

REPORT TO THE EXECUTIVE MAYOR: 17 AUGUST 2009
OFFICE OF THE ACTING ACCOUNTING OFFICER

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

Table 1: Statement of Financial Performance for the period ending 31 July 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		409,222,441	28,146,258	17,615,107	4%
Service Charges		1,323,121,347	99,467,105	92,341,034	7%
Rental of Facilities and Equipment		10,468,676	872,390	493,589	5%
Interest Earned - External Investments		18,381,504	1,531,792	595,387	3%
Interest Earned - Outstanding Debtors		36,905,325	3,075,444	2,787,372	8%
Dividends Received		54,355	4,530	0	0%
Fines		8,743,849	728,654	896,659	10%
Licences and Permits		12,628,301	1,052,358	1,263,970	10%
Government Grants and Subsidies		440,539,216	167,669,801	163,697,749	37%
Other Income		144,666,752	12,055,563	13,137,495	9%
Operating Project Grants		400,113,676	33,342,806	777,276	0%
Total Operating Revenue		2,804,845,442	347,946,700	293,605,638	10%
OPERATING EXPENDITURE					
Employee Related Costs		817,649,618	68,137,468	52,648,845	6%
Bad Debts		69,726,307	5,810,526	5,810,526	8%
Collection Costs		11,892,024	991,002	0	0%
Depreciation		342,553,335	28,546,111	28,546,111	8%
Repairs and Maintenance		190,052,163	15,837,680	4,473,626	2%
Bulk Purchases		642,678,781	79,612,435	72,572,586	11%
Contracted Services		7,136,922	594,744	29,226	0%
Grants and Subsidies Paid		5,301,543	441,795	0	0%
General Expenses - Other		466,504,744	38,875,395	16,245,578	3%
Operating Projects		400,113,676	33,342,806	777,276	0%
Total Operating Expenditure		2,953,609,113	272,189,963	181,103,774	6%
Transfer to/from Reserves		148,882,812	12,406,901		
OPERATING SURPLUS		119,141	88,163,638	112,501,864	

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

- Grants, rates and service charges – historical income trends
- Other Income – one month of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – one month 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 July 2009 is 93.98%.

The current period collection rate has slightly increased when compared to last month's collection rate of 93.84%.

3. OPERATING PROJECTS

Operating Projects expenditure for the period ending 31 July 2009 is R0.78 million which is 0.19% 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: 0.71%). Planning or implementation levels on major projects are detailed in **annexure 4**.

4. CAPITAL EXPENDITURE

The total capital expenditure as at 31 July 2009 amounts to R2.84 million which is 0% of the approved budget for the 2009/10 financial year. The capital expenditure indicates the same expenditure pattern when compared to the same period in the previous financial year (2008/2009) which was 0% . Planning or implementation levels on major projects are detailed in **annexure 5**.

5. EXPENDITURE ON DORA ALLOCATION

In the 2009/10 financial year approved budget an amount R408.90 million is from the DoRA allocation. The total expenditure on DoRA allocation as at 31 July 2009 amounts to R1.19 million which is 0% of R408.90 million (refer to **annexure 3**).

6. RESTRUCTURING GRANT MILESTONES

Financial Performance Indicators

Reporting Period:		Month ended 31 July 2009			
Indicator		Target	Actual	Variance	Comment
1.	Total Debt to Annual Income:	35%	24.6%	10.4%	The long term liabilities of the city amounts 24.6% of the projected annual revenue to be generated.
2.	Capital Charges to Op. Exp:	16%	15.0%	1.0%	Capital Charges are 15% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	93.8%	-3.2%	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%	16.0%	2.0%	Net debtors to annual income is 16% and is within the target.
5.	Personnel Costs to Total Income:	30%	17.9%	12.1%	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 July 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 July 2009 be adopted in terms of the MFMA.

E.L.L. MNQONYWA
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 Major Operating Projects
- 5 Major Capital Projects
- 6 Schedule of Borrowings

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

Source	YTD July 2009 Projected Revenue R'million	YTD July 2009 Accrued Revenue R'million	YTD July 2009 Actual Revenue R'million
Assessment rates	28	21	18
Electricity	62	54	45
Sanitation	10	11	8
Water	16	15	12
Refuse removal	11	12	6
Grants & subsidies	168	164	164
Conditional Grants	33	1	1
Fines	1	1	1
Other	19	15	37
Total Revenue	348	294	292

Table 1 above depicts Projected Revenue as compared to the Accrued as well as Actual Revenue collected for the one month ending 31 July 2009.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 31 July 2009

Vote / Function	YTD 'July - 09 Projected			YTD 'July - 09 Actuals			Aug '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	3,147	6,494	2,953	1,969		1,841	34,617	71,433	21,039
Vote : Finance & Admin - IT	263		251	44		-	2,892		1,790
Vote : Finance & Admin - Other	6,926		6,083	2,343		426	76,187		43,376
Vote : Planning & Development	849		623	366		231	9,335		4,434
TOTAL	11,185	6,494	9,911	4,722		2,498	123,031	71,433	70,639
Municipal Manager									
Vote : Finance & Admin - Internal Audit	327		411	273		278	3,598		2,924
Vote : Finance & Admin (Other)	1,320		1,934	436		1,302	14,522		13,776
Vote : Other		5							
Vote : Planning & Development								50	
TOTAL	1,647	5	2,345	709		1,580	18,120	50	16,701
Chief Operations Officer									
Vote : Finance & Admin (Other)	415			153			4,566		
Vote : Planning & Development	823		799	249			9,051		8,793
Vote : Housing	21,495	10,457	20,350	1,488			236,445	115,022	223,850
Vote : Community Services		417						4,583	
Vote : Road Transport		1,042						11,458	
TOTAL	22,733	11,915	21,149	1,891			250,062	131,063	232,643
Financial Services									
Vote : Finance & Admin (finance)	25,397		99,142	11,694		99,150	279,362		706,237
Vote : Budget & Treasury		1,280			6			14,075	
TOTAL	25,397	1,280	99,142	11,694	6	99,150	279,362	14,075	706,237
Corporate Services									
Vote : Executive & Council									
Vote : Finance & Admin (HR)	3,273		4,743	2,817		2,631	36,008		33,811
Vote : Finance & Admin (IT)	1,612		2,459	427		1,387	17,732		17,528
Vote : Finance & Admin (Other)	1,977		2,023	1,398		1,370	21,748		14,416
Vote : Corporate Services		661						7,274	
TOTAL	6,862	661	9,225	4,642		5,388	75,487	7,274	65,756
Engineering Services									
Vote : Finance & Admin (Other)	3,599		6,266	1,659		3,419	39,584	-	44,620
Vote : Waste Water Management	20,467	11,529	26,220	8,498	603	34,098	225,135	126,822	186,736
Vote : Road Transport	21,187	12,400	7,277	8,305	414	3,649	233,062	136,399	51,817
Vote : Water	36,423	8,570	49,470	20,838	1,569	34,643	412,130	94,265	352,394
Vote : Electricity	122,839	6,577	131,917	74,799	17	52,678	867,000	72,342	939,791
Vote : Other (Vehicles)		2,515						27,665	
TOTAL	204,514	41,590	221,150	114,099	2,602	128,487	1,776,912	457,493	1,575,359
Planning & Development									
Vote : Finance & Admin (Other)	1,791		2,290	1,002		1,539	19,698		16,315
Vote : Planning & Development	10,790	8,180	6,128	5,454	115	1,152	118,685	89,975	43,654
Vote : Housing	47		79	50		58	518		566
Vote : Other (Bus & BCMET)	2,435		2,240	1,597		132	26,786		15,959
Vote : Other Market		576						6,335	
TOTAL	15,062	8,755	10,738	8,103	115	2,879	165,687	96,310	76,493
Public Health and Public Safety									
Vote : Finance & Admin (Other)	295		451	225		305	3,248		3,214
Vote : Health	5,964	125	7,042	4,466	68	609	65,606	1,370	50,162
Vote : Public Safety	11,495	3,944	11,727	7,748		12,838	126,444	43,387	83,540
Vote : Other (Dog Tax)	70		136	37			774		970
TOTAL	17,825	4,069	19,357	12,476	68	13,752	196,072	44,757	137,886
Community Services									
Vote : Finance & Admin (Other)	620		114	403		5	6,823		811
Vote : Community Services	6,958	2,355	2,144	5,218		941	76,536	25,910	15,273
Vote : Sports & Recreation	5,067	1,668	660	3,375	54	194	55,737	18,353	4,705
Vote : Environmental Protection	6,927	713	659	4,747		441	76,198	7,842	4,696
Vote : Waste Management	20,511	5,102	26,885	9,024		38,291	225,622	56,119	191,514
TOTAL	40,083	9,839	30,462	22,768	54	39,872	440,917	108,224	216,999
Total by Function	345,309	84,607	423,479	181,104	2,845	293,606	3,325,651	930,678	3,098,712

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

EXPENDITURE ON DORA ALLOCATION

In the 2009/10 financial year approved budget an amount R408.90 million is from the DoRA allocation. The total expenditure on DoRA allocation as at 31 July 2009 amounts to R1.19 million which is 0% of R408.90 million.

The table below reflects the year to date expenditure.

Funding	Capital Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Budget 2009/2010
Department of Water Affairs	7,739,270	0	7,739,270	0%
Department of Water Affairs c/o	4,808,157	319	4,807,838	0%
Finance Management Grant	750,000	0	750,000	0%
Finance Management Grant c/o	550,055	0	550,055	0%
Municipal Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Electricity Provider c/o	22,327,718	0	22,327,718	0%
Municipal Infrastructure Grant	178,503,495	928,539	177,574,956	1%
Municipal Infrastructure Grant c/o	127,889,957	263,833	127,626,124	0%
Municipal Systems Improvement Programme	500,000	0	500,000	0%
Municipal Systems Improvement Programme c/o	415,163	0	415,163	0%
Neighbourhood Funding	9,143,000	0	9,143,000	0%
Neighbourhood Funding c/o	6,500,000	0	6,500,000	0%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
Public Transport Infrastructure Grant c/o	5,559,997	0	5,559,997	0%
TOTAL	408,899,812	1,192,691	407,707,121	0%

SCHEDULE OF BORROWINGS AS AT 31 JULY 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	31/07/2009
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	during the	R
09/02/1990	16.50%	72	SC 13121/ELL110M-S	30/06/2010	CMB & OLD MUTUAL	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	31/07/2009
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	during the	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 R 450,000,000									
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		2,614,286			2,614,286
Sub Total Annuity, Stock Loans & Financial Leases						580,923,702			580,923,702
GRAND TOTALS						580,923,702			580,923,702