

REPORT TO THE EXECUTIVE MAYOR: 14 OCTOBER 2011
OFFICE OF THE ACTING CITY MANAGER

STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2011/2012 BUDGET FOR THE PERIOD ENDING 30 SEPTEMBER 2011

File No.: 5/1/1/1[10/11]
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1. PURPOSE

The purpose of the report is for Executive Mayor to note the statement of financial performance and the implementation of the 2011/12 budget of the Municipality for the period ending 30 September 2011, and take cognisance of the collection rate and the expenditure rate on the projects.

2. AUTHORITY

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.

3. LEGAL / STATUTORY REQUIREMENTS

Municipal Finance Management Act No 56, 2003 Chapter 8, Section 71 (1), (2) and (3).

4. EXPOSITION OF FACTS

The exposition of facts is in the following order:

- 4.1 Statement of Financial Performance**
- 4.2 Collection Rate**
- 4.3 Operating Projects Expenditure**
- 4.4 Capital Expenditure**
- 4.5 Expenditure on Conditional Grants - DoRA Allocation**
- 4.6 Restructuring Grant Milestones**

4.1 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 September 2011 (refer to annexure A - C4).

Table 1: Statement of Financial Performance for the period ending 30 September 2011

| EC125 Buffalo City - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September | | | | | | | | | | | |
|--|-----|-----------------|---------------------|------------------|----------------|-----------------|----------------|----------------|-----------------|--------------------|------------------|
| Description | Ref | 2010/11 | Budget Year 2011/12 | | | | | | | | |
| | | 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 | | | 520,511 | | | 72,971 | 151,412 | 150,629 | 783 | 1% | 520,511 |
| Property rates - penalties & collection charges | | | 1,236 | | | 52 | 155 | 173 | (17) | -10% | 1,236 |
| Service charges - electricity revenue | | | 1,142,652 | | | 104,737 | 305,260 | 264,520 | 40,740 | 15% | 1,142,652 |
| Service charges - water revenue | | | 233,283 | | | 18,087 | 59,139 | 56,726 | 2,413 | 4% | 233,283 |
| Service charges - sanitation revenue | | | 180,203 | | | 17,107 | 45,171 | 44,530 | 641 | 1% | 180,203 |
| Service charges - refuse revenue | | | 173,905 | | | 14,802 | 44,172 | 43,476 | 695 | 2% | 173,905 |
| Service charges - other | | | 22,539 | | | (654) | 6,033 | 5,892 | 141 | 2% | 22,539 |
| Rental of facilities and equipment | | | 12,759 | | | 725 | 2,074 | 1,881 | 193 | 10% | 12,759 |
| Interest earned - external investments | | | 30,192 | | | 3,564 | 7,441 | 7,325 | 116 | 2% | 30,192 |
| Interest earned - outstanding debtors | | | 22,036 | | | 1,907 | 5,817 | 5,635 | 182 | 3% | 22,036 |
| Dividends received | | | 60 | | | | | | - | | 60 |
| Fines | | | 10,657 | | | 420 | 1,575 | 2,046 | (471) | -23% | 10,657 |
| Licences and permits | | | 15,391 | | | 1,105 | 3,894 | 4,117 | (224) | -5% | 15,391 |
| Agency services | | | | | | | | | - | | |
| Transfers recognised - operational | | | 966,570 | | | 5,234 | 253,999 | 285,950 | (31,950) | -11% | 966,570 |
| Other revenue | | | 321,296 | | | 8,291 | 86,031 | 74,380 | 11,651 | 16% | 321,296 |
| Gains on disposal of PPE | | | | | | | | | - | | |
| Total Revenue (excluding capital transfers and contributions) | | | - | 3,653,289 | - | 248,350 | 972,173 | 947,280 | 24,893 | 3% | 3,653,289 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | | | 983,308 | | | 72,404 | 212,366 | 245,827 | (33,461) | -14% | 983,308 |
| Remuneration of councillors | | | 28,871 | | | 2,238 | 6,681 | 6,368 | 312 | 5% | 28,871 |
| Debt impairment | | | 165,450 | | | 13,788 | 41,363 | 41,363 | - | | 165,450 |
| Depreciation & asset impairment | | | 473,248 | | | 39,437 | 118,312 | 118,312 | - | | 473,248 |
| Finance charges | | | 67,067 | | | 5,589 | 16,767 | 16,767 | - | | 67,067 |
| Bulk purchases | | | 940,528 | | | 110,848 | 328,388 | 317,381 | 11,006 | 3% | 940,528 |
| Other materials | | | | | | | | | - | | |
| Contracted services | | | 8,317 | | | 692 | 1,006 | 1,451 | (445) | -31% | 8,317 |
| Transfers and grants | | | 3,432 | | | | | 858 | (858) | -100% | 3,432 |
| Other expenditure | | | 1,256,770 | | | 66,449 | 176,834 | 238,486 | (61,651) | -26% | 1,256,770 |
| Loss on disposal of PPE | | | | | | | | | - | | |
| Total Expenditure | | | - | 3,926,991 | - | 311,446 | 901,716 | 986,812 | (85,096) | -9% | 3,926,991 |
| Off-Set Depreciation | | | (310,741) | | | (25,895) | (77,685) | (103,580) | 25,895 | -25% | (310,741) |
| Surplus/(Deficit) | | | - | 37,039 | - | (37,201) | 148,142 | 64,047 | 84,094 | 131% | 37,039 |
| Transfers recognised - capital | | | 654,418 | | | | | | - | | 654,418 |
| Contributions recognised - capital | | | | | | | | | - | | |
| Contributed assets | | | | | | | | | - | | |
| Surplus/(Deficit) after capital transfers & contributions | | | - | 691,457 | - | (37,201) | 148,142 | 64,047 | | | 691,457 |
| Taxation | | | | | | | | | - | | |
| Surplus/(Deficit) after taxation | | | - | 691,457 | - | (37,201) | 148,142 | 64,047 | | | 691,457 |
| Attributable to minorities | | | | | | | | | | | |
| Surplus/(Deficit) attributable to municipality | | | - | 691,457 | - | (37,201) | 148,142 | 64,047 | | | 691,457 |
| Share of surplus/ (deficit) of associate | | | | | | | | | - | | |
| Surplus/ (Deficit) for the year | | | - | 691,457 | - | (37,201) | 148,142 | 64,047 | | | 691,457 |

Notes to the Statement of Financial Performance for the Period Ending 30 September 2011

1. Transfers Recognised – Operational

The transfers recognised relates to grants and subsidies received as well as operating projects income. Grants and Subsidies received to date amounts to R238.46 million. Operating projects income is recognised as the expenditure is incurred and to date R15.54 million has been recognised. The unfavourable variance on transfers recognised is the result of under expenditure on operating projects.

2. Other Revenue

Other revenue is made up of numerous miscellaneous items (e.g. town planning fees, market income, cemetery fees and etc).

3. Employee Related Costs

The employee related costs were under spent by 14%, due to vacant funded posts that are not yet filled. Refer to Annexure B –SC8 for the employee related costs expenditure breakdown per type.

4. Debt Impairment

This is in respect of provision for bad debts.

5. Other Expenditure

Other expenditure includes operating projects, general expenses as well as repairs and maintenance and these expenditure categories were under spent.

4.2 COLLECTION RATE

The average debtor's collection rate for the three month ending 30 September 2011 is 85.08%. The collection rate is lower than the National Treasury set target of 97%. It however indicates an increase when compared to the same period in the previous financial year (2010/11: 83.07%).

The following Challenges are being experienced:

- a) Lack of a full time contractor to perform disconnection and reconnections of electricity in line with our credit control policy.
- b) No handovers since December 2010 due to a panel of Collection Agents not appointed.
- c) Delays in collection action due to individual account vetting prior to disconnection.
- d) Non- reading of meters resulting into use of averaging.

The following Corrective Measures have been implemented:

- a) 33000 letters of demand have been sent to debtors in September 2011.
- b) A panel of collection agents have been appointed from July 2011.
- c) A temporary contractor has been appointed to perform disconnections and re-connections.
- d) The contract for disconnections & re-connections is at Bid Evaluation stage.

- e) Blocking action has been implemented to all debtors in arrears that have prepayment meters.
- f) Implementation of in house debt collection has commenced in the current financial year.
- g) Final draft of Revenue Enhancement Strategy was developed and is progressing to Top Management that will address short term, medium term and long term solutions.
- h) Revenue Roll-out campaign is currently in process to deal with billing related queries at various cash offices.

4.3 OPERATING PROJECTS EXPENDITURE

Operating projects expenditure for the period ending 30 September 2011 is R15.54 million which is 4% of the approved budget of R356.72 million. The current year's expenditure has decreased when compared to the same period in the previous financial year (2010/11: 20.13%). It is anticipated that the expenditure pattern will improve as the year progress as directorates were still engaged with the procurement processes in the first quarter of the financial year.

Table 2: Expenditure against budget per directorate

| Directorate | 2011/2012 Approved Budget R | 2011/2012 YTD Exp R | 2011/2012 Variance R | 2011/2012 Exp. Vs Budget % |
|---|--------------------------------------|------------------------------|----------------------------|-------------------------------------|
| Strategic Management | 2,226,232 | 294,244 | 1,931,988 | 13% |
| Finance & Support Services | 11,212,734 | 389,415 | 10,823,320 | 3% |
| Municipal Services | 315,100,309 | 13,389,814 | 301,710,495 | 4% |
| Development Planning & Management | 6,370,000 | 639,364 | 5,730,636 | 10% |
| Development Facilitation & Partnerships | 21,810,393 | 830,652 | 20,979,741 | 4% |
| TOTAL | 356,719,668 | 15,543,488 | 341,176,180 | 4% |

Comments on Low Expenditure

Finance and Support Services

Financial Services

The directorate was engaged with procurement processes in the first quarter, however the service providers have now been appointed and the expenditure is expected to expedite in the remaining three quarters and the funding will be fully utilized by the end of the financial year.

Municipal Services

Public Safety

Crime Prevention Strategy: There was no response to the tenders and therefore it will be re-advertised.

Traffic Safety Plan: Tenders closed. Spending will occur once approved by Bid Adjudication Committee.

Disaster Management Structures/ Risk & Vulnerability Assessment: Funding to be used for the Disaster Management Framework Policy. Service provider has been appointed on 7 October 2011.

Health Services

Development and implementation of an Air Quality management Plan: Awaiting HDI & Pricing functionality schedule to be signed by Supply Chain Management before going to Bid Evaluation Committee.

Develop & implement Municipal Health Services Delivery Plan: Awaiting HDI & Pricing functionality schedule to be signed by Supply Chain Management before going to Bid Evaluation Committee.

Solid Waste Management Services

Project at Bid Evaluation Stage

Arts and Cultural Services, Amenities and Environmental Services

Section 78 Studies for the Zoo, Aquarium: the committee was appointed by the Executive Mayor for 2010/2011 financial year to do feasibility study and the committee did not complete the study. Section 78 study will be done in-house using the method of best practice at other similar institutions in the country

Development Facilitation and Partnership

Transport Policies and By-Laws: This tender was cancelled and had to be re-advertised. The tender was advertised on 7 October 2011 and closes on 21 October 2011.

Transport Planning: A consultant has been appointed to conduct a Rural Non-Motorized Study, but Councilors need to be nominated to serve on the steering committee before work can commence.

4.4 CAPITAL EXPENDITURE

The total capital expenditure as at 30 September 2011 amounts to R36.99 million which is 5% of the approved budget of R764.67 million for the 2011/12 financial year. The capital expenditure has decreased when compared to the previous financial year (2010/2011) which was 6%. It is anticipated that the expenditure pattern will improve as the year progress as directorates were still engaged with the procurement processes in the first quarter of the financial year. About 80% of the capital budget is funded from conditional grants (refer to section 4.5 below).

Table 3: Actual Expenditure per Directorate against Budget

| Directorate | <u>2011/2012 Approved Budget</u> | <u>YTD Expenditure</u> | <u>Variance</u> | <u>% Expenditure vs. Approved Budget</u> |
|---|---|-----------------------------------|------------------------|---|
| Strategic Management | 1 000 000 | 0 | 1 000 000 | 0% |
| Finance and Support Services | 13 370 489 | 1 071 | 13 369 418 | 0% |
| Municipal Services | 529 631 591 | 34 307 993 | 495 323 598 | 6% |
| Development Facilitation & Partnerships | 220 667 050 | 2 685 215 | 217 981 835 | 1% |
| TOTAL PER DIRECTORATE | 764 669 130 | 36 994 279 | 727 674 851 | 5% |

Comments on Low Expenditure

Finance and Support Services

Financial Services

Experiencing land dispute challenges for the implementation of Upgrading All Zone s Mdantsane Offices. Service provider has been appointed for the design stage of the KWT sales hall upgrade.

Municipal Services

Public Safety

Fire Station KWT: No spending, as tenders received came in at double the budgeted amount. Scope of work to be reduced to fit budget and tender to be re-advertised.

Law Enforcement Equipment: R7 956 spent. R22 037 committed (orders placed) with further orders to be placed in due course.

Traffic Vehicles: Purchases to be made along with the general fleet tender when orders are placed.

Learners License Centre: Insufficient funds – plans reveal cost in region of R2.5m required for project.

Fire Engine R/O: Orders placed. 50% payment made as per contract. Balance to be paid on delivery (November 2011)

Fire Engine Equipment: R28 500 spent. R1 181 439 committed via orders placed. Awaiting delivery.

Disaster Management Capacity: Quotations requested. Orders to be placed in due course.

Disaster Management Centre: Unsuccessful informal bids. Deviation requested in order to call for quotations instead before spending can proceed.

Solid Waste Management Services

Projects at Bid Evaluation Stage

Health Services

Mobile Clinic Equipment: Some equipment has already been received. Balance of equipment to be placed on an informal tender.

Upgrading of clinics – Ginsberg: Building work progressing slowly. Contractor has been issued with two warning letters from the Architectural Department to improve performance.

Clinics (Construction of Greenfields Clinic): Construction not yet started due to fact that tender advert only closed on 04 October 2011. The opening of the documents will be done on 14 October 2011. Process to be speed up the documents have been opened.

Arts & Cultural Services, Amenities, Environmental Services

Sportsfields: In the case of projects that have no expenditure to date, the delays in implementing the projects is that SCM have provided no feedback on the placing of the items on the agenda of the BSC. Despite follow ups and e-mails to SCM, no feedback is given.

Projects that have movement in terms of expenditure are currently in the implementation phase, but payments are yet to be processed, thus expenditure will increase in the next quarter.

Corrective measures - Several follow ups were made with SCM, and more follow ups will be made to try to obtain cooperation. The problem is complicated due the fact that documents have been lost by SCM officials or misplaced in the past. SCM officials also refuse to sign for the receipt of tender documents.

Development of Community Parks (Mdantsane, Potsdam, Reeston): First quarter used for the identification of land and preparation of tender.

Corrective measure -To ensure that works starts within the second quarter.

Development of 3 New Cemeteries (Inland, Midland and Coastal): First quarter used for the identification of land and preparation of tender.

Corrective Measure - Ensure that service provider is appointed and that works starts within second quarter.

Fencing of Rural Cemeteries Upgrade: Tender 84 cannot be utilised and the fencing will be done internally by Building Maintenance for 2 Needs Camp cemeteries.

Grass Cutting Equipment: An amended request has been received to call for informal tenders and will be submitted in due course to SCM for the purchase of grass cutting equipment.

Continuation of refurbishment of KWT Hall: Phase 1 adjudication incomplete. Phase 2: requisitions P291406, P291407 & P291408 issued. Balance await adjudication.

Upgrading of Beacon Bay Library: Requisitions P291409 & P291410 issued. Balance await adjudication.

Development Facilitation and Partnership

Construction of BRT Lanes: (R180m - PTIS) This project requires the appointment of a full team of consultants. The tender was previously awarded through the Organ of State process, but this was cancelled and the tender was advertised on 20 May 2011. The tender has been assessed and has progressed through the Bid Evaluation Committee and must be considered by the Bid Adjudication Committee.

Taxi Ranks: (USDG – R5m) The tender for the appointment of Consultants for the design of the Public Transport Facilities in King Williams Town was advertised on 12 August 2011 and closed on 26 August 2011. Tenders have been evaluated and the report has progressed through the Bid Evaluation Committee. Once the appointment is confirmed by the Bid Adjudication Committee, detailed designs will commence. Once designs are completed, the consultant team will prepare tender documents for the construction phase for the outer years.

Gonubie Main Road: (USDG – R10m) Consultants have been appointed for detailed designs and work is in progress. Once the designs are finalized, tender documents will be prepared for construction.

4.5 EXPENDITURE ON DORA ALLOCATION

DoRA Current Allocation

The 2011/12 financial year approved budget includes conditional grants DoRA current allocation of R631.58 million. The total expenditure on conditional grants DoRA current allocation as at 30 September 2011 amounts to R25.31 million which is 4% of R631.58 million. It is anticipated that the expenditure pattern will improve as the year progress as directorates were still engaged with the procurement processes in the first quarter of the financial year.

Table 2 below reflects the year to date expenditure on 2011/12 conditional grants DoRA current allocation.

Table 2: Spending per Funding/Grant – DoRa Current Allocation

| Funding/Grant | 2011/2012 Approved Budget | YTD Expenditure R | Variance R | % Expenditure vs. Budget |
|--|--|----------------------------------|-----------------------|---|
| Department of Water affairs | 1 680 000 | 400 853 | 1 279 147 | 24% |
| Electricity Demand Side Management | 4 000 000 | 0 | 4 000 000 | 0% |
| DoE(Integrated National Electrification Programme) | 21 000 000 | 0 | 21 000 000 | 0% |
| Finance Management Grant | 1 450 000 | 213 507 | 1 236 493 | 15% |
| Urban Settlement Development Grant | 423 446 097 | 24 692 372 | 398 753 725 | 6% |
| Public Transport Infrastructure Grant | 180 000 000 | 0 | 180 000 000 | 0% |
| TOTAL | 631 576 097 | 25 306 732 | 606 269 365 | 4% |

Comments on DoRA under-expenditure

a) Department of Water Affairs (DWA)

Expenditure is in line with the DWA staff transfer agreement.

b) Electricity Demand Side Management

An order was placed for 2000 energy lights, which were delivered at the end of September 2011. The installation of these lights is now taking place. Invoices for the lights that have been delivered are being processed for payment.

c) Integrated National Electricity Provider

The Electricity Department has four housing electrification projects and one bulk project, the continuation of the Queens park Zoo substation project in the 2011/2012 financial year detailed below:

| Project Name | Proposed Connections | Project Name | Allocation Per Project | STATUS |
|-------------------------|-----------------------------|-------------------------|-------------------------------|---|
| ELECTRIFICATION | | | | |
| Cambridge Ext | 198 | Cambridge Ext | R 1 445 400.00 | Report at Bid Evaluation Committee for final approval |
| Reeston PH3 | 200 | Reeston PH3 | R 1 460 000.00 | Bid Adjudication Committee has resolved the appointment of the Contractor |
| Potsdam Area P | 900 | Potsdam Area P | R 6 570 000.00 | Evaluation report is in the final stage of completion |
| Kwa Cliff | 350 | Kwa Cliff | R2 310 000.00 | Appointment Contractor is not willing to commit to the Contract. Contract to be re-advertised |
| BULK | | | | |
| New Zoo Substation Ph 2 | 1 | New Zoo Substation Ph 2 | R 9 141 452.00 | Payment certificate for R1, 890,000.00 is being processed. Work on site is proceeding well |
| TOTAL ALLOCATION | | | R 21 000 000. 00 | |

d) Finance Management Grant

The funding will to be utilized as follows: Payment for Interns' salaries on a monthly basis; Training requirements and the maintenance of the Budget Reforms System. The training has not yet taken place, however all the plans are in place to complete it within the financial year. Other projects are progressing well and the funding will be fully utilized at the end of the financial year.

e) Urban Settlement Development Grant

Municipal Services

Solid Waste Management Services

Solid Waste Management: Letter of award has been sent to the Service Provider. Supply Chain Management awaiting confirmation of acceptance.

Health Services

Construction of Greenfields Clinic: The Tender Advert was only closing on the 4th of October 2011. The opening of the documents the 14th of October 2011, so the construction of the building has not yet started where expenditure can be monitored.

Amenities

Sports facilities coastal and inland: Specification documents were submitted to Supply Chain Management (SCM) in July 2011. Subsequent to this SCM advised the department to advertise the various projects as informal tenders, because the projects are for various facilities in coastal and inland area and not specific to one facility. These informal tender forms will be submitted to SCM by 21st October 2011.

Environmental Services

Development of Community Parks (Mdantsane, Potsdam, Reeston): First quarter used for the identification of land and preparation of tender.

Corrective measure -To ensure that works starts within the second quarter.

Development of 3 New Cemeteries (Inland, Midland and Coastal): First quarter used for the identification of land and preparation of tender.

Corrective Measure - Ensure that service provider is appointed and that works starts within second quarter.

Arts & Cultural Services

As per info received from PMU, delays have been experienced with the contractor in respect of the structural steelwork at the Scenery Park Community Hall due to strikes experienced in the Metal Industry. Further to this there were small design changes requested by the Engineer. Apparently manufacturing has commenced.

Development Facilitation and Partnership

Taxi Ranks: The tender for the appointment of Consultants for the design of the Public Transport Facilities in King Williams Town was advertised on 12 August 2011 and closed on 26 August 2011. Tenders have been evaluated and the report has progressed through the Bid Evaluation Committee. Once the appointment is confirmed by the Bid Adjudication Committee, detailed designs will commence. Once designs are completed, the consultant team will prepare tender documents for the construction phase for the outer years.

Gonubie Main Road: Consultants have been appointed for detailed designs and work is in progress. Once the designs are finalized, tender documents will be prepared for construction.

f) Public Transport Infrastructure Grant

A detailed Operational Plan was approved by Council on 6 May 2010. This Operational Plan forms the primary planning document on which more detailed designs will be based. Further work is required to be carried out by service providers such as project management, communications and marketing, business planning, operational planning, architecture, structural, electrical, mechanical and electronic engineering, quantity surveying, town planning, environmental and legal services prior to the implementation of physical infrastructure. The tender for the appointment of the full team of service providers was advertised and closed on 20 May 2011. The tender is currently at the Bid Adjudication Stage.

4.6 RESTRUCTURING GRANT MILESTONES

Table 3: Financial Performance Indicators

| Reporting Period: | | Month ended 30 September 2011 | | | |
|-------------------|-----------------------------------|-------------------------------|--------|----------|--|
| Indicator | | Target | Actual | Variance | Comment |
| 1. | Total Debt to Annual Income: | 35% | 25.5% | 9.5% | The long term a liability of the city is 25.5% of the annual revenue generated and is within target. |
| 2. | Capital Charges to Op. Exp: | 16% | 15.7% | 0.3% | Capital Charges are 15.7% of the total operating expenditure and is within the set target |
| 3. | Annual Collection Rate (Debtors): | 97% | 85.1% | -11.9% | The annual collection rate is below the desired target of 97%, and credit control policy is being strictly implemented to improve the collection rate. |
| 4. | Net Debtors to Annual income: | 18% | 15.0% | 3.0% | A net debtor to annual income is 15.0% and is within the target. |
| 5. | Personnel Costs to Total Income: | 30% | 21.8% | 8.2% | 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. |

5. CHALLENGES

The collection rate that is not up to the required level will have a direct effect on the municipality's cash flow situation and its ability to fund new capital infrastructure developments as well as maintenance and the enhancement of the existing infrastructure.

If non or low spending on conditional grants does not improve it will be a challenge taking into account circular 51, 54 and 55 of the MFMA which states that the unspent conditional grants at financial year end should be transferred back to the National Transferring Office unless the Municipality can motivate to the satisfactory of National Treasury that the unspent conditional grants are committed to identifiable projects.

Each municipality must repay all unspent conditional allocation, in respect of which National Treasury has not given the municipality written permission to retain. If the municipality fails to repay such unspent grants the National Treasury will offset such amount against the Municipality's Equitable Share Allocation.

BCMM will therefore not be able to roll-over unspent conditional grants to the 2012/13 financial year if there is no written approval from the National Treasury. BCMM will not be able to spend unspent conditional grants that have been rolled over until they are re-appropriated in a National Adjustment Budget passed by Parliament and thereafter by a Municipal Adjustment Budget in terms of Section 28(2) (b) of the MFMA and Regulation 23(3) of the Municipal Budget and Reporting Regulations.

6. FINANCIAL IMPLICATIONS

The low collection rate will impact the Municipality's ability to fully meet its financial obligations. Low expenditure rate on grants will have a negative effect on future grants allocation.

7. RECOMMENDATION

It is recommended that:

- a) The Executive Mayor notes the report on the statement of financial performance and the implementation of the 2011/12 budget for the period ending 30 September 2011.

MS. A. MAGWENTSHU
ACTING CITY MANAGER

ENCLOSED:

Annexure A

- C1 Monthly Budget Statement - Summary
- C2 Monthly Budget Statement - Financial Performance (Std Classification)
- C3 Monthly Budget Statement - Financial Performance (By Municipal Vote)
- C4 Monthly Budget Statement - Financial Performance (Revenue and Expenditure)
- C5 Monthly Budget Statement - Capital Expenditure (Municipal Vote, Std Classification and Funding)
- C6 Monthly Budget Statement - Financial Position
- C7 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 Benefits
- SC9 Actuals and Revised Targets for Cash Receipts
- 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

Annexure D

Quality Certificate