

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

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

Table 1: Statement of Financial Performance for the period ending 30 September 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		409,056,136	128,178,888	128,842,774	31%
Service Charges		1,323,121,347	329,479,631	320,698,745	24%
Rental of Facilities and Equipment		10,468,676	2,617,169	2,199,333	21%
Interest Earned - External Investments		18,381,504	4,595,376	10,242,125	56%
Interest Earned - Outstanding Debtors		36,905,325	9,226,331	8,017,547	22%
Dividends Received		54,355	13,589	0	0%
Fines		8,743,849	2,185,962	2,578,447	29%
Licences and Permits		12,628,301	3,157,075	3,192,199	25%
Government Grants and Subsidies		440,539,216	175,613,904	167,697,749	38%
Other Income		144,833,057	36,208,264	35,706,872	25%
Operating Project Grants		361,973,413	90,493,353	16,713,777	5%
Total Operating Revenue		2,766,705,179	781,769,543	695,889,568	25%
OPERATING EXPENDITURE					
Employee Related Costs		817,649,618	204,412,405	184,445,632	23%
Bad Debts		69,726,307	17,431,577	17,431,577	25%
Collection Costs		11,892,024	2,973,006	2,476,292	21%
Capital Charges		342,553,335	85,638,334	85,638,334	25%
Repairs and Maintenance		190,372,163	47,593,041	31,106,993	16%
Bulk Purchases		642,678,781	201,579,937	206,760,377	32%
Contracted Services		7,036,922	1,759,231	333,259	5%
Grants and Subsidies Paid		5,301,543	1,325,386	0	0%
General Expenses - Other		466,284,744	116,571,186	89,648,171	19%
Operating Projects		361,973,413	90,493,353	16,713,777	5%
Total Operating Expenditure		2,915,468,850	769,777,454	634,554,412	22%
Transfer to/from Reserves		148,882,812	37,220,703	(2,612,482)	
OPERATING SURPLUS		119,141	49,212,791	58,722,674	

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

- Grants, rates and service charges – historical income trends
- Other Income – three months of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – three months 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 30 September 2009 is 93.42%. The current period collection rate has slightly increased when compared to last month's collection rate of 92.98%.

3. OPERATING PROJECTS

Operating Projects expenditure for the period ending 30 September 2009 is R16.71 million which is 4.62% of the adjusted budget. The current year's expenditure has decreased when compared to the same period in the previous financial year (2008/2009: 9.81%). Planning or implementation levels on major projects are detailed in **annexure 5**.

4. CAPITAL EXPENDITURE

The total capital expenditure as at 30 September 2009 amounts to R31.06 million which is 3.46% 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 3%. Planning or implementation levels on major projects are detailed in **annexure 6**.

5. EXPENDITURE ON DORA ALLOCATION

In the 2009/10 financial year approved budget an amount R351.7 million is from the DoRA allocation. The total expenditure on DoRA allocation as at 30 September 2009 amounts to R12.6 million which is 4% of R351.7 million (refer to **annexure 3**).

6. RESTRUCTURING GRANT MILESTONES

Financial Performance Indicators

Reporting Period:		Month ended 30 September 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%	13.5%	2.5%	Capital Charges are 13.5% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	93.4%	-3.6%	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%	13.1%	4.9%	A net debtor to annual income 13.1 % and is within the target.
5.	Personnel Costs to Total Income:	30%	26.5%	3.5%	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 September 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 September 2009 be adopted in terms of the MFMA.

G.J.J. THIART
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 Schedule of Borrowings
- 5 Major Operating Projects
- 6 Major Capital Projects

REVENUE PROJECTIONS BY SOURCE**Table 1: Revenue projections by source for the period ending 30 September 2009**

Source	YTD September 2009 Projected Revenue R'million	YTD September 2009 Accrued Revenue R'million	YTD September 2009 Actual Revenue R'million
Assessment rates	128	129	104
Electricity	198	188	152
Sanitation	45	47	32
Water	50	51	36
Refuse removal	36	35	20
Grants & subsidies	172	168	168
Conditional Grants	90	17	17
Fines	2	3	3
Other	60	59	108
Total Revenue	782	696	640

Table 1 above depicts Projected Revenue as compared to the Accrued as well as Actual Revenue collected for the three months ending 30 September 2009.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 30 September 2009

Vote / Function	YTD 'Sept - '09 Projected			YTD 'Sept - '09 Actuals			Oct '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	9,441	19,482	6,864	7,206	1,459	1,841	28,323	58,445	17,128
Vote : Finance & Admin - IT	789		584	155			2,366		1,457
Vote : Finance & Admin - Other	20,778		14,135	8,169		526	62,335		35,324
Vote : Planning & Development	2,546		1,446	1,256		231	7,637		3,611
TOTAL	33,554	19,482	23,029	16,787	1,459	2,597	100,662	58,445	57,520
Municipal Manager									
Vote : Finance & Admin - Internal Audit	981		954	740		278	2,944		2,381
Vote : Finance & Admin (Other)	3,960		4,493	6,620		1,302	11,881		11,218
Vote : Other		14							
Vote : Planning & Development					40			41	
TOTAL	4,942	14	5,446	7,360	40	1,580	14,825	41	13,599
Chief Operations Officer									
Vote : Finance & Admin (Other)	1,245			529			3,736		
Vote : Planning & Development	2,468		2,398	931			7,405		7,194
Vote : Housing	64,485	31,370	61,050	13,860	7,477		193,455	94,109	183,150
Vote : Community Services		1,250						3,750	
Vote : Road Transport		3,125						9,375	
TOTAL	68,199	35,745	63,448	15,319	7,477		204,596	107,234	190,344
Financial Services									
Vote : Finance & Admin (finance)	76,190		230,411	56,165		227,536	228,569		574,969
Vote : Budget & Treasury		3,839			641			11,516	
TOTAL	76,190	3,839	230,411	56,165	641	227,536	228,569	11,516	574,969
Corporate Services									
Vote : Executive & Council									
Vote : Finance & Admin (HR)	9,820		11,021	10,288		2,631	29,461		27,533
Vote : Finance & Admin (IT)	4,836		5,710	2,848		1,387	14,508		14,277
Vote : Finance & Admin (Other)	5,931		4,700	4,768		1,594	17,794		11,739
Vote : Corporate Services		1,984			201			5,951	
TOTAL	20,587	1,984	21,431	17,904	201	5,612	61,762	5,951	53,549
Engineering Services									
Vote : Finance & Admin (Other)	10,796		14,553	5,985		4,043	32,387		36,333
Vote : Waste Water Management	61,401	34,588	60,896	28,925	5,832	82,155	184,202	103,763	152,060
Vote : Road Transport	63,562	37,200	16,900	18,703	5,211	5,719	190,687	111,599	42,193
Vote : Water	109,626	25,709	114,930	69,927	5,845	72,406	338,927	77,126	286,934
Vote : Electricity	317,738	19,730	306,593	260,866	260	189,737	672,101	59,189	765,116
Vote : Other (Vehicles)		7,545			7			22,635	
TOTAL	563,123	124,771	513,873	384,406	17,154	354,060	1,418,303	374,312	1,282,637
Planning & Development									
Vote : Finance & Admin (Other)	5,372		5,319	4,536		1,610	16,117		13,286
Vote : Planning & Development	32,369	24,539	14,237	14,106	1,220	3,041	97,106	73,616	35,545
Vote : Housing	141		184	128		174	424		461
Vote : Other (Bus & BCMET)	7,305		5,203	4,779		3,565	21,915		12,996
Vote : Other Market		1,728			13			5,183	
TOTAL	45,187	26,266	24,944	23,549	1,234	8,390	135,562	78,799	62,287
Public Health and Public Safety									
Vote : Finance & Admin (Other)	886		1,049	761		305	2,657		2,616
Vote : Health	17,893	374	16,366	12,437	125	609	53,678	1,121	40,838
Vote : Public Safety	34,485	11,833	27,256	26,736	656	26,115	103,454	35,498	68,011
Vote : Other (Dog Tax)	211		317	113	4	0	634		790
TOTAL	53,474	12,207	44,987	40,047	785	27,030	160,423	36,620	112,255
Community Services									
Vote : Finance & Admin (Other)	1,861		264	1,288		5	5,582		660
Vote : Community Services	20,874	7,066	4,980	15,462	975	6,345	62,621	21,199	12,437
Vote : Sports & Recreation	15,201	5,005	1,534	10,717	702	390	45,603	15,016	3,831
Vote : Environmental Protection	20,781	2,139	1,531	14,509	187	491	62,344	6,416	3,824
Vote : Waste Management	61,533	15,305	62,440	31,040	205	61,853	184,600	45,916	155,959
TOTAL	120,250	29,516	70,749	73,016	2,068	69,084	360,750	88,547	176,712
Total by Function	985,507	253,821	998,319	634,554	31,059	695,890	2,685,453	761,464	2,523,873

Note: The table above indicates the comparative of the projected and actual expenditure incurred and revenue earned for the period ending 30 September 2009.

EXPENDITURE ON DORA ALLOCATION

In the 2009/10 financial year approved budget an amount R351.7 million (2009/10 allocation R242.2 and carried over 2008/09 allocation R109.5) is from the DoRA allocation. The total expenditure on DoRA allocation as at 30 September 2009 amounts to R12.6 million (2009/10 allocation R3.4 million and carried over 2008/9 R9.2 million) which is 4% of R351.7 million.

The table below reflects the year to date expenditure on 2009/10 DoRA allocation.

Funding per 2009/10 DoRA	Adjusted Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Adj. Budget 2009/2010
Department of Water Affairs	7,139,270	0	7,139,270	0%
Finance Management Grant	750,000	9,632	740,368	1%
Municipal Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	178,550,660	3,406,308	175,144,352	2%
Neighbourhood Funding	11,543,000	0	11,543,000	0%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
TOTAL	242,195,930	3,415,940	238,779,990	1%

The table below reflects the year to date expenditure on 2008/09 DoRA allocation.

Funding per 2008/09 DoRA	Adjusted Budget 2009/2010	Expenditure 2009/2010	Variance 2009/2010	% Expenditure vs Adj. Budget 2009/2010
Department of Water Affairs c/o	5,199,212	172,133	5,027,079	3%
Finance Management Grant c/o	422,629	0	422,629	0%
Municipal Electricity Provider c/o	13,018	3,568	9,450	27%
Municipal Infrastructure Grant c/o	91,683,702	9,039,443	82,644,260	10%
Municipal Systems Improvement Programme c/o	331,044	0	331,044	0%
Neighbourhood Funding c/o	6,500,000	0	6,500,000	0%
Public Transport Infrastructure Grant c/o	5,376,804	0	5,376,804	0%
TOTAL	109,526,410	9,215,143	100,311,266	8%

SCHEDULE OF BORROWINGS AS AT 30 SEPTEMBER 2009

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2009	during the	or written off	30/09/2009
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	30/09/2009
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	INCA	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