

**REPORT TO THE EXECUTIVE MAYOR: 12 FEBRUARY 2010**  
**OFFICE OF THE ACTING ACCOUNTING OFFICER**

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

**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 January 2010.

**Table 1: Statement of Financial Performance for the period ending 31 January 2010**

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M07 January										
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
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		363,583	409,056	409,056	30,816	290,545	276,709	13,836	5%	409,056
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	838,592	58,799	483,750	482,833	917	0%	838,592
Service charges - water revenue		181,117	203,835	203,835	24,029	128,128	121,160	6,968	6%	203,835
Service charges - sanitation revenue		128,514	142,661	142,661	11,752	95,084	92,485	2,599	3%	142,661
Service charges - refuse revenue		124,506	138,033	138,033	11,550	81,159	82,444	(1,285)	-2%	138,033
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	693	4,726	6,107	(1,381)	-23%	10,469
Interest earned - external investments		85,519	18,382	18,382	778	20,271	10,723	9,549	89%	18,382
Interest earned - outstanding debtors		35,093	36,905	36,905	5,149	19,487	21,528	(2,041)	-9%	36,905
Dividends received		165	54	54			32	(32)	-100%	54
Fines		7,058	8,744	8,744	368	4,742	5,101	(358)	-7%	8,744
Licences and permits		12,250	12,628	12,628	1,241	7,874	7,367	508	7%	12,628
Agency services								-		
Transfers recognised - operational		85,440	400,114	361,942	6,166	56,975	211,133	(154,159)	-73%	361,942
Other revenue		644,290	585,372	585,372	12,860	375,945	381,905	(5,961)	-2%	585,372
Gains on disposal of PPE		3,384						-		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,293,391</b>	<b>2,804,845</b>	<b>2,766,674</b>	<b>164,201</b>	<b>1,568,686</b>	<b>1,699,525</b>	<b>(130,840)</b>	<b>-8%</b>	<b>2,766,674</b>
<b>Expenditure By Type</b>										
Employee related costs		656,676	794,449	794,449	62,594	432,074	463,429	(31,355)	-7%	794,449
Remuneration of councillors		19,369	23,200	23,200	2,331	11,475	13,533	(2,059)	-15%	23,200
Debt impairment		131,527	69,726	69,726	5,811	40,674	40,674	-		69,726
Depreciation & asset impairment		221,037	273,516	273,516	(3,149)	159,551	159,551	-		273,516
Finance charges		84,868	69,037	69,037	31,695	40,272	40,272	-		69,037
Bulk purchases		466,747	642,679	642,679	41,576	352,166	387,315	(35,148)	-9%	642,679
Other materials								-		
Contracted services		4,493	7,137	7,037	664	2,532	4,105	(1,573)	-38%	7,037
Transfers and grants		4,583	5,302	5,302	-	3	3,093	(3,090)	-100%	5,302
Other expenditure		679,031	1,068,563	1,030,491	47,301	379,963	601,120	(221,157)	-37%	1,030,491
Loss on disposal of PPE								-		
<b>Total Expenditure</b>		<b>2,268,320</b>	<b>2,953,609</b>	<b>2,915,438</b>	<b>188,823</b>	<b>1,418,710</b>	<b>1,713,091</b>	<b>(294,381)</b>	<b>-17%</b>	<b>2,915,438</b>
<b>Surplus/(Deficit)</b>										
		<b>25,071</b>	<b>(148,764)</b>	<b>(148,764)</b>	<b>(24,622)</b>	<b>149,976</b>	<b>(13,565)</b>	<b>(425,221)</b>	<b>0</b>	<b>(148,764)</b>
Transfers recognised - capital		71,701	148,883	148,883		(5,247)	86,848			148,883
Contributions recognised - capital										
Contributed assets										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(24,622)</b>	<b>144,729</b>	<b>73,283</b>			<b>119</b>
Taxation								-		
<b>Surplus/(Deficit) after taxation</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(24,622)</b>	<b>144,729</b>	<b>73,283</b>			<b>119</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(24,622)</b>	<b>144,729</b>	<b>73,283</b>			<b>119</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/ (Deficit) for the year</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(24,622)</b>	<b>144,729</b>	<b>73,283</b>			<b>119</b>

The average debtor's collection rate for the twelve months ending 31 January 2010 is 91.96%. The collection rate for the seven months ending 31 January 2010 is 89.87%. The collection rate for the seven months reflects a decrease when compared to the same period in the previous financial year due to the current global economic climate (2008/09: 93.97%).

## **Notes to the Statement of Financial Performance for the Period Ending 31 January 2010**

### **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 R375.95 million as against an estimated budget of R381.91 million. Included in the other revenue received to date is an amount of R288.06 million in respect of Grants and Subsidies.

### **3. Debt Impairment**

This is in respect of provision for bad debts.

### **4. Employee Related Costs**

The employee related costs 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. The identified savings may be utilised in the mid-year adjustment budget to accommodate the additional requests from the various directorates.

### **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 R221 million is operating projects (R154 million), followed by repairs & maintenance (R35 million) and general expenses (R34 million).

## **3. OPERATING PROJECTS**

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 31 January 2010 is R56.97 million which is 15.07% of the adjusted budget of R361.94 million and 26.91% of the projected cash flows of R211.72 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 January 2010 amounts to R143.79 million which is 16% of the adjusted budget of R898.54 million for the 2009/10 financial year and 27% of the projected cash flows of R524.15 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 R242.7. The total expenditure on DoRA allocation as at 31 January 2010 amounts to R42.71 million which is 18% of R242.7 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**

<u>Funding/Grant</u>	<u>2009/2010 Adjusted Budget R</u>	<u>Adjusted DoRA Allocation as per Dec' 09 Gazette R</u>	<u>2009/2010 YTD Expenditure R</u>	<u>2009/2010 Variance R</u>	<u>2009/2010 Expenditure vs Adjusted Budget %</u>
Department of Water Affairs	7,139,270	2,985,000	37,732	7,101,538	1%
Finance Management Grant	750,000	1,000,000	33,194	716,806	4%
Municipal Electricity Provider	13,000,000	18,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	178,550,660	172,136,000	42,709,902	135,840,758	24%
Neighbourhood Development Partnership Grant	11,543,000	6,000,000	0	11,543,000	0%
Public Transport Infrastructure Grant	31,213,000	31,213,000	0	31,213,000	0%
Municipal Systems Improvement Grant	500,000	500,000	0	500,000	0%
<b>TOTAL</b>	<b>242,695,930</b>	<b>231,834,000</b>	<b>42,780,828</b>	<b>199,915,102</b>	<b>18%</b>

The budget will be aligned with the DoRA allocation in the mid year adjustment budget.

## 6. RESTRUCTURING GRANT MILESTONES

**Table 3: Financial Performance Indicators**

<u>Reporting Period:</u>		<u>Month ended 31 January 2010</u>			
<u>Indicator</u>		<u>Target</u>	<u>Actual</u>	<u>Variance</u>	<u>Comment</u>
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%	91.96%	-5.04%	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%	15.2%	2.8%	A net debtor to annual income 15.6 % and is within the target.
5.	Personnel Costs to Total Income:	30%	28.3%	1.7%	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 January 2010.

## **8. RECOMMENDATION:**

It is recommended that -:

- The statement of financial performance and the implementation of the 2009/2010 budget for the period ending 31 January 2010 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
- C7 Consolidated Monthly Budget Statement Cash Flow

### **Annexure B**

- SC1 Material Variance Explanation
- SC2 Performance Indicators
- SC3 Aged Debtors
- SC4 Aged Creditors
- SC5 Investment Portfolio
- SC6 Transfers and Grants Receipts
- SC7 Transfers and Grants Expenditure
- SC8 Councillor and Staff Benefit
- SC9 Actuals and Revised Targets for Cash Receipts
- SC12 Capital Expenditure trend
- SC13a Capital Expenditure on New Assets by Class
- SC13b Capital Expenditure on Renewal of Existing Assets by Class
- SC13c Expenditure on Repairs and Maintenance by Asset Class

### **Annexure C**

Schedule of Borrowings