

REPORT TO THE EXECUTIVE MAYOR: 14 SEPTEMBER 2009
OFFICE OF THE ACTING ACCOUNTING OFFICER

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2009/2010 BUDGET FOR THE PERIOD ENDING 31 AUGUST 2009**

1. BACKGROUND

In terms of Section 71(1), (2) and (3) of the MFMA No 56, 2003 Chapter 8, the Accounting Officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement on the financial performance of that municipality.

2. STATEMENT OF FINANCIAL PERFORMANCE

The Statement of Financial Performance presented below, compares the expenditure and revenue on accrual basis against budget for the period ending 31 August 2009.

Table 1: Statement of Financial Performance for the period ending 31 August 2009

BUFFALO CITY MUNICIPALITY					
STATEMENT OF FINANCIAL PERFORMANCE					
		2009/10 ANNUAL BUDGET	2009/10 YTD BUDGET	2009/10 YTD ACCRUED INC / EXP	2009/10 YTD EXP/ BUDGET
STATEMENT OF FINANCIAL PERFORMANCE	Note	R	R	R	%
OPERATING INCOME					
Property Rates		409,056,136	80,824,322	74,748,094	18%
Service Charges		1,323,121,347	209,941,550	211,579,752	16%
Rental of Facilities and Equipment		10,488,876	1,744,779	1,135,601	11%
Interest Earned - External Investments		18,381,504	3,063,584	5,566,952	30%
Interest Earned - Outstanding Debtors		36,905,325	6,150,888	5,404,888	15%
Dividends Received		54,355	9,059	0	0%
Fines		8,743,849	1,457,308	1,851,613	21%
Licences and Permits		12,628,301	2,104,717	2,302,546	18%
Government Grants and Subsidies		440,539,216	171,641,852	167,697,749	38%
Other Income		144,833,057	24,138,843	27,890,881	19%
Operating Project Grants		365,724,326	60,954,054	7,640,580	2%
Total Operating Revenue		2,770,456,092	562,030,956	505,818,657	18%
OPERATING EXPENDITURE					
Employee Related Costs		817,649,618	136,274,936	120,447,299	15%
Bad Debts		89,726,307	11,621,051	11,621,051	17%
Collection Costs		11,892,024	1,982,004	1,638,226	14%
Capital Charges		342,553,335	57,092,223	57,092,223	17%
Repairs and Maintenance		190,002,163	31,667,027	17,541,214	9%
Bulk Purchases		642,678,781	154,551,475	139,621,844	22%
Contracted Services		7,136,922	1,189,487	115,932	2%
Grants and Subsidies Paid		5,301,543	883,581	0	0%
General Expenses - Other		466,554,744	77,759,124	67,960,774	15%
Operating Projects		365,724,326	60,954,054	7,640,580	2%
Total Operating Expenditure		2,919,219,763	533,974,972	423,679,143	15%
Transfer to/from Reserves		148,882,812	24,813,802	238,466	
OPERATING SURPLUS		119,141	52,869,786	82,377,980	

The method of estimating the Year-to-Date (YTD) Budgets is:

- Grants, rates and service charges – historical income trends
- Other Income – two months of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – two months of the Annual Budget.

The Year-to-Date (YTD) percentage Variance is calculated by comparing the Year-to-Date (YTD) Accrual Income/Expenditure with the Year-to-Date (YTD) Budget.

The debtor's collection ratio for the twelve months ending 31 August 2009 is 93%.

3. **OPERATING PROJECTS**

Operating Projects expenditure for the period ending 31 August 2009 is R7.64 million which is 2.09% of the approved budget. The current year's expenditure has slightly decreased when compared to the same period in the previous financial year (2008/2009: 6.15%). Planning or implementation levels on major projects are detailed in **annexure 5**.

4. **CAPITAL EXPENDITURE**

The total capital expenditure as at 31 August 2009 amounts to R21.14 million which is 2.08% of the approved budget and 2.35% of the adjusted budget for the 2009/10 financial year. The capital expenditure indicates an increase in expenditure pattern when compared to the same period in the previous financial year (2008/2009) which was 1%. Planning or implementation levels on major projects are detailed in **annexure 6**.

5. **EXPENDITURE ON DORA ALLOCATION**

In the 2009/10 financial year approved budget an amount R351.58 million is from the DoRA allocation. The total expenditure on DoRA allocation as at 31 August 2009 amounts to R10.01 million which is 2.85% of R351.58 million (refer to **annexure 3**).

6. **RESTRUCTURING GRANT MILESTONES**

Financial Performance Indicators

Reporting Period:		Month ended 31 August 2009			
Indicator		Target	Actual	Variance	Comment
1.	Total Debt to Annual Income:	35%	24.9%	10.1%	The long term liabilities of the city amounts 24.9% of the projected annual revenue to be generated.
2.	Capital Charges to Op. Exp:	16%	13.0%	3.0%	Capital Charges are 13% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	93.0%	-4.0%	The annual collection ratio is below the desired target of 97%. This is due to the global economic climate.
4.	Net Debtors to Annual income:	18%	13.4%	4.6%	Net debtors to annual income is 13.4% and is within the target.
5.	Personnel Costs to Total Income:	30%	23.8%	6.2%	The city has been maintaining its personal cost within the target set by National Treasury.
6.	Creditors Days:	30	29	1	The city maintains its policy to pay its top 20 creditors within 30 days.

7. CONCLUSION

The actual operating expenditure is well within the allocated budget for the period ending 31 August 2009.

8. RECOMMENDATION:

It is recommended that -:

- The statement of financial performance and the implementation of the 2009/2010 budget for the period ending 31 August 2009 be adopted in terms of the MFMA.

G. THIART
ACTING CHIEF FINANCIAL OFFICER

A. MAGWENTSHU
ACTING ACCOUNTING OFFICER

ANNEXURE:

- 1 Revenue Projections by Source
- 2 Year to date Summary Projection of Revenue and Expenditure by Function
- 3 Expenditure on DoRA Allocation
- 4 Schedule of Borrowings
- 5 Major Operating Projects
- 6 Major Capital Projects

REVENUE PROJECTIONS BY SOURCE**Table 1: Revenue projections by source for the period ending 31 August 2009**

Source	YTD August 2009 Projected Revenue R'million	YTD August 2009 Accrued Revenue R'million	YTD August 2009 Actual Revenue R'million
Assessment rates	81	75	55
Electricity	123	123	93
Sanitation	30	31	21
Water	33	34	23
Refuse removal	24	24	13
Grants & subsidies	172	168	168
Conditional Grants	61	8	8
Fines	1	2	2
Other	37	42	67
Total Revenue	562	506	450

Table 1 above depicts Projected Revenue as compared to the Accrued as well as Actual Revenue collected for the two months ending 31 August 2009.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 31 August 2009

Vote / Function	YTD 'Aug - '09 Projected			YTD 'Aug - '09 Actuals			Sep '09 - June '10		
	Opex R'000	Capex R'000	Rev R'000	Opex R'000	Capex R'000	Rev R'000	Opex R'000	Capex R'000	Rev R'000
Executive Mayor									
Vote : Executive & Council	6,294	12,988	4,909	4,623	112	1,841	31,470	64,939	19,083
Vote : Finance & Admin - IT	526		418	101			2,629		1,623
Vote : Finance & Admin - Other	13,852		10,109	4,487		526	69,261		39,350
Vote : Planning & Development	1,697		1,034	771	503	231	8,486		4,022
TOTAL	22,369	12,988	16,470	9,982	616	2,597	111,846	64,939	64,079
Municipal Manager									
Vote : Finance & Admin - Internal Audit	654		682	507		278	3,271		2,653
Vote : Finance & Admin (Other)	2,640		3,213	5,453		1,302	13,201		12,497
Vote : Other		9							
Vote : Planning & Development					25			46	
TOTAL	3,295	9	3,896	5,960	25	1,580	16,473	46	15,150
Chief Operations Officer									
Vote : Finance & Admin (Other)	830			335			4,151		
Vote : Planning & Development	1,646		1,599	662			8,228		7,993
Vote : Housing	42,990	20,913	40,700	7,412	5,477		214,950	104,565	203,500
Vote : Community Services		833						4,167	
Vote : Road Transport		2,083						10,417	
TOTAL	45,466	23,830	42,299	8,409	5,477		227,329	119,148	211,494
Financial Services									
Vote : Finance & Admin (finance)	50,793		164,773	38,202		178,289	253,966		640,607
Vote : Budget & Treasury		2,559			344			12,795	
TOTAL	50,793	2,559	164,773	38,202	344	178,289	253,966	12,795	640,607
Corporate Services									
Vote : Executive & Council									
Vote : Finance & Admin (HR)	6,547		7,882	7,070		2,631	32,734		30,672
Vote : Finance & Admin (IT)	3,224		4,084	1,944		1,387	16,120		15,903
Vote : Finance & Admin (Other)	3,954		3,361	3,053		1,478	19,771		13,078
Vote : Corporate Services		1,323			12			6,613	
TOTAL	13,725	1,323	15,328	12,066	12	5,496	68,625	6,613	59,652
Engineering Services									
Vote : Finance & Admin (Other)	7,197		10,410	3,924		3,788	35,985		40,477
Vote : Waste Water Management	40,934	23,059	43,558	22,977	4,650	56,850	204,669	115,293	169,398
Vote : Road Transport	42,375	24,800	12,088	13,031	3,016	4,712	211,875	123,999	47,005
Vote : Water	74,953	17,139	82,182	50,912	5,797	54,330	373,600	85,695	319,682
Vote : Electricity	248,549	13,153	219,255	160,900	48	120,606	741,291	65,766	852,454
Vote : Other (Vehicles)		5,030						25,150	
TOTAL	414,008	83,181	367,493	251,744	13,510	240,287	1,567,419	415,903	1,429,016
Planning & Development									
Vote : Finance & Admin (Other)	3,581		3,805	2,915		1,574	17,907		14,800
Vote : Planning & Development	21,579	16,359	10,180	9,992	361	1,924	107,896	81,795	39,601
Vote : Housing	94		132	133		115	471		513
Vote : Other (Bus & BCMET)	4,870		3,722	3,320		1,818	24,350		14,478
Vote : Other Market		1,152			13	-		5,759	
TOTAL	30,125	17,511	17,839	16,360	374	5,431	150,625	87,554	69,392
Public Health and Public Safety									
Vote : Finance & Admin (Other)	591		750	467		306	2,953		2,915
Vote : Health	11,928	249	11,704	8,653	69	609	59,642	1,246	45,500
Vote : Public Safety	22,990	7,889	19,492	19,008	-	20,854	114,949	39,443	75,776
Vote : Other (Dog Tax)	141		226	79			704		880
TOTAL	35,649	8,138	32,172	28,207	69	21,769	178,247	40,688	125,071
Community Services									
Vote : Finance & Admin (Other)	1,240		189	899		5	6,202		736
Vote : Community Services	13,916	4,711	3,562	10,257	80	5,497	69,579	23,554	13,855
Vote : Sports & Recreation	10,134	3,337	1,097	7,061	508	267	50,670	16,684	4,268
Vote : Environmental Protection	13,854	1,426	1,095	9,729	3	461	69,271	7,129	4,260
Vote : Waste Management	41,022	10,204	44,663	24,805	120	44,139	205,111	51,018	173,736
TOTAL	80,167	19,677	50,606	52,749	711	50,370	400,833	98,385	196,855
Total by Function	695,596	169,214	710,875	423,679	21,137	505,818	2,975,363	846,071	2,811,317

Note: The table above indicates the comparative of the projected and actual expenditure incurred and revenue earned for the period ending 31 August 2009.

EXPENDITURE ON DORA ALLOCATION

In the 2009/10 financial year approved budget an amount R351.58 million (2009/10 allocation R242.41 and carried over 2008/09 allocation R109.17) is from the DoRA allocation. The total expenditure on DoRA allocation as at 31 August 2009 amounts to R10.01 million (2009/10 allocation 3.45 million and carried over 2008/9 6.56 million) which is 2.85% of R351.58 million.

The table below reflects the year to date expenditure on 2009/10 DoRA allocation.

Funding per 2009/10 DoRA	Adj. Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Budget 2009/2010
Department of Water Affairs	7,139,270	0	7,139,270	0%
Finance Management Grant	750,000	0	750,000	0%
Municipal Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	178,550,660	3,448,342	175,102,318	2%
Municipal Systems Improvement Programme	300,000	0	300,000	0%
Neighbourhood Funding	11,453,000	0	11,453,000	0%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
TOTAL	242,405,930	3,448,342	238,957,588	1%

The table below reflects the year to date expenditure on 2008/09 DoRA allocation.

Funding per 2008/09 DoRA	Adj. Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Budget 2009/2010
Department of Water Affairs c/o	5,174,985	7,093	5,167,892	0%
Finance Management Grant c/o	422,629	0	422,629	0%
Municipal Electricity Provider c/o	13,018	3,568	9,450	27%
Municipal Infrastructure Grant c/o	91,683,702	6,551,504	85,132,198	7%
Neighbourhood Funding c/o	6,500,000	0	6,500,000	0%
Public Transport Infrastructure Grant c/o	5,376,804	0	5,376,804	0%
TOTAL	109,171,138	6,562,165	102,608,973	6%

SCHEDULE OF BORROWINGS AS AT 31 AUGUST 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	31/08/2009
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	year	R
09/02/1990	16.50%	72	SC 13121/ELL110M-S	30/06/2010	CMB & OLD MUTUAL	8,000,000			8,000,000
19/12/1990	17.05%	73	AC 27451/ELL110M-S	31/12/2011	OLD MUTUAL	10,000,000			10,000,000
14/06/1990	17.90%	5/90	AA/256/12/14/5/90	30/06/2010	VULCAN COMMODITIES	160,000			160,000
						18,160,000			18,160,000
EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Annuity Loans						01/07/2009	during the	or written off	31/08/2009
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	year	R
Brought forward						18,160,000			18,160,000
Annuity Loans									
09/02/2006	13.95%	RMB	BFF-00-0001	31/12/2020	INCA	110,547,650			110,547,650
01/06/2001	13.65%	13717	13717	30/06/2021	DBSA	50,526,316			50,526,316
01/06/2002	11.40%	100124	100124	30/06/2023	DBSA	134,068,603			134,068,603
09/06/2004	12.99%	100783	100783	30/09/2009	DBSA	6,000,000			6,000,000
29/06/2004	12.56%	101058	101058	31/12/2023	DBSA	52,276,378			52,276,378
30/03/2007	8.11%	102531	1 - 5	VARIOUS	DBSA	206,730,469			206,730,469
* DBSA facility available R450,000,000									
Sub Total Annuity Loans						560,149,416			560,149,416
Sub Total Annuity & Stock Loans						578,309,416			578,309,416
Financial Leases									
Various		Various		Various		1,414,540			1,414,540
Sub Total Annuity, Stock Loans & Financial Leases						579,723,956			579,723,956
GRAND TOTALS						579,723,956			579,723,956