

REPORT TO COUNCIL: 24 APRIL 2019

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2018/19 THIRD ADJUSTMENTS BUDGET REPORT

1. PURPOSE

The purpose of the report is for the Council to consider and approve the Third Adjustments Budget of the Buffalo City Metropolitan Municipality for the 2018/19 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
Municipal Budget and Reporting Regulations, 2009
Government Gazette No.42318

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.”*

According to the Municipal Budget and Reporting Regulations (MBRR),2009, (Reg. 23) “(3) if a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in Section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.”

“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)(b)) and follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

5. **EXPOSITION OF FACTS**

On the 18th March 2019, the National Treasury issued a Government Gazette No.42318. This Government Gazette provides for an additional USDG allocation of R200 million to the Buffalo City Metropolitan Municipality. The 2018/2019 third adjustment budget is being prepared to appropriate the additional funding into the Buffalo City Metropolitan Municipality’s 2018/2019 budget.

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

OPERATING AND CAPITAL BUDGET EXPENDITURE	2018/2019		2018/2019	2019/2020	2020/2021
	MID-YEAR	ADJUSTMENTS	THIRD	FINAL	FINAL
	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
Total Revenue	(6 516 494 869)	(13 200 000)	(6 529 694 869)	(7 047 200 123)	(7 609 194 823)
Total Operating Expenditure Excluding Operating Projects	6 176 524 346	0	6 176 524 346	6 648 094 551	7 223 153 609
Operating Projects	336 012 798	13 200 000	349 212 798	391 300 684	378 522 863
Total Operating Expenditure Including Operating Projects	6 512 537 144	13 200 000	6 525 737 144	7 039 395 236	7 601 676 472
(Surplus) / Deficit	(3 957 725)	0	(3 957 725)	(7 804 888)	(7 518 351)
Total Capital Expenditure	1 912 299 994	186 800 000	2 099 099 994	2 288 875 165	2 174 842 834
Total Opex and Capex Budget	8 424 837 138	200 000 000	8 624 837 138	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	kℓ	kilolitre
ASGISA	Accelerated and Shared Growth Initiative	km	kilometre
BCMM	Buffalo City Metropolitan Municipality	KPA	Key Performance Area
BSC	Budget Steering Committee	KPI	Key Performance Indicator
CBD	Central Business District	kWh	kilowatt hour
CFO	Chief Financial Officer	ℓ	litre
CM	City Manager	LED	Local Economic Development
CoGTA	Cooperative Government & Traditional Affairs	MBRR	Municipal Budgeting and Reporting Regulations
CPI	Consumer Price Index	MEC	Member of the Executive Committee
CRRF	Capital Replacement Reserve Fund	MFMA	Municipal Financial Management Act
DBSA	Development Bank of South Africa	MIG	Municipal Infrastructure Grant
GDP	Gross Domestic Product	MMC	Member of Mayoral Committee
DoRA	Division of Revenue Act	MPRA	Municipal Properties Rates Act
DWA	Department of Water Affairs	MSA	Municipal Systems Act
EE	Employment Equity	MSCOA	Municipal Standard Chart of Account
EEDSM	Energy Efficiency Demand Side Management	MTEF	Medium-term Expenditure Framework
EM	Executive Mayor	MTREF	Medium-term Revenue and Expenditure Framework
EPWP	Expanded Public Works Programme	NDPG	Neighbourhood Development Partnership Grant
FBS	Free basic services	NERSA	National Electricity Regulator South Africa
FMG	Finance Management Grant	NGO	Non-Governmental organisations
GAMAP	Generally Accepted Municipal Accounting Practice	NKPIs	National Key Performance Indicators
GDP	Gross domestic product	OP	Operational Plan
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
HSDG	Human Settlement Development Grant	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	SALGA	South African Local Government Association
IDP	Integrated Development Plan	SDBIP	Service Delivery Budget Implementation Plan
ELIDZ	East London Industrial Development Zone	SMME	Small Micro and Medium Enterprises
INEP	Integrated National Electrification Programme	USDG	Urban Settlement Development Grant
IDP	Integrated Development Plan	WSA	Water Services Authority
ICT	Information and Communication Technology	WSDP	Water Services Development Plan

PART 1 – ADJUSTMENT BUDGET

5.1 EXECUTIVE MAYOR’S REPORT

The third adjustment budget is being tabled at Council in terms of the Section 28 of the MFMA for the purpose of appropriating into the current budget an additional USDG allocation of R200 million.

This additional allocation has necessitated some adjustments in the City’s Own Funded projects.

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	ADJUSTMENTS	2018/2019	2019/2020	2020/2021
	MID-YEAR ADJ. BUDGET		THIRD ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	(6 516 494 869)	(13 200 000)	(6 529 694 869)	(7 047 200 123)	(7 609 194 823)
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Total Opex and Capex Budget	8 424 837 138	200 000 000	8 624 837 138	9 328 270 401	9 776 519 306

The Honourable Minister of Finance presented his Medium-Term Budget Policy Statement on 24 October 2018. The National Medium-Term Budget Policy Statement highlighted the economic challenges that are still experienced by South Africa. The challenges are characterised by low economic growth, high unemployment rate, devaluating currency and rising bond yields. The 2018 National Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession that is, declining quarter-on-quarter GDP driven primarily by contractions in agriculture and mining.

The City continues with its efforts of producing a surplus budget that is funded in line with National Treasury requirements. This adjustment budget has a surplus of R3 957 725 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 MTREF Budget. The Council further met on 24 August 2018 to consider and approve the roll-over adjustment budget. On the 12th March 2019 the Council met to consider and approve the Mid-year 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 consolidated 2018/2019 Third Adjustment Budget report be **CONSIDERED** and **APPROVED** by Council.
- (b) The adjustment from R6 516 494 869 to R6 529 694 869 of the consolidated 2018/2019 Operating Revenue Budget be **APPROVED** by Council.
- (c) The adjustment from R6 512 537 144 to R6 525 737 144 of the consolidated 2018/2019 Operating Expenditure Budget be **APPROVED** by Council.
- (d) The adjustment from R1 912 299 994 to R2 099 099 994 of the consolidated 2018/2019 Capital Budget be **APPROVED** by Council.
- (e) Council **NOTE** that, in order to improve operational efficiency, the detailed schedules of capital projects and operating projects that are attached as annexure 1 and 2 respectively have been rolled up to project and or programme level to allow budget transfers between vote/account numbers that make up that particular project or programme to be managed at administrative level rather than being treated as a virement or an adjustment budget (annexure 1.2 and 2.1 are provided for information only).



X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY
ANDILE SIHLAHLA/NS

16/04/2019.
DATE

5.3 EXECUTIVE SUMMARY

The Buffalo City Metropolitan Municipality is still taking tune from the latest National Medium-Term Budget Policy Statement which highlighted the economic challenges that are still experienced by South African as cited by the Honourable Minister of Finance presented in his Medium-Term Budget Policy Statement on 24 October 2018. The challenges are characterised by low economic growth, high unemployment rate, devaluating currency and rising bond yields. The 2018 National Budget set out expectations of improved economic performance that proved premature. During the first half of this year, South Africa experienced a technical recession that is, declining quarter-on-quarter GDP driven primarily by contractions in agriculture and mining.

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this mid-year adjustment budget. This approach involved an intensive internal process of assessing and determining whether the budgeted programs and projects are responding to the City's strategic needs and priorities. This process further assessed the implementation readiness of the budgeted programs and projects and the re-allocation of the expenditure budget was informed by this assessment.

To continue improving capital expenditure performance, the City continues to implement intervention measures that are contained in the developed and adopted turnaround strategy on capital spending that was submitted to Council. These intervention measures are also contained in the quarterly performance reports (S52d reports) that are submitted at Council.

The consolidated operating revenue budget has been increased by R13 200 000 from R6 516 494 869 to R6 529 694 869. The consolidated operating expenditure has also been increased by the same amount (R13 200 000) from R6 512 537 144 to R6 525 737 144. This increase is a result of R13 200 000 that is allocated to operating projects from the additional USDG allocation of R200 000 000 that is published in the Government Gazette No. 42318. These are detailed in section 5.4 and 5.5 of the report.

The overall operating surplus before capital transfers recognised remains stagnant at R3 957 725.

The capital expenditure budget is adjusted upwards by R186 800 000 from R1 912 299 994 to R2 099 099 994. This increase is a result of R186 800 000 that is allocated to capital projects from the additional USDG allocation of R200 000 000 that is published in the Government Gazette No. 42318.

5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to include / appropriate the additional allocation of R200 000 000 as per the Government Gazette No. 42318, dated 18 March 2019 to the City's 2018/19 budget. The table below indicates the summary of the 2018/2019 third adjustment budget.

Table 2: 2018/19 Third Adjustment Budget Summary

OPERATING AND CAPITAL BUDGET EXPENDITURE	2018/2019	ADJUSTMENTS	2018/2019	2019/2020	2020/2021
	MID-YEAR ADJ. BUDGET		THIRD ADJ. BUDGET	FINAL BUDGET	FINAL BUDGET
Total Revenue	(6 516 494 869)	(13 200 000)	(6 529 694 869)	(7 047 200 123)	(7 609 194 823)
Total Operating Expenditure Excluding Operating Projects	6 176 524 346	0	6 176 524 346	6 648 094 551	7 223 153 609
Operating Projects	336 012 798	13 200 000	349 212 798	391 300 684	378 522 863
Total Operating Expenditure Including Operating Projects	6 512 537 144	13 200 000	6 525 737 144	7 039 395 236	7 601 676 472
(Surplus) / Deficit	(3 957 725)	0	(3 957 725)	(7 804 888)	(7 518 351)
Total Capital Expenditure	1 912 299 994	186 800 000	2 099 099 994	2 288 875 165	2 174 842 834
Total Opex and Capex Budget	8 424 837 138	200 000 000	8 624 837 138	9 328 270 401	9 776 519 306

5.4 OPERATING REVENUE FRAMEWORK

The following table (Table 3) depicts adjustments to the operating revenue budget per source. It reflects that there has been an increase of revenue totalling to R13 200 000.

Table 3: 2018/19 Third Adjusted Revenue per Source

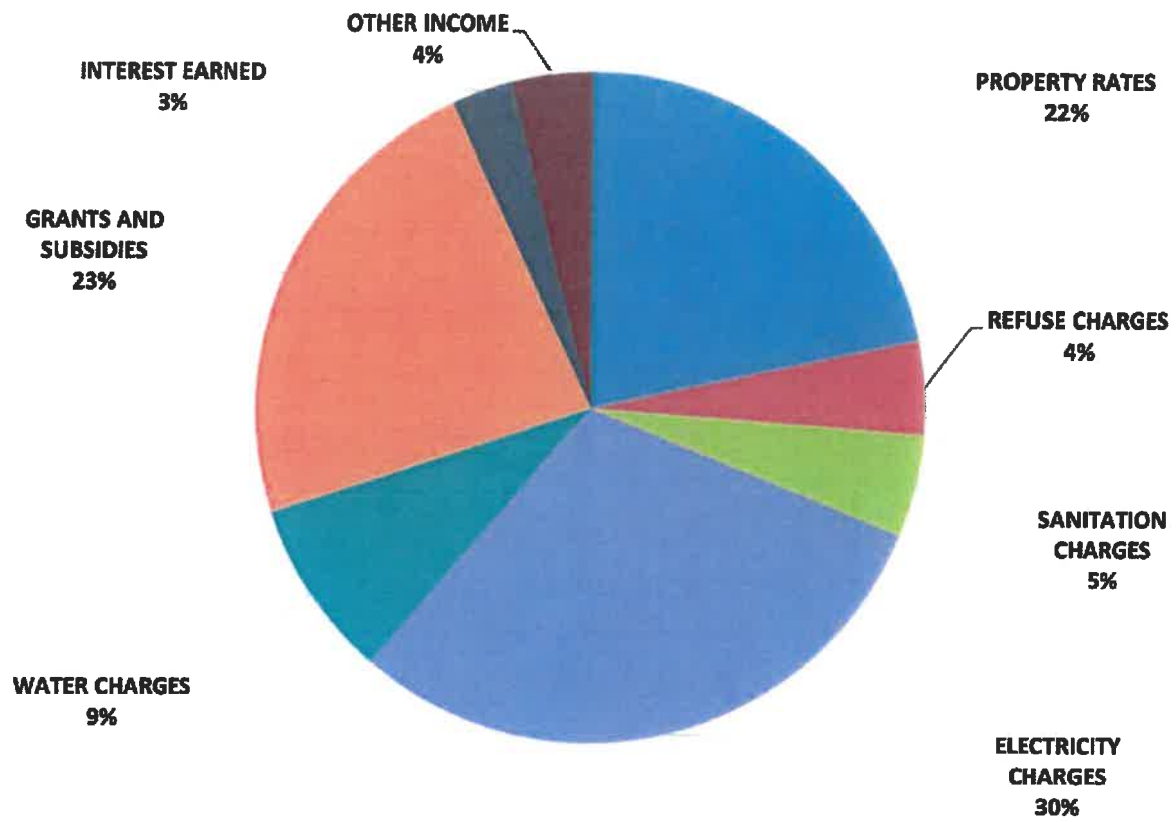
2018/2019 BUDGET REVENUE FRAMEWORK	2018/2019 MID-YEAR ADJ. BUDGET	ADJUSTMENTS	2018/2019 THIRD ADJ. BUDGET	2019/2020 APPROVED BUDGET	2020/2021 APPROVED BUDGET
Revenue Per Source					
Property Rates	1 417 161 287	0	1 417 161 287	1 549 937 745	1 673 932 810
Electricity Charges	1 971 508 000	0	1 971 508 000	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	140 631 103	0	140 631 103	150 812 985	161 350 337
Interest earned - outstanding debtors	54 405 063	0	54 405 063	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	30 527 824	0	30 527 824	35 497 748	39 286 268
Transfers and subsidies	1 498 043 586	13 200 000	1 511 243 586	1 592 500 130	1 733 052 550
Other revenue	175 893 346	0	175 893 346	193 930 389	206 839 615
Total Direct Operating Income	6 516 494 869	13 200 000	6 529 694 869	7 047 200 123	7 609 194 823

The revenue increase of R13 200 000 relates to Transfers Recognised-Operational, this revenue is resulting from the additional allocation of R13 200 000 of the USDG funding to the Operating projects.

The pie chart (Figure 1) below depicts operating revenue budget per source. In terms of service revenue, electricity remains 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 Property Rates revenue totals 22% 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 4% of the total revenue.

Figure 1: 2018/19 Operating Revenue per Source



5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (Table 4) details adjustments to the operating expenditure budget per category. It also reflects reallocation of funding within expenditure types to improve operational efficiency. The details of the reallocations are reflected below the table.

Table 4: 2018/19 Mid-Year Adjusted Expenditure Budget per Category

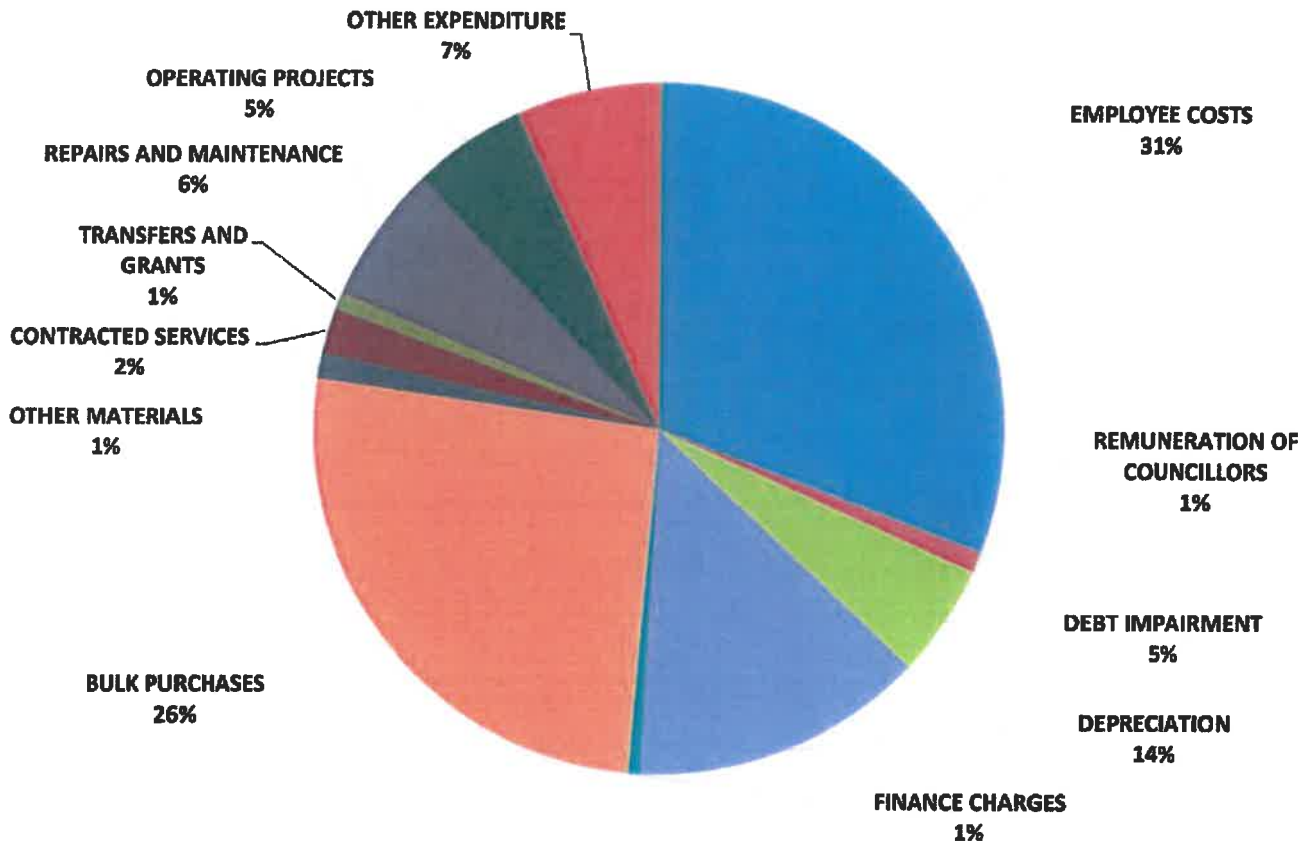
2018/2019 BUDGET EXPENDITURE FRAMEWORK	2018/2019		2018/2019		2019/2020	2020/2021
	MID-YEAR	ADJUSTMENTS	MID-YEAR	APPROVED	APPROVED	
	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET	
Expenditure Per Category						
Employee related costs	2 008 166 200	0	2 008 166 200	2 055 137 876	2 270 830 418	
Remuneration of councillors	64 185 043	0	64 185 043	69 791 037	73 511 848	
Debt impairment	343 336 466	0	343 336 466	387 604 702	437 826 169	
Depreciation & asset impairment	896 289 758	0	896 289 758	944 628 381	996 128 700	
Finance charges	39 012 900	0	39 012 900	104 636 597	121 885 778	
Bulk purchases		0	0			
Electricity Bulk Purchases	1 458 899 000	0	1 458 899 000	1 558 178 104	1 672 236 741	
Water Bulk Purchases	235 410 600	0	235 410 600	269 939 934	295 476 251	
Contracted services	139 615 046	0	139 615 046	246 506 247	264 463 395	
Transfers and grants	49 366 304	0	49 366 304	49 766 020	52 503 151	
Repairs and Maintenance	425 143 475	0	425 143 475	446 522 763	495 811 992	
Operating projects	336 012 798	13 200 000	349 212 798	391 300 690	378 522 864	
Other expenditure	440 288 680	0	440 288 680	428 940 077	451 281 619	
Other materials	76 810 874	0	76 810 874	86 442 837	91 197 545	
Total Direct Operating Expenditure	6 512 537 144	13 200 000	6 525 737 144	7 039 395 264	7 601 676 472	

Additional funding amounting to R13 200 000 has been appropriated to operating projects within the Operating Expenditure Budget (See details in section 5.5.1).

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 31% and 26% of the total operating expenditure respectively. Depreciation totals 14% 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 accounts to 7% and Other Materials account for 1% of the total operating budget. Repairs and Maintenance is equal to 6% of the operating expenditure

Charges account for 1%, Contracted Services account for 2%, and Remuneration of Councillors account for 1%.

Figure 2: 2018/19 Operating Expenditure per Type



5.5.1 Third Budget Adjustments on Operating Projects

The following tables (table 5 and 6) tabulates adjustments to the operating projects expenditure budget per funding source and per directorate respectively. It shows a total increase of R13 200 000 to grant funding.

5.5.1.1 Operating Projects Increase in grant funding

The following summarises the additional allocation of the USDG grant funding of R13 200 000 as depicted on table 5 and 6 below:

Human Settlements

- a) An amount of R1 080 000 has been allocated to the Duncan Village Redevelopment Programme.
- b) An amount of R7 120 000 has been allocated to the Human Settlements VIP toilets project.

Infrastructure Services

- a) An amount of R5 000 000 has been allocated to the Rural Sanitation Backlog project.

Table 5: 2018/19 Third Adjustments to Operating Projects - Funding Source

<u>FUNDING SOURCE</u>	<u>2018/2019 MID YEAR ADJUSTMENT BUDGET</u>	<u>ADJUSTMENTS</u>	<u>2018/2019 THIRD ADJUSTMENT BUDGET</u>
Own Funds	145 731 298	0	145 731 298
Total Own Funding	145 731 298	0	145 731 298
Expanded Public Works Programme Incentives Grant	4 050 000	0	4 050 000
Finance Management Grant	1 084 280	0	1 084 280
Human Settlement Development Grant	56 201 024	0	56 201 024
Human Settlement Development Grant c/o	19 797 040	0	19 797 040
Infrastructure Skills Development Grant	10 700 000	0	10 700 000
Public Transport Infrastructure Grant	5 750 000	0	5 750 000
Salaida (Galve)	846 101	0	846 101
Urban Settlement Development Grant	82 809 760	13 200 000	96 009 760
Emergency Housing Grant	9 043 295		9 043 295
TOTAL GRANTS	190 281 500	13 200 000	203 481 500
TOTAL PER FUNDING	336 012 798	13 200 000	349 212 798

Table 6: 2018/19 Third Adjustments to Operating Projects – Directorate

DIRECTORATE	2018/2019 MID YEAR ADJUSTMENT BUDGET	ADJUSTMENTS	2018/2019 THIRD ADJUSTMENT BUDGET
Executive Support Services	41 573 011	0	41 573 011
Municipal Manager's Office	44 132 840	0	44 132 840
Directorate of Human Settlements	91 811 359	8 200 000	100 011 359
Directorate of Financial Services	26 365 213	0	26 365 213
Directorate of Corporate Services	20 710 375	0	20 710 375
Directorate of Infrastructure Services	61 000 000	5 000 000	66 000 000
Directorate of Spatial Planning & Development	9 350 000	0	9 350 000
Directorate of Economic Development & Agencies	32 370 000	0	32 370 000
Directorate of Health/Public Safety & Emergency Services	300 000	0	300 000
Directorate of Municipal Services	8 400 000	0	8 400 000
TOTAL PER DIRECTORATE	336 012 798	13 200 000	349 212 798

The details of adjustments per programme/project are reflected on the schedule of operating projects that is attached as **Annexure 1** where the projects have been rolled up at programme level (**Annexure 1.2** has also been attached and provides details of accounts / votes that make up a programme / project).

5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicates adjustments to the capital expenditure budget per funding source and per directorate respectively. It shows a total increase of R186 800 000 in Capital Budget allocated from the additional USDG grant funding allocated to BCMM. To arrive to the adjustments that are a tabulated in the below two tables (table 7 and 8), a detailed analysis was undertaken to determine those projects that are having challenges and identify those that are progressing at a pace that is above the original anticipation and therefore requiring additional funding. This was used as the basis to allocate additional funding and reallocating funding without compromising the municipality's strategic objectives and priorities as set up in the IDP. Details of the reallocation of funding are provided below:

5.6.1 Capital budget Increase in USDG Funding

The following summarises the additional allocation of the USDG grant funding of R186 800 000 as depicted on table 5 and 6 below:

Directorate of Spatial Planning & Development (R16 400 000)

- a) An increase of R16 400 000 to the Qumza Highway -Phase 1 & 2.
- b) Transfer of R300 000 from Sidewalks to Sleeper Site Roads.

Directorate of Health/Public Safety & Emergency services (R650 000)

- a) An increase of R650 000 to the KWT Traffic Building.

Human Settlements (R46 200 000)

- a) An increase of R7 000 000 to the Boxwood Project.
- b) An increase of R4 200 000 to Cluster 2.
- c) An increase of R5 000 000 to Cluster 3.
- d) An increase of R500 000 to the CNIP Victims Housing Project.
- e) An increase of R13 000 000 to Mdantsane Zone CC.
- f) An increase of R8 500 000 to Phakamisa South Roads & Stormwater.
- g) An increase of R7 000 000 to Tyutyu Phase 3
- h) An increase of R1 000 000 to Westbank Restitution.

Infrastructure Services (R118 550 000)

- a) An increase of R7 000 000 to the Refurbish, upgrade and renewal of Zwelitsha Overhead line;
- b) An increase of R4 000 000 to the Electrification of Phakamisa;
- c) An increase of R28 000 000 to the Roads Provision programme;
- d) An increase of R28 550 000 to Rural Roads programme;
- e) An increase of R10 000 000 to the Upgrading of Mdantsane Roads Cluster 1;
- f) An increase of R12 000 000 to the Upgrading of Mdantsane Roads Cluster 2;
- g) An increase of R2 500 000 to the Upgrading of RDP Settlements Roads programme;

- h) An increase of R3 000 000 to the KWT Roads programme;
- i) An allocation of R8 000 000 to Stormwater Upgrade/Rehabilitation;
- j) An allocation of R1 000 000 to Ablution Facilities-Duncan Village
- k) An allocation of R 3 000 000 to Sewer Pipes -Duncan Village;
- l) An allocation of R 3 000 000 to Sewer Pipes Replacement-Scenery Park;
- m) An allocation of R8 500 000 to the Water Meter replacement;

Municipal Services (R5 000 000)

- a) An allocation of R5 000 000 to the Duncan Village Drop Off points.

5.6.2 Capital budget –Own Funding

Infrastructure Services

- a) The following projects were funded through Own funds during the last adjustment budget; their funding is being changed to USDG in this adjustment budget:
 - i. R 8 000 000 for the Upgrading of Mdantsane Roads -Cluster 1;
 - ii. R12 000 000 for the Upgrading of Mdantsane Roads -Cluster 2;
- b) The above own funding totalling R20 000 000 is reallocated from the projects listed above to fund Solid Waste Plant.

Health, Public Safety & Emergency services

- a) The reallocation of funding within Health, Public Safety & Emergency Service:
 - i. An amount of R2 000 000 is reallocated from Closed Circuit Television Network CCTV to Early Warning systems (R1 150 600) and to Radio Network (R849 400)

The details of adjustments per programme/project are reflected on the schedule of capital projects that is attached as **Annexure 2** where the projects have been rolled up at programme level (**Annexure 2.1** has also been attached, it provides the detail of accounts / votes that make up the programme / project).

Table 7: 2018/19 Third Adjustments to Capital Expenditure Budget – Funding

2018/2019 CAPITAL BUDGET PER FUNDING SOURCE	2018/2019 MID-YEAR ADJUSTMENT BUDGET	ADJUST.	2018/2019 THIRD ADJUSTMENT BUDGET
Own Funds	851 950 000	0	851 950 000
Own Funds c/o	229 726 022	0	229 726 022
TOTAL OWN FUNDS	1 081 676 022	0	1 081 676 022
Urban Settlements Grant	680 182 240	186 800 000	866 982 240
Public Transport Network Grant	89 415 000	0	89 415 000
Integrated City Development Grant	10 003 000	0	10 003 000
Infrastructure Skills Development Grant	100 000	0	100 000
Neighbourhood Development Partnership Grant	13 250 000	0	13 250 000
Energy Efficiency and Demand Side Management	8 000 000	0	8 000 000
Integrated National Electrification Grant	6 200 000	0	6 200 000
Finance Management Grant	65 720	0	65 720
Local Government Housing & Traditional Affairs	9 036 112	0	9 036 112
TOTAL GRANTS	816 252 072	186 800 000	1 003 052 072
TOTAL - FUNDING SOURCES	1 897 928 094	186 800 000	2 084 728 094
BCMDA Projects	14 371 900	0	14 371 900
TOTAL CONSOLIDATED CAPITAL PER FUNDING	1 912 299 994	186 800 000	2 099 099 994

Table 8: 2018/19 Third Adjustments to Capital Expenditure Budget - Directorate

2018/2019 CAPITAL BUDGET PER DIRECTORATE	2018/2019 MID YEAR ADJUSTMENT BUDGET	ADJUST.	2018/2019 THIRD ADJUSTMENT BUDGET
Executive Support Services	5 886 795	0	5 886 795
City Manager's Office	113 240 000	0	113 240 000
Directorates of Corporate Services	781 438	0	781 438
Directorate of Spatial Planning & Development	257 272 816	16 400 000	273 672 816
Directorate of Economic Development & Agencies	61 235 322	0	61 235 322
Directorate of Financial Services	46 191 696	0	46 191 696
Directorate of Health/Public Safety & Emergency Services	39 232 335	650 000	39 882 335
Directorate of Human Settlements	159 699 931	46 200 000	205 899 931
Directorate of Infrastructure Services	1 021 564 793	118 550 000	1 140 114 793
Directorate of Municipal Services	182 822 968	5 000 000	187 822 968
Total Directorates	1 887 928 094	186 800 000	2 074 728 094
Asset Replacement	10 000 000	0	10 000 000
Total Budget Per Directorate	1 897 928 094	186 800 000	2 084 728 094
BCMDA Projects	14 371 900	0	14 371 900
TOTAL CONSOLIDATED CAPITAL PER DIRECTORATE	1 912 299 994	186 800 000	2 099 099 994

PART 2 – SUPPORTING DOCUMENTATION

6.1 ADJUSTMENT TO BUDGET ASSUMPTIONS

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs.

6.2 ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY

There have been no 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 to revise these documents.

6.4 CHALLENGES

None

6.5 STAFF IMPLICATIONS

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

6.6 FINANCIAL IMPLICATIONS

The third adjustments to the 2018/2019 budget do not have an impact on tariffs as these adjustments are resulting from an additional allocation from National treasury. The effects of the adjustments to the 2018/19 Capital and Operating Budget are outlined below:

- a) An increase in the Consolidated Operating Revenue Budget of R13 200 000 from

R6 516 494 869 to R6 529 694 869.

- b) An increase in the Consolidated Operating Expenditure Budget of R13 200 000 from R6 512 537 144 to R6 525 737 144.
- c) An increase in the Consolidated Capital Budget of R186 800 000 from R1 912 299 994 to R2 099 099 994.

6.7 OTHER PARTIES CONSULTED

All Directorates

6.8 CITY MANAGER'S QUALITY CERTIFICATE

I ANDILE SITHULIKA 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 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: ANDILE SITHULIKA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 16/04/2019



ANNEXURES:

Annexure 1: Schedule of Operating Projects per Programme/Project

Annexure 1.2: Detailed Schedule of Operating Projects

Annexure 2: Schedule of Capital Projects per Programme/Project

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: Detailed National Treasury B – Schedules (Consolidated)