

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

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE  
2009/2010 BUDGET FOR THE PERIOD ENDING 30 NOVEMBER 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 30 November 2009.

**Table 1: Statement of Financial Performance for the period ending 30 November 2009**

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M05 November										
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	31,651	228,581	219,187	9,393	4%	409,056
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	838,592	66,508	354,889	337,846	17,043	5%	838,592
Service charges - water revenue		181,117	203,835	203,835	12,265	86,240	85,143	1,097	1%	203,835
Service charges - sanitation revenue		128,514	142,661	142,661	11,353	72,411	70,411	2,000	3%	142,661
Service charges - refuse revenue		124,506	138,033	138,033	11,265	57,893	59,278	(1,385)	-2%	138,033
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	628	3,473	4,362	(889)	-20%	10,469
Interest earned - external investments		85,519	18,382	18,382	4,426	18,995	7,659	11,336	148%	18,382
Interest earned - outstanding debtors		35,093	36,905	36,905	2,928	13,737	15,377	(1,640)	-11%	36,905
Dividends received		165	54	54			23	(23)	-100%	54
Fines		7,058	8,744	8,744	589	3,846	3,643	203	6%	8,744
Licences and permits		12,250	12,628	12,628	1,091	5,511	5,262	249	5%	12,628
Agency services								-		
Transfers recognised - operational		85,440	365,724	361,942	8,804	36,222	150,809	(114,587)	-76%	361,942
Other revenue		644,290	585,372	585,372	12,512	245,063	243,905	1,158	0%	585,372
Gains on disposal of PPE		3,384						-		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,293,391</b>	<b>2,770,456</b>	<b>2,766,674</b>	<b>164,019</b>	<b>1,126,862</b>	<b>1,202,907</b>	<b>(76,044)</b>	<b>-6%</b>	<b>2,766,674</b>
<b>Expenditure By Type</b>										
Employee related costs		656,676	794,449	794,449	58,616	299,704	331,021	(31,317)	-9%	794,449
Remuneration of councillors		19,359	23,200	23,200	1,553	7,630	9,667	(2,037)	-21%	23,200
Debt impairment		131,527	69,726	69,726	5,811	29,053	29,053	-		69,726
Depreciation & asset impairment		221,037	273,516	273,516	22,793	134,154	134,154	-		273,516
Finance charges		84,868	69,037	69,037		8,577	8,577	-		69,037
Bulk purchases		466,747	642,679	642,679	43,508	267,993	296,376	(28,383)	-10%	642,679
Other materials								-		
Contracted services		4,493	7,137	7,037	234	857	2,932	(2,075)	-71%	7,037
Transfers and grants		4,583	5,302	5,302		-	2,209	(2,209)	-100%	5,302
Other expenditure		679,031	1,034,173	1,030,491	52,186	263,012	429,371	(166,360)	-39%	1,030,491
Loss on disposal of PPE								-		
<b>Total Expenditure</b>		<b>2,268,320</b>	<b>2,919,220</b>	<b>2,915,438</b>	<b>184,701</b>	<b>1,010,978</b>	<b>1,243,359</b>	<b>(232,381)</b>	<b>-19%</b>	<b>2,915,438</b>
<b>Surplus/(Deficit)</b>										
		<b>25,071</b>	<b>(148,764)</b>	<b>(148,764)</b>	<b>(20,682)</b>	<b>115,885</b>	<b>(40,452)</b>	<b>(308,426)</b>	<b>0</b>	<b>(148,764)</b>
Transfers recognised - capital		71,701	148,883	148,883	(1,875)	(5,247)	62,035			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>(22,557)</b>	<b>110,637</b>	<b>21,582</b>			<b>119</b>
Taxation								-		
<b>Surplus/(Deficit) after taxation</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(22,557)</b>	<b>110,637</b>	<b>21,582</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>(22,557)</b>	<b>110,637</b>	<b>21,582</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>(22,557)</b>	<b>110,637</b>	<b>21,582</b>			<b>119</b>

The average debtor's collection rate for the twelve months ending 30 November 2009 is 91.66%. The collection rate for the five months ending 30 November 2009 is 86.37%. The collection rate for the five months reflect a negative decreased when compared to the same period in the previous financial year due to the current global economic climate (2008/09: 90.96%).

## **Notes to the Statement of Financial Performance for the Quarter Ending 30 November 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 R245.06 million as against an estimated budget of R243.91 million. Included in the other revenue received to date is an amount of R180.61 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 9%. This is due to vacant funded posts that are not yet filled by 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 R166 million is operating projects (R115 million), followed by general expenses (R28 million) and repairs & maintenance (R25 million).

## **3. OPERATING PROJECTS**

Operating Projects expenditure for the period ending 30 November 2009 is R36.22 million which is 10% of the adjusted budget. The current year's expenditure has decreased when compared to the same period in the previous financial year (2008/2009: 19%). Comments on the under expenditure will be disclosed in the detailed report to the Council.

## **4. CAPITAL EXPENDITURE**

The total capital expenditure as at 30 November 2009 amounts to R87.48 million which is 9.74% 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 8%. 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 30 November 2009 amounts to R8.05 million which is 3% of R242.2 million.

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

**Table 2: Spending per Funding**

<b>Funding</b>	<b>Adjusted Budget 2009/2010</b>	<b>Expenditure 2009/2010</b>	<b>Variance 2009/2010</b>	<b>% Expenditure vs Adjusted Budget 2009/2010</b>
Department of Water Affairs	7,139,270	24,115	7,115,155	0%
Finance Management Grant	750,000	33,194	716,806	4%
Municipal Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	178,550,660	7,975,336	170,575,324	4%
Neighbourhood Development Partnership Grant	11,543,000	20,438	11,522,562	0%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
<b>Total</b>	<b>242,195,930</b>	<b>8,053,083</b>	<b>234,142,847</b>	<b>3%</b>

## 6. RESTRUCTURING GRANT MILESTONES

**Table 3: Financial Performance Indicators**

<b>Reporting Period:</b>		<b>Month ended 30 November 2009</b>			
<b>Indicator</b>		<b>Target</b>	<b>Actual</b>	<b>Variance</b>	<b>Comment</b>
1.	Total Debt to Annual Income:	35%	24.4%	10.6%	The long term liabilities of the city amounts 24.4% 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%	91.7%	-5.3%	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%	15.9%	2.1%	A net debtor to annual income 15.9 % and is within the target.
5.	Personnel Costs to Total Income:	30%	27.3%	2.7%	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 30 November 2009.

## 8. RECOMMENDATION:

It is recommended that -:

- The statement of financial performance and the implementation of the 2009/2010 budget for the period ending 30 November 2009 be adopted 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

**ANNEXURE C**

## SCHEDULE OF BORROWINGS AS AT 30 NOVEMBER 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	30/11/2009
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	during the	R
								year	
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
						<b>18,160,000</b>			<b>18,160,000</b>
EXTERNAL LOANS									
Annuity Loans						Balance at	Received	Redeemed	Balance at
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	01/07/2009	during the	or written off	30/11/2009
						R	year	during the	R
								year	
Brought forward						<b>18,160,000</b>			<b>18,160,000</b>
Annuity Loans									
09/02/2006	13.95%	RMB	BFF-00-0001	31/12/2020	RMB	110,547,650			110,547,650
01/06/2001	9.70%	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	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			52,276,378
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						<b>560,149,416</b>		<b>12,344,658</b>	<b>547,804,757</b>
Sub Total Annuity & Stock Loans						<b>578,309,416</b>		<b>12,344,658</b>	<b>565,964,757</b>
Financial Leases									
Various		Various		Various		<b>1,649,262</b>			<b>1,649,262</b>
Sub Total Annuity, Stock Loans & Financial Leases						<b>579,958,678</b>		<b>12,344,658.44</b>	<b>567,614,019</b>
GRAND TOTALS						<b>579,958,678</b>		<b>12,344,658</b>	<b>567,614,019</b>