

REPORT TO THE EXECUTIVE MAYOR: 15 JANUARY 2010
OFFICE OF THE ACTING ACCOUNTING OFFICER

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

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

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December										
Description	Ref	2008/09	Budget Year 2009/10							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		363,583	409,056	409,056	31,148	259,729	248,111	11,618	5%	409,056
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	838,592	70,062	424,951	411,184	13,767	3%	838,592
Service charges - water revenue		181,117	203,835	203,835	17,859	104,099	101,367	2,732	3%	203,835
Service charges - sanitation revenue		128,514	142,661	142,661	10,921	83,332	81,101	2,230	3%	142,661
Service charges - refuse revenue		124,506	138,033	138,033	11,716	69,610	70,088	(478)	-1%	138,033
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	560	4,033	5,234	(1,201)	-23%	10,469
Interest earned - external investments		85,519	18,382	18,382	499	19,493	9,191	10,303	112%	18,382
Interest earned - outstanding debtors		35,093	36,905	36,905	601	14,338	18,453	(4,115)	-22%	36,905
Dividends received		165	54	54			27	(27)	-100%	54
Fines		7,058	8,744	8,744	528	4,374	4,372	2	0%	8,744
Licences and permits		12,250	12,628	12,628	1,123	6,634	6,314	319	5%	12,628
Agency services								-		
Transfers recognised - operational		85,440	400,114	361,942	14,586	50,808	180,971	(130,163)	-72%	361,942
Other revenue		644,290	585,372	585,372	118,022	363,085	365,864	(2,779)	-1%	585,372
Gains on disposal of PPE		3,384						-		
Total Revenue (excluding capital transfers and contributions)		2,293,391	2,804,845	2,766,674	277,622	1,404,484	1,502,277	(97,793)	-7%	2,766,674
Expenditure By Type										
Employee related costs		656,676	794,449	794,449	69,776	369,480	397,225	(27,745)	-7%	794,449
Remuneration of councillors		19,359	23,200	23,200	1,514	9,144	11,600	(2,456)	-21%	23,200
Debt impairment		131,527	69,726	69,726	5,811	34,863	34,863	-		69,726
Depreciation & asset impairment		221,037	273,516	273,516	28,546	162,700	162,700	-		273,516
Finance charges		84,868	69,037	69,037		8,577	8,577	-		69,037
Bulk purchases		466,747	642,679	642,679	42,597	310,590	340,668	(30,079)	-9%	642,679
Other materials								-		
Contracted services		4,493	7,137	7,037	1,011	1,868	3,518	(1,650)	-47%	7,037
Transfers and grants		4,583	5,302	5,302	3	3	2,651	(2,648)	-100%	5,302
Other expenditure		679,031	1,068,563	1,030,491	69,651	332,662	515,246	(182,583)	-35%	1,030,491
Loss on disposal of PPE								-		
Total Expenditure		2,268,320	2,953,609	2,915,438	218,909	1,229,887	1,477,048	(247,161)	-17%	2,915,438
Surplus/(Deficit)										
Transfers recognised - capital		71,701	148,883	148,883	-	(5,247)	74,441			148,883
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		96,772	119	119	58,713	169,350	99,671			119
Taxation								-		
Surplus/(Deficit) after taxation		96,772	119	119	58,713	169,350	99,671			119
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		96,772	119	119	58,713	169,350	99,671			119
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		96,772	119	119	58,713	169,350	99,671			119

The average debtor's collection rate for the twelve months ending 31 December 2009 is 92.80%. The collection rate for the six months ending 31 December 2009 is 89.89%. The collection rate for the six months reflects a decrease when compared to the same period in the previous financial year due to the current global economic climate (2008/09: 91.48%).

Notes to the Statement of Financial Performance for the Period Ending 31 December 2009

1. Transfers Recognised – Operational

This relates to operating projects, income is recognised as the expenditure is incurred.

2. Other Revenue

Other revenue which is made up of numerous miscellaneous items reflects a cash inflow of R363.09 million as against an estimated budget of R365.86 million. Included in the other revenue received to date is an amount of R286.53 million in respect of Grants and Subsidies.

3. Debt Impairment

This is in respect of provision for bad debts.

4. Employee Related Costs

The Basic Salaries and Wages were under spent by 7%. This is due to vacant funded posts that are not yet filled by the various Directorates as well as the new task grading/job evaluation that is budgeted for but not yet implemented.

5. Other Expenditure

Other expenditure includes operating projects, general expenses as well as repairs and maintenance. The major contributing factor to the under expenditure of R183 million is operating projects (R130 million), followed by repairs & maintenance (R28 million) and general expenses (R25 million).

3. OPERATING PROJECTS

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the quarter ending 31 December 2009 is R50.81 million which is 14.04% of the adjusted budget and 28.08% of the projected cash flows of R180.97 million. Comments on the under expenditure will be disclosed in the detailed report to the Council.

4. CAPITAL EXPENDITURE

The total capital expenditure as at 31 December 2009 amounts to R129.9 million which is 14% of the adjusted budget for the 2009/10 financial year and 29% of the projected cash flows of R449.27 million. Comments on the under expenditure will be disclosed in the detailed report to the Council.

5. EXPENDITURE ON DORA ALLOCATION

The 2009/10 financial year approved budget includes a DoRA allocation of R242.2. The total expenditure on DoRA allocation as at 31 December 2009 amounts to R17.31 million which is 7% of R242.2 million. Comments on the under expenditure will be disclosed in the detailed report to the Council.

Table 2 below reflects the year to date expenditure on 2009/10 DoRA allocation.

Table 2: Spending per Funding

Funding	2009/2010 Adjusted Budget R	2009/2010 YTD Expenditure R	2009/2010 Variance R	2009/2010 Expenditure vs Adjusted Budget %
Department of Water Affairs	7,139,270	24,115	12,045,597	0%
Finance Management Grant	750,000	33,194	1,139,435	4%
Municipal Electricity Provider	13,000,000	0	13,009,450	0%
Municipal Infrastructure Grant	178,550,660	17,236,038	224,036,401	10%
Neighbourhood Development Partnership Grant	11,543,000	20,438	18,022,562	0%
Public Transport Infrastructure Grant	31,213,000	0	36,489,472	0%
TOTAL	242,195,930	17,313,785	228,345,645	7%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 31 December 2009			
Indicator		Target	Actual	Variance	Comment
1.	Total Debt to Annual Income:	35%	24.1%	10.9%	The long term liabilities of the city amounts 24.1% of the annual revenue generated and is within the target.
2.	Capital Charges to Op. Exp:	16%	14%	2%	Capital Charges are 14% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	92.8%	-4.2%	The annual collection rate is below the desired target of 97%. This is due to the global economic climate.
4.	Net Debtors to Annual income:	18%	15.6%	2.4%	A net debtor to annual income 15.6 % and is within the target.
5.	Personnel Costs to Total Income:	30%	27.0%	3.0%	The city has been maintaining its personal costs 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 December 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 December 2009 be noted in terms S71 of the MFMA.

P.P. ADONIS
ACTING CHIEF FINANCIAL OFFICER

V.G.M. MAVUSO
ACTING ACCOUNTING OFFICER

ANNEXURE:

Annexure A

- C1 Consolidated Monthly Budget Statement Summary
- C2 Consolidated Monthly Budget Statement Financial Performance (Std Classification)
- C3 Consolidated Monthly Budget Statement Financial Performance (By Municipal Vote)
- C5 Consolidated Monthly Budget Statement Capital Expenditure (Municipal Vote, Std Classification and Funding)
- C6 Consolidated Monthly Budget Statement Financial Position
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Annexure B

- SC1 Material Variance Explanation
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Annexure C

Schedule of Borrowings

SCHEDULE OF BORROWINGS AS AT 31 DECEMBER 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	31/12/2009
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	R	R	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	31/12/2009
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	R	R	R
Brought forward						18,160,000			18,160,000
Annuity Loans									
09/02/2006	13.95%	RMB	BFF-00-0001	31/12/2020	RMB	110,547,650		2,020,175	108,527,475
01/06/2001	9.70%	13717	13717	30/06/2021	DBSA	50,526,316		2,105,263	48,421,053
01/06/2002	11.40%	100124	100124	30/06/2023	DBSA	134,068,603		1,997,469	132,071,134
09/06/2004	9.19%	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		653,418	51,622,960
30/03/2007	8.11%	102531	1 - 5	VARIOUS	DBSA	206,730,469		6,344,658	200,385,811
* DBSA facility available R 450,000,000									
Sub Total Annuity Loans						560,149,416		19,120,984	541,028,432
Sub Total Annuity & Stock Loans						578,309,416		19,120,984	559,188,432
Financial Leases									
Various		Various		Various		1,649,262			1,649,262
Sub Total Annuity, Stock Loans & Financial Leases						579,958,678		19,120,983.76	560,837,694
GRAND TOTALS						579,958,678		19,120,984	560,837,694