

REPORT TO THE EXECUTIVE MAYOR: 16 AUGUST 2010
OFFICE OF THE ACTING ACCOUNTING OFFICER

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

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

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July										
Description	Ref	2009M10			Budget Year 2010M11					
		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		20,848	20,848	29,773	(8,924)	-30%	487,055
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		810,361	988,462		99,928	99,928	66,945	32,982	49%	988,462
Service charges - water revenue		201,289	225,169		15,926	15,926	17,352	(1,426)	-8%	225,169
Service charges - sanitation revenue		146,597	162,723		12,010	12,010	11,635	375	3%	162,723
Service charges - refuse revenue		139,180	153,005		13,302	13,302	12,231	1,071	9%	153,005
Service charges - other								-		
Rental of facilities and equipment		9,996	11,620		464	464	968	(504)	-52%	11,620
Interest earned - external investments		39,662	32,314		616	616	2,693	(2,077)	-77%	32,314
Interest earned - outstanding debtors		27,505	40,965		1,656	1,656	3,414	(1,758)	-51%	40,965
Dividends received		86	60				5	(5)	-100%	60
Fines		8,257	9,706		678	678	809	(131)	-16%	9,706
Licences and permits		14,268	14,017		1,254	1,254	1,168	86	7%	14,017
Agency services								-		
Transfers recognised - operational		133,492	110,302		3,772	3,772	9,192	(5,420)	-59%	110,302
Other revenue		561,976	713,096		220,842	220,842	253,794	(32,952)	-13%	713,096
Gains on disposal of PPE								-		
Total Revenue (excluding capital transfers and contributions)		2,535,669	2,948,495	-	391,296	391,296	409,979	(18,683)	-5%	2,948,495
Expenditure By Type										
Employee related costs		753,200	906,833		65,947	65,947	75,569	(9,622)	-13%	906,833
Remuneration of councillors		19,691	25,238		1,740	1,740	2,103	(363)	-17%	25,238
Debt impairment		94,469	77,681		6,473	6,473	6,473	-		77,681
Depreciation & asset impairment		342,031	476,021		39,668	39,668	39,668	-		476,021
Finance charges		69,037	100,889		8,407	8,407	8,407	-		100,889
Bulk purchases		588,878	714,565		65,654	65,654	60,679	4,976	8%	714,565
Other materials								-		
Contracted services		8,138	7,861		197	197	665	(468)	-70%	7,861
Transfers and grants		9	5,567		-	-	464	(464)	-100%	5,567
Other expenditure		757,431	937,561		47,146	47,146	78,130	(30,984)	-40%	937,561
Loss on disposal of PPE								-		
Total Expenditure		2,632,884	3,252,216	-	235,234	235,234	272,150	(36,916)	-14%	3,252,216
Surplus/(Deficit)										
Transfers recognised - capital		148,883	303,824		25,319	25,319	25,319	-		303,824
Contributions recognised - capital								-		
Contributed assets								-		
Surplus/(Deficit) after capital transfers & contributions		51,667	103	-	181,381	181,381	163,148			103
Taxation								-		
Surplus/(Deficit) after taxation		51,667	103	-	181,381	181,381	163,148			103
Attributable to minorities								-		
Surplus/(Deficit) attributable to municipality		51,667	103	-	181,381	181,381	163,148			103
Share of surplus/ (deficit) of associate								-		
Surplus/ (Deficit) for the year		51,667	103	-	181,381	181,381	163,148			103

The average debtor's collection rate for the twelve months ending 31 July 2010 is 93.38%. The collection rate for the month ending 31 July 2010 is 98.21%. The collection rate for the month reflects an increase when compared to the previous month collection of 93.34%.

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 R220.84 million as against an estimated budget of R253.79 million. Included in the other revenue received to date is an amount of R212.04 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 13%. This is due to vacant funded posts that are not yet filled by the various Directorates. The Councillors' remunerations were under spent by 17% due to vacant funded seats.

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 R31 million is general expenses (R13 million), followed by repairs & maintenance (R11 million) and operating projects (R6 million).

3. OPERATING PROJECTS

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 31 July 2010 is R3.77 million which is 3.42% 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: 0.19%). Comments on the under expenditure will be disclosed in the detailed report to the Council.

4. CAPITAL EXPENDITURE

The total capital expenditure as at 31 July 2010 amounts to R87 630 which 0% of the approved budget of R481.21 million for the 2010/11 financial year. The capital expenditure indicates the same expenditure pattern when compared to the previous financial year (2009/2010) which was 0%. 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 July 2010 amounts to R127 700 which is 0 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	0	1,200,000	0%
Municipal Systems Improvement Grant	650,000	127,700	522,300	20%
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	0	190,004,332	0%
Neighbourhood Funding	10,500,000	0	10,500,000	0%
Public Transport Infrastructure Grant	71,478,000	0	71,478,000	0%
TOTAL	297,832,332	127,700	297,704,632	0%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 31 July 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%	20%	-4%	Capital Charges are 20% of the total operating expenditure.
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%	16%	2%	A net debtor to annual income 16% and is within the target.
5.	Personnel Costs to Total Income:	30%	16.9%	13.1%	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 July 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 93.38% 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