

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

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

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

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June										
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
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		363,583	409,056	441,764	30,118	443,000	441,764	1,236	0%	441,764
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	810,215	62,721	810,361	810,215	146	0%	810,215
Service charges - water revenue		181,117	203,835	202,855	10,630	201,289	202,855	(1,566)	-1%	202,855
Service charges - sanitation revenue		128,514	142,661	146,597	11,376	146,597	146,597	-		146,597
Service charges - refuse revenue		124,506	138,033	137,843	11,723	139,180	137,843	1,338	1%	137,843
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	1,707	9,996	10,469	(473)	-5%	10,469
Interest earned - external investments		85,519	18,382	41,276	3,829	39,662	41,276	(1,613)	-4%	41,276
Interest earned - outstanding debtors		35,093	36,905	36,905	1,688	27,505	36,905	(9,400)	-25%	36,905
Dividends received		165	54	54		86	54	31	58%	54
Fines		7,058	8,744	8,744	882	8,257	8,744	(487)	-6%	8,744
Licences and permits		12,250	12,628	12,628	1,206	14,268	12,628	1,640	13%	12,628
Agency services								-		
Transfers recognised - operational		85,440	400,114	229,972	23,178	133,492	229,972	(96,480)	-42%	229,972
Other revenue		644,290	588,372	588,575	9,009	561,976	588,575	(26,599)	-5%	588,575
Gains on disposal of PPE		3,384						-		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,293,391</b>	<b>2,804,845</b>	<b>2,667,897</b>	<b>168,066</b>	<b>2,535,669</b>	<b>2,667,897</b>	<b>(132,227)</b>	<b>-5%</b>	<b>2,667,897</b>
<b>Expenditure By Type</b>										
Employee related costs		656,676	794,449	803,933	70,187	753,200	803,933	(50,733)	-6%	803,933
Remuneration of councillors		19,359	23,200	23,200	1,672	19,691	23,200	(3,509)	-15%	23,200
Debt impairment		131,527	69,726	94,469	7,872	94,469	94,469	-		94,469
Depreciation & asset impairment		221,037	273,516	273,516	(5,753)	342,031	273,516	68,515	25%	273,516
Finance charges		84,868	69,037	69,037	5,753	69,037	69,037	-		69,037
Bulk purchases		466,747	642,679	601,800	66,105	588,878	601,800	(12,923)	-2%	601,800
Other materials								-		
Contracted services		4,493	7,137	7,387	968	8,138	7,387	751	10%	7,387
Transfers and grants		4,583	5,302	5,302	(24)	9	5,302	(5,292)	-100%	5,302
Other expenditure		679,031	1,068,563	938,016	103,522	757,431	938,016	(180,585)	-19%	938,016
Loss on disposal of PPE								-		
<b>Total Expenditure</b>		<b>2,268,320</b>	<b>2,953,609</b>	<b>2,816,660</b>	<b>250,302</b>	<b>2,632,884</b>	<b>2,816,660</b>	<b>(183,776)</b>	<b>-7%</b>	<b>2,816,660</b>
<b>Surplus/(Deficit)</b>										
		<b>25,071</b>	<b>(148,764)</b>	<b>(148,764)</b>	<b>(82,237)</b>	<b>(97,215)</b>	<b>(148,764)</b>	<b>(316,003)</b>	<b>0</b>	<b>(148,764)</b>
Transfers recognised - capital		71,701	148,883	148,883	12,407	148,883	148,883			148,883
Contributions recognised - capital										
Contributed assets										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(69,830)</b>	<b>51,667</b>	<b>119</b>			<b>119</b>
Taxation								-		
<b>Surplus/(Deficit) after taxation</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(69,830)</b>	<b>51,667</b>	<b>119</b>			<b>119</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(69,830)</b>	<b>51,667</b>	<b>119</b>			<b>119</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/ (Deficit) for the year</b>		<b>96,772</b>	<b>119</b>	<b>119</b>	<b>(69,830)</b>	<b>51,667</b>	<b>119</b>			<b>119</b>

The average debtor's collection rate for the twelve months ending 30 June 2010 is 93.58%. The

collection rate reflects a slight increase when compared to last month's rate of 93.31. It has slightly decreased period in the previous financial year due to the current global economic climate (30 June 2009: 93.84%).

## **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 R561.98 million as against an estimated budget of R588.86 million. Included in the other revenue received to date is an amount of R441.17 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 6%. 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 currently being implemented.

The Councillors' remunerations were under spent by 15% 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 R181 million is operating projects (R96 million), followed by general expenses (R50 million) and repairs & maintenance (R33 million).

## **3. OPERATING PROJECTS**

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 30 June 2010 is R133.49 million which is 58% of the mid-year adjustment budget of R229.97 million. The current year's expenditure has increased when compared to the previous financial year (2008/09: 46.76%). 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 June 2010 amounts to R403 million which is 55% of the adjusted budget of R729.56 million for the 2009/10 financial year. The capital expenditure indicates a slight increase in the expenditure pattern when compared to the previous financial year (2008/2009) which was 54%. 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 mid-year adjusted budget includes a Dora allocation of R226.04. The total expenditure on DoRA allocation as at 30 June 2010 amounts to R132.21 million which is 58% of R226.04 million.

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

**Table 2: Spending per Conditional Grant**

<b>Funding/Grant</b>	<b>2009/2010 Mid Year Adjusted Budget R</b>	<b>2009/2010 YTD Expenditure R</b>	<b>2009/2010 Variance R</b>	<b>2009/2010 Expenditure vs. Adjusted Budget %</b>
Department of Water Affairs	2,178,870	40,056	2,138,814	2%
Department of Minerals and Energy	4,200,000	3,983,041	216,959	95%
Finance Management Grant	1,000,000	979,033	20,967	98%
Integrated National Electricity Provider	13,000,000	13,000,000	0	100%
Municipal Infrastructure Grant	167,946,000	108,329,033	57,616,967	65%
Neighbourhood Development Partnership Grant	6,000,000	5,763,819	236,181	96%
Public Transport Infrastructure Grant	31,213,000	0	31,213,000	0%
Municipal Systems Improvement Grant	500,000	115,206	384,794	23%
<b>TOTAL</b>	<b>226,037,870</b>	<b>132,210,189</b>	<b>91,827,681</b>	<b>58%</b>

## 6. RESTRUCTURING GRANT MILESTONES

**Table 3: Financial Performance Indicators**

<b>Reporting Period:</b>		<b>Month ended 30 June 2010</b>			
<b>Indicator</b>		<b>Target</b>	<b>Actual</b>	<b>Variance</b>	<b>Comment</b>
1.	Total Debt to Annual Income:	35%	24.3%	10.7%	The long term a liability of the city amounts 24.3% of the annual revenue generated and is within the target.
2.	Capital Charges to Op. Exp:	16%	16%	0%	Capital Charges are 16% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	93.6%	-3.4%	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%	15.4%	2.6%	A net debtor to annual income 15.4% and is within the target.
5.	Personnel Costs to Total Income:	30%	29.7%	0.3%	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 June 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 93.6% 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 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**

- 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)
- C4 Consolidated Monthly Budget Statement Financial Performance (Revenue and Expenditure)
- 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
- SC10 Parent Municipality Financial Performance (Revenue and Expenditure)
- 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