

REPORT TO COUNCIL: 23 AUGUST 2019

File No.:5/1/1/1[19/20]

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2019/2020 FIRST 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 2019/2020 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 2018/2019 financial year. At year end on 30 June 2019, various directorates indicated that certain projects provided for execution in the 2018/2019 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 2019/2020 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 2019/2020 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	2019/2020		2019/2020	2020/2021	2021/2022
	APPROVED	ADJUSTMENTS	FIRST	FIRST	FIRST
	BUDGET		ADJ. BUDGET	ADJ. BUDGET	ADJ. BUDGET
Total Revenue	(7 143 008 464)	6 783 922	(7 136 224 542)	(7 642 810 411)	(8 228 617 399)
Total Operating Expenditure Excluding Operating Projects	6 729 149 416	(60 091 832)	6 669 057 584	7 191 232 493	7 705 033 563
Operating Projects	412 948 389	53 307 910	466 256 299	449 119 371	520 352 948
Total Operating Expenditure Including Operating Projects	7 142 097 805	(6 783 922)	7 135 313 883	7 640 351 864	8 225 386 511
<u>(Surplus) / Deficit</u>	(910 659)	0	(910 659)	(2 458 547)	(3 230 888)
<u>Total Capital Expenditure</u>	1 737 412 866	217 854 209	1 955 267 075	1 933 649 555	2 052 097 572
Total Opex and Capex Budget	8 879 510 671	211 070 287	9 090 580 958	9 574 001 419	10 277 484 083

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 recommendation to consider and adopt the first adjustment budget during August 2019, emanates from prior year commitment that compels rollovers and re-allocation of budgetary provision to fund the ward initiative projects that were not fully spent in the previous financial year. An adjustment has also been made to align the City’s budget in line with the NERSA approval of tariff increase on electricity that was received after the adoption of the 2019/2020 MTREF. A re-allocation on operating budget was also done to fund BCMM’s Sports Club and Wellness as per the previous month’s Council resolution.

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 2019/20 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	2019/2020		2019/2020	2020/2021	2021/2022
	FINAL BUDGET	ADJUSTMENTS	FIRST ADJ. BUDGET	FIRST ADJ. BUDGET	FIRST ADJ. BUDGET
Total Revenue	7 143 008 464	(6 783 922)	7 136 224 542	7 642 810 411	8 228 617 399
Total Operating Expenditure	7 142 097 805	(6 783 922)	7 135 313 883	7 640 351 864	8 225 386 511
Total Capital Expenditure	1 737 412 866	217 854 209	1 955 267 075	1 933 649 555	2 052 097 572
Total Opex and Capex Budget	8 879 510 671	211 070 287	9 090 580 958	9 574 001 419	10 277 484 083

The following factors were taken into cognisance when formulating the 2019/20 first adjustment budget:

- a) Those contractual components or works awarded or commenced during the 2018/2019 financial year but not yet completed and settled by 30 June 2019 and therefore no budgetary provision made on the 2019/2020 budget.
- b) Reasons explaining why the 2018/2019 budgetary provisions were committed but not spent by 30 June 2019.
- c) Consideration of roll-over proposals on Council's 2018/2019 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 2019/20 financial year budget that could be used to fund such roll-overs.

The only unspent funding for own funded Operating projects that has been included in the 2019/2020 budget relates to the Ward initiative projects and amounts to R8 878 689, and has been funded by reallocating funding from Bulk Purchases (Infrastructure Directorate) where it is envisaged that there could be potential savings.

Therefore, the net effect of the consolidated Metro's budget after rollover adjustment remains constant at a surplus of R910 659 before capital transfers recognised.

5.2 COUNCIL RESOLUTIONS

On 29 May 2019 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2019/20 – 2021/22 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 2019/20 first adjustment budget report be considered and approved by Council.
- b) The adjustment from R7 143 008 464 to R7 136 224 542 of the consolidated 2019/20 Operating Revenue Budget be approved by Council.
- c) The adjustment from R7 142 097 805 to R7 135 313 883 of the consolidated 2019/20 Operating Expenditure Budget be approved by Council.
- d) The adjustment from R1 737 412 866 to R1 955 267 075 of the consolidated 2019/20 Capital Budget be approved by Council.
- e) The adjusted consolidated 2019/2020 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

16/08/2019
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 R6 783 922 from R7 143 008 464 to R7 136 224 542. The consolidated operating expenditure budget has also slightly reduced by the same amount (R6 783 922) from R7 142 097 805 to R7 135 313 883.

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 R910 659.

The consolidated capital expenditure budget has increased by R217 854 209 from R1 737 412 866 to R1 955 267 075. This is due to roll-over of grant funded projects and own funded projects totalling to R217 854 209. These are detailed in section 5.6 of the report.

5.3.1 Budget Adjustment Summary

The reasons for this adjustment budget are the following:

- i. to roll-over budget that was unspent in the 2018/19 financial year but committed to identifiable projects for own funding and unconditional grants.

- ii. to adjust the City's budget in line with the NERSA approval of tariff increase on electricity that was received after the adoption of the 2019/2020 MTREF.
- iii. to fund the ward initiative projects that were not fully spent in the previous financial year by reallocating funding within operating budget.
- iv. to do a re-allocation on operating budget to fund BCMM's Sports Club and Wellness as per the previous month's Council resolution

The table below indicates the summary of the 2019/20 first adjustment budget.

Table 3: 2019/20 First Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020		2019/2020	2020/2021	2021/2022
	FINAL	ADJUSTMENTS	FIRST	FIRST	FIRST
	BUDGET		ADJ. BUDGET	ADJ. BUDGET	ADJ. BUDGET
Total Revenue	(7 143 008 464)	6 783 922	(7 136 224 542)	(7 642 810 411)	(8 228 617 399)
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<u>(Surplus) / Deficit</u>	(910 659)	0	(910 659)	(2 458 547)	(3 230 888)
Total Capital Expenditure	1 737 412 866	217 854 209	1 955 267 075	1 933 649 555	2 052 097 572
Total Opex and Capex Budget	8 879 510 671	211 070 287	9 090 580 958	9 574 001 419	10 277 484 083

5.4 OPERATING REVENUE FRAMEWORK

The following table depicts a downward adjustment to the consolidated operating revenue budget per source totalling to R6 783 922. This amount of R6 783 922 is made-up of the following adjustments:

- a) A reduction of R51 213 142 to the projected electricity revenue after the 2019/20 tariffs were approved by NERSA. NERSA approved the 13.07% increase in most user categories with the exception of few categories where a slightly below increase was approved resulting in a decrease in revenue projections for the 2019/2020 amounting to R 51 213 142. The letter of approval was received from NERSA after the 2019/20 MTREF budget was adopted by Council.

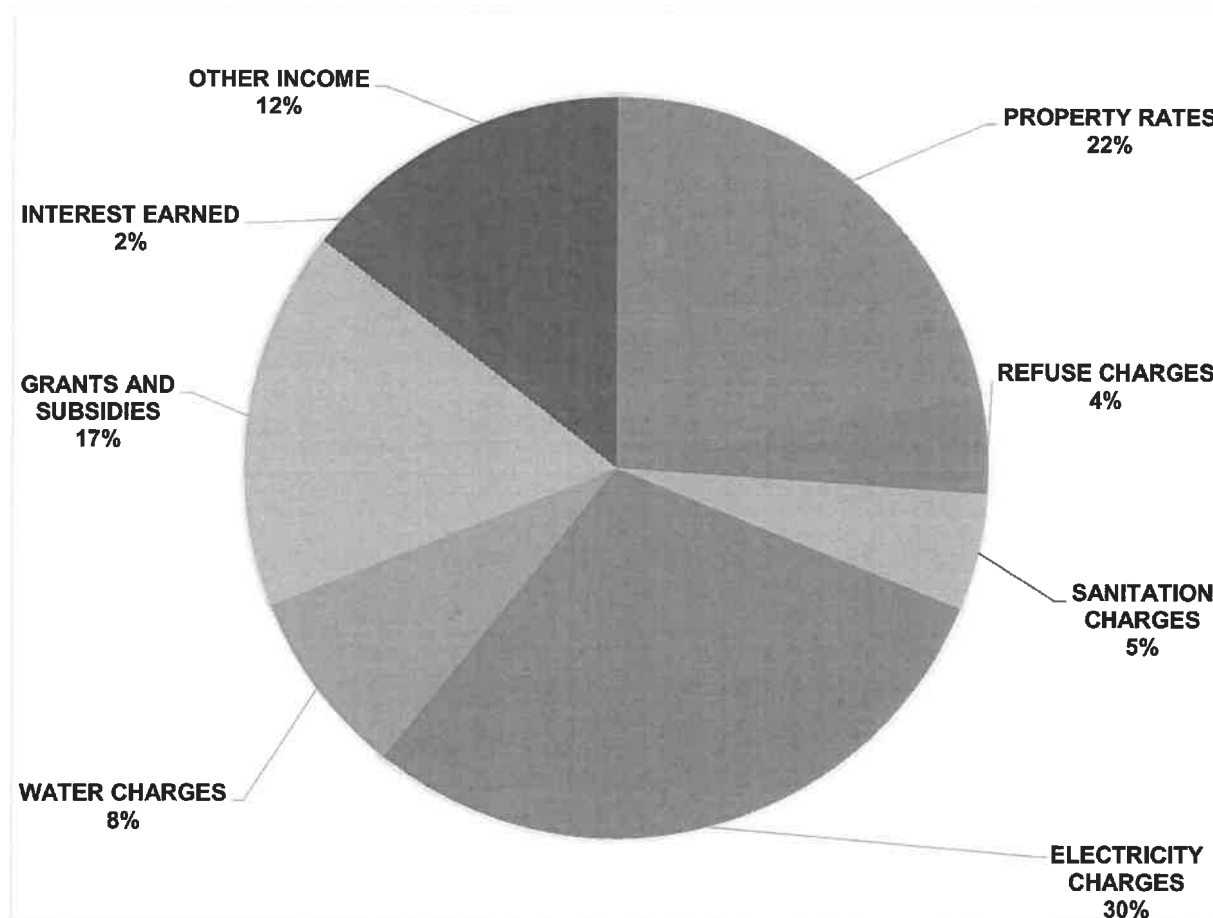
- b) A budgeted increase of R44 429 221 in operating revenue, resulting from the rollover of unspent grants from the 2018/2019 financial year.

Table 4: 2019/20 First Adjusted Revenue per Source

2019/2020 BUDGET REVENUE FRAMEWORK	2019/2020 APPROVED BUDGET	ADJUSTS.	2019/2020 FIRST ADJ BUDGET	2020/2021 FIRST ADJ BUDGET	2021/2022 FIRST ADJ BUDGET
Revenue Per Source					
Property rates	1 552 050 927	0	1 552 050 927	1 676 215 001	1 766 730 611
Service charges - electricity revenue	2 161 342 096	(51 213 142)	2 110 128 954	2 287 178 697	2 479 029 440
Service charges - water revenue	583 148 545	0	583 148 545	629 800 428	691 835 770
Service charges - sanitation revenue	363 587 047	0	363 587 047	392 674 011	413 878 407
Service charges - refuse revenue	310 977 934	0	310 977 934	335 856 169	353 992 402
Rental of facilities and equipment	19 213 628	0	19 213 628	20 731 506	21 851 008
Interest earned - external investments	110 024 611	0	110 024 611	114 434 120	121 294 945
Interest earned - outstanding debtors	59 464 733	0	59 464 733	64 162 448	67 627 221
Fines, penalties and forfeits	18 134 443	0	18 134 443	19 567 066	20 623 687
Licences and permits	15 955 025	0	15 955 025	17 215 474	18 145 108
Agency services	34 333 894	0	34 333 894	35 711 010	37 939 404
Transfers and subsidies	1 136 152 437	44 429 220	1 180 581 657	1 222 702 130	1 352 667 358
Other revenue	778 623 144	0	778 623 144	826 562 351	883 002 038
Total Direct Operating Income	7 143 008 464	(6 783 922)	7 136 224 542	7 642 810 411	8 228 617 399

The figure below provides a 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 8%, 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 17% of the total revenue. Other revenue contributes 12% and interest earned 2% 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 R6 783 922. This amount of R6 783 922 is made-up of the following adjustments:

- a) A reduction of R3 840 986 to the debt impairment, which is informed by the reduction in electricity revenue after the 2019/2020 tariffs NERSA approval was below the projected guideline of 13.07% for some of the electricity user categories.

- b) After assessing the split between the cost and the revaluation component of the depreciation, potential savings were envisaged on the cost component as a result, a reduction of R47 372 156 to depreciation & asset impairment was done in response to the reduction in electricity revenue after the 2019/2020 tariffs NERSA approval was below the projected guideline of 13.07% for some of the electricity user categories.

- c) A budgeted increase of R44 429 221 to operating expenditure resulting from the rollover of unspent grants from the 2018/2019 financial year.

- d) A re-allocation of a budget amounting to R8 878 689 has been made from Bulk Purchases to fund the unspent portion of Ward initiative projects from the 2018/2019 financial year. Due to the fact that rolling over of own funded projects would lead to a deficit budget which is not allowed in terms of budget regulations and which is in contravention of section 18 MFMA on funding requirements of the municipal budget, funding had to be reallocated from the existing budget in order to fund this item.

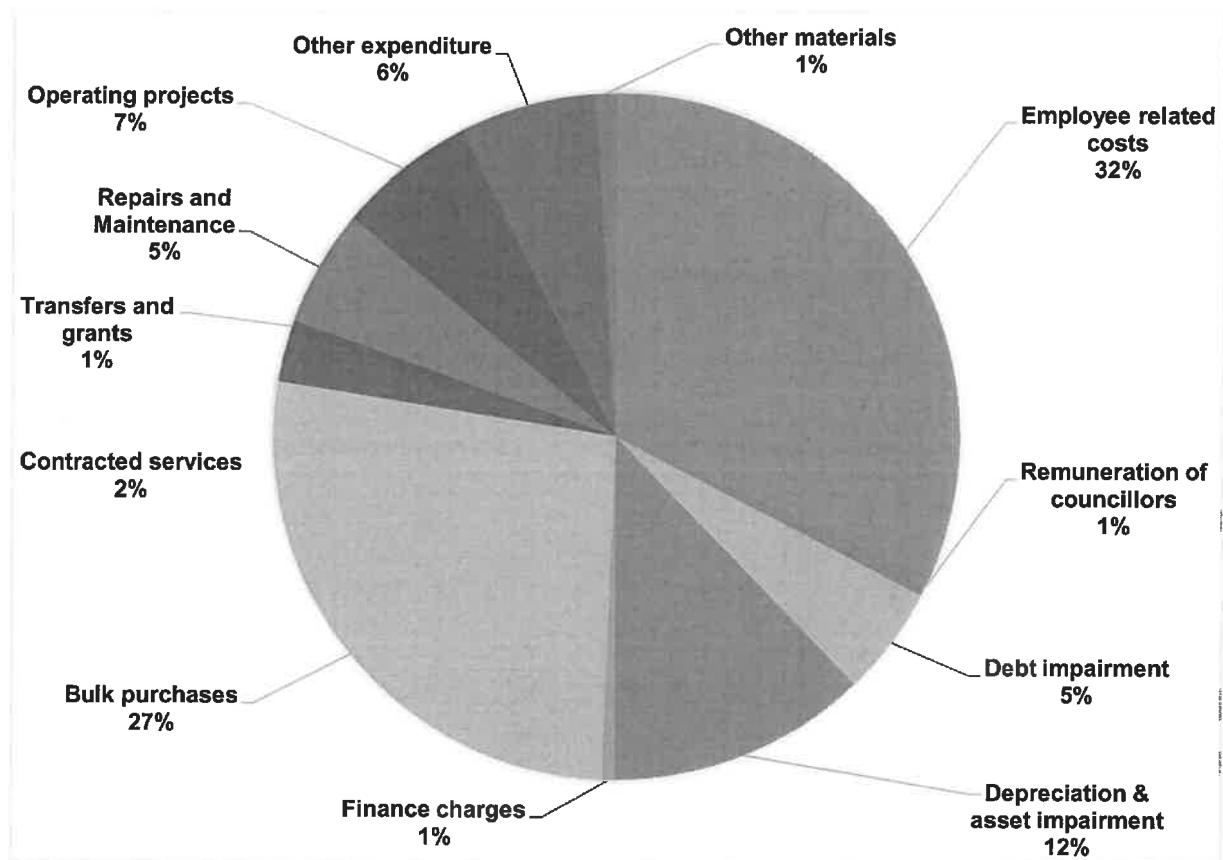
- e) A re-allocation of a budget amounting to R5 000 000 has been made from Bulk Purchases to fund the additional budget requested for the BCMM Sports Club & Wellness.

Table 5: 2019/20 First Adjusted Expenditure Budget per Category

2018/2019 BUDGET EXPENDITURE FRAMEWORK	2019/2020		2019/2020	2020/2021	2021/2022
	APPROVED	ADJUSTMENTS	FIRST	FIRST	FIRST
	BUDGET		ADJ BUDGET	ADJ BUDGET	ADJ BUDGET
Expenditure Per Category					
Employee related costs	2 259 758 953	0	2 259 758 953	2 408 443 526	2 568 606 581
Remuneration of councillors	68 485 441	0	68 485 441	73 039 723	77 896 864
Debt impairment	372 832 991	-3 840 986	368 992 005	399 129 323	427 909 997
Depreciation & asset impairment	918 128 090	-47 372 156	870 755 934	962 165 375	1 065 189 656
Finance charges	41 004 000	0	41 004 000	57 004 000	73 004 000
Bulk purchases	1 938 461 140	-13 878 689	1 924 582 451	2 094 847 652	2 213 681 516
Contracted services	167 230 576	0	167 230 576	164 069 060	171 407 355
Transfers and grants	42 024 691	0	42 024 691	44 294 024	46 685 901
Repairs and Maintenance	392 583 432	0	392 583 432	431 970 575	475 303 392
Operating projects	412 948 389	53 307 909	466 256 298	449 119 371	520 352 948
Other expenditure	457 937 866	5 000 000	462 937 866	481 804 264	506 862 760
Other materials	70 702 237	0	70 702 237	74 464 971	78 485 539
Total Direct Operating Expenditure	7 142 097 806	(6 783 922)	7 135 313 884	7 640 351 864	8 225 386 509

The figure below gives the split of consolidated operating expenditure budget per category. Employee costs represent the largest cost of the municipality and totals 32% of the total operating expenditure. Bulk Purchases for Electricity and Water represents 27% of the total costs. Other Expenditure contribute 6% of total operating expenditure. Depreciation totals 12% 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 2% of the total expenditure. Finance Charges and Transfers and Grants each account for 1% of the total expenditure.

Figure 2: 2019/20 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 R53 307 910 to the operating projects budget due to the unconditional grant roll-overs from 2018/2019 financial year amounting to R44 429 221 and the amount of R8 878 689 that has been re-allocated from Bulk purchases to fund the unspent budget from the 2018/2019 financial year for Ward initiative projects. 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. Annexure 1.1 has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up operating projects.

Summary of Operating Projects Rollovers:

- a) Executive Support Services;
 - Rollover amount of R435 690 of the Salaida grant for the following projects:
 - i. Swimming/Surfing Project
 - ii. Nahoon Point Reserve;
 - iii. Nahoon Estuary Reserve;
 - iv. Gender Project (Homestay);
 - v. Management & Coordination
 - An unspent amount of R8 878 689 from 2018/2019 for Ward Initiatives.

b) Directorate of Human Settlements - Rollover amount of R43 993 531 of the Human Settlements Development Grant for the following projects:

- i. R100 000 for Amalinda Co-op;
- ii. R11 714 709 for Reeston Phase 3 Stage 3;
- iii. R8 000 000 for Potsdam Village Phase 1 & 2;
- iv. R10 143 700 for the Potsdam Ikhwezi Block 1;
- v. R5 800 000 for Cluster 1;
- vi. R2 499 582 for Cluster 3;
- vii. R1 748 325 for Peelton Cluster P5;
- viii. R450 000 for Hanover;
- ix. R301 024 for Skobeni;
- x. R100 000 for HH Other Trans-Housing;
- xi. R1 800 000 for Sunny South Electrification;
- xii. R1 336 191 for Cluster 2.

Table 6: 2019/20 Operating Projects Per Funding Source First Adjustment

Budget

FUNDING SOURCE	2019/2020 APPROVED BUDGET	ADJUST.	2019/2020 FIRST ADJUSTMENT BUDGET	2020/2021 FIRST ADJUSTMENT BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET
TOTAL OWN FUNDING	152 347 438	8 878 689	152 347 438	156 080 321	168 082 808
Urban Settlement Development Grant	79 522 960	0	79 522 960	79 672 050	78 976 140
Public Transport Infrastructure Grant	15 850 000	0	15 850 000	0	0
Finance Management Grant	1 000 000	0	1 000 000	1 000 000	1 000 000
Infrastructure Skills Development Grant	11 150 000	0	11 150 000	12 367 000	12 266 000
Expanded Public Works Programme	9 956 000	0	9 956 000	0	0
Human Settlements Development Grant	143 121 991	0	143 121 991	200 000 000	260 028 000
Human Settlements Development Grant c/o	0	43 993 531	43 993 531	0	0
Salaida c/o	0	435 690	435 690	0	0
TOTAL GRANTS	260 600 951	44 429 221	305 030 172	293 039 050	352 270 140
TOTAL CAPITAL BUDGET	412 948 389	53 307 910	457 377 610	449 119 371	520 352 948

Table 7: 2019/18 Operating Projects Adjustments Per Directorate

FUNDING SOURCE	2019/2020 APPROVED BUDGET	ADJUSTMENTS	2019/2020 FIRST ADJUSTMENT BUDGET	2020/2021 FIRST ADJUSTMENT BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET
Executive Support Services	57 643 860	9 314 379	66 958 239	60 000 000	65 700 000
City Manager's Office	37 478 960	0	37 478 960	22 672 050	21 976 140
Corporate Services	30 153 578	0	30 153 578	31 847 321	32 248 808
Spatial Planning & Development	31 050 000	0	31 050 000	14 000 000	19 200 000
Economic Development & Agencies	20 000 000	0	20 000 000	20 000 000	20 000 000
Finance Services	20 500 000	0	20 500 000	22 500 000	23 000 000
Health /Public Safety & Emergency Services	1 000 000	0	1 000 000	1 100 000	1 200 000
Human Settlements	145 121 991	43 993 531	189 115 522	202 000 000	262 028 000
Infrastructure Services	60 000 000	0	60 000 000	65 000 000	65 000 000
Municipal Services	10 000 000	0	10 000 000	10 000 000	10 000 000
TOTAL GRANTS	412 948 389	53 307 910	466 256 299	449 119 371	520 352 948

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 R217 854 209 which is made of roll-overs for own funds of R216 273 721 (includes an amount of R11 435 399 to BCMDA) and unconditional grants of R1 580 488.

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. Annexure 2.1 has also been attached for information only, it contains the detailed mSCOA breakdown of the rolled-up capital projects. The following summarises the identifiable projects on which the requested roll-over funding is committed:

Summary of Capital Projects Rollovers:

5.6.1 Grant Funding – R1 580 488:

Department of Local Government and Traditional Affairs – rollover amount of R1 580 488 million committed by the Directorate of Spatial Planning & Development for the “Mdantsane Urban Renewal- Mt Ruth Node” project.

5.6.2 Own Funding – R216 273 721:

- i. Directorate of Executive Support Services – committed funds amounting to R3 000 000 to be rolled over for the Councillor’s Office Furniture and Equipment.
- ii. Directorate of Corporate Services – committed funds amounting to R113 896 to be rolled over for the Office Furniture & Equipment.
- iii. Directorate of Spatial Planning and Development – committed funds amounting to R20 043 459 to be rolled over:
 - a. R1 211 166 for Market Square Taxi Rank;
 - b. R1 597 185 for Mary Street;
 - c. R3 470 770 for the Upgrading of Lifts for BCMM Buildings;
 - d. R164 338 for Office Furniture & Equipment;
 - e. R2 500 000 for the upgrading of King Williams Town Payments Hall;
 - f. A total of R11.1 million has been rolled over from various projects to fund the acquisition of a Municipal Building.
- iv. Directorate of Economic Development and Agencies – committed funds amounting to R29 534 109 to be rolled over:
 - a. R6 697 443 for the Upgrading of the Market Hall;

- b. R5 357 539 for Hydroponics and Packhouse;
 - c. R3 539 930 for Informal Trade;
 - d. R130 000 for Building of Memorial stones;
 - e. R300 000 for Extension of Mdantsane Art Centre;
 - f. R1 720 000 for KWT Art Centre;
 - g. R2 102 048 for Tourism Hub;
 - h. R350 000 for Fencing of World War 1
 - i. R1 025 084 for Restoration Work-Settlers way;
 - j. R600 000 for Restoration work-Desmond Tutu Monument;
 - k. R1 092 667 Site Landscaping-Community lodge;
 - l. R1 794 994 for Installation of Recreational Facilities;
 - m. R2 824 404 for Water Leisure Activities;
 - n. R2 000 000 for Construction of Braai Outdoor Lounges.
- v. Directorate of Finance – committed funds amounting to R18 123 922 to be rolled over:
- a. R6 860 448 for Smart Metering Solutions;
 - b. R6 142 477 for the acquisition of an ERP System;
 - c. R1 129 474 for Indigent Management system;
 - d. R3 991 523 for the Construction Office Accommodation (Midland);
- vi. Directorate Health, Public Safety and Emergency Service – committed funds amounting to R3 656 810 to be rolled over:
- a. R196 322 for Office Furniture and Equipment;
 - b. R281 642 for Refurbishment & Rehabilitation of Fire infrastructure;
 - c. R1 978 846 for the closed-circuit television network;
 - d. R1 200 000 for the Emergency Services System;
- vii. Directorate of Infrastructure Services – committed funds amounting to R85 250 192 to be rolled over:
- a. R2 621 502 for the Bulk Electricity Provision;

- b. R22 073 398 for Roads Provision;
 - c. R1 662 000 for Rural Roads;
 - d. R8 992 424 East Beach Gravity Sewer;
 - e. R11 253 079 for Reticulation;
 - f. R3 469 165 for the Upgrading of Laboratory;
 - g. R20 703 554 for Wastewater Treatment Works;
 - h. R7 322 335 Pipe and Water Meter Replacement in Mdantsane;
 - i. R876 657 for Pipe and Water Meter Replacement in Bisho, KWT & Dimbaza;
 - j. R6 276 079 for Pipe and Water Replacement in EL.
- viii. Directorate of Municipal Services – committed funds amounting to R45 115 935 to be rolled over:
- a. R4 131 789 for the Development of Community Halls and Facilities;
 - b. R4 936 931 for the Upgrading of Gonubie Resorts;
 - c. R4 792 368 for the Upgrading of Nahoon Caravan Park;
 - d. R253 611 for the Development of Sportsfields;
 - e. R9 618 417 for the Redevelopment of Mdantsane Sport Precinct NU2 Swimming Pool;
 - f. R2 776 209 for the Upgrading of Zoo;
 - g. R624 520 for Swimming Pools;
 - h. R149 255 for the Grass Cutting Equipment;
 - i. R3 978 096 for the Upgrading of Community Parks;
 - j. R13 854 739 for the Transfer Station.
- ix. Buffalo City Development Agency– committed funds amounting to R11 435 399 to be rolled over for the East London Beachfront & Waterworld project.

Table 8: 2019/20 Capital Budget Adjustment Per Funding

CAPITAL BUDGET PER FUNDING	2019/2020 APPROVED CAPITAL BUDGET	ADJUST.	2019/2020 FIRST ADJUSTMENT BUDGET	2020/2021 FIRST ADJUSTMENT BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET
Own Funding	628 000 000	0	628 000 000	690 000 000	740 000 000
Own Funding c/o	0	204 838 322	204 838 322	0	0
Loan	69 581 825	0	69 581 825	189 351 605	176 866 712
TOTAL OWN FUNDING	697 581 825	204 838 322	902 420 147	879 351 605	916 866 712
LGTH c/o	0	1 580 488	1 580 488	0	0
Urban Settlement Development Grant	737 900 040	0	737 900 040	576 062 950	553 561 860
Public Transport Infrastructure Grant	218 616 000	0	218 616 000	247 346 000	265 899 000
Informal Settlement Upgrading Partnership Grant	0	0	0	161 169 000	236 673 000
Integrated City Development Grant	10 383 000	0	10 383 000	12 134 000	13 947 000
Neighbourhood Development Partnership Grant	7 500 000	0	7 500 000	7 436 000	15 000 000
Infrastructure Skills Development Grant	150 000	0	150 000	150 000	150 000
TOTAL GRANTS	974 549 040	1 580 488	976 129 528	1 004 297 950	1 085 230 860
BCMDA	65 282 001	0	65 282 001	50 000 000	50 000 000
BCMDA c/o	0	11 435 399	11 435 399	0	0
TOTAL CAPITAL BUDGET	1 737 412 866	217 854 209	1 955 267 075	1 933 649 555	2 052 097 572

Table 9: 2019/20 Capital Budget Adjustments per Directorate

CAPITAL BUDGET PER FUNDING	2019/2020 APPROVED CAPITAL BUDGET	ADJUST.	2019/2020 FIRST ADJUSTMENT BUDGET	2020/2021 FIRST ADJUSTMENT BUDGET	2021/2022 FIRST ADJUSTMENT BUDGET
Executive Support Services	500 000	3 000 000	3 500 000	500 000	500 000
City Manager's office	6 664 045	0	6 664 045	10 500 000	10 500 000
Corporate Services	45 910 000	113 896	46 023 896	31 150 000	18 734 020
Spatial Planning & Development	307 351 141	21 623 947	328 975 088	333 346 000	398 899 000
Economic Development & Agencies	33 687 799	29 534 109	63 221 908	86 800 000	116 500 000
Finance Services	141 858 342	18 123 922	159 982 264	80 500 000	75 500 000
Health/Public Safety & Emergency Services	24 650 000	3 656 810	28 306 810	29 780 000	37 000 000
Human Settlements	252 781 590	0	252 781 590	355 710 530	299 673 000
Infrastructure Services	700 606 490	85 250 192	785 856 682	838 590 298	913 093 212
Municipal Services	158 121 458	45 115 935	203 237 393	116 772 727	131 698 340
TOTAL GRANTS	1 672 130 865	206 418 810	1 878 549 675	1 883 649 555	2 002 097 572
BCMDA	65 282 001	11 435 399	76 717 400	50 000 000	50 000 000
TOTAL CAPITAL BUDGET	1 737 412 866	217 854 209	1 955 267 075	1 933 649 555	2 052 097 572

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 (SDBIP)

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 to revise these documents. A mid-year performance assessment will be done later in the financial year to inform the revision of the approved SDBIP.

7. CHALLENGES

None

8. STAFF IMPLICATIONS

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

9. FINANCIAL IMPLICATIONS

The first adjustments to the consolidated 2019/2020 budget do not have an impact on tariffs as these are funded from unconditional grants rollover funding from 2018/2019 financial year and own funding reserves. The effects of the adjustments to the consolidated 2019/2020 Operating and Capital Budget are outlined below:

- i. A reduction in the consolidated Operational Revenue Budget of R6 783 922 from R7 143 008 464 to R7 136 224 542.
- ii. A reduction in the consolidated Operational Expenditure Budget of R6 783 922 from R7 142 097 805 to R7 135 313 883.
- iii. An increase in the consolidated Capital Projects Budget of R217 854 209 from R1 737 412 866 to R1 955 267 075.

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 ARNOLD SIHLAHLA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 16/08/2019

ANNEXURES:

Annexure 1: Detailed Schedule of Operating Projects (Rolled-up)

Annexure 1.1: Detailed Schedule of Operating Projects

Annexure 2: Detailed Schedule of Capital Projects (Rolled-up)

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B – Consolidated Schedules