

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

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2009/2010 BUDGET FOR THE PERIOD ENDING 31 MARCH 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 March 2010.

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

EC125 Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March										
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	48,486	357,598	354,722	2,876	1%	441,764
Property rates - penalties & collection charges								-		
Service charges - electricity revenue		609,722	838,592	810,215	83,994	626,308	597,057	29,251	5%	810,215
Service charges - water revenue		181,117	203,835	202,855	15,563	160,542	154,632	5,910	4%	202,855
Service charges - sanitation revenue		128,514	142,661	146,597	13,641	115,717	115,833	(116)	0%	146,597
Service charges - refuse revenue		124,506	138,033	137,843	11,702	104,379	104,914	(535)	-1%	137,843
Service charges - other								-		
Rental of facilities and equipment		12,750	10,469	10,469	1,405	6,907	7,852	(944)	-12%	10,469
Interest earned - external investments		85,519	18,382	41,276	14,684	28,409	30,957	(2,548)	-8%	41,276
Interest earned - outstanding debtors		35,093	36,905	36,905	1,664	22,642	27,679	(5,037)	-18%	36,905
Dividends received		165	54	54			41	(41)	-100%	54
Fines		7,058	8,744	8,744	937	6,198	6,558	(360)	-5%	8,744
Licences and permits		12,250	12,628	12,628	1,549	10,825	9,471	1,354	14%	12,628
Agency services								-		
Transfers recognised - operational		85,440	400,114	229,972	16,732	80,178	172,479	(92,301)	-54%	229,972
Other revenue		644,290	585,372	588,575	120,283	500,723	538,104	(37,381)	-7%	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	330,640	2,020,428	2,120,298	(99,871)	-5%	2,667,897
Expenditure By Type										
Employee related costs		656,676	794,449	803,933	62,333	557,501	602,950	(45,449)	-8%	803,933
Remuneration of councillors		19,359	23,200	23,200	1,666	14,649	17,400	(2,751)	-16%	23,200
Debt impairment		131,527	69,726	94,469	24,268	70,852	70,852	-		94,469
Depreciation & asset impairment		221,037	273,516	273,516	22,793	205,137	205,137	-		273,516
Finance charges		84,868	69,037	69,037	5,753	51,778	51,778	-		69,037
Bulk purchases		466,747	642,679	601,300	45,386	437,385	449,249	(11,864)	-3%	601,300
Other materials								-		
Contracted services		4,493	7,137	7,387	728	3,672	5,540	(1,868)	-34%	7,387
Transfers and grants		4,583	5,302	5,302		3	3,976	(3,973)	-100%	5,302
Other expenditure		679,031	1,068,563	938,016	72,138	502,693	703,512	(200,819)	-29%	938,016
Loss on disposal of PPE								-		
Total Expenditure		2,268,320	2,953,609	2,816,660	235,166	1,843,669	2,110,394	(266,725)	-13%	2,816,660
Surplus/(Deficit)										
		25,071	(148,764)	(148,764)	95,474	176,750	9,904	(366,596)	(0)	(148,764)
Transfers recognised - capital		71,701	148,883	148,883		(5,247)	111,662			148,883
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		96,772	119	119	95,474	171,511	121,566			119
Taxation								-		
Surplus/(Deficit) after taxation		96,772	119	119	95,474	171,511	121,566			119
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		96,772	119	119	95,474	171,511	121,566			119
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		96,772	119	119	95,474	171,511	121,566			119

The average debtor's collection rate for the twelve months ending 31 March 2010 is 92.10%. The collection rate for the nine months ending 31 March 2010 is 90.64%. The collection rate for the nine months reflects a decrease when compared to the same period in the previous financial year due to the current global economic climate (2008/09: 93.08%).

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 R500.72 million as against an estimated budget of R538.10 million. Included in the other revenue received to date is an amount of R409.59 million in respect of Grants and Subsidies. The primary health subsidy of R30 million from Provincial Health Department is still outstanding.

3. Debt Impairment

This is in respect of provision for bad debts.

4. Employee Related Costs

The employee related costs were under spent by 7.54%. 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 15.81%.

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 R200 million is operating projects (R92 million), followed by general expenses (R69 million) and repairs & maintenance (R38 million).

3. OPERATING PROJECTS

Other expenditure includes operating projects as reflected in the table above. Operating projects expenditure for the period ending 31 March 2010 is R80.18 million which is 34.86% of the mid-year adjustment budget of R229.97 million and 46.49% of the projected cash flows of R172.48 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 31 March 2010 amounts to R198.35 million which is 27% of the mid-year adjustment budget of R729.86 million for the 2009/10 financial year and 36% of the projected cash flows of R547.39 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 31 March 2010 amounts to R67.25 million which is 30% 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

Conditional Grant	2009/2010 DoRA Allocation 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	2,141,138	2%
Finance Management Grant	1,000,000	425,908	844,880	35%
Integrated National Electricity Provider	13,000,000	0	13,000,000	0%
Municipal Infrastructure Grant	167,946,000	66,785,671	115,222,421	40%
Neighbourhood Partnership Development Fund	6,000,000	0	6,000,000	0%
Public Transport Infrastructure Grant	31,213,000	2,688	31,213,000	0%
Municipal Systems Improvement Grant	500,000	0	500,000	0%
TOTAL CONDITIONAL GRANTS	221,837,870	67,252,313	168,921,439	30%

6. RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

Reporting Period:		Month ended 31 March 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%	14%	2%	Capital Charges are 14% of the total operating expenditure and is within the expected target.
3.	Annual Collection Rate (Debtors):	97%	92.1%	-4.9%	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%	15.2%	2.8%	A net debtor to annual income 15.2 % and is within the target.
5.	Personnel Costs to Total Income:	30%	27.6%	2.4%	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. CONCLUSION

The actual operating expenditure is well within the allocated budget for the period ending 31 March 2010.

8. RECOMMENDATION:

1. Council notes the report on the statement of financial performance and the implementation of the 2009/10 budget for the period ending 31 March 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 92.1%.
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 returned to National Treasury Revenue Fund by 31 July 2010.
5. Council notes the spending rate on capital budget as reflected in this report.

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)
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Annexure B

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Annexure C

Schedule of Borrowings