

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

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2010/2011 BUDGET FOR THE PERIOD ENDING 31 AUGUST 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 31 August 2010.

Table 1: Statement of Financial Performance for the period ending 31 August 2010

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August										
Description	Ref	2009/10	Budget Year 2010/11							
		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		443,000	487,055		56,666	77,514	76,830	684	1%	487,055
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		310,361	988,462		67,247	167,175	138,312	28,863	21%	988,462
Service charges - water revenue		201,289	225,169		43,328	59,253	34,833	24,421	70%	225,169
Service charges - sanitation revenue		146,597	162,723		19,999	32,009	31,721	289	1%	162,723
Service charges - refuse revenue		139,180	153,005		13,022	26,324	25,522	802	3%	153,005
Service charges - other								-		
Rental of facilities and equipment		9,996	11,620		606	1,070	1,937	(867)	-45%	11,620
Interest earned - external investments		39,662	32,314		2,842	3,457	5,386	(1,928)	-36%	32,314
Interest earned - outstanding debtors		27,505	40,965		1,784	3,440	6,827	(3,387)	-50%	40,965
Dividends received		86	60				10	(10)	-100%	60
Fines		8,257	9,706		630	1,308	1,618	(310)	-19%	9,706
Licences and permits		14,268	14,017		1,282	2,536	2,336	200	9%	14,017
Agency services								-		
Transfers recognised - operational		133,492	110,302		15,602	19,373	18,384	990	5%	110,302
Other revenue		561,976	713,096		6,658	227,501	295,549	(68,048)	-23%	713,096
Gains on disposal of PPE								-		
Total Revenue (excluding capital transfers and contributions)		2,535,669	2,948,495	-	229,667	620,962	639,265	(18,302)	-3%	2,948,495
Expenditure By Type										
Employee related costs		753,200	906,833		67,963	133,911	151,139	(17,228)	-11%	906,833
Remuneration of councillors		19,691	25,238		2,029	3,769	4,206	(437)	-10%	25,238
Debt impairment		94,469	77,681		6,473	12,947	12,947	-		77,681
Depreciation & asset impairment		342,031	476,021		39,668	79,337	79,337	-		476,021
Finance charges		69,037	100,889		8,407	16,815	16,815	-		100,889
Bulk purchases		588,878	714,565		105,610	171,264	152,923	18,341	12%	714,565
Other materials								-		
Contracted services		8,138	7,861		433	630	1,310	(680)	-52%	7,861
Transfers and grants		9	5,567		8	8	928	(920)	-99%	5,567
Other expenditure		757,431	937,561		71,734	118,880	156,260	(37,380)	-24%	937,561
Loss on disposal of PPE								-		
Total Expenditure		2,632,884	3,252,216	-	302,326	537,560	575,865	(38,305)	-7%	3,252,216
Surplus/(Deficit)		(97,215)	(303,721)	-	(72,659)	83,403	63,400	(56,607)	(0)	(303,721)
Transfers recognised - capital		148,883	303,824		25,319	50,637	50,637			303,824
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		51,667	103	-	(47,341)	134,040	114,037			103
Taxation								-		
Surplus/(Deficit) after taxation		51,667	103	-	(47,341)	134,040	114,037			103
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		51,667	103	-	(47,341)	134,040	114,037			103
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		51,667	103	-	(47,341)	134,040	114,037			103

The average debtor's collection rate for the two months ending 31 August 2010 is 72.46%. The collection rate is lower than the National Treasury set target of 97%.

Notes to the Statement of Financial Performance for the Period Ending 30 June 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 R227.5 million as against an estimated budget of R295.5 million. Included in the other revenue received to date is an amount of R215.6 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 11%. This is due to vacant funded posts that are not yet filled by the various Directorates. The Councillors' remunerations were under spent by 10%.

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 R37 million is general expenses (R19.8 million), followed by repairs & maintenance (R17 million).

3. OPERATING PROJECTS

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 31 August 2010 is R19.4 million which is 17.56% of the approved budget of R110.3 million. The current year's expenditure has increased when compared to the same period in the previous financial year (2009/10: 2.09%). 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 August 2010 amounts to R18.66 million which 3.88% of the approved budget of R481.21 million for the 2010/11 financial year. The capital expenditure indicates an increase in expenditure pattern when compared to the previous financial year (2009/2010) which was 2.35%. Comments on the under expenditure will be disclosed in the detailed report to the Council.

5. EXPENDITURE ON DORA ALLOCATION

The 2010/11 financial year approved budget includes a DoRA allocation of R297.83 million. The total expenditure on DoRA allocation as at 31 August 2010 amounts to R14.78 million which is 5% of R297.83 million.

Table 2 below reflects the year to date expenditure on 2010/11 Conditional Grants (DoRA allocation).

Table 2: Spending per Conditional Grant

Funding/Grant	2010/2011 Approved Capital Budget R	2010/2011 YTD Expenditure R	2010/2011 Variance R	2010/2011 Expenditure vs. Budget %
Finance Management Grant	1,200,000	96,693	1,103,307	8%
Municipal Systems Improvement Grant	650,000	236,300	413,700	36%
Integrated National Electrification Programme	20,000,000	0	20,000,000	0%
Electricity Demand Site Management	4,000,000	0	4,000,000	0%
Municipal Infrastructure Grant	190,004,332	14,450,045	175,554,287	8%
Neighbourhood Development Partnership Grant	10,500,000	0	10,500,000	0%
Public Transport Infrastructure Grant	71,478,000	0	71,478,000	0%
TOTAL	297,832,332	14,783,038	283,049,294	5%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 31 August 2010			
Indicator		Target	Actual	Variance	Comment
1.	Total Debt to Annual Income:	35%	22.6%	12.4%	The long term a liability of the city amounts 22.6% 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.
3.	Annual Collection Rate (Debtors):	97%	72.5%	-24.5%	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%	17.3%	0.7%	A net debtor to annual income 17.3% and is within the target.
5.	Personnel Costs to Total Income:	30%	21.6%	8.4%	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 2010/11 budget for the period ending 31 August 2010.
2. Council considers the financial state of affairs of the Municipality as reflected in this report and take note of the low collection rate of 72.46% as compared to the National Treasury set target of 97%.
3. Council notes the spending rate on the conditional grants (DoRA allocations) as reflected in Table 2.
4. Council notes the spending rate on capital budget as reflected in this report.

MR. V. PILLAY
ACTING CHIEF FINANCIAL OFFICER

MR. V. ZAMBODLA
ACTING ACCOUNTING OFFICER

ANNEXURE:

Annexure A

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Schedule of Borrowings