

REPORT TO THE EXECUTIVE MAYOR: 14 MAY 2010
OFFICE OF THE ACTING ACCOUNTING OFFICER

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

Table 1: Statement of Financial Performance for the period ending 30 April 2010

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M10 April										
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	441,764	27,246	384,844	382,245	2,599	1%	441,764
Property rates - penalties & collection charges					-			-		
Service charges - electricity revenue		609,722	838,592	810,215	59,692	686,000	662,341	23,658	4%	810,215
Service charges - water revenue		181,117	203,835	202,855	26,318	186,859	169,316	17,543	10%	202,855
Service charges - sanitation revenue		128,514	142,661	146,597	9,693	125,411	125,411	-		146,597
Service charges - refuse revenue		124,506	138,033	137,843	11,598	115,977	115,242	735	1%	137,843
Service charges - other										
Rental of facilities and equipment		12,750	10,469	10,469	776	7,684	8,724	(1,040)	-12%	10,469
Interest earned - external investments		85,519	18,382	41,276	3,642	32,062	34,397	(2,345)	-7%	41,276
Interest earned - outstanding debtors		35,093	36,905	36,905	1,703	24,346	30,754	(6,410)	-21%	36,905
Dividends received		165	54	54			45	(45)	-100%	54
Fines		7,058	8,744	8,744	638	6,836	7,287	(450)	-6%	8,744
Licences and permits		12,250	12,628	12,628	774	11,599	10,524	1,076	10%	12,628
Agency services										
Transfers recognised - operational		85,440	400,114	229,972	11,716	91,895	191,644	(99,749)	-62%	229,972
Other revenue		644,290	585,372	588,575	27,942	528,665	554,927	(26,263)	-5%	588,575
Gains on disposal of PPE		3,384								
Total Revenue (excluding capital transfers and contributions)		2,293,391	2,804,845	2,667,897	181,738	2,202,166	2,292,856	(90,690)	-4%	2,667,897
Expenditure By Type										
Employee related costs		656,676	794,449	803,933	61,095	618,596	669,944	(51,348)	-8%	803,933
Remuneration of councillors		19,359	23,200	23,200	1,662	16,311	19,334	(3,022)	-16%	23,200
Debt impairment		131,527	69,726	94,469	7,872	78,724	78,724	-		94,469
Depreciation & asset impairment		221,037	273,516	273,516	111,030	316,167	227,930	88,237	39%	273,516
Finance charges		84,868	69,037	69,037	5,753	57,531	57,531	-		69,037
Bulk purchases		466,747	642,679	601,800	44,874	482,259	490,341	(8,082)	-2%	601,800
Other materials										
Contracted services		4,493	7,137	7,387	791	4,463	6,156	(1,692)	-27%	7,387
Transfers and grants		4,583	5,302	5,302	10	13	4,418	(4,405)	-100%	5,302
Other expenditure		679,031	1,068,563	938,016	57,650	560,343	781,680	(221,337)	-28%	938,016
Loss on disposal of PPE										
Total Expenditure		2,268,320	2,953,609	2,816,660	290,738	2,134,407	2,336,058	(201,650)	-9%	2,816,660
Surplus/(Deficit)		25,071	(148,764)	(148,764)	(109,000)	67,758	(43,202)	(292,340)	0	(148,764)
Transfers recognised - capital		71,701	148,883	148,883		(5,247)	124,069			148,883
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		96,772	119	119	(109,000)	62,511	80,867			119
Taxation										
Surplus/(Deficit) after taxation		96,772	119	119	(109,000)	62,511	80,867			119
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		96,772	119	119	(109,000)	62,511	80,867			119
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		96,772	119	119	(109,000)	62,511	80,867			119

The average debtor's collection rate for the twelve months ending 30 April 2010 is 92.16%. The collection rate for the ten months ending 30 April 2010 is 90.76%. The collection rate for the ten months reflects a decrease when compared to the same period in the previous financial year due to the current global economic climate (2008/09: 92.27%).

Notes to the Statement of Financial Performance for the Period Ending 31 March 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 R528.67 million as against an estimated budget of R554.93 million. Included in the other revenue received to date is an amount of R428.69 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 8%. 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 Councillors' remunerations were under spent by 16%.

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 (R100 million), followed by general expenses (R76 million) and repairs & maintenance (R44 million).

3. OPERATING PROJECTS

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 30 April 2010 is R91.95 million which is 40% of the mid-year adjustment budget of R229.97 million and 48% of the projected cash flows of R191.64 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 30 April 2010 amounts to R239.61 million which is 33% of the mid-year adjustment budget of R729.86 million for the 2009/10 financial year and 39% of the projected cash flows of R608.2 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 R221.84. The total expenditure on DoRA allocation as at 30 April 2010 amounts to R84.98 million which is 38% of R221.84 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 Conditional Grants (DoRA allocation).

Table 2: Spending per Conditional Grant

Funding/Grant	2009/2010 Mid Year Adjusted Budget R	2009/2010 YTD Expenditure R	2009/2010 Variance R	2009/2010 Expenditure vs Adjusted Budget %
Department of Water Affairs	2,178,870	38,046	2,140,824	2%
Finance Management Grant	1,000,000	425,908	794,092	43%
Integrated National Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	167,946,000	84,512,847	83,433,153	50%
Neighbourhood Development Partnership Grant	6,000,000	0	6,000,000	0%
Public Transport Infrastructure Grant	31,213,000	114	31,212,886	0%
Municipal Systems Improvement Grant	500,000	0	500,000	0%
TOTAL	221,837,870	84,976,915	137,080,955	38%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 30 April 2010			
Indicator		Target	Actual	Variance	Comment
1.	Total Debt to Annual Income:	35%	25%	10%	The long term liabilities of the city amounts 25% of the annual revenue generated and is within the target.
2.	Capital Charges to Op. Exp:	16%	18%	-2%	Capital Charges are 18% of the total operating expenditure and is above the expected target.
3.	Annual Collection Rate (Debtors):	97%	92.2%	-4.8%	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%	28%	2%	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. RECOMMENDATION:

1. Council notes the report on the statement of financial performance and the implementation of the 2009/10 budget for the period ending 30 April 2010.
2. Council considers the financial state of affairs of the Municipality as reflected in this report and take note of the following:
 - the low collection rate of 92.16%.
3. Council notes the spending rate on the conditional grants (DoRA allocations) as reflected in Table 2.
4. Council notes that unspent conditional grants that are not committed as at 30 June 2010 must be reported to National Treasury by 16 August 2010 and returned to the National Revenue Fund by 15 October 2010.
5. Council notes the spending rate on capital budget as reflected in this report.

MR. V. PILLAY
ACTING CHIEF FINANCIAL OFFICER

DR. L. ZITHA
ACTING ACCOUNTING OFFICER

ANNEXURE:

Annexure A

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Annexure B

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Annexure C

Schedule of Borrowings