



**BUFFALO CITY METROPOLITAN
MUNICIPALITY**

**2017/2018 – FIRST (ROLL-OVER)
ADJUSTMENT BUDGET**

25 AUGUST 2017

REPORT TO COUNCIL: 25 AUGUST 2017

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2017/18 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 2017/18 financial year.

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 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 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.”

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 (f)) 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 directorates for roll-over of own funding and unconditional grants that were unspent in the 2016/17 financial year. At year end on the 30 June 2017, various directorates indicated that certain projects, provided for execution in the 2016/17 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 2017/18 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 2017/18 budget. This process is in line with the legislative requirements of section 28 of the MFMA and Municipal Budget and Reporting Regulations for submitting a municipal rollover budget to Council for adoption.

During the budget verification process that is undertaken by National Treasury, minor casting errors were identified on the prior year audited figures that were disclosed for comparison purpose in the 2017/18 MTREF budget detailed National Treasury prescribed A Schedules. These have since been corrected and submitted to National Treasury, the corrected schedules are herewith attached as annexure 4 for noting by Council in line with the provision of MFMA section 28(2)(f).

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTMENTS	2017/2018 FIRST ADJ BUDGET	2018/2019 APPROVED BUDGET	2019/2020 APPROVED BUDGET
Total Revenue	(6 189 006 311)	(939 272)	(6 189 945 583)	(6 625 730 376)	(7 022 802 564)
Total Operating Expenditure Excluding Operating Projects	5 888 106 374	0	5 888 106 374	6 264 254 907	6 620 607 339
Operating Projects	299 973 450	939 272	300 912 722	359 429 003	399 591 550
Total Operating Expenditure Including Operating Projects	6 188 079 824	939 272	6 189 019 096	6 623 683 910	7 020 198 889
(Surplus) / Deficit	(926 487)	0	(926 487)	(2 046 466)	(2 603 675)
Total Capital Expenditure	1 645 204 112	68 359 369	1 713 563 481	2 216 598 192	2 391 122 450
			0		
Total Opex and Capex Budget	7 833 283 936	69 298 641	7 902 582 577	8 840 282 102	9 411 321 339

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 Accounts
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 primary reason for the recommendations to consider and adopt the 1st adjustment budget (roll over) during August 2017, emanates from prior year commitment that compels rollovers and re-alignment of budgetary provision.

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 2016/17 financial year.

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 BUDGET EXPENDITURE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTMENTS	2017/2018 FIRST ADJ BUDGET	2018/2019 APPROVED BUDGET	2019/2020 APPROVED BUDGET
Total Revenue	(6 189 006 311)	(939 272)	(6 189 945 583)	(6 625 730 376)	(7 022 802 564)
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Total Opex and Capex Budget	7 833 283 936	69 298 641	7 902 582 577	8 840 282 102	9 411 321 339

The following factors were taken into cognisance when formulating the 2017/18 rollover budget:

- Those contractual components or works awarded or commenced during the 2016/17 financial year, but not yet completed and settled by 30 June 2017 and therefore no budgetary provision made on the 2017/18 budget.
- Reasons explaining why the 2016/17 budgetary provisions were committed, but not spent by 30 June 2017.
- Consideration of roll-over proposals on Council's 2017/18 operating and capital budget was taken in the context of affordability and funding certainty for the period, as furthermore informed by the adopted MTREF as well as implementation capacity for the financial period.

The City continues to budget for a surplus 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. To avoid the above, the roll-over of own funded operating projects was not considered in this adjustment budget as there are no savings realised in the 2017/18 financial year budget that could be used to fund such roll-overs. Therefore, the net effect of the Metro's budget after rollover adjustment remain constant at a surplus of R926,487 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 26 May 2017 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2017/18 – 2019/20 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 2017/18 first (roll-over) adjustment budget report be considered and approved by Council.
- (b) The adjustment from R6,189,006 311 to R 6,189,945,583 of the 2017/18 Operating Revenue Budget be approved by Council.
- (c) The adjustment from R6,188,079,824 to R 6,189,019,096 of the 2017/18 Operating Expenditure Budget be approved by Council.
- (d) The adjustment from R1,645,204,112 to R1,713,563,481 of the 2017/18 Capital Budget be approved by Council.
- (e) The adjusted 2017/18 MTREF budget detailed National Treasury A - Schedules be noted by Council.
- (f) Council note that, in order to improve operational efficiency, the detailed schedules of operating projects and capital projects that are attached as annexure 1 and 2 respectively have been rolled up to project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget.

X. A. PAKATI
EXECUTIVE MAYOR

DATE

5.3 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is still taking cognisance of the economic challenges that are experienced by South Africa 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 slightly increased by R939,272 from R6,189,006 311 to R 6,189,945,583. The operating expenditure budget has also slightly increased by the same amount (R939,272) from R6,188,079,824 to R 6,189,019,096. The reason for the increase is the roll-over of grant funded projects These are detailed in section 5.4 and 5.5 of the report. The overall operating surplus before capital transfers recognised remains stagnant at R926,487.

The capital expenditure budget has increased by R68,359,369 from R1,645,204,112 to R1,713,563,481. This is due to roll-over of grant funded projects amounting to R9,265,112 and own funded projects that totals to R59,094,257. These are detailed in section 5.6 of the report.

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. The table below indicates the summary of the 2017/18 first budget adjustments.

Table 2: 2017/18 First Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTMENTS	2017/2018 FIRST ADJ BUDGET	2018/2019 APPROVED BUDGET	2019/2020 APPROVED BUDGET
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5.4 OPERATING REVENUE FRAMEWORK

The following table depicts adjustments to the operating revenue budget per source. It reflects that there has been a slight increase in revenue amounting to R939,272. The increase is on Transfers Recognised Operational, due to the following grants that are rolled over from 2016/17 financial year:

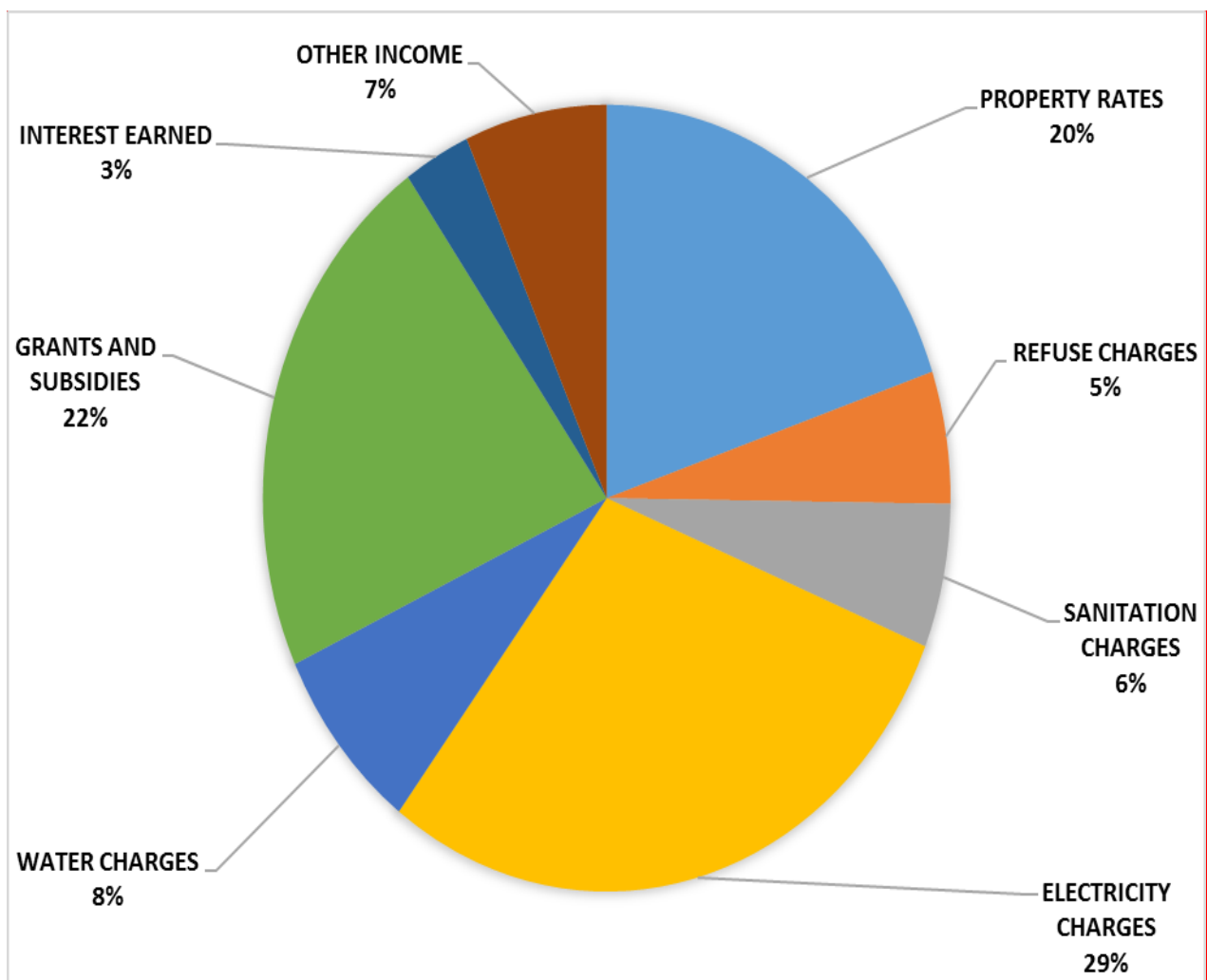
- City of Oldenburg: R495 761;
- National Department of Public Works: R353 653 and
- Galve: R89 858

Table 3: 2017/18 First Adjusted Revenue per Source

2017/2018 BUDGET REVENUE FRAMEWORK	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTMENTS	2017/2018 FIRST ADJ BUDGET	2018/2019 APPROVED BUDGET	2019/2020 APPROVED BUDGET
<u>Revenue Per Source</u>					
Property Rates	1 225 284 909		1 225 284 909	1 329 434 127	1 435 788 857
Electricity Charges	1 806 438 896		1 806 438 896	1 840 399 948	1 874 999 467
Water Charges	479 126 770		479 126 770	517 936 039	559 370 922
Sanitation Charges	365 997 836		365 997 836	397 839 648	432 053 857
Refuse Charges	336 765 776		336 765 776	366 064 399	397 545 937
Other Service Charges	23 565 563		23 565 563	25 450 808	27 461 422
Rental of facilities and equipment	23 173 696		23 173 696	25 027 591	27 004 771
Interest earned - external investments	157 002 322		157 002 322	169 562 508	182 957 946
Interest earned - outstanding debtors	36 843 509		36 843 509	38 967 074	41 179 346
Fines	9 156 724		9 156 724	9 889 262	10 670 513
Licences and permits	17 555 658		17 555 658	18 960 110	20 457 959
Agency services	49 763 403		49 763 403	53 744 475	57 990 289
Transfers recognised - operational	1 368 105 621	939 272	1 369 044 893	1 519 010 710	1 617 115 550
Other revenue	290 225 628		290 225 628	313 443 678	338 205 729
<u>Total Direct Operating Income</u>	6 189 006 311	939 272	6 189 945 583	6 625 730 376	7 022 802 564

The figure below provides split of operating revenue budget per source. In terms of revenue services, 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 8%, 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 20% of the total Municipal revenue. The municipality receives grants and subsidies totalling 22% of the total revenue. Other revenue contributes 7% and interest earned 3% of the total revenue.

Figure 1: Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

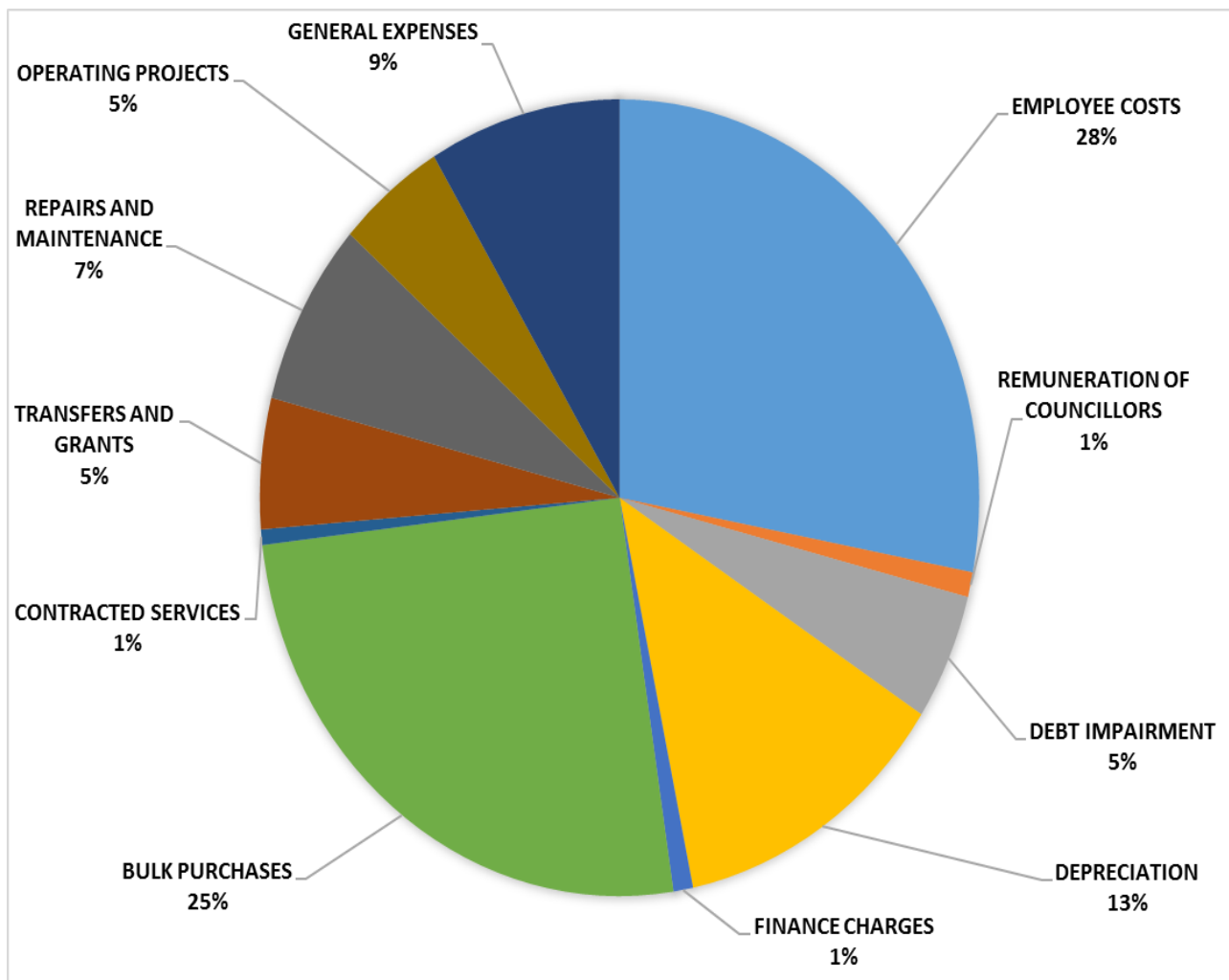
The following table details adjustments to the operating expenditure budget per category. It reflects that there is a total net increase of R939,272 as a result of roll-overs for operating projects funded by unconditional grants. The details are provided in section 5.5.1 below.

Table 4: 2017/18 First Adjusted Expenditure Budget per Category

2017/2018 BUDGET EXPENDITURE FRAMEWORK	2017/2018 APPROVED BUDGET	2017/2018 ADJUSTMENTS	2017/2018 FIRST ADJ BUDGET	2018/2019 APPROVED BUDGET	2019/2020 APPROVED BUDGET
<u>Expenditure Per Category</u>					
Employee related costs	1 733 321 386	0	1 733 321 386	1 919 453 919	2 066 137 877
Remuneration of councillors	62 398 115	0	62 398 115	66 578 789	70 972 989
Debt impairment	317 788 481	0	317 788 481	313 398 748	307 269 330
Depreciation & asset impairment	778 272 580	0	778 272 580	818 895 457	859 255 194
Finance charges	54 318 230	0	54 318 230	77 361 855	112 797 658
Bulk purchases	1 578 166 510	0	1 578 166 510	1 604 890 148	1 633 879 761
Contracted services	38 959 973	0	38 959 973	41 180 691	43 486 810
Transfers and grants	328 636 857	0	328 636 857	347 682 387	367 523 500
Repairs and Maintenance	462 450 050	0	462 450 050	508 695 055	559 564 560
Operating projects	299 973 450	939 272	300 912 722	359 429 003	399 591 550
Other expenditure	533 794 193	0	533 794 193	566 117 859	599 719 661
<u>Total Direct Operating Expenditure</u>	6 188 079 824	939 272	6 189 019 096	6 623 683 910	7 020 198 889

The figure below gives the split of operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 28% of the total operating expenditure. Bulk Purchases for Electricity and Water represents 25% of the total costs. General Expenses contribute 9% 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. Operating projects at 5% of the total cost base with the housing project top structure funded from the Human Settlement Development Grant being the main contributor. Repairs and Maintenance is equal to 7% of the operating expenditure budget. Debt impairment account for 5%. Contracted Services and Finance Charges each account for 1%.

Figure 2: 2017/18 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 increase of R939,272 million which is detailed below due to the following unconditional grant roll-overs from 2016/17 financial year (Detailed schedule of operating projects is attached as annexure 1):

- City of Oldenburg – R495 761, the funding is committed to the Renewable Energy Efficiency Audit (Buildings) that is implemented by the Infrastructure Services Directorate.
- National Department of Public Works – R353 653, the funding is committed to the Coastal Crime Prevention Project that is implemented by the Municipal Services Directorate.
- Galve – R89 858, the funding committed to the Lighting Project that is implemented by the Executive Support Services Directorate.

In order to improve operational efficiency, the detailed schedule of operating projects that is attached as annexure 1 of this report has been rolled up to the project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget.

Table 5: 2017/18 Operating Projects Per Funding Source First Adjustment Budget

2017/2018 OPEX PROJECTS BUDGET PER FUNDING SOURCE	2017/2018 Approved Opex Budget	2017/2018 Adjustments	2017/2018 First Adj. Budget	2018/2019 Approved Opex Budget	2019/2020 Approved Opex Budget
Own Funding					
Own Funds	120 122 829	0	120 122 829	142 123 293	187 803 000
Total Own Funding	120 122 829	0	120 122 829	142 123 293	187 803 000
Grant Funding					
City of Oldenburg c/o	0	495 761	495 761	0	0
Dept of Public Works c/o	0	353 653	353 653	0	0
Expanded Public Works Programme Incentives Grant	4 952 000	0	4 952 000	0	0
Finance Management Grant	1 200 000	0	1 200 000	900 000	900 000
Galve c/o	0	89 858	89 858	0	0
Human Settlement Development Grant	90 800 000	0	90 800 000	104 400 000	101 450 000
Infrastructure Skills Development Grant	10 560 000	0	10 560 000	11 800 000	13 517 000
Leiden	138 207	0	138 207	0	0
Public Transport Infrastructure Grant	7 702 000	0	7 702 000	12 500 000	15 350 000
Salaida (Galve)	1 454 574	0	1 454 574	0	0
Urban Settlement Development Grant	63 043 840	0	63 043 840	87 705 710	80 571 550
Total Grant Funding	179 850 621	939 272	180 789 893	217 305 710	211 788 550
Total Funding	299 973 450	939 272	300 912 722	359 429 003	399 591 550

Table 6: 2017/18 Operating Projects Per Directorate First Adjustment Budget

2017/2018 OPEX PROJECTS BUDGET PER FUNDING SOURCE	2017/2018 Approved Opex Budget	2017/2018 Adjustments	2017/2018 First Adj. Budget	2018/2019 Approved Opex Budget	2019/2020 Approved Opex Budget
Directorate					
Directorate of Executive Support Services	5 732 781	89 858	5 822 639	5 510 000	5 850 000
Directorate of the City Manager	46 784 665	0	46 784 665	38 899 210	37 265 050
Directorate of Human Settlement	91 300 000	0	91 300 000	104 900 000	101 950 000
Directorate of Financial Services	47 950 000	0	47 950 000	67 580 993	87 460 000
Directorate of Corporate Services	12 566 500	0	12 566 500	13 806 500	15 523 500
Directorate of Infrastructure Services	43 500 000	495 761	43 995 761	65 500 000	57 000 000
Directorate of Spatial Planning and Development	9 152 000	0	9 152 000	14 000 000	17 350 000
Directorate of Economic Development & Agencies	26 977 504	0	26 977 504	33 250 000	34 050 000
Directorate of Health, Public Safety & Emergency Services	1 860 000	0	1 860 000	1 232 300	1 743 000
Directorate of Municipal Services	14 150 000	353 653	14 503 653	14 750 000	41 400 000
Total Directorates	299 973 450	939 272	300 912 722	359 429 003	399 591 550

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 R68.36 million which is made of roll-overs for own funds of R59.1 million and unconditional grants of R9.27 million. 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):

5.6.1 Grant Funding – R9.27 million:

- i. **Galve – R229 000**, the funding is committed to the Upgrading of Swedish Projects that is implemented by the Executive Support Services Directorate.
- ii. **Dept of Local Government and Traditional Affairs – R9.04 million**, the funding is committed to the Mdantsane Urban Renewal - Mount Ruth Node Project that is implemented by the Directorate of Spatial Planning and Development.

5.6.2 Own Funding – R59.1 million:

- i. The Directorate of the Executive Support Services – R3.5 million, the funding is committed to the following projects:
 - (a) Office Furniture and Equipment (City Hall) – R1.3 million and
 - (b) Park Homes for Councillors (Offices) – R2.2 million
- ii. The Directorate of the City Manager – R16.6 million, the funding is committed to the following projects:
 - (a) Fibre Network – R4.5 million and
 - (b) Disaster Recovery Infrastructure – R12.1 million
- iii. Directorate of Human Settlement – R420 242, the funding is committed to the project, Office Furniture and Equipment.

- iv. Directorate of Corporate Services – R2.4 million, the funding is committed to the following projects:
 - (a) Office Furniture and Equipment – R157 298;
 - (b) Employee Performance Management System – R2 million and
 - (c) Extension to Employee Wellness – R184 351
- v. Directorate of Infrastructure Services – R5.6 million, the funding is committed to the project, BCMM Fleet.
- vi. Directorate of Economic Development and Agencies – R16.5 million, the funding is committed to the following projects:
 - (a) Upgrading of Cold Rooms at Fresh Produce Market – R2 million;
 - (b) Construction of Cashier Cubicles at Market – R1.9 million;
 - (c) CCTV Camera Installation – R936 017;
 - (d) Enabling Infrastructure Programme - LED (Replacing of Existing Assets) – R4 million;
 - (e) Incubator Hubs – R178 561;
 - (f) Art, Culture and Heritage Sites Upgrading – R631 868 and
 - (g) Tourism Infrastructure Programme (Counter funding) – R6.9 million
- vii. Directorate Health, Public Safety and Emergency Service – R11 million, the funding is committed to the following projects:
 - (a) Office Furniture and Equipment – R65 913;
 - (b) Offices: Emergency Services – R85 958;
 - (c) Closed Circuit Television Network (CCTV) – R7.9 million;
 - (d) Traffic and Law Enforcement Equipment – R1.4 million;
 - (e) Fire Arms: Emergency Offices – R36 798;
 - (f) Vehicle Pound – R61 451;
 - (g) Fire Equipment – R481 763;
 - (h) Vehicle Test Station Equipment – R1 million and
 - (i) Disaster Management: Event Safety Equipment – R82 090

viii. Directorate of Municipal Services – R2.9 million, the funding is committed to the following projects:

- (a) Office Furniture and Equipment (Libraries) – R135 821;
- (b) Upgrading and Development of BCMM Sport fields and Swimming Pools (Replacing Existing Assets) – R682 232;
- (c) Upgrading of Water world – R61 562;
- (d) Upgrading of Coastal Nature Reserves – R623 767;
- (e) Plant and Equipment for Nature Reserves – R278 242;
- (f) Upgrading of Zoo Facilities – R477 491;
- (g) Upgrading of Resorts – R529 234 and
- (h) Refurbishment of Swimming Pools – R142 525;

In order to improve operational efficiency, the detailed schedule of capital projects that is attached as annexure 2 of this report has been rolled up to project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget.

Table 7: 2017/18 First Adjustments to Capital Expenditure Budget Per Funding

2017/2018 CAPITAL BUDGET PER FUNDING	2017/2018 Approved Capital Budget	2017/2018 Adjustments	2017/2018 First Adj. Capital Budget	2018/2019 Approved Capital Budget	2019/2020 Approved Capital Budget
Own Funding					
Own Funds	780 896 952	0	780 896 952	978 157 903	990 930 000
Own Funds c/o	0	59 094 257	59 094 257	0	0
LOAN	69 000 000		69 000 000	309 000 000	406 000 000
Total Own Funding	849 896 952	59 094 257	908 991 209	1 287 157 903	1 396 930 000
Grant Funding					
DoE (Integrated National Electrification Programme)	25 000 000	0	25 000 000	30 000 000	30 000 000
Finance Management Grant	100 000	0	100 000	100 000	100 000
Galve c/o	0	229 000	229 000	0	0
Integrated City Development Grant	6 956 000	0	6 956 000	11 457 000	12 099 000
Dept. of Local Government and Traditional Affairs c/o	0	9 036 112	9 036 112	0	0
Neighbourhood Development Partnership Grant	10 000 000	0	10 000 000	20 000 000	25 000 000
Urban Settlement Development Grant	705 084 160	0	705 084 160	719 151 290	771 813 450
Public Transport Infrastructure Grant	48 167 000	0	48 167 000	148 732 000	155 180 000
Total Grant Funding	795 307 160	9 265 112	804 572 272	929 440 290	994 192 450
Total Funding	1 645 204 112	68 359 369	1 713 563 481	2 216 598 192	2 391 122 450

Table 8: 2017/18 First Adjustments to Capital Expenditure Budget per Directorate

2017/2018 CAPITAL BUDGET PER DIRECTORATE	2017/2018 Approved Capital Budget	2017/2018 Adjustments	2017/2018 First Adj. Capital Budget	2018/2019 Approved Capital Budget	2019/2020 Approved Capital Budget
<u>Directorate</u>					
Directorate of Executive Support Services	3 000 000	3 729 240	6 729 240	500 000	500 000
Directorate of the City Manager	22 500 000	16 609 286	39 109 286	16 760 000	12 760 000
Directorate of Human Settlement	186 355 000	420 242	186 775 242	108 004 640	130 465 000
Directorate of Financial Services	87 820 000	0	87 820 000	176 220 000	269 220 000
Directorate of Corporate Services	6 000 000	2 337 104	8 337 104	5 500 000	500 000
Directorate of Infrastructure Services	856 154 323	5 758 409	861 912 732	1 226 532 093	1 339 147 450
Directorate of Spatial Planning and Development	234 721 000	9 036 112	243 757 112	414 932 000	381 680 000
Directorate of Economic Development & Agencies	43 100 000	16 497 779	59 597 779	59 500 000	50 500 000
Directorate of Health, Public Safety & Emergency Services	30 205 000	11 040 323	41 245 323	14 820 000	12 350 000
Directorate of Municipal Services	165 348 789	2 930 874	168 279 663	183 829 460	184 000 000
Total Directorates	1 635 204 112	68 359 369	1 703 563 481	2 206 598 192	2 381 122 450
Asset Replacement	10 000 000	0	10 000 000	10 000 000	10 000 000
<u>GRAND TOTAL</u>	1 645 204 112	68 359 369	1 713 563 481	2 216 598 192	2 391 122 450

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 2017/18 budget do not have an impact on tariffs as these are funded from unconditional grants rollover funding from 2016/17 financial year and own funding reserves. The effects of the adjustments to the 2017/18 Capital and Operating Budget are outlined below:

- An increase in the Operational Revenue Budget of R939,272 from R6,189,006,311 to R6,189,945,583.
- An increase in the Operational Expenditure Budget of R939,272 from R6,188,079,824 to R6,189,019,096.
- An increase in the Capital Project Budget of R68,359,369 from R1,645,204,112 to R1,713,563,481.

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

Annexure 4: Amended Detailed National Treasury A – Schedules