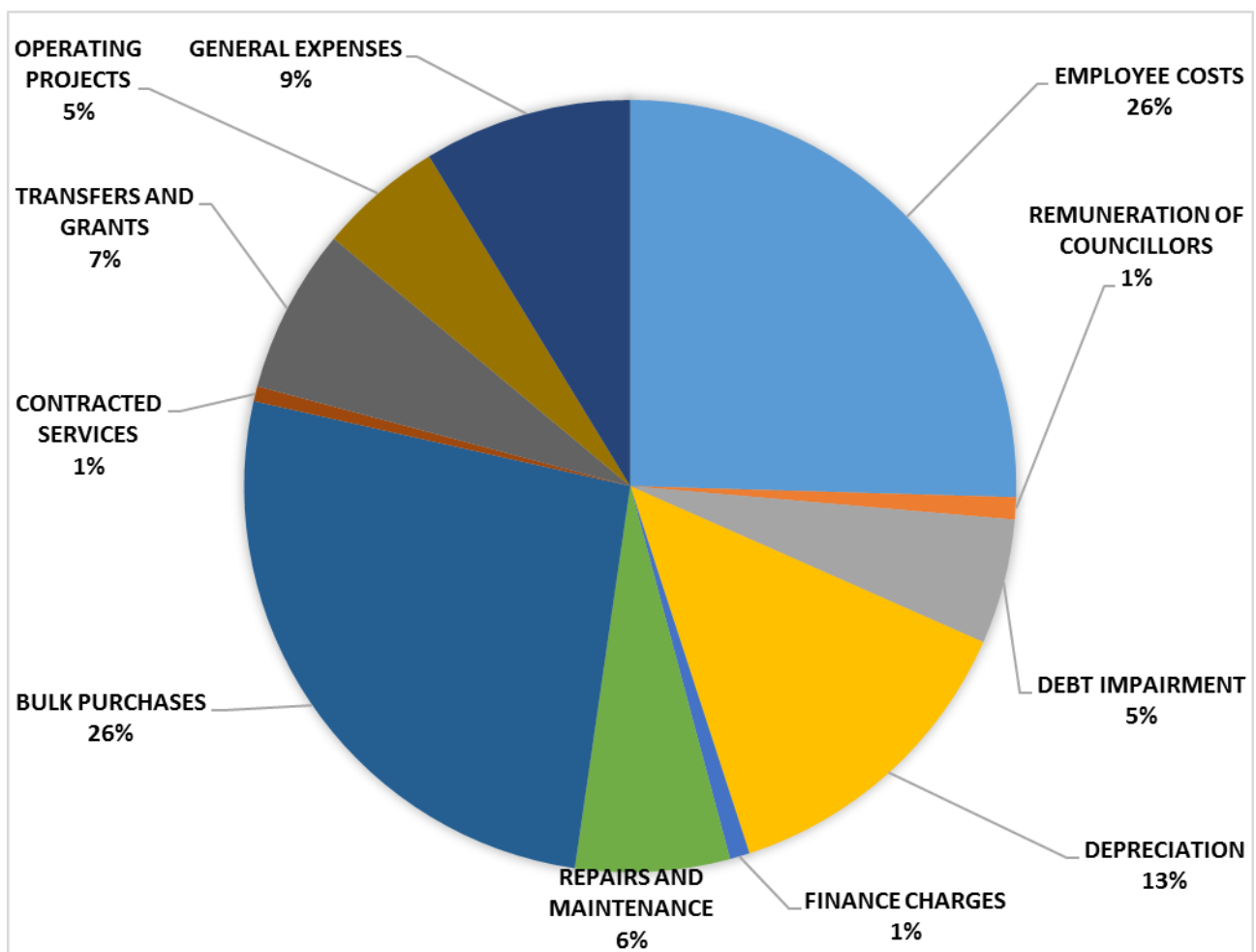
**Table 4: 2016/17 Third Adjusted Expenditure Budget per Category**

<b>2016/2017 MID-YEAR ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK</b>	<b>2016/2017</b>	<b>2016/2017</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
	<b>MID-YEAR</b>	<b>FINAL</b>	<b>FINAL</b>	<b>APPROVED</b>	<b>APPROVED</b>
	<b>BUDGET</b>	<b>ADJUSTMENTS</b>	<b>BUDGET</b>	<b>BUDGET</b>	<b>BUDGET</b>
<b><u>Expenditure Per Category</u></b>					
Employee related costs	1 506 068 330	6 359 129	1 512 427 459	1 641 305 249	1 754 555 311
Remuneration of councillors	58 098 801	(3 000 000)	55 098 801	62 281 917	66 579 370
Debt impairment	303 864 761	7 050 905	310 915 666	326 717 663	350 960 946
Depreciation & asset impairment	748 339 022	46 330 871	794 669 893	794 736 038	841 625 464
Finance charges	52 105 142	(2 700 000)	49 405 142	70 938 326	85 887 474
Bulk purchases	1 526 587 433	31 926 380	1 558 513 813	1 645 567 264	1 779 730 216
Contracted services	38 959 973	(1 400 000)	37 559 973	23 880 620	25 289 576
Transfers and grants	306 067 764	104 080 620	410 148 384	310 162 696	333 177 559
Repairs and Maintenance	418 609 135	(34 826 380)	383 782 755	456 269 909	501 896 900
Operating projects	336 909 386	(27 379 137)	309 530 249	373 853 928	537 760 050
Other expenditure	646 768 756	(128 821 525)	517 947 231	671 977 344	713 624 008
<b><u>Total Direct Operating Expenditure</u></b>	<b>5 942 378 503</b>	<b>(2 379 137)</b>	<b>5 939 999 366</b>	<b>6 377 690 955</b>	<b>6 991 086 875</b>



The pie chart (Figure 2) below depicts split of operating expenditure budget per category. Employee costs and Bulk Purchases represent the largest cost of the municipality at 26% of the total operating expenditure each. Depreciation totals 13% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. General Expenses/Other Expenditure account got 9% of the total operating budget. The main contributor for Operating projects at 5% of the total cost base is the housing project top structure funded from the Human Settlement Development Grant. Repairs and Maintenance is equal to 6% of the operating expenditure budget. Transfers and Grants paid which is mainly made up of indigent subsidy paid, account for 7%. Debt impairment also account for 5%. Finance Charges, Contracted Services and Remuneration of Councillors each account for 1%.

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



### **5.5.1 Third 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 decrease of R27.4 million which is made up of the following (Detailed schedule of operating projects is attached as annexure 1):

- A saving / unspent balance of R25 million on own funded Operating Projects is reallocated to Depreciation and Asset Impairment.
- An amount of R4 067 from FMG has been reallocated from capital budget to operating projects.
- An amount of R2.4 from USDG has been reallocated from Operating Projects to Capital Budget.

**Table 5: 2016/17 Third Adjustments to Operating Projects - Funding Source**

<b>2016/2017 OPEX PROJECTS BUDGET PER FUNDING SOURCE</b>	<b>2016/2017 Mid-Year Adj. Opex Budget</b>	<b>2016/2017 Final Adjustments</b>	<b>2016/2017 Final Opex Budget</b>	<b>2017/2018 Approved Opex Budget</b>	<b>2018/2019 Approved Opex Budget</b>
<b>Own Funding</b>					
Own Funds	83 114 620	(25 000 000)	58 114 620	99 427 868	123 060 000
Own Funds c/o	608 290	0	608 290	0	0
<b>Total Own Funding</b>	<b>83 722 910</b>	<b>(25 000 000)</b>	<b>58 722 910</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	1 250 000	4 067	1 254 067	1 200 000	900 000
Galve c/o	229 000	0	229 000	0	0
Glasgow	89 858	0	89 858	0	0
Human Settlement Development Grant	143 802 000	0	143 802 000	196 100 000	297 500 000
Human Settlement Development Grant c/o	1 017 287	0	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	0	0	0	0
Municipal Human Settlement Capacity Grant c/o	0	0	0	0	0
Public Transport Infrastructure and Systems Grant	5 000 000	0	5 000 000	0	0
Transnet	0	0	0	3 000 000	0
Urban Settlement Development Grant	88 744 970	(2 383 204)	86 361 766	63 226 060	104 400 050
<b>Total Grant Funding</b>	<b>253 186 476</b>	<b>(2 379 137)</b>	<b>250 807 339</b>	<b>274 426 060</b>	<b>414 700 050</b>
<b>Total Funding</b>	<b>336 909 386</b>	<b>(27 379 137)</b>	<b>309 530 249</b>	<b>373 853 928</b>	<b>537 760 050</b>

**Table 6: 2016/17 Third Adjustments to Operating Projects - Directorate**

<b>2016/2017 OPEX PROJECTS BUDGET PER DIRECTORATE</b>	<b>2016/2017 Mid-Year Adj. Opex Budget</b>	<b>2016/2017 Virements</b>	<b>2016/2017 Final Adjustments</b>	<b>2016/2017 Final Opex Budget</b>	<b>2017/2018 Approved Opex Budget</b>	<b>2018/2019 Approved Opex Budget</b>
<b>Directorate</b>						
Directorate of Executive Support Services	568 858	0	1 923	570 781	4 000 000	3 000 000
Directorate of the City Manager	32 935 935	0	(8 005 951)	24 929 984	22 926 060	26 600 050
Directorate of Human Settlement	146 969 532	1 400 000	(134 015)	148 235 517	198 600 000	299 750 000
Directorate of Financial Services	44 099 700	0	(11 235 649)	32 864 051	47 337 868	21 900 000
Directorate of Corporate Services	8 900 000	0	0	8 900 000	10 900 000	11 900 000
Directorate of Infrastructure Services	52 495 761	(5 000 000)	(46 058)	47 449 703	44 500 000	89 500 000
Directorate of Spatial Planning and Development	6 250 000	0	(256 069)	5 993 931	1 450 000	1 500 000
Directorate of Economic Development & Agencies	20 870 000	(1 900 000)	(4 909 524)	14 060 476	37 000 000	64 000 000
Directorate of Health & Public Safety	1 000 000	500 000	(247 709)	1 252 291	1 390 000	3 610 000
Directorate of Municipal Services	22 819 600	5 000 000	(2 546 085)	25 273 515	5 750 000	16 000 000
<b>Total Directorates</b>	<b>336 909 386</b>	<b>0</b>	<b>(27 379 137)</b>	<b>309 530 249</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 and per directorate respectively. It shows a total increase of R2.4 million which is made of USDG funding that is reallocated from Operating Projects to Capital Budget (R2.4 million) and an amount of R4 067 from FMG funding that is reallocated from Capital Budget to Operating Budget. An amount of R44 million from USDG funding has been reallocated from Infrastructure Services Directorate (R36.9 million) and Spatial Planning and Development Directorate (R6.7 million) to Human Settlement Directorate. Detailed schedule of capital projects is attached as annexure 2.

**Table 7: 2016/17 Third Adjustments to Capital Expenditure Budget - Funding**

2016/2017 CAPITAL BUDGET PER FUNDING	2016/2017 Mid-Year Adj. Capital Budget	2016/2017 Final Adj. Capital Budget	2016/2017 Final Capital Budget	2017/2018 Approved Capital Budget	2018/2019 Approved Capital Budget
<b>Own Funding</b>					
Own Funds	697 676 105	15 155	697 691 260	638 685 218	631 622 100
Own Funds c/o	63 523 205	(15 155)	63 508 050	0	0
Loan	(0)	0	(0)	189 351 605	176 866 712
<b>Total Own Funding</b>	<b>761 199 310</b>	<b>0</b>	<b>761 199 310</b>	<b>828 036 823</b>	<b>808 488 812</b>
<b>Grant Funding</b>					
BCMET	487 499	0	487 499	0	0
DoE (Integrated National Electrification Programme)	25 000 000	0	25 000 000	30 000 000	30 000 000
DoE (Integrated National Electrification Programme) c/o	11 612 579	0	11 612 579	0	0
DEDEAT c/o	199 168	0	199 168	0	0
DRSAC c/o	4 411 277	0	4 411 277	0	0
Electricity Demand Side Management Grant	0	0	0	5 000 000	3 000 000
Finance Management Grant	50 000	(4 067)	45 933	100 000	100 000
Galve c/o	229 000	0	229 000	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
Local Government & Traditional Affairs c/o	9 036 112	0	9 036 112	0	0
Neighbourhood Development Partnership Grant	0	0	0	24 979 000	49 525 000
Urban Settlement Development Grant	642 754 030	2 383 204	645 137 234	710 975 940	708 934 950
Human Settlement Development Grant	0	0	0	50 635 000	0
Public Transport Infrastructure Grant	30 289 000	0	30 289 000	60 167 000	166 393 000
<b>Total Grant Funding</b>	<b>730 248 666</b>	<b>2 379 137</b>	<b>732 627 803</b>	<b>892 785 940</b>	<b>969 509 950</b>

**Table 8: 2016/17 Third Adjustments to Capital Expenditure Budget - Directorate**

<b>2016/2017 CAPITAL BUDGET PER DIRECTORATE</b>	<b>2016/2017 Mid-Year Adj. Capital Budget</b>	<b>2016/2017 Virements</b>	<b>2016/2017 Final Adj. Capital Budget</b>	<b>2016/2017 Final Capital Budget</b>	<b>2017/2018 Approved Capital Budget</b>	<b>2018/2019 Approved Capital Budget</b>
<b><u>Directorate</u></b>						
Directorate of Executive Support Services	6 578 062	0	0	6 578 062	500 000	500 000
Directorate of the City Manager	78 821 500	0	0	78 821 500	31 678 100	19 000 000
Directorate of Human Settlement	140 779 452	3 036 112	45 902 488	189 718 052	190 530 454	198 127 200
Directorate of Financial Services	8 797 535	8 000 000	(4 067)	16 793 468	600 000	600 000
Directorate of Corporate Services	4 533 820	0	0	4 533 820	2 100 000	600 000
Directorate of Infrastructure Services	870 932 044	(89 949 539)	(36 851 454)	744 131 051	1 059 352 769	1 010 629 252
Directorate of Spatial Planning and Development	191 431 550	38 559 213	(6 667 830)	223 322 933	259 450 000	331 918 000
Directorate of Economic Development & Agencies	53 764 025	1 400 000	0	55 164 025	45 500 000	57 500 000
Directorate of Health & Public Safety	29 765 169	4 200 000	0	33 965 169	19 817 400	11 618 520
Directorate of Municipal Services	96 044 818	34 754 214	0	130 799 032	101 294 040	137 505 790
<b>Total Directorates</b>	<b>1 481 447 975</b>	<b>0</b>	<b>2 379 137</b>	<b>1 483 827 112</b>	<b>1 710 822 763</b>	<b>1 767 998 762</b>
Asset Replacement	10 000 000	0	0	10 000 000	10 000 000	10 000 000
<b><u>GRAND TOTAL</u></b>	<b>1 491 447 975</b>	<b>0</b>	<b>2 379 137</b>	<b>1 493 827 112</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 new allocations or grants made by the municipality. The adjustments on Transfers and Grants relates to indigent subsidy that is funded by Equitable Share.

### **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 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 third adjustments to the 2016/17 budget do not have an impact on tariffs as these are funded from current operating revenue that was already approved by Council, conditional grants 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 R2 379 137 from R5 943 456 598 to R5 941 077 461.
- A decrease in the Operational Expenditure Budget of R2 379 137 from R5 942 378 503 to R5 939 999 366.
- An increase in the Capital Budget of R2 379 137 from R1 491 447 975 to R1 493 827 112.

## **6.7 OTHER PARTIES CONSULTED**

All Directorates

## 6.8 CITY MANAGER'S QUALITY CERTIFICATE

I **A. S. Naidoo**, Acting City Manager of Buffalo City Metropolitan Municipality, hereby certify that the annual 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature \_\_\_\_\_

Date \_\_\_\_\_

**ANNEXURES:**

Annexure 1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects

Annexure 3: Detailed National Treasury B - Schedules