

REPORT TO THE EXECUTIVE MAYOR: 13 NOVEMBER 2009
OFFICE OF THE ACTING ACCOUNTING OFFICER

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

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

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M04 October										
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	68,087	196,930	190,029	6,901	4%	409,056
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	838,592	100,181	288,381	268,385	19,996	7%	838,592
Service charges - water revenue		181,117	203,835	203,835	23,327	73,975	68,619	5,356	8%	203,835
Service charges - sanitation revenue		128,514	142,661	142,661	(136)	46,628	48,232	(1,604)	-3%	142,661
Service charges - refuse revenue		124,506	138,033	138,033	25,972	61,058	59,206	1,853	3%	138,033
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	646	2,845	3,490	(644)	-18%	10,469
Interest earned - external investments		85,519	18,382	18,382	4,327	14,569	6,127	8,442	138%	18,382
Interest earned - outstanding debtors		35,093	36,905	36,905	2,792	10,810	12,302	(1,492)	-12%	36,905
Dividends received		165	54	54			18	(18)	-100%	54
Fines		7,058	8,744	8,744	678	3,256	2,915	342	12%	8,744
Licences and permits		12,250	12,628	12,628	1,227	4,420	4,209	210	5%	12,628
Agency services								-		
Transfers recognised - operational		85,440	365,724	361,942	10,704	27,418	120,647	(93,229)	-77%	361,942
Other revenue		644,290	585,372	585,372	29,147	232,551	227,864	4,688	2%	585,372
Gains on disposal of PPE		3,384						-		
Total Revenue (excluding capital transfers and contributions)		2,293,391	2,770,456	2,766,674	266,954	962,843	1,012,043	(49,200)	-5%	2,766,674
Expenditure By Type										
Employee related costs		656,676	794,449	794,449	61,165	241,088	264,816	(23,729)	-9%	794,449
Remuneration of councillors		19,359	23,200	23,200	1,553	6,076	7,733	(1,657)	-21%	23,200
Debt impairment		131,527	69,726	69,726	5,811	23,242	23,242	-		69,726
Depreciation & asset impairment		221,037	273,516	273,516	28,546	105,607	105,607	-		273,516
Finance charges		84,868	69,037	69,037		8,577	8,577	-		69,037
Bulk purchases		466,747	642,679	642,679	62,576	224,486	250,240	(25,755)	-10%	642,679
Other materials								-		
Contracted services		4,493	7,137	7,037	289	622	2,346	(1,723)	-73%	7,037
Transfers and grants		4,583	5,302	5,302		-	1,767	(1,767)	-100%	5,302
Other expenditure		679,031	1,034,173	1,030,491	70,881	210,826	343,497	(132,671)	-39%	1,030,491
Loss on disposal of PPE								-		
Total Expenditure		2,268,320	2,919,220	2,915,438	230,821	820,524	1,007,826	(187,302)	-19%	2,915,438
Surplus/(Deficit)										
		25,071	(148,764)	(148,764)	36,133	142,320	4,217	(236,502)	(0)	(148,764)
Transfers recognised - capital		71,701	148,883	148,883	(760)	(3,373)	49,628			148,883
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		96,772	119	119	35,373	138,947	53,844			119
Taxation								-		
Surplus/(Deficit) after taxation		96,772	119	119	35,373	138,947	53,844			119
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		96,772	119	119	35,373	138,947	53,844			119
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		96,772	119	119	35,373	138,947	53,844			119

The average debtor's collection rate for the twelve months ending 31 October 2009 is 91.98%. The collection rate for the four months ending 31 October 2009 is 84.20%. The collection rate for the four 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: 90.22%).

Notes to the Statement of Financial Performance for the Period Ending 31 October 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 R232.55 million as against an estimated budget of R227.86 million. Included in the other revenue received to date is an amount of R179.97 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. Directorates have been requested to fill all vacant funded posts as a matter of urgency.

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 R136 million is operating projects (R93 million), followed by repairs and maintenance (R20 million) and general expenses (R20 million).

3. OPERATING PROJECTS

Operating Projects expenditure for the period ending 31 October 2009 is R27.42 million which is 7.58% of the adjusted budget. The current year's expenditure has decreased when compared to the same period in the previous financial year (2008/2009: 15.7%). 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 October 2009 amounts to R59.94 million which is 7% 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 6%. 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 October 2009 amounts to R6.54 million which is 3% of R242.2 million. The PMU department has devised an action plan that result into 60% expenditure on MIG funding by the end of January 2010. This will improve the overall performance as MIG accounts for 74% of the DoRA allocation.

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

Table 2: Spending per Funding

Funding	Adjusted Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Adjusted Budget 2009/2010
Department of Water Affairs	7,139,270	24,115	7,115,155	0%
Finance Management Grant	750,000	25,030	724,970	3%
Municipal Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	178,550,660	6,491,805	172,058,855	4%
Neighbourhood Development Partnership Grant	11,543,000	0	11,543,000	0%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
	242,195,930	6,540,950	235,654,980	3%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 31 October 2009			
Indicator		Target	Actual	Variance	Comment
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%	13%	3%	Capital Charges are 13% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	91.8%	-5.2%	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%	16.2%	1.8%	A net debtor to annual income 16.2 % and is within the target.
5.	Personnel Costs to Total Income:	30%	25.67%	4.33%	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 October 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 October 2009 be adopted in terms S71 of the MFMA.

P.P. ADONIS
ACTING CHIEF FINANCIAL OFFICER

L. VALETA
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 31 OCTOBER 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	3/10/2009
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									
Annuity Loans						Balance at	Received	Redeemed	Balance at
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			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						560,149,416		12,344,658	547,804,757
Sub Total Annuity & Stock Loans						578,309,416		12,344,658	565,964,757
Financial Leases									
Various		Various		Various		1,414,540			1,414,540
Sub Total Annuity, Stock Loans & Financial Leases						579,723,956		12,344,658.44	567,379,297
GRAND TOTALS						579,723,956		12,344,658	567,379,297