

REPORT TO COUNCIL: 24 AUGUST 2018

File No.:5/1/1/1[18/19]

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2017/18 FOURTH ADJUSTMENTS BUDGET REPORT

1. PURPOSE

The purpose of the report is for Council to consider and approve the fourth adjustment Budget report of Buffalo City Metropolitan Municipality for the 2017/18 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 Chapter 4, Section 28

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 fourth adjustment budget is being prepared as informed by correcting identified errors in the annual budget that are mostly as a result of misallocation made during the 2017/18 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. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements.

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 budget adjustment is also to approve virements that were requested by the directorates.

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 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Total Revenue	(6 189 006 311)	(6 189 945 583)	(5 937 023 597)	(5 941 823 597)	(3 458 160)	(5 945 281 757)
Total Operating Expenditure Excluding Operating Projects	5 888 106 374	5 888 106 374	5 626 693 242	5 626 693 259	12 467 599	5 639 160 858
Operating Projects	299 973 450	300 912 722	309 403 868	314 203 868	(9 009 439)	305 194 429
Total Operating Expenditure Including Operating Projects	6 188 079 824	6 189 019 096	5 936 097 110	5 940 897 127	3 458 160	5 944 355 287
(Surplus) / Deficit	(926 487)	(926 487)	(926 487)	(926 487)	0	(926 487)
Total Capital Expenditure	1 645 204 112	1 713 563 481	1 634 319 576	1 774 305 166	(3 466 694)	1 770 838 472
Total Operating and Capital Budget	7 833 283 936	7 902 582 577	7 570 416 686	7 715 202 293	(8 534)	7 715 193 759

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

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ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	INEP	Integrated National Electrification Programme
ASGISA	Accelerated and Shared Growth Initiative South Africa	ICT	Information and Communication Technology
BCMM	Buffalo City Metropolitan Municipality	kℓ	kilolitre
BCMDA	Buffalo City Metropolitan Development Agency	km	kilometre
BSC	Budget Steering Committee	KPA	Key Performance Area
CBD	Central Business District	KPI	Key Performance Indicator
CFO	Chief Financial Officer	kWh	kilowatt hour
CM	City Manager	ℓ	litre
CoGTA	Cooperative Government & Traditional Affairs	LED	Local Economic Development
CPI	Consumer Price Index	MBRR	Municipal Budgeting and Reporting Regulations
CRRF	Capital Replacement Reserve Fund	MGDS	Metro Growth and Development Strategy
CDC	Coega Development Corporation	MEC	Member of the Executive Committee
DBSA	Development Bank of South Africa	MFMA	Municipal Financial Management Act
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism	MMC	Member of Mayoral Committee
DoRA	Division of Revenue Act	MPRA	Municipal Properties Rates Act
DWA	Department of Water Affairs	MSA	Municipal Systems Act
ELIDZ	East London Industrial Development Zone	MSCOA	Municipal Standard Chart of Accounts
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	PMS	Performance Management System
GDP	Gross Domestic Product	PPE	Property Plant and Equipment
GAMAP	Generally Accepted Municipal Accounting Practice	PPP	Public Private Partnership
GFS	Government Financial Statistics	PTIS	Public Transport Infrastructure System
GRAP	General Recognised Accounting Practice	SALGA	South African Local Government Association
HSDG	Human Settlement Development Grant	SDBIP	Service Delivery Budget Implementation Plan
IDP	Integrated Development Plan	SMME	Small Micro and Medium Enterprises
		USDG	Urban Settlement Development Grant
		WSA	Water Services Authority

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR'S REPORT

The 2017/18 fourth 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. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements.

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 2018/19 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 2: High Level Summary of Operating and Capital Budget Adjustments

OPERATING AND CAPITAL BUDGET EXPENDITURE	2017/2018	2017/2018	2017/2018	2017/2018	ADJUSTM ENTS	2017/2018
	APPROVED	FIRST	MID-YEAR	THIRD		FOURTH
	BUDGET	ADJ BUDGET	ADJ BUDGET	ADJ BUDGET		ADJ BUDGET
Total Revenue	(6 189 006 311)	(6 189 945 583)	(5 937 023 597)	(5 941 823 597)	(3 458 160)	(5 945 281 757)
Total Operating Expenditure	6 188 079 824	6 189 019 096	5 936 097 127	5 940 897 127	3 458 160	5 944 355 287
Total Capital Expenditure	1 645 204 112	1 713 563 481	1 634 319 576	1 774 305 166	(3 466 694)	1 770 838 472
Total Opex and Capex Budget	7 833 283 936	7 902 582 577	7 570 416 703	7 715 202 293	(8 534)	7 715 193 759

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. The Council further met on 25 August 2017 to consider and approve the roll-over adjustment budget. On the 28th February 2018 the Council met to consider and approve the mid-year adjustment budget. On the 25th April 2018, Council met to consider and approve the third 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 2017/18 Fourth Adjustment Budget report be considered and approved by Council.
- (b) The adjustment from R5 941 823 597 to R5 945 281 757 of the 2017/18 Operating Revenue Budget be approved by Council.
- (c) The adjustment from R5 940 897 127 to R5 944 355 287 of the 2017/18 Operating Expenditure Budget be approved by Council.
- (d) The adjustment from R1 774 305 167 to R1 770 838 473 of the 2017/18 Capital Budget be approved by Council.
- (e) The adjusted 2017/18 MTREF National Treasury Schedules be noted by Council.



X. A. PAKATI
EXECUTIVE MAYOR

13/08/2018
DATE

5.3 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is still taking cognisance of the economic challenges that are experienced by South African as cited by the Honourable Minister of Finance presented in his Medium Term Budget Policy Statement on 25 October 2017. The challenges are characterised by a protracted slowdown in trade, lower commodity prices and a high risk of external volatility.

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this fourth adjustment budget. The 2017/18 fourth 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.

The operating revenue budget has increased by R3.5 million from R5 941 823 597 to R5 945 281 757 (refer to section 5.4 below for details). The operating expenditure budget has also increased by R3.5 million from R5 940 897 127 to R5 944 355 287 (refer to section 5.5 below for details). The capital budget has reduced by R3.5 million from R1 774 305 167 to R1 770 838 473 (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 and misallocations in the 2017/18 annual budget. The table below indicates the summary of the 2017/18 fourth budget adjustment.

Table 3: 2017/18 Fourth Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Total Revenue	(6 189 006 311)	(6 189 945 583)	(5 937 023 597)	(5 941 823 597)	(3 458 160)	(5 945 281 757)
Total Operating Expenditure Excluding Operating Projects	5 888 106 374	5 888 106 374	5 626 693 242	5 626 693 259	12 467 599	5 639 160 858
Operating Projects	299 973 450	300 912 722	309 403 868	314 203 868	(9 009 439)	305 194 429
Total Operating Expenditure Including Operating Projects	6 188 079 824	6 189 019 096	5 936 097 110	5 940 897 127	3 458 160	5 944 355 287
(Surplus) / Deficit	(926 487)	(926 487)	(926 487)	(926 487)	0	(926 487)
Total Capital Expenditure	1 645 204 112	1 713 563 481	1 634 319 576	1 774 305 166	(3 466 694)	1 770 838 472
Total Operating and Capital Budget	7 833 283 936	7 902 582 577	7 570 416 686	7 715 202 293	(8 534)	7 715 193 759

5.4 OPERATING REVENUE FRAMEWORK

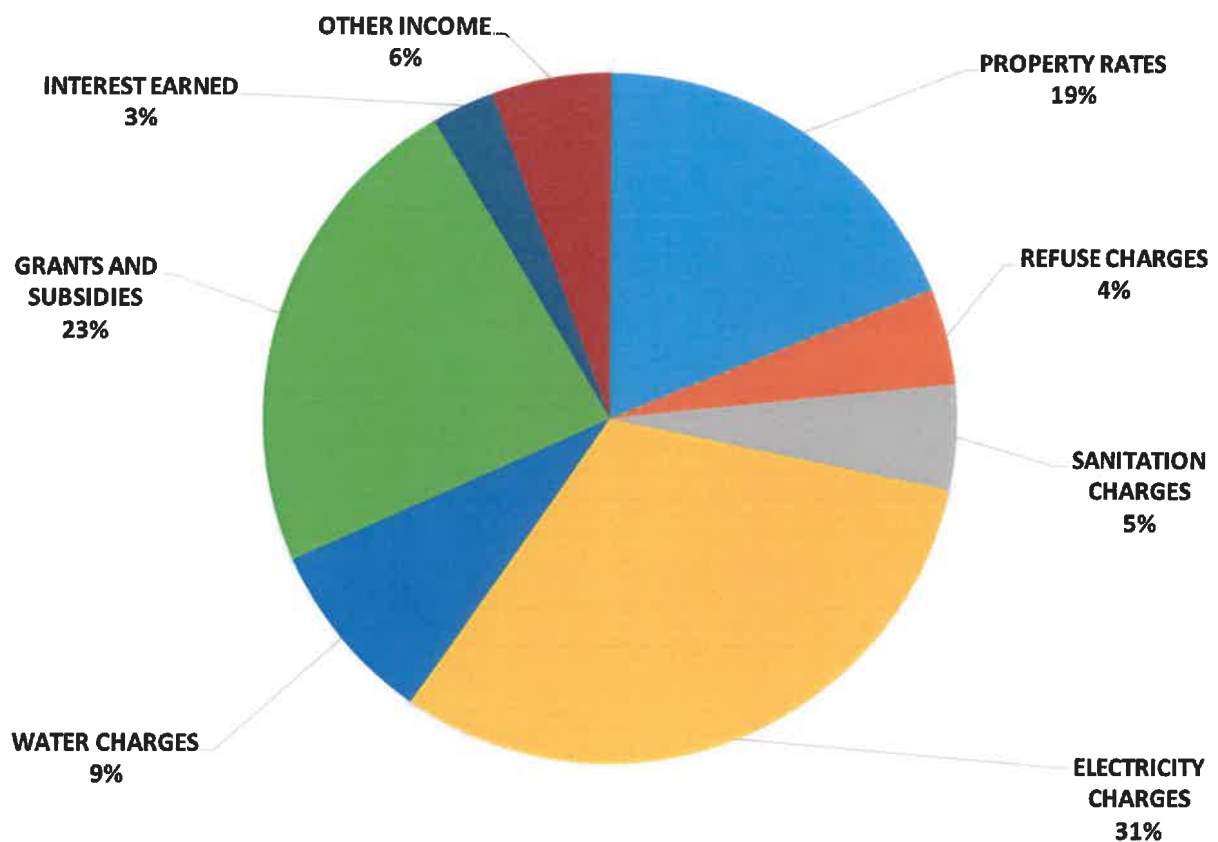
The following table (table 4) depicts an adjustment to the operating revenue budget per source. The net increase in the budget for operating revenue of R3 458 160 is resulting from the reallocation of this amount from USDG transfers recognized-capital to USDG transfers recognized-operational.

Table 4: 2017/18 Fourth Adjusted Revenue per Source

2017/2018 BUDGET REVENUE FRAMEWORK	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	2017/2018 ADJ BUDGET	2017/2018 FOURTH ADJ BUDGET
Revenue Per Source						
Property Rates	1 225 284 909	1 225 284 909	1 121 174 877	1 121 174 877	0	1 121 174 877
Electricity Charges	1 806 438 896	1 806 438 896	1 865 136 415	1 865 136 415	0	1 865 136 415
Water Charges	479 126 770	479 126 770	511 438 410	511 438 410	0	511 438 410
Sanitation Charges	365 997 836	365 997 836	293 155 577	293 155 577	0	293 155 577
Refuse Charges	336 765 776	336 765 776	266 916 625	266 916 625	0	266 916 625
Other Service Charges	23 565 563	23 565 563	0	0	0	0
Rental of facilities and equipment	23 173 696	23 173 696	25 118 822	25 118 822	0	25 118 822
Interest earned - external investments	157 002 322	157 002 322	131 002 322	131 002 322	0	131 002 322
Interest earned - outstanding debtors	36 843 509	36 843 509	42 843 509	42 843 509	0	42 843 509
Fines	9 156 724	9 156 724	9 894 023	9 894 023	0	9 894 023
Licences and permits	17 555 658	17 555 658	16 254 435	16 254 435	0	16 254 435
Agency services	49 763 403	49 763 403	44 763 403	44 763 403	0	44 763 403
Transfers recognised - operational	1 368 105 621	1 369 044 893	1 370 858 240	1 375 658 240	3 458 160	1 379 116 400
Other revenue	290 225 628	290 225 628	238 466 939	238 466 939	0	238 466 939
Total Direct Operating Income	6 189 006 311	6 189 945 583	5 937 023 597	5 941 823 597	3 458 160	5 945 281 757

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 31% of the total revenue. This is followed by water tariffs at 9%, sanitation tariff at 5% and refuse tariff at 4%. 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: 2017/18 Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (table 5) details adjustments to the operating expenditure budget per category. The net increase in the budget for operating expenditure of R3 458 164 is resulting from the reallocation of this amount from USDG capital projects to USDG operating projects.

The other adjustments made in operating expenditure are budget adjustments between the different expenditure types to realign / address misallocations between expenditure types. These adjustments have a zero net effect to the total operating budget. These adjustments are necessary to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements.

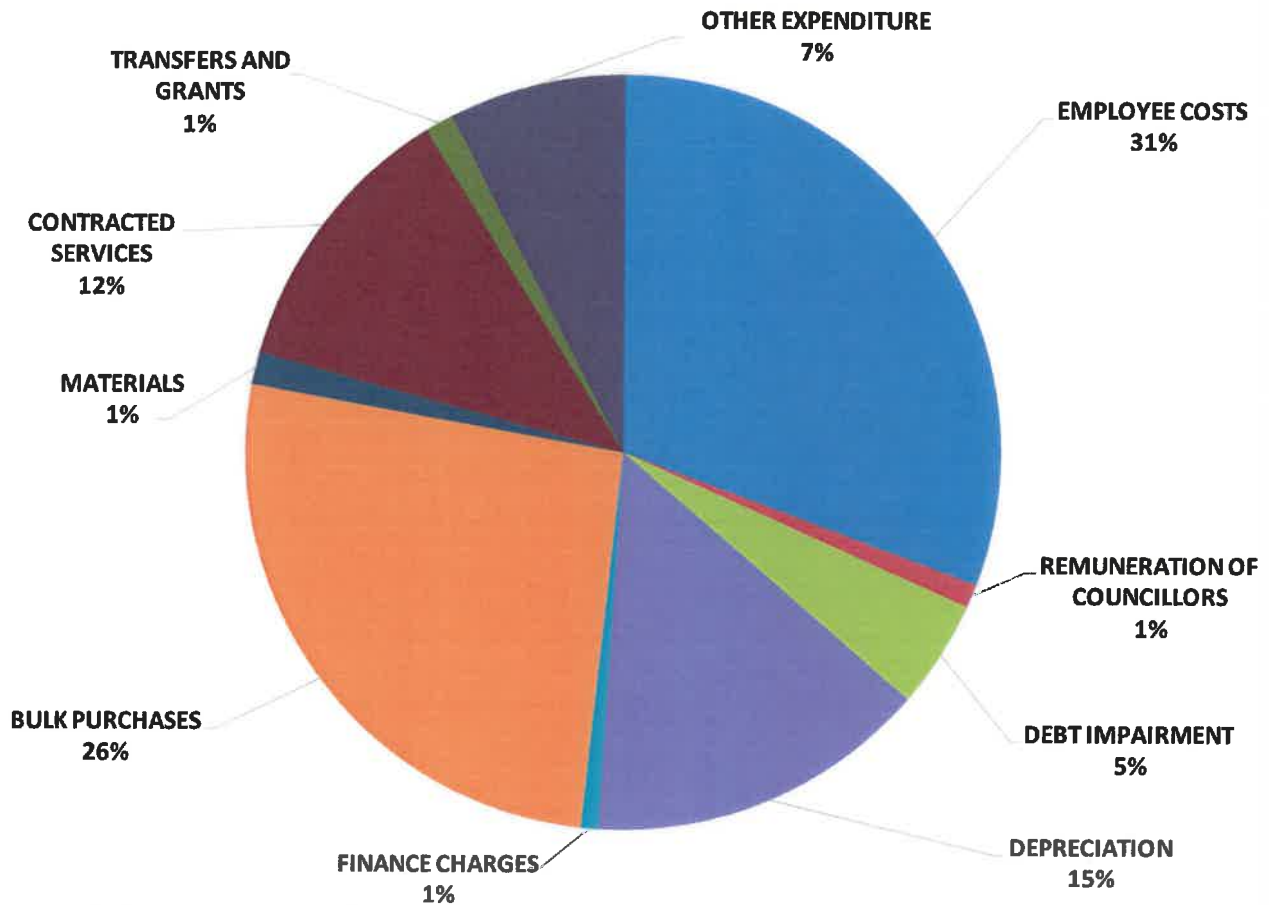
Table 5: 2017/18 Fourth Adjusted Expenditure Budget per Category

2017/2018 BUDGET EXPENDITURE FRAMEWORK	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Expenditure Per Category						
Employee related costs	1 733 321 386	1 733 321 386	1 733 321 386	1 733 321 386	89 398 600	1 821 576 456
Remuneration of councillors	62 398 115	62 398 115	60 381 043	60 381 043	(908 000)	59 473 043
Debt impairment	317 788 481	317 788 481	317 788 481	317 788 481	(42 860 044)	274 928 437
Depreciation & asset impairment	778 272 580	778 272 580	778 272 580	778 272 580	93 762 932	874 735 442
Finance charges	54 318 230	54 318 230	45 240 109	45 240 109	(1 285 000)	43 955 109
Bulk purchases	1 578 166 510	1 578 166 510	1 578 166 510	1 578 166 510	(22 863 000)	1 555 303 510
Other materials	0	0	81 406 132	77 710 803	4 412 524	82 735 803
Contracted services	38 959 973	38 959 973	824 731 115	832 921 751	(119 392 016)	706 822 564
Transfers and subsidies	328 636 857	328 636 857	77 470 345	77 970 345	(5 870 542)	76 403 925
Other expenditure	1 296 217 692	1 297 156 964	430 241 305	430 045 998	18 140 831	448 420 998
Loss on disposal of PPE	0	0	9 078 121	9 078 121	(9 078 121)	0
Total Direct Operating Expenditure	6 188 079 824	6 189 019 096	5 936 097 127	5 940 897 127	3 458 164	5 944 355 287

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 31% and 26% of the total operating expenditure respectively. Depreciation totals 15% 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 is 7% of the total operating budget. Contracted Services equal to 12% of the total operating

expenditure budget. Debt Impairment accounts for 5% for the total operating budget. Finance Charges, Transfers and Grants, Materials and Remuneration of Councillors each account for 1%.

Figure 2: 2017/18 Operating Expenditure per Type



5.5.1 Fourth Budget Adjustment on Operating Projects

The following tables (table 6 and 7) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively. They show a total net reduction of R9 million resulting from the following:

- (a) Transfer of R3.5 million USDG funding from capital projects to operating projects.
- (b) Transfer of R12.5 million Own funds from operating projects to various operating expenditure types.

Table 6: 2017/18 Fourth Adjustments to Operating Projects – Funding Source

2017/2018 OPEX PROJECTS BUDGET PER FUNDING SOURCE	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Own Funding						
Own Funds	120 122 829	120 122 829	126 800 628	126 800 628	(12 467 599)	114 333 029
Total Own Funding	120 122 829	120 122 829	126 800 628	126 800 628	(12 467 599)	114 333 029
Grant Funding						
City of Oldenburg c/o	0	495 761	495 761	495 761	0	495 761
Dept. of Public Works c/o	0	353 653	(0)	(0)	0	(0)
Expanded Public Works Programme Incentives Grant	4 952 000	4 952 000	4 952 000	4 952 000	0	4 952 000
Finance Management Grant	1 200 000	1 200 000	1 300 000	1 300 000	0	1 300 000
Gavle c/o	0	89 858	89 858	89 858	0	89 858
Human Settlement Development Grant	90 800 000	90 800 000	90 800 000	90 800 000	0	90 800 000
Infrastructure Skills Development Grant	10 560 000	10 560 000	10 560 000	10 560 000	0	10 560 000
Leiden	138 207	138 207	138 207	138 207	0	138 207
Public Transport Infrastructure Grant	7 702 000	7 702 000	9 869 000	9 869 000	0	9 869 000
Salaida (Gavle)	1 454 574	1 454 574	1 454 574	1 454 574	0	1 454 574
Urban Settlement Development Grant	63 043 840	63 043 840	62 943 840	67 743 840	3 458 160	71 202 000
Total Grant Funding	179 850 621	180 789 893	182 603 240	187 403 240	3 458 160	190 861 400
Total Funding	299 973 450	300 912 722	309 403 868	314 203 868	(9 009 439)	305 194 429

Table 7: 2017/18 Fourth Adjustments to Operating Projects – Directorate

2017/2018 OPEX PROJECTS BUDGET PER DIRECTORATE	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Directorate						
Directorate of Executive Support Services	5 732 781	5 822 639	5 188 971	5 188 971	(54 106)	5 134 865
Directorate of the City Manager	46 784 665	46 784 665	49 507 745	54 307 745	(2 596 680)	51 711 065
Directorate of Human Settlement	91 300 000	91 300 000	91 600 000	91 600 000	(500 000)	91 100 000
Directorate of Financial Services	47 950 000	47 950 000	44 550 000	44 550 000	394 202	44 944 202
Directorate of Corporate Services	12 566 500	12 566 500	20 525 850	20 525 850	139 194	20 665 044
Directorate of Infrastructure Services	43 500 000	43 995 761	46 195 761	46 195 761	4 993 235	51 188 996
Directorate of Spatial Planning and Development	9 152 000	9 152 000	11 319 000	11 319 000	(140 974)	11 178 026
Directorate of Economic Development & Agencies	26 977 504	26 977 504	26 447 504	26 447 504	(9 715 221)	16 732 283
Directorate of Health, Public Safety & Emergency Services	1 860 000	1 860 000	2 660 000	2 660 000	(1 729 564)	930 436
Directorate of Municipal Services	14 150 000	14 503 653	11 409 037	11 409 037	200 475	11 609 512
Total Directorates	299 973 450	300 912 722	309 403 868	314 203 868	(9 009 439)	305 194 429

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 8 and 9) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively. They show a total reduction of R3.5 million that is mainly a result of a transfer of R3 458 160 from USDG funded capital projects to USDG funded operating projects.

Various adjustments as detailed in table 9 were made between directorates within funding sources in order to improve operational efficiency. The net effect of these adjustments is R3.5 million as stated above.

Detailed schedule of capital projects is attached as Annexure 2.

Table 8: 2017/18 Fourth Adjustments to Capital Expenditure Budget - Funding

2017/2018 CAPEX PROJECTS BUDGET PER FUNDING SOURCE	2017/2018 APPROVED BUDGET	2017/2018 FIRST ADJ BUDGET	2017/2018 MID-YEAR ADJ BUDGET	2017/2018 THIRD ADJ BUDGET	ADJUSTMENTS	2017/2018 FOURTH ADJ BUDGET
Own Funding						
Own Funds	780 896 952	839 991 209	814 991 209	793 777 800	0	793 777 800
LOAN	69 000 000	69 000 000	0	0	0	0
Total Own Funding	849 896 952	908 991 209	814 991 209	793 777 800	0	793 777 800
Grant Funding						
DoE (Integrated National Electrification Programme)	25 000 000	25 000 000	19 808 534	19 808 534	(8 534)	19 800 000
Finance Management Grant	100 000	100 000	0	0	0	0
Gavle c/o	0	229 000	229 000	229 000	0	229 000
Integrated City Development Grant	6 956 000	6 956 000	6 956 000	6 956 000	0	6 956 000
Dept. of Local Government and Traditional Affairs c/o	0	9 036 112	9 036 112	9 036 112	0	9 036 112
Neighbourhood Development Partnership Grant	10 000 000	10 000 000	0	0	0	0
Urban Settlement Development Grant	705 084 160	705 084 160	705 184 160	860 384 160	(3 458 160)	856 926 000
Energy Efficiency and Demand Side Management Grant	0	0	0	5 000 000	0	5 000 000
Public Transport Infrastructure Grant	48 167 000	48 167 000	78 114 561	79 113 561	0	79 113 561
Total Grant Funding	795 307 160	804 572 272	819 328 367	980 527 367	(3 466 694)	977 060 673
Total Funding	1 645 204 112	1 713 563 481	1 634 319 576	1 774 305 167	(3 466 694)	1 770 838 473

Table 9: 2017/18 Fourth Adjustments to Capital Expenditure Budget -Directorate

2017/2018 CAPEX PROJECTS BUDGET PER DIRECTORATE	2017/2018	2017/2018	2017/2018	2017/2018		2017/2018
	APPROVED	FIRST	MID-YEAR	THIRD	ADJUSTM ENTS	FOURTH
	BUDGET	ADJ BUDGET	ADJ BUDGET	ADJ BUDGET		ADJ BUDGET
Directorate						
Directorate of Executive Support Services	3 000 000	6 729 240	7 229 240	7 229 240	0	7 229 240
Directorate of the City Manager	22 500 000	39 109 286	42 409 286	42 409 286	12 999 527	55 408 813
Directorate of Human Settlement	186 355 000	186 775 242	142 315 242	168 315 242	(23 039 278)	145 275 964
Directorate of Financial Services	97 820 000	97 820 000	81 020 000	81 020 000	(1 728 161)	79 291 839
Directorate of Corporate Services	6 000 000	8 337 104	3 612 990	3 612 990	0	3 612 990
Directorate of Infrastructure Services	856 154 323	861 912 732	879 795 953	982 795 953	44 011 240	1 026 807 193
Directorate of Spatial Planning and Development	234 721 000	243 757 112	247 620 690	250 619 690	(21 310 701)	229 308 989
Directorate of Economic Development & Agencies	43 100 000	59 597 779	51 097 779	51 097 779	352 371	51 450 150
Directorate of Health, Public Safety & Emergency Services	30 205 000	41 245 323	49 245 323	49 245 323	(6 616 930)	42 628 393
Directorate of Municipal Services	165 348 789	168 279 663	129 973 073	137 959 664	(8 134 762)	129 824 902
Total Directorates	1 645 204 112	1 713 563 481	1 634 319 576	1 774 305 167	(3 466 694)	1 770 838 473

PART 2 – SUPPORTING DOCUMENTATION

6. 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.

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.

7. CHALLENGES

None

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The fourth adjustments to the 2017/18 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 2017/18 Capital and Operating Budget are outlined below:

- i. An increase in Operating Revenue Budget from R5 941 823 597 to R5 945 281 757.
- ii. An increase in Operating Expenditure Budget from R5 940 897 127 to R5 944 355 287.
- iii. A decrease in Capital Budget from R1 774 305 167 to R1 770 838 473.

10. OTHER PARTIES CONSULTED

All Directorates

11. CITY MANAGER'S QUALITY CERTIFICATE

I Andile Sihlahla, 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 ANDILE SIHLAHLA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature  _____

Date 13/08/2018

ANNEXURES:

Annexure 1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B – Parent Schedules

Annexure 4: National Treasury B – Consolidated Schedules