

**C584. PROPOSED FIRST BUDGET ADJUSTMENT FOR 2017/2018 TO 2019/ 2020
MTREF**

Purpose:

To request Council approval of the proposed adjustments to the Operating and Capital budget for 2017/2018 to 2019/2020, taking into account the proposed rollovers for committed projects and projects that were already advertised and budgeted for in the last financial year but could not be completed.

Authority:

Chris Hani District Municipality Council.

Legislative framework:

Municipal Finance Management Act (MFMA), Act 56 of 2003
Municipal Budget and Reporting Regulations (MBRR)
Division of Revenue Act 2017
National Treasury Budget Circulars

Background:

MFMA 56 of 2003, section 28(2) (e) read with Municipal Budget Reporting Regulations paragraph 23(5) states that:

A municipality may authorise the spending of funds that were unspent at the end of the past financial year where the under spending could not reasonably had been foreseen at the time when the annual budget for the current year was approved by the Council.

Section 22(2) of the Division of revenue Act states that:

The National Treasury may, at the request of a transferring national officer, receiving officer or provincial treasury, approve a roll-over of a conditional allocation to the 2016 / 2017 financial year if the unspent funds are committed to identifiable projects.

Exposition of facts:

Council approved a budget for 2017/18 MTREF on 24 May 2017 and this budget did not contain projects that were budgeted for in 2016/17 MTREF, but could not be completed in that year and had to be rolled over to the next financial year. The proposed rollovers are funded from national and provincial grants and also accumulated surplus for equitable share funded projects and asset financing reserve. These relate to projects that were committed at the end of the financial year that are either in progress or at the tender stage.

PROPOSED 2017/2018 MTREF FIRST ADJUSTMENT BUDGET:

REVENUE - R50,393 million

Operating Revenue - R2,232 million

Capital Revenue - R48,161 million

The municipality received confirmation from the Department of Human Settlements in 2016/2017 to rollover the grant funds for bulk infrastructure (DHS Unblocking) for *Cala waste water treatment works*. The department has granted approval for the projects to be completed over three years with different completion dates, from July 2016 to February 2018. The unutilized amount as at 30 June 2017 approved for rollover is **R15,400,496**.

The Water Services Infrastructure Grant (WSIG) funding was not fully utilized during the 2016/2017 financial year with the unspent balance of **R32,760 627** as at 30 June 2017 due to delays in the appointment of service providers for the following projects: *Ndlunkulu village reticulation, Jiphutha Makhini water supply scheme, Mnyolo, lower Mnyolo, Sandile villages reticulation water supply, Didi-B & Ngxabane-B (Repairs) and Didi-C & Nogoadisi-A water supply, Dodrecht water treatment works and Ngqwaru water supply*, which problems have now been resolved and the projects are being implemented. An application for rollover of the unutilized funds will be made to National Treasury and pending council approval.

The Rural Roads Assessment Management System (RAMMS) grant funding was not fully utilized during the 2016/2017 financial year with the unspent balance of **R1, 381,394** as at 30 June 2017 due to delays in the appointment

of the service provider: *Professional services for the support of Road asset Management System*. An application for rollover of the unutilized funds will be made to National Treasury and pending council approval.

COGTA-EC funded various Land Survey Projects for R1, 250 000 within the district and that funding was granted over the previous financial years. Some of these projects could not be implemented due to various challenges and the funds could not be fully utilized to the extent of R850, 342 as at 30 June 2017.

The following tables 1 & 2 below illustrate the anticipated adjusted revenue and expenditure streams.

Operating Revenue Table 1

Chris Hani District Municipality Operating Revenue 1 st Adjustment Budget 2017/18				
Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework	
	Original Budget 2016/17	Adjusted Budget 2016/17	Budget Year 2017/18	Adjusted Budget 2017/18
R thousand				
<u>Revenue By Source</u>				
Service charges - water revenue	142,846	142,846	151,560	151,560
Service charges - sanitation revenue	33,558	33,558	35,940	35,940
Rental of facilities and equipment	-	-	-	-
Interest earned - external investments	28,284	31,284	33,154	33,154
Interest earned - outstanding debtors	-	-	103,234	103,234
Transfers recognised - operational	607,504	628,198	629,804	632,036
Other revenue	80,362	80,362	85,502	85,502
Gains on disposal of PPE	1,000	1,000	200	200
Total Revenue (excluding capital transfers and contributions)	893,554	917,248	1,039,393	1,041,625

The table above reflects an increase in operating grants revenue by R2, 232 million, being a total of COGTA land survey projects of R850, 342 and RRAMS project by R1, 382 million, from R 629,804 million in the approved budget to R632, 036 million in the proposed adjusted budget.

The equitable share programs are funded from previous year revenue and would not be accounted for again as it is included in the accumulated surplus/municipal reserves.

Operating Expenditure Table 2

Chris Hani District Municipality Operating Expenditure 1st Adjustment budget 2017/18				
Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework	
R thousand	Original Budget 2016/17	Adjusted Budget 2016/17	Budget Year 2017/18	Adjusted Budget 2017/18
Expenditure By Type				
Employee related costs	312 011	325 038	349 187	349 187
Remuneration of councillors	11 954	11 744	12 578	12 578
Debt impairment	196 237	200 000	200 000	200 000
Depreciation & asset impairment	130 000	158 000	180 000	180 000
Finance charges	400	1 100	1 200	1 200
Bulk purchases	17 050	23 050	24 894	24 894
Other materials	-	-	-	-
Contracted services	16 000	62 991	32 956	32 956
Transfers and grants	18 540	20 540	20 198	20 198
Other expenditure	512 052	527 431	464 869	476 428
Total Expenditure	1 214 243	1 329 894	1 285 881	1 297 440

The increases in operating expenditure are under other expenditure for R11,559 million, being a total of Equitable share projects, R9,327 million, COGTA land survey projects R850 thousand and RRAMS project R1,382 million. The expenditure of operating grants and equitable share programs is accounted for under other expenditure.

The following equitable share funded projects are proposed to be rolled over:

Municipal Health and Community Services:

- Removal of chemical waste R350,000

Integrated Planning and Development

- Small Town Revitalisation R2 million;
- Human Settlements R100,000;
- Cooperative Development R1,5m; and
- Crop Production R977, 000.

Corporate Services:

- Document Management System R3 million; and
- Network Infrastructure R1, 400 million.

The total rollovers for Equitable Share funded programs equals R9, 327 million.

Capital Revenue Table 3

Chris Hani District Municipality Capital Revenue 2017/18 1st Adjustment Budget				
Description	Current Year 2016/17		2017/18 Medium Term Revenue & Expenditure Framework	
R thousand	Original Budget 2016/17	Adjusted Budget 2016/17	Budget Year 2017/18	Adjusted Budget 2017/18
Capital Transfers and Grants				
National Government:	505 173	642 242	504 254	537 015
Municipal Infrastructure Grant (MIG)	200 261	177 710	220 754	220 754
Regional Bulk Infrastructure Grant (RBIG)	207 815	332 906	208 500	208 500
Municipal Water Infrastructure Grant (MWIG)	–	34 530	–	–
Water Services Infrastructure Grant (WSIG)	97 097	97 097	75 000	107 761
Provincial Government:	–	51 700	10 000	25 400
Provincial Treasury	–	21 700	10 000	10 000
DHS Unblocking	–	30 000	–	15 400
Total Capital Transfers and Grants	505 173	693 942	514 254	562 415

The above table reflects an increase in grant funded capital revenue and expenditure by R48,161 million which is as a result of the unspent grant from Department of Human Settlements, WSIG and Provincial Treasury/COGTA. The WSIG funds are already with the municipality and the DHS unblocking and Provincial Treasury funds will be paid in tranches as expenditure is incurred.

Asset Financing Reserve - Internal Funds

There was a balance of **R2,106,874** million that was not spent from the internally generated funds for assets and the amount was committed as follows in the 2016/17 financial year:

- **Elliot fire station - R2, 106,874.**

Financial Implications:

Increase in capital budget.

Increase in Operating budget.

Other Implications:

Changes in the approved budget on what was communicated with communities

Other parties consulted:

CHDM Directorates

Provincial/national treasury

COGTA

Department of Human Settlements-EC

Mayoral Committee