

REPORT TO COUNCIL: 24 AUGUST 2018

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2018/19 FIRST (ROLL-OVER) ADJUSTMENT BUDGET REPORT

1. PURPOSE

The purpose of the report is for Council to consider and approve the first adjustment budget of Buffalo City Metropolitan Municipality for the 2018/19 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 4, Section 28

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 2017/18 financial year. At year end on the 30 June 2018, various directorates indicated that certain projects, provided for execution in the 2017/18 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 2018/19 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 2018/19 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.

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	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 ROLLOVER ADJ. BUDGET	2019/2020 FINAL BUDGET	2020/2021 FINAL BUDGET
Total Revenue	(6 517 222 263)	560 525	(6 516 661 738)	(7 047 200 123)	(7 609 194 823)
Total Operating Expenditure Excluding Operating Projects	6 200 209 545	(21 203 666)	6 179 005 879	6 648 094 551	7 223 153 609
Operating Projects	313 088 277	20 643 141	333 731 418	391 300 684	378 522 863
Total Operating Expenditure Including Operating Projects	6 513 297 822	(560 525)	6 512 737 297	7 039 395 236	7 601 676 472
(Surplus) / Deficit	(3 924 441)	0	(3 924 441)	(7 804 888)	(7 518 351)
Total Capital Expenditure	1 753 141 990	237 762 134	1 990 904 124	2 288 875 165	2 174 842 834
Total Opex and Capex Budget	8 266 439 812	237 201 609	8 503 641 421	9 328 270 401	9 776 519 306

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 primary reason for the recommendations to consider and adopt the 1st adjustment budget (roll over) during August 2018, 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 2017/18 financial year.

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	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 ROLLOVER ADJ. BUDGET	2019/2020 FINAL BUDGET	2020/2021 FINAL BUDGET
Total Revenue	(6 517 222 263)	560 525	(6 516 661 738)	(7 047 200 123)	(7 609 194 823)
Total Operating Expenditure	6 513 297 822	(560 525)	6 512 737 297	7 039 395 236	7 601 676 472
Total Capital Expenditure	1 753 141 990	237 762 134	1 990 904 124	2 288 875 165	2 174 842 834
Total Opex and Capex Budget	8 266 439 812	237 201 609	8 503 641 421	9 328 270 401	9 776 519 306

The following factors were taken into cognisance when formulating the 2018/19 first adjustment budget:

- a) Those contractual components or works awarded or commenced during the 2017/18 financial year, but not yet completed and settled by 30 June 2018 and therefore no budgetary provision made on the 2018/19 budget.
- b) Reasons explaining why the 2017/18 budgetary provisions were committed, but not spent by 30 June 2018.
- c) Consideration of roll-over proposals on Council's 2018/19 operating and capital budget was taken in the context of affordability and funding certainty for the period, and 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.

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 2018/19 financial year budget that could be used to fund such roll-overs. Therefore, the net effect of the consolidated Metro's budget after rollover adjustment remains constant at a surplus of R3,924,441 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 30 May 2018 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2018/19 – 2020/21 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 2018/19 first (roll-over) adjustment budget report be considered and approved by Council.
- b) The adjustment from R6,517,222,263 to R6,516,661,738 of the consolidated 2018/19 Operating Revenue Budget be approved by Council.
- c) The adjustment from R6,513,297,822 to R6,512,737,297 of the consolidated 2018/19 Operating Expenditure Budget be approved by Council.
- d) The adjustment from R1,753,141,990 to R1,990,904,124 of the consolidated 2018/19 Capital Budget be approved by Council.
- e) The adjusted 2018/19 MTREF National Treasury 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 level to allow budget transfers between vote/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget.



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 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 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 consolidated operating revenue budget has been slightly reduced by R560,525 from R6,517,222,263 to R6,516,661,738. The consolidated operating expenditure budget has also slightly reduced by the same amount (R560,525) from R6,513,297,822 to R6,512,737,297.

The reasons for the decrease are detailed in section 5.4 and 5.5 of the report. The consolidated overall operating surplus before capital transfers recognised remains stagnant at R3,924,441.

The consolidated capital expenditure budget has increased by R237,762,134 from R1,753,141,990 to R1,990,904,124. This is due to roll-over of grant funded projects and own funded projects totalling to R237,762,134. 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 2017/18 financial year but committed to identifiable projects for own funding and unconditional grants. The table below indicates the summary of the 2018/19 first adjustment budget.

Table 3: 2018/19 First Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 ROLLOVER ADJ. BUDGET	2019/2020 FINAL BUDGET	2020/2021 FINAL BUDGET
Total Revenue	(6 517 222 263)	560 525	(6 516 661 738)	(7 047 200 123)	(7 609 194 823)
Total Operating Expenditure Excluding Operating Projects	6 200 209 545	(21 203 666)	6 179 005 879	6 648 094 551	7 223 153 609
Operating Projects	313 088 277	20 643 141	333 731 418	391 300 684	378 522 863
Total Operating Expenditure Including Operating Projects	6 513 297 822	(560 525)	6 512 737 297	7 039 395 236	7 601 676 472
<u>(Surplus) / Deficit</u>	(3 924 441)	0	(3 924 441)	(7 804 888)	(7 518 351)
<u>Total Capital Expenditure</u>	1 753 141 990	237 762 134	1 990 904 124	2 288 875 165	2 174 842 834
Total Opex and Capex Budget	8 266 439 812	237 201 609	8 503 641 421	9 328 270 401	9 776 519 306

5.4 OPERATING REVENUE FRAMEWORK

The following table depicts a downward adjustment to the consolidated operating revenue budget per source totalling to R560,525. This amount of R560,525 is made-up of the following adjustments:

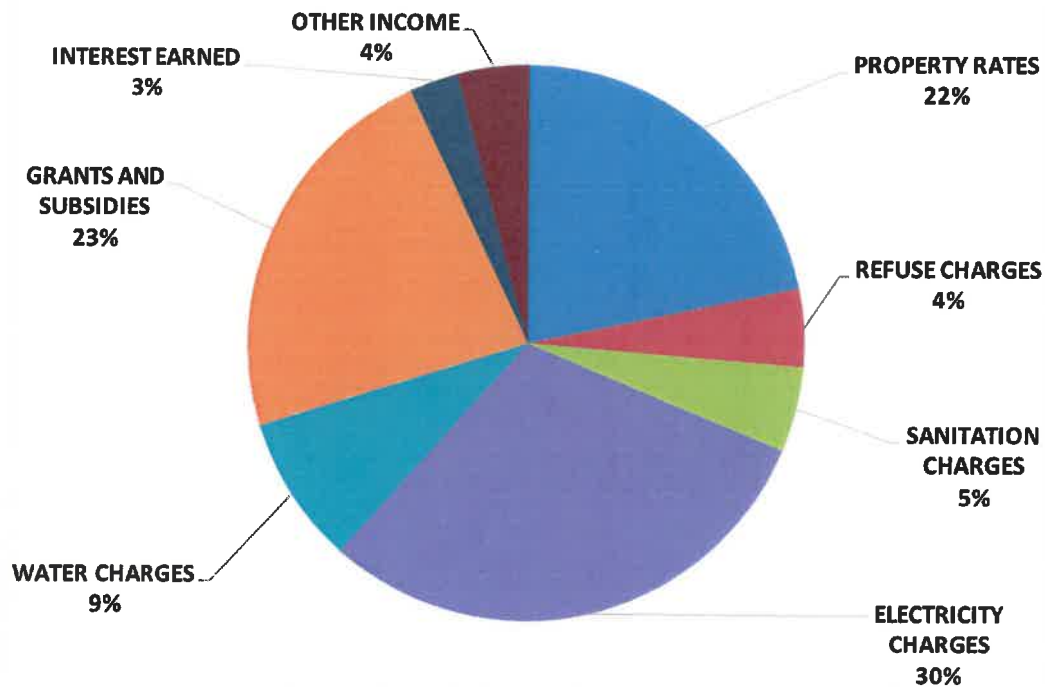
- a) A reduction of R21,203,666 to the projected electricity revenue after the 2018/19 tariffs were approved by NERSA. This is due to the fact that some of the electricity tariff increases approved by NERSA were below the 6.84% projected as per the NERSA guideline for some of the electricity user categories.
- b) A budgeted increase of R20,643,141 in operating revenue, resulting from the rollover of unspent grants from the 2017/18 financial year.

Table 4: 2018/19 First Adjusted Revenue per Source

2018/2019 BUDGET REVENUE FRAMEWORK	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 FIRST ADJ BUDGET	2019/2020 APPROVED BUDGET	2020/2021 APPROVED BUDGET
Revenue Per Source					
Property Rates	1 421 961 287	0	1 421 961 287	1 549 937 745	1 673 932 810
Electricity Charges	1 992 711 666	(21 203 666)	1 971 508 000	2 129 013 256	2 274 637 870
Water Charges	563 042 545	0	563 042 545	619 853 541	676 136 244
Sanitation Charges	322 142 796	0	322 142 796	355 623 097	387 913 685
Refuse Charges	294 387 685	0	294 387 685	323 199 406	352 545 913
Rental of facilities and equipment	17 562 732	0	17 562 732	18 967 750	20 466 202
Interest earned - external investments	140 961 479	0	140 961 479	150 812 985	161 350 337
Interest earned - outstanding debtors	41 806 583	0	41 806 583	44 180 062	46 688 283
Fines, penalties and forfeits	16 591 440	0	16 591 440	17 918 755	19 334 333
Licences and permits	14 597 462	0	14 597 462	15 765 259	17 010 713
Agency services	31 270 324	0	31 270 324	35 497 748	39 286 268
Transfers and subsidies	1 471 672 870	20 643 141	1 492 316 011	1 592 500 130	1 733 052 550
Other revenue	188 513 394	0	188 513 394	193 930 389	206 839 615
Total Direct Operating Income	6 517 222 263	(560 525)	6 516 661 738	7 047 200 123	7 609 194 823

The figure below provides split of consolidated 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 30% 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 22% of the total municipal revenue. The municipality receives grants and subsidies totalling 23% of the total revenue. Other revenue contributes 4% and interest earned 3% of the total revenue.

Figure 1: Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table depicts a downward adjustment to the consolidated operating budget per expenditure type totalling to R560,525. This amount of R560,525 is made-up of the following adjustments:

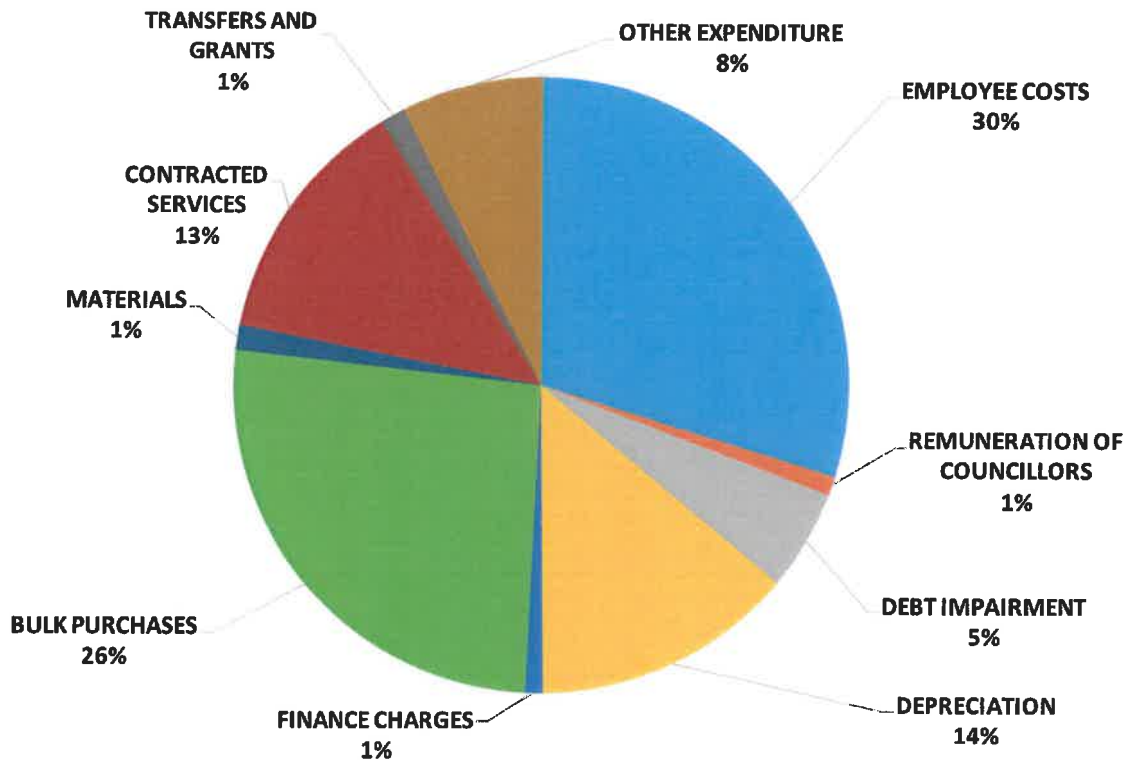
- a) A reduction of R21,203,666 to the funding that is ring fenced for funding unfunded critical posts, which was compelled by the reduction in electricity revenue after the 2018/19 tariffs NERSA approval was below the 6.84% projected as per the NERSA guideline for some of the electricity user categories.
- b) A budgeted increase of R20,643,141 to operating expenditure resulting from the rollover of unspent grants from the 2017/18 financial year.

Table 5: 2018/19 First Adjusted Expenditure Budget per Category

2018/2019 BUDGET EXPENDITURE FRAMEWORK	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 FIRST ADJ BUDGET	2019/2020 APPROVED BUDGET	2020/2021 APPROVED BUDGET
Expenditure Per Category					
Employee related costs	1 961 117 601	(21 203 666)	1 939 913 935	2 055 137 876	2 270 830 418
Remuneration of councillors	65 035 043		65 035 043	69 791 037	73 511 848
Debt impairment	343 696 466		343 696 466	387 604 702	437 826 169
Depreciation & asset impairment	896 425 520		896 425 520	944 628 381	996 128 700
Finance charges	59 817 900		59 817 900	104 636 597	121 885 778
Bulk purchases	1 698 509 600		1 698 509 600	1 828 117 900	1 967 713 300
Other materials	86 375 631		86 375 631	92 796 287	99 031 269
Contracted services	857 589 107	18 883 875	876 472 982	981 518 293	1 030 763 400
Transfers and grants	60 526 334		60 526 334	62 056 017	62 103 149
Other expenditure	484 204 620	1 759 266	485 963 886	513 108 145	541 882 440
Total Direct Operating Expenditure	6 513 297 822	(560 525)	6 512 737 297	7 039 395 236	7 601 676 472

The figure below gives the split of consolidated operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 30% of the total operating expenditure. Bulk Purchases for Electricity and Water represents 26% of the total costs. Other Expenditure contribute 8% of total operating expenditure. Depreciation totals 14% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. Debt impairment account for 5%. Contracted Services accounts for 13% of the total expenditure. Finance Charges and Transfers and Grants each account for 1% of the total expenditure.

Figure 2: 2018/19 Operating Expenditure per Type



5.5.1 First Budget Adjustment on Operating Projects

The following tables (table 6 and 7) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total increase of R20.6 million to the operating projects budget due to the following unconditional grant roll-overs from 2017/18 financial year (Detailed schedule of operating projects is attached as Annexure 1):

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 level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget.

Summary of Operating Projects Rollovers:

- a) Executive Support Services – R846,101 is committed to the following projects:
- i. Rollover amount of R34,300 of the Leiden grant for the Swimming /Surfing Project.
 - ii. Rollover amount of R811,801 of the Salaida grant for the following projects:
 1. Nahoon Point Reserve
 2. Nahoon Estuary Reserve
 3. Youth Project
 4. Gender Project (Homestay)
 5. Management & Coordination
- b) Directorate of Human Settlements - rollover amount of R19,797,040 of the Human Settlements Development Grant for the following projects:
- i. R2 000 000 for the Potsdam Village Phase 1 & 2 P5
 - ii. R8,136,191 for the Cluster 2 P5 Mdantsane
 - iii. R800,000 for the Electrification of Sunny South
 - iv. R1,493,700 for the Disaster Project at Tsholomnqa
 - v. R214,709 for the Reeston Phase 3 Stage 3 P5
 - vi. R3,359,210 for the Cluster 3 Ndancama & Fynbos P5
 - vii. R3,793,230 for the Peulton Cluster P5
- c) The fraud hot line project amounting to R6,500 is being moved from the Directorate of Corporate Services to the Directorate of the City Manager under Risk Management.

Table 6: 2018/19 Operating Projects Per Funding Source First Adjustment Budget

FUNDING SOURCE	2018/2019 APPROVED BUDGET	ADJUSTM ENTS	2018/2019 FIRST ADJUSTMENT BUDGET	2019/2020 BUDGET	2020/2021 BUDGET
Own Funding	149 177 493	0	149 177 493	210 490 524	176 726 283
TOTAL OWN FUNDING	149 177 493	0	149 177 493	210 490 524	176 726 283
Urban Settlement Development Grant	77 809 760	0	77 809 760	78 923 160	85 296 580
Public Transport Infrastructure Grant	14 000 000	0	14 000 000	15 850 000	0
Finance Management Grant	1 150 000	0	1 150 000	1 000 000	1 000 000
Integrated Skills Development Grant	10 700 000	0	10 700 000	10 517 000	10 500 000
Expanded Public Works Programme	4 050 000	0	4 050 000	0	0
Human Settlements Development Grant	56 201 024	0	56 201 024	74 520 000	105 000 000
Human Settlements Development Grant c/o	0	19 797 040	19 797 040	0	0
Leiden	0	34 300	34 300	0	0
Salaida/Galve	0	811 801	811 801	0	0
TOTAL GRANTS	163 910 784	20 643 141	184 553 925	180 810 160	201 796 580
TOTAL OPERATING BUDGET	313 088 277	20 643 141	333 731 418	391 300 684	378 522 863

Table 7: 2018/19 Operating Projects Per Directorate First Adjustment Budget

FUNDING SOURCE	2018/2019 APPROVED BUDGET	ADJUSTMENTS	2018/2019 FIRST ADJUSTMENT BUDGET	2019/2020 BUDGET	2020/2021 BUDGET
Executive Support Services	43 326 885	846 101	44 172 986	58 518 946	55 201 283
City Manager's office	37 553 260	6 500	37 559 760	30 616 660	48 296 580
Corporate Services	21 716 875	(6 500)	21 710 375	22 027 078	12 000 000
Spatial Planning & Development	15 900 000	0	15 900 000	17 850 000	1 700 000
Economic Development & Agencies	34 310 000	0	34 310 000	33 000 000	40 675 000
Finance Services	26 430 933	0	26 430 933	50 078 000	4 500 000
Health /Public Safety & Emergency Services	1 179 300	0	1 179 300	1 690 000	0
Human Settlements	56 771 024	19 797 040	76 568 064	75 020 000	109 500 000
Infrastructure Services	61 000 000	0	61 000 000	61 000 000	69 250 000
Municipal Services	14 900 000	0	14 900 000	41 500 000	37 400 000
TOTAL GRANTS	313 088 277	20 643 141	333 731 418	391 300 684	378 522 863

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 8 and 9) below indicate adjustments to the consolidated capital expenditure budget per funding source and per directorate respectively. It shows a total increase of R237.8 million which is made of roll-overs for own funds of R228.73 million and unconditional grants of R9 million. The following summarises the identifiable projects on which the requested roll-over funding is committed to

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 the project level to allow budget transfers between votes/account numbers that make up that particular project to be managed at administrative level rather than being treated as a virement or an adjustment budget. (Detailed schedule of capital projects is attached as Annexure 2):

Summary of Capital Projects Rollovers:

5.6.1 Grant Funding – R9 million:

Department of Local Government and Traditional Affairs – rollover amount of R9 million committed by the Directorate of Spatial Planning & Development for the “Mdantsane Urban Renewal- Mt Ruth Node” project.

5.6.2 Own Funding – R228.73 million:

- i. Directorate of Executive Support Services – committed funds amounting to R2.39 million to be rolled over for the Councillor’s Office Furniture and Equipment.
- ii. Directorate of the City Manager – committed funds amounting to R3.2 million to be rolled over for office renovations for Legal Services (conversion of a municipal building into Municipal Court building).

- iii. Directorate of Corporate Services – committed funds amounting to R181,438 to be rolled over:
 - (a) R151,391 for Office Furniture and Equipment; and
 - (b) R30,047 for Extension to Employee Wellness.
- iv. Directorate of Spatial Planning and Development– committed funds amounting to R22 million to be rolled over:
 - (a) R1,384,770 for Survey Equipment and Software Packages
 - (b) R2,697,768 for Construction of King William’s Town Payments Hall
 - (c) R3,146,633 for Construction of SCM Inventory Warehousing and Fencing
 - (d) R3,488,061 for Upgrading of Lifts for BCMM Buildings
 - (e) R6,234,071 for Land Acquisition
 - (f) R125,000 for the Sleeper Site Refurbishment
 - (g) R3,934,451 for the Upgrading and Refurbishment of Municipal buildings
 - (h) R1,025,658 for Office Furniture and Equipment
- v. Directorate of Economic Development and Agencies – committed funds amounting to R13.6 million to be rolled over:
 - (a) R425,084 for Restoration Work – Dimbaza Children’s Grave
 - (b) R1,000,000 for Installation of Kiddies Play Facilities at Kiwane
 - (c) R928,099 for Art Culture & Heritage Sites Upgrade
 - (d) R2,615,050 for Upgrade of Access Road to Kiwane Community Lodge
 - (e) R596,000 for CCTV Camera installation: Market
 - (f) R125,200 for Building of Memorial Stones
 - (g) R905,569 for Office Furniture & Equipment - SMME Incubator

- (h) R1,000,000 for Site Landscaping – Kiwane Community Lodge
 - (i) R5,000,000 for Informal Trade (Hawker Stalls)
 - (j) R540,320 for Upgrading of Municipal Buildings

- vi. Directorate of Finance – committed funds amounting to R63.3 million to be rolled over:
 - (a) R170,109 for Office Furniture & Equipment
 - (b) R51,504,250 for Smart Metering Solutions
 - (c) R6,161,653 for Fully Integrated Asset Management System
 - (d) R1,496,815 for Indigent Management system
 - (e) R3,994,839 for the Construction of Office Accommodation for the midland region

- vii. Directorate Health, Public Safety and Emergency Service – committed funds amounting to R21 million to be rolled over:
 - (a) R915,270 for Office Furniture and Equipment
 - (b) R695,000 for Early Warning Systems
 - (c) R640,000 for Radio Network
 - (d) R105,000 for Disaster Management: Event Safety Equipment
 - (e) R8,264,712 for the refurbishment and rehabilitation of fire infrastructure and the procurement of fire equipment and fire engines
 - (f) R8,828,850 for the Closed Circuit Television Network
 - (g) R773,417 for the Traffic and Law Enforcement Equipment
 - (h) R280,956 for the Vehicle Pound and Vehicle Test Station Equipment

- viii. Directorate of Human Settlements – committed funds amounting to R395,291 to be rolled over for office furniture and equipment.

- ix. Directorate of Infrastructure Services – committed funds amounting to R84.85 million to be rolled over:
 - (a) R10,142,051 for the Bulk Electricity Infrastructure Upgrade
 - (b) R2,753,370 for the Electrification of Informal Dwelling Areas BCMM
 - (c) R67,587,365 for Roads Provision
 - (d) R1,118,569 for the Upgrading of Laboratory
 - (e) R3,253,581 for the Distribution Points & Water Meter Replacement in East London and Mdantsane

- x. Directorate of Municipal Services – committed funds amounting to R17.67 million to be rolled over:
 - (a) R5,500,000 for the Development of Community Halls and Facilities
 - (b) R1,069,303 for the for the upgrading and refurbishment of the Ruth Belonsky, John Harrison and King William's Town Swimming Pools
 - (c) R2,017,226 for the Upgrading of Resorts
 - (d) R74,490 for Refurbishment of Nahoon Staff Quarters & Storages
 - (e) R974,108 for Ablution Facilities: KWT Swimming Pools
 - (f) R1,997,963 for the Construction of Office and Guard House at Nahoon Park
 - (g) R200,000 for the Refurbishment of Ticket Offices: Joan Harrison Swimming Pools
 - (h) R414,846 for the Orlando Stadium: Installation of Electricity Irrigation
 - (i) R223,517 for the Floodlights (Stadiums & Sportsfields)
 - (j) R605,591 for Pefferville Fencing
 - (k) R3,370,256 for the Upgrading and Refurbishment of Sisa Dukashe Stadium
 - (l) R1,218,527 for the Upgrading of Zoo

Table 8: 2018/19 First Adjustments to Consolidated Capital Expenditure Budget Per Funding

CAPITAL BUDGET PER FUNDING	2018/2019 APPROVED CAPITAL BUDGET	ADJUSTMENTS	2018/2019 ROLLOVER ADJUSTMENT BUDGET	2019/2020 CAPITAL BUDGET	2020/2021 CAPITAL BUDGET
Own Funding	880 241 750	0	880 241 750	912 398 325	885 389 414
Own Funding c/o	0	228 726 022	228 726 022	0	0
Loan	69 000 000	0	69 000 000	377 000 000	206 000 000
TOTAL OWN FUNDING	949 241 750	228 726 022	1 177 967 772	1 289 398 325	1 091 389 414
Urban Settlement Development Grant	685 182 240	0	685 182 240	722 848 840	760 589 420
Public Transport Infrastructure Grant	81 165 000	0	81 165 000	218 614 000	247 020 000
Finance Management Grant	0	0	0	0	0
Integrated National Electrification Programme	6 200 000	0	6 200 000	22 400 000	32 000 000
Integrated City Development Grant	10 003 000	0	10 003 000	11 494 000	12 134 000
Energy Efficiency Demand Side Management Grant	8 000 000	0	8 000 000	10 000 000	10 000 000
Neighbourhood Development Partnership Grant	13 250 000	0	13 250 000	14 120 000	21 210 000
Infrastructure Skills Development Grant	100 000	0	100 000	0	500 000
LGTH c/o	0	9 036 112	9 036 112	0	0
TOTAL GRANTS	803 900 240	9 036 112	812 936 352	999 476 840	1 083 453 420
TOTAL CAPITAL BUDGET	1 753 141 990	237 762 134	1 990 904 124	2 288 875 165	2 174 842 834

Table 9: 2018/19 First Adjustments to consolidated Capital Expenditure Budget per Directorate

CAPITAL BUDGET PER FUNDING	2018/2019 CAPITAL BUDGET	ADJUSTMENTS	2018/2019 ROLLOVER ADJUSTMENT BUDGET	2019/2020 CAPITAL BUDGET	2020/2021 CAPITAL BUDGET
Directorate of Executive Support Services	3 500 000	2 386 795	5 886 795	500 000	500 000
Directorate of the City Manager	51 840 000	3 200 000	55 040 000	43 840 000	30 080 000
Corporate Services	3 600 000	181 438	3 781 438	500 000	2 000 000
Spatial Planning & Development	263 837 900	31 072 524	294 910 424	377 614 000	362 520 000
Economic Development & Agencies	81 691 750	13 635 322	95 327 072	98 798 325	137 239 414
Directorate of Financial Services	152 538 000	63 327 666	215 865 666	183 120 000	2 500 000
Health /Public Safety & Emergency Services	14 270 000	21 042 335	35 312 335	24 950 000	30 280 000
Directorate of Human Settlement	104 754 640	395 291	105 149 931	124 965 000	204 488 000
Infrastructure Services	916 280 240	84 854 936	1 001 135 176	1 282 837 840	1 305 185 420
Municipal Services	160 829 460	17 665 827	178 495 287	151 750 000	100 050 000
TOTAL GRANTS	1 753 141 990	237 762 134	1 990 904 124	2 288 875 165	2 174 842 834

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, except re-aligning some of the electricity user categories to the BCMM NERSA approval.

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.

7. CHALLENGES

None

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The first adjustments to the consolidated 2018/19 budget do not have an impact on tariffs as these are funded from unconditional grants rollover funding from 2017/18 financial year and own funding reserves. The effects of the adjustments to the consolidated 2018/19 Operating and Capital Budget are outlined below:

- i. A reduction in the consolidated Operational Revenue Budget of R560,525 from R6,517,222,263 to R6,516,661,738.
- ii. A reduction in the consolidated Operational Expenditure Budget of R560,525 from R6,513,297,822 to R6,512,737,297.
- iii. An increase in the consolidated Capital Projects Budget of R237,762,134 from R1,753,141,990 to R1,990,904,124.

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 adjusted 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 adjusted 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