



**BUFFALO CITY METROPOLITAN  
MUNICIPALITY**

**2015/2016 – THIRD  
ADJUSTMENT BUDGET**

**31 AUGUST 2016**

## REPORT TO COUNCIL: 31 AUGUST 2016

File No.:5/1/1/1[15/16]

Author: EXECUTIVE MAYOR (XOLA PAKATI)/NN

### 2015/16 THIRD ADJUSTMENTS BUDGET REPORT

#### **1. PURPOSE**

The purpose of the report is for the Council to consider and approve the third adjustments budget of Buffalo City Metropolitan Municipality for the 2015/16 financial year in terms of section 28 of the MFMA.

#### **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**

Council approved the 2<sup>nd</sup> Adjustment budget of 2015/16 on the 24 February 2016 in accordance with Section 28 of the MFMA. In terms of the MFMA and the municipality's Budget Management Policy, a municipality may revise an approved a 3<sup>rd</sup> adjustment budget.

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.”*

*“An adjustment budget and supporting documentation of a 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)(f)) and 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 2015/16 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.

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:

OPERATING AND CAPITAL BUDGET EXPENDITURE	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	ADOPTED	ROLL OVER	MID-YEAR	THIRD	THIRD
	BUDGET YR1	ADJ BUDGET	ADJ BUDGET	ADJUSTMENTS	ADJ BUDGET
<b>Total Operating Revenue</b>	<b>(5 719 607 491)</b>	<b>(5 724 734 665)</b>	<b>(5 690 829 800)</b>	<b>1 899 725</b>	<b>(5 688 930 075)</b>
<b>Total Operating Expenditure</b>	<b>5 718 685 323</b>	<b>5 723 812 497</b>	<b>5 689 907 632</b>	<b>(1 899 725)</b>	<b>5 688 007 907</b>
<b>Total Capital Expenditure</b>	<b>1 275 354 230</b>	<b>1 380 149 467</b>	<b>1 390 877 160</b>	<b>(9 600 275)</b>	<b>1 381 276 885</b>
<b>Total Opex &amp; Capex Budget</b>	<b>6 994 039 553</b>	<b>7 103 961 964</b>	<b>7 080 784 792</b>	<b>(11 500 000)</b>	<b>7 069 284 792</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	IDCG	Integrated City Development Grant
ASGISA	Accelerated and Shared Growth Initiative	kℓ	kilolitre
		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 2015/16 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 prevented and reduced in the 2016/17 financial year. 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**


OPERATING AND CAPITAL BUDGET EXPENDITURE	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	ADOPTED	ROLL OVER	MID-YEAR	THIRD	THIRD
	BUDGET YR1	ADJ BUDGET	ADJ BUDGET	ADJUSTMENTS	ADJ BUDGET
<b>Total Operating Revenue</b>	<b>(5 719 607 491)</b>	<b>(5 724 734 665)</b>	<b>(5 690 829 800)</b>	<b>1 899 725</b>	<b>(5 688 930 075)</b>
<b>Total Operating Expenditure</b>	<b>5 718 685 323</b>	<b>5 723 812 497</b>	<b>5 689 907 632</b>	<b>(1 899 725)</b>	<b>5 688 007 907</b>
<b>Total Capital Expenditure</b>	<b>1 275 354 230</b>	<b>1 380 149 467</b>	<b>1 390 877 160</b>	<b>(9 600 275)</b>	<b>1 381 276 885</b>
<b>Total Opex &amp; Capex Budget</b>	<b>6 994 039 553</b>	<b>7 103 961 964</b>	<b>7 080 784 792</b>	<b>(11 500 000)</b>	<b>7 069 284 792</b>

## 5.2 COUNCIL RESOLUTIONS

On 29 May 2015 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2015/16 – 2017/18 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 2015/16 third adjustment budget report be considered and approved by Council.
- (b) The adjustment from R5,690,829,800 to R 5,688,930,075 of the 2015/16 Operating Revenue Budget be approved by Council.
- (c) The adjustment from R5,689,907,632 to R 5,688,007,907 of the 2015/16 Operating Expenditure Budget be approved by Council.
- (d) The adjustment from R1, 390,877,160 to R1, 381,276,885 of the 2015/16 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 budgeted expenditure for capital projects for the 2015/16 annual budget. Of these capital projects there was expenditure incurred during the financial year for various projects, however it transpired that some of the expenditure incurred was operational in nature after a thorough assessment that was performed for the purpose of the capitalisation process. This adjustment budget also addresses the budget virements that were approved during the financial year in terms of City's budget virement policy, where funds were re-allocated from slow to fast moving projects to improve service delivery.

BCMM has undertaken to put remedial actions to prevent the risk of re-occurrence of operating expenditure being incurred under the capital budgeting in 2016/17 financial year. An integrated an 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 decreased by R1,899,725 from R5,690,829,800 to R5,688,930,075 and this is mainly due to the reduction of the Green Award funding (R2,500,000) from the provincial department of environmental affairs that has not been transferred to the City. The other contributing factor is re-allocation of budget (amounting to R600,275) from capital grant funded projects to operating grant funded projects due to capitalisation process. The above re-allocation were done within and across directorates.

The operating expenditure budget also decreased by R1,899,725 from R5, 689,907,632 to R5,688,007,907 also due to reasons that are explained in the above paragraph. There were also re-allocation of expenditure budget between expenditure categories and directorates in line with the latest expenditure trends. There were no changes to the overall operating surplus before capital transfers recognised of R922 167 after effecting the adjustments.

### 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 2015/16 third budget adjustments.

**Table 2: 2015/16 Third Adjustment Budget Summary**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2015/2016 ADOPTED BUDGET YR1	2015/2016 ROLL OVER ADJ BUDGET	2015/2016 MID-YEAR ADJ BUDGET	2015/2016 THIRD ADJUSTMENTS	2015/2016 THIRD ADJ BUDGET
Total Revenue	(5 719 607 491)	(5 724 734 665)	(5 690 829 800)	1 899 725	(5 688 930 075)
Total Operating Expenditure Excluding Operating Projects	5 047 364 476	5 026 081 023	5 188 069 315	0	5 188 069 315
Operating Projects	671 320 847	697 731 474	501 838 317	(1 899 725)	499 938 592
Total Operating Expenditure Including Operating Projects	5 718 685 323	5 723 812 497	5 689 907 632	(1 899 725)	5 688 007 907
<u>(Surplus) / Deficit</u>	(922 167)	(922 167)	(922 167)	0	(922 167)
<u>Total Capital Expenditure</u>	1 275 354 230	1 380 149 467	1 390 877 160	(9 600 275)	1 381 276 885
Total Opex and Capex Budget	6 994 039 553	7 103 961 964	7 080 784 792	(11 500 000)	7 069 284 792

## 5.4 OPERATING REVENUE FRAMEWORK

The following table depicts details of adjustments made to the operating revenue budget per source. It reflects that there has been a net decrease in revenue totalling to R1,899,725. The budget has been re-allocated between revenue sources to align with the latest trends for the financial year on recognition of income.

**Table 3: 2015/16 Third Adjusted Revenue per Source**

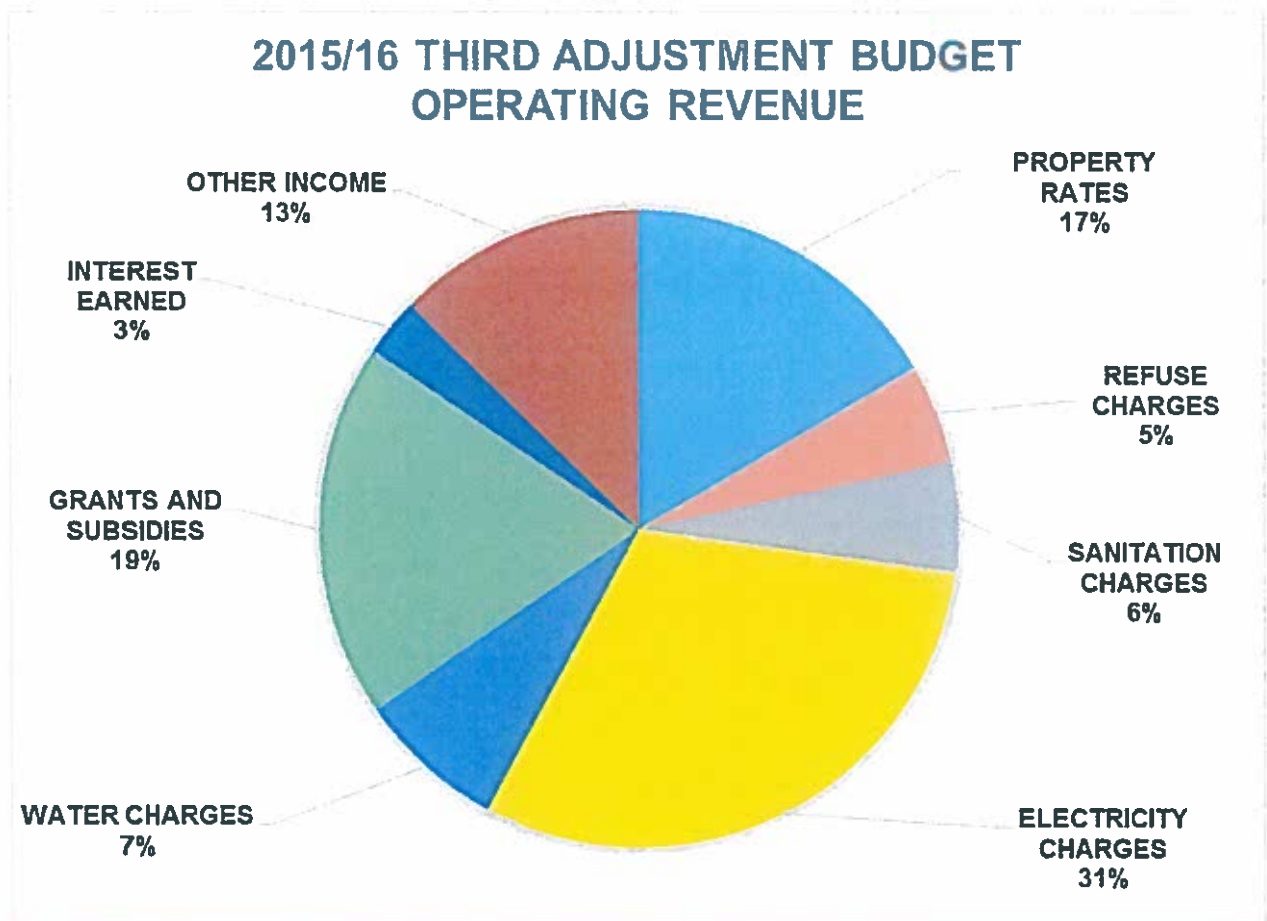
2015/2016 THIRD ADJUSTMENT BUDGET REVENUE FRAMEWORK	2015/2016 ADOPTED BUDGET YR1	2015/2016 ROLL OVER ADJ BUDGET	2015/2016 MID-YEAR ADJ BUDGET	2015/2016 THIRD ADJUSTMENTS	2015/2016 THIRD ADJ BUDGET
<b>Revenue Per Source</b>					
Property Rates	903 413 150	903 413 150	953 413 150	(31 107 328)	923 305 822
Electricity Charges	1 658 671 213	1 658 671 213	1 758 671 213	0	1 758 671 213
Water Charges	411 380 727	411 380 727	411 380 727	14 000 000	425 380 727
Sanitation Charges	314 570 625	314 570 625	314 570 625	0	314 570 625
Refuse Charges	286 062 521	286 062 521	286 062 521	0	286 062 521
Other Service Charges	16 055 935	16 055 935	20 055 935	(4 500 000)	15 555 935
Rental of facilities and equipment	18 629 262	18 629 262	18 629 262	0	18 629 262
Interest earned - external investments	133 619 907	133 619 907	133 619 907	20 000 000	153 619 907
Interest earned - outstanding debtors	32 174 551	32 174 551	32 174 551	0	32 174 551
Fines	10 293 009	10 293 009	7 793 009	(1 000 000)	6 793 009
Licences and permits	22 472 368	22 472 368	12 972 368	0	12 972 368
Transfers recognised - operational	1 249 333 299	1 254 460 473	1 078 555 608	(292 397)	1 078 263 211
Other revenue	662 930 923	662 930 923	662 930 923	0	662 930 923
<b>Total Direct Operating Income</b>	<b>5 719 607 491</b>	<b>5 724 734 665</b>	<b>5 690 829 800</b>	<b>(1 899 725)</b>	<b>5 688 930 075</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 31% of the total revenue. This is followed by water tariffs at 7%, sewerage tariff at 6% and refuse tariff at 5%.

The implementation of Valuations Roll continue to have a positive impact on the Property Rates revenue which totals 17% of the total Municipal revenue.

The municipality receives grants and subsidies totalling 19% of the total revenue, interest earned is 3% and other revenue contributes 13% of the total revenue.

**Figure 1: Operating Revenue per Source**



## 5.5 OPERATING EXPENDITURE FRAMEWORK

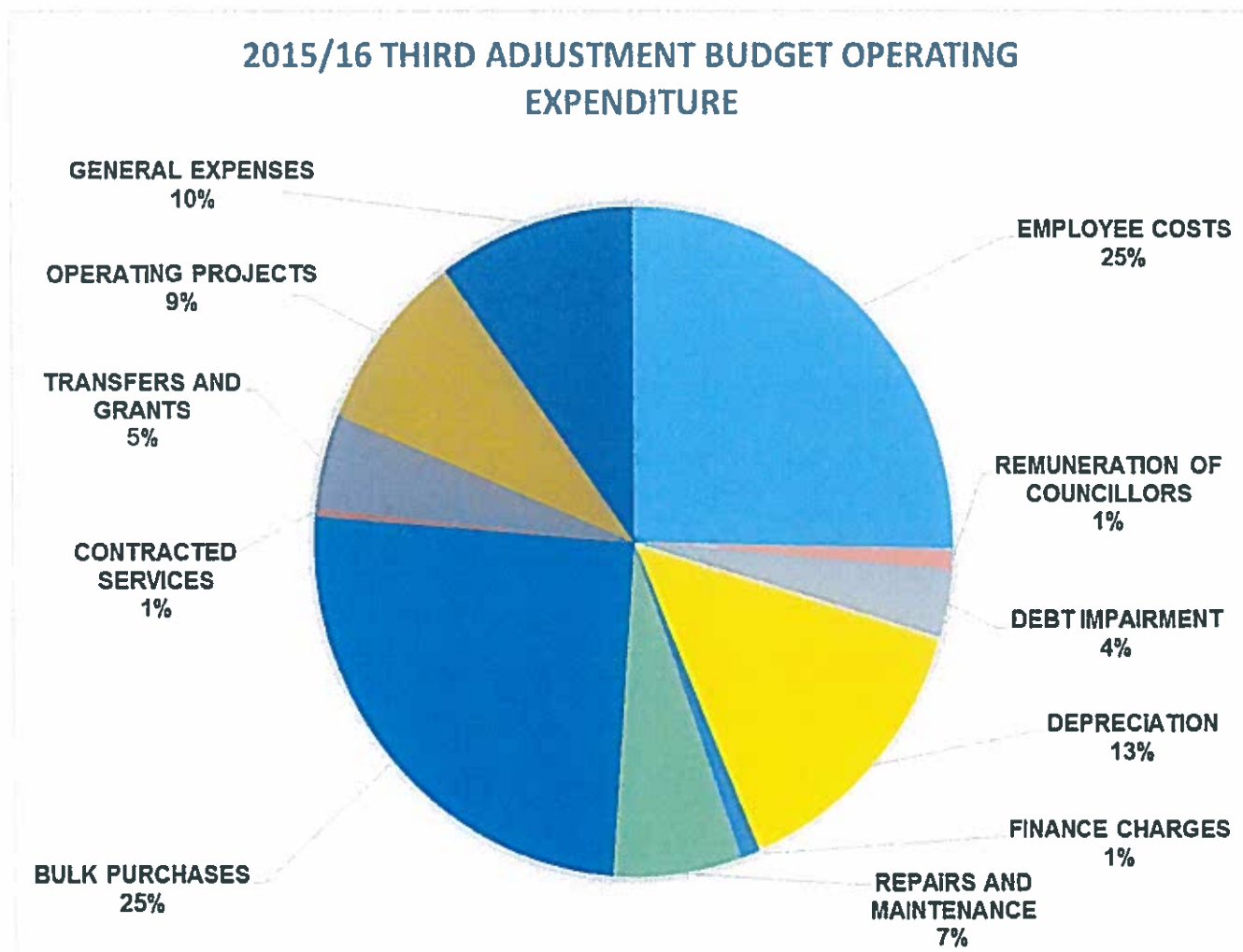
The following table details adjustments to the operating expenditure budget per category. It reflects that there is a total decrease of R1,899,725. The budget has been re-allocated between expenditure categories to align with the latest expenditure trends for the financial year. The details of the adjustments that have been made to operating projects is reflected on section 5.5.1 below.

**Table 4: 2015/16 Third Adjusted Expenditure Budget per Category**

2015/2016 THIRD ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2015/2016 ADOPTED BUDGET YR1	2015/2016 ROLL OVER ADJ BUDGET	2015/2016 MID-YEAR ADJ BUDGET	2015/2016 THIRD ADJUSTMENTS	2015/2016 THIRD ADJ BUDGET
<b>Expenditure Per Category</b>					
Employee related costs	1 387 618 913	1 387 618 913	1 425 571 929	13 500 000	1 439 071 929
Remuneration of councillors	52 910 192	52 910 192	54 810 192	0	54 810 192
Debt impairment	245 009 326	245 009 326	253 979 326	(65 200 000)	188 779 326
Depreciation & asset impairment	712 213 176	690 929 722	740 929 722	58 600 000	799 529 722
Finance charges	54 313 000	54 313 000	55 813 000	0	55 813 000
Bulk purchases	1 377 011 714	1 377 011 714	1 407 011 714	21 100 000	1 428 111 714
Contracted services	21 621 596	21 621 596	21 621 596	0	21 621 596
Transfers and grants	258 568 483	258 568 483	258 568 483	0	258 568 483
Repairs and Maintenance	372 009 710	372 009 710	372 009 710	0	372 009 710
Operating projects	671 320 847	697 731 474	501 838 317	(1 899 725)	499 938 592
Other expenditure	566 088 367	566 088 368	597 753 644	(28 000 000)	569 753 644
<b>Total Direct Operating Expenditure</b>	<b>5 718 685 323</b>	<b>5 723 812 497</b>	<b>5 689 907 632</b>	<b>(1 899 725)</b>	<b>5 688 007 907</b>

The figure below give the split of operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 25% of the total operating expenditure. Bulk Purchases represent 25% of the total expenditure (Electricity at 22% represents the purchase of Electricity from Eskom, Bulk Water purchases of 3% comprise the water purchases from Amatola Water). General Expenses contribute 10% of total operating expenditure. Depreciation totals to 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 9% of the total cost base is the housing project for 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 4%, contracted services as well as finance charges account for 1%.

**Figure 2: 2015/16 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 R1,899,725 which is made of the following adjustments that were made to improve operational efficiency and performance on service delivery (Detailed schedule of operating projects is attached as annexure 1):

- The Green Award funding, decrease, funding taken off the budget as it has not been transferred to BCMM: -R2.5 million;
- HSDG, decrease, funding re-allocated to capital budget: -R3.1 million;
- ICDG, decrease, funding re-allocated to capital budget: -R5.6 million;
- MHSCG, decrease, funding re-allocated to capital budget: -R1.1 million;
- USDG, increase, funding re-allocated from capital budget: R4.9 million and
- USDG c/o, increase, funding re-allocated from capital budget: R5.5 million

**Table 5: Operating Projects Per Funding Source Third Adjustment Budget**

<b>2015/2016 OPEX PROJECTS BUDGET PER FUNDING SOURCE</b>	<b>2015/2016 Approved Opex Budget</b>	<b>2015/2016 Roll-Over Adj. Opex Budget</b>	<b>2015/2016 Mid-Year Adj. Opex Budget</b>	<b>2015/2016 Third Adjustments</b>	<b>2015/2016 Third Adj. Opex Budget</b>
<b><u>Own Funding</u></b>					
Own Funds	88 610 000	91 010 000	82 652 000	0	82 652 000
Own Funds c/o	0	18 883 453	7 253 161	0	7 253 161
<b><u>Total Own Funding</u></b>	<b>88 610 000</b>	<b>109 893 453</b>	<b>89 905 161</b>	<b>0</b>	<b>89 905 161</b>
<b><u>Grant Funding</u></b>					
Department of Local Government & Traditional Affairs	2 000 000	2 000 000	2 275 882	0	2 275 882
Department of Local Government & Traditional Affairs c/o	0	1 494 025	1 494 025	0	1 494 025
Dedeat c/o (Green Award)	0	2 500 000	2 500 000	(2 500 000)	0
Department of Sports, Recreation, Arts and Culture c/o	0	0	30 533	0	30 533
Expanded Public Works Programme Incentives Grant	1 149 000	1 149 000	1 149 000	0	1 149 000
Finance Management Grant	1 300 000	1 300 000	1 180 000	0	1 180 000
Human Settlement Development Grant	521 655 947	521 655 947	281 652 815	(3 113 000)	278 539 815
Human Settlement Development Grant c/o	0	1 001 683	1 501 683	0	1 501 683
Department of Land Affairs	0	0	766 207	0	766 207
Infrastructure Skills Development Grant	8 400 000	8 400 000	8 400 000	0	8 400 000
Integrated City Development Grant	5 605 000	5 605 000	5 605 000	(5 605 000)	0
Municipal Human Settlement Capacity Grant	9 253 000	9 253 000	9 253 000	(1 100 000)	8 153 000
Umsobomvu Youth Fund c/o	0	131 466	131 466	0	131 466
Urban Settlement Development Grant	33 347 900	33 347 900	82 792 309	4 919 811	87 712 120
Urban Settlement Development Grant c/o	0	0	13 201 236	5 498 464	18 699 700
<b><u>Total Grant Funding</u></b>	<b>582 710 847</b>	<b>587 838 021</b>	<b>411 933 157</b>	<b>(1 899 725)</b>	<b>410 033 432</b>
<b><u>Total Funding</u></b>	<b>671 320 847</b>	<b>697 731 474</b>	<b>501 838 317</b>	<b>(1 899 725)</b>	<b>499 938 592</b>

**Table 6: Operating Projects Per Directorate Third Adjustment Budget**

<b>2015/2016 OPEX BUDGET PER DIRECTORATE</b>	<b>2015/2016 Approved</b>	<b>2015/2016 Roll-Over Adj.</b>	<b>2015/2016 Mid-Year Adj.</b>	<b>2015/2016 Third</b>	<b>2015/2016 Third Adj.</b>
	<b>Opex Budget</b>	<b>Opex Budget</b>	<b>Opex Budget</b>	<b>Adjustments</b>	<b>Opex Budget</b>
<b>Directorate</b>					
Directorate of Executive Support Services	810 000	1 239 106	2 521 697	(220 000)	2 301 697
Directorate of the City Manager	46 401 900	46 401 900	31 996 309	(5 045 000)	26 951 309
Directorate of Human Settlement	543 458 947	545 954 655	305 374 145	(4 761 000)	300 613 145
Directorate of Financial Services	39 550 000	43 515 303	43 445 303	0	43 445 303
Directorate of Corporate Services	21 900 000	29 572 014	9 624 627	0	9 624 627
Directorate of Infrastructure Services	3 500 000	3 500 000	71 500 000	5 498 464	76 998 464
Directorate of Spatial Planning and Development	0	0	400 000	0	400 000
Directorate of Economic Development & Agencies	3 000 000	3 000 000	18 200 000	220 000	18 420 000
Directorate of Health & Public Safety	200 000	200 000	75 000	0	75 000
Directorate of Municipal Services	12 500 000	24 348 496	18 701 236	2 407 811	21 109 047
<b>Total Directorates</b>	<b>671 320 847</b>	<b>697 731 474</b>	<b>501 838 317</b>	<b>(1 899 725)</b>	<b>499 938 592</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 decrease of R9.6 million. The following summarises the identifiable projects and or funding sources on which the 3<sup>rd</sup> adjustment budget is based on (Detailed schedule of capital projects is attached as annexure 2):

- Re-allocation between different projects that are funded by own funding (current and carry over) resulted into a nil effect;
- EEDSM grant, decrease, the budget has been reduced to the amount that was transferred (R4 million) to BCMM: -R9 million;
- ICDG, increase, re-allocated from operating projects budget: R5.6 million;
- MHSCG, increase, re-allocated from operating projects budget: R1.1 million;
- USDG, decrease, re-allocated to operating projects budget: -R4.9 million;
- USDG c/o, decrease, re-allocated to operating projects budget: -R5.5 million and
- HSDG, increase, re-allocated to capital budget: R3.1 million.

**Table 7: 2015/16 Third Adjustments to Capital Expenditure Budget Per Funding**

<b>2015/2016 CAPITAL BUDGET PER FUNDING</b>	<b>2015/2016 Approved Capital Budget</b>	<b>2015/2016 Roll-Over Adj. Capital Budget</b>	<b>2015/2016 Mid-Year Adj. Capital Budget</b>	<b>2015/2016 Third Adjustments</b>	<b>2015/2016 Third Adj. Capital Budget</b>
<b>Own Funding</b>					
Own Funds	425 001 630	438 332 256	507 346 730	5 000 000	512 346 730
Own Funds c/o	0	91 464 611	93 459 387	(5 000 000)	88 459 387
<b>Total Own Funding</b>	<b>425 001 630</b>	<b>529 796 867</b>	<b>600 806 117</b>	<b>0</b>	<b>600 806 118</b>
<b>Grant Funding</b>					
DoE(Integrated National Electrification Programme)	30 000 000	30 000 000	30 000 000	0	30 000 000
Department of Sports, Recreation, Arts and Culture c/o	0	0	8 014 208	0	8 014 208
Department of Local Government and Housing	0	0	9 036 112	0	9 036 112
Electricity Efficiency Demand Side Management Grant	13 000 000	13 000 000	13 000 000	(9 000 000)	4 000 000
Finance Management Grant	0	0	120 000	0	120 000
Infrastructure Skills Development Grant	100 000	100 000	100 000	0	100 000
Integrated City Development Grant	0	0	0	5 605 000	5 605 000
Leiden c/o	0	0	458 860	0	458 860
Municipal Human Settlement Capacity Grant	0	0	0	1 100 000	1 100 000
Neighbourhood Development Partnership Grant	20 000 000	20 000 000	0	0	0
Urban Settlement Development Grant	679 784 100	679 784 100	630 339 691	(4 919 811)	625 419 880
Urban Settlement Development Grant c/o	0	0	29 202 172	(5 498 464)	23 703 708
Human Settlement Development Grant	94 400 000	94 400 000	69 800 000	3 113 000	72 913 000
Human Settlement Development Grant-MPCC	13 068 500	13 068 500		0	
<b>Total Grant Funding</b>	<b>850 352 600</b>	<b>850 352 600</b>	<b>790 071 043</b>	<b>(9 600 275)</b>	<b>780 470 768</b>
<b>Total Funding</b>	<b>1 275 354 230</b>	<b>1 380 149 467</b>	<b>1 390 877 160</b>	<b>(9 600 275)</b>	<b>1 381 276 885</b>

**Table 8: 2015/16 Third Adjustments to Capital Expenditure Budget Per Directorate**

<b>2015/2016 CAPITAL BUDGET PER DIRECTORATE</b>	<b>2015/2016 Approved Capital Budget</b>	<b>2015/2016 Roll-Over Adj. Capital Budget</b>	<b>2015/2016 Mid-Year Adj. Capital Budget</b>	<b>2015/2016 Third Adjustments</b>	<b>2015/2016 Third Adj. Capital Budget</b>
<b>Directorate</b>					
Directorate of Executive Support Services	6 200 000	7 439 297	4 898 157	0	4 898 157
Directorate of the City Manager	21 500 000	21 500 000	700 000	5 162 457	5 862 457
Directorate of Human Settlement	211 424 000	211 784 513	196 390 625	33 100 372	229 490 997
Directorate of Financial Services	0	631 902	751 902	0	751 902
Directorate of Corporate Services	21 600 000	39 538 409	30 620 590	(9 022 332)	21 598 258
Directorate of Infrastructure Services	820 555 969	859 351 527	925 500 143	(12 542 470)	912 957 673
Directorate of Spatial Planning and Development	48 220 661	49 652 869	62 152 869	(6 972 776)	55 180 093
Directorate of Economic Development & Agencies	20 000 000	20 000 000	24 000 000	(7 301 384)	16 698 616
Directorate of Health & Public Safety	21 650 000	32 265 057	15 808 656	(380 801)	15 427 855
Directorate of Municipal Services	94 203 600	127 985 893	120 054 218	(11 643 341)	108 410 877
<b>Total Directorates</b>	<b>1 265 354 230</b>	<b>1 370 149 467</b>	<b>1 380 877 160</b>	<b>(9 600 275)</b>	<b>1 371 276 885</b>
Asset Replacement	10 000 000	10 000 000	10 000 000	0	10 000 000
<b>GRAND TOTAL</b>	<b>1 275 354 230</b>	<b>1 380 149 467</b>	<b>1 390 877 160</b>	<b>(9 600 275)</b>	<b>1 381 276 885</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 third adjustments to the 2015/16 budget do not have an impact on tariffs as these are funded from current operating revenue, unconditional grants funding from 2015/16 financial year and own funding reserves. The effects of the adjustments to the 2015/16 Capital and Operating Budget are outlined below:

- A decrease in the Operational Revenue Budget of R1,899,725 from R5,690,829,800 to R5,688,930,075.
- A decrease in the Operational Expenditure Budget of R1,899,725 from R5,689,907,632 to R5,688,007,907.
- An increase in the Capital Project Budget of R9,600,275 from R1,390,877,160 to R1,381,276,885.

## **6.7 OTHER PARTIES CONSULTED**

All Directorates



**6.8 CITY MANAGER'S QUALITY CERTIFICATE**

I NCEBA MCUNYANA Acting City Manager of Buffalo City Metropolitan Municipality, hereby certify that the 2015/2016 third 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 2015/2016 third adjustment budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name NCEBA MCUNYANA

Acting City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 25/08/2016

**ANNEXURES:**

Annexure 1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects

Annexure 3: Detailed National Treasury B-Schedule