

2016/17 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT

1. PURPOSE

The purpose of the report is for the Executive Mayor to consider and note the mid-year budget and performance assessment of Buffalo City Metropolitan Municipality for the 2016/17 financial year.

2. AUTHORITY

Executive Mayor

3. LEGAL / STATUTORY REQUIREMENTS

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 7, Section 71 & 72

Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

In terms of Section 72, of the Municipal Finance Management Act No. 56, 2003, Chapter 8, the accounting officer of the municipality must, by 25 January of each year,-

- a) assess the performance of the municipality during the first half of the financial year, taking into account—
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and

- (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- (b) submit a report on such assessment to—
- (i) the mayor of the municipality;
 - (ii) the National Treasury; and
 - (iii) the relevant provincial treasury.

In terms of Section 52 (d) of the Municipal Finance Management Act No 56, 2003 Chapter 7, *“the Mayor must within 30 (thirty) days of the end of each quarter, submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality”*.

According to the Municipal Budget Reporting and Regulations (MBRR), 2009, *“the monthly budget statement of a municipality must be in a format specified in Schedule C and include all the required tables, charts and explanatory information taking into account any guidelines issued by the Minister in terms of S168(1) of the Act” (MFMA)*.

This report follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule C format).

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PART 1: IN-YEAR REPORT

5. RESOLUTIONS

It is recommended that:

- (i) Executive Mayor consider and note 2016/17 Mid-Year Budget and Performance Assessment Report of BCMM for the 2016/17 financial year in terms of Section 72 of the MFMA including supporting documentation attached as Annexure A to G.
- (ii) Executive Mayor note the spending trend on capital and operating projects as well as the reasons for such an expenditure as indicated in section 16 and 17 respectively of this report.
- (iii) Executive Mayor note the year to date collection rate for the period ended 31 December 2016 of 84.67%.

N. NCUNYANA
ACTING CITY MANAGER

DATE

6. EXECUTIVE SUMMARY ON THE IMPLEMENTATION OF THE BUDGET AND THE FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY FOR THE PERIOD ENDING 31 DECEMBER 2016

7.1. Dashboard / Performance Summary

Table 1: Performance Summary

OVERALL OPERATING RESULTS			CASH MANAGEMENT	
Income	R 3,125,716,652		Bank Balance	R 214,276,787
Expenditure	(R 2,858,969,501)		Call investments (excl. int.)	R 2,084,118,443
Operating Surplus	R 266,747,151		Cash and cash equivalents	R 2,298,395,231
Transfers Recognised - Capital	R 290,764,955		<i>Account Payables</i>	<i>(R 406,889,011)</i>
Surplus After Capital Transfers	R 557,512,106,		<i>Unspent conditional grants</i>	<i>(R414,919,263)</i>
DEBTORS			<i>Committed to Capital budget-own funds</i>	<i>(R 560,487,262)</i>
Total debtors book	R 1,943,104,514		Therefore Cash and Cash equivalents ring fenced for assets renewal in outer years	R 916,099,695
Total debtors - Government	R 70,983,135			
Total debtors - Business	R 442,030,522			
Total debtors - Households	R 1,174,915,510			
Total debtors - Other	R 255,175,346			
Total debt written off	R 4,302,303		SURPLUS / (DEFICIT) PER SERVICE	
REPAIRS AND MAINTENANCE			Water	R 19,147,439
			Electricity	R 64,339,334
2015/2016: Exp. = R138.47 m, which is 37% of approved budget of R372.01m	2016/2017: Exp.= R157.82 m, which is 38% of approved budget of R414.79m		Refuse	R 25,805,399
			Sewerage	R 8,715,784
CAPITAL EXPENDITURE			OPERATING PROJECTS EXPENDITURE	
2015/2016: Exp. as a % of Adjusted Budget of R1.38b: Exp. (excl. vat) = R398.12 mil % exp (Excl. vat) : 29% Exp. (incl. vat) = R431.26 mil % exp (incl. vat): 31%	2016/2017: Exp. as a % of Adjusted Budget of R1.69b: Exp. (excl. vat) = R491.48 mil % exp (Excl. vat) :29% Exp. (incl. vat) = R529.68 mil % exp (incl. vat): 31%		2015/2016: Exp. as a % of Adjusted Budget of R697.73m: Exp.(excl. vat)= R145.85 mil % exp.(excl. vat): 21% Exp.(incl. vat) = R146.07 mil % exp.(incl. vat): 21%	2016/2017: Exp. as a % of Adjusted Budget of R327.39m: Exp.(excl. vat)=R136.29 mil % exp.(excl. vat): 42% Exp.(incl. vat) = R142.35 mil % exp.(incl. vat): 43%
FINANCIAL			HUMAN RESOURCES	
	Quarter 1	Quarter 2		
Operating Surplus for the period	R 40,726,596	R 266,747,151	Total staff complement	5 196
Debtors collection ratio	82.15%	84.67%	Staff Appointments	440
YTD Grants and subsidies	R 435,951,775	R 851,346,419	Staff Terminations	91
% of Creditors paid within terms	100%	100%	Number of funded vacant posts	623
Current ratio	2.99:1	3.58:1	Total overtime paid (YTD)	R 61,396,033
Total Debt to Revenue	10.82%	10.29%	Allowances and benefits - Councillors	R 26,680,360
Capital Charges to Operating Expenditure	1.64%	1.96%	Salary bill - Officials	R 727,253,666
Cost coverage ratio	3.37 months	3.80 months	Workforce costs as a % of expenditure	26.37%

7.2. Liquidity position

Buffalo City Metropolitan Municipality's liquidity is considered relatively sound as the Current Ratio is 3.58:1 which indicates the ability of Municipality's current assets to cover its current liabilities. Debtors constitute 32% of the current assets, inventory constitutes 1% and cash & cash equivalents comprise 58% of the current assets. The City has a stronger cash and cash equivalent in order to meet its immediate obligations.

7.3. Collection Rate and Outstanding Debtors

The year to date collection rate for the month ended 31 December 2016 is 84.67% (2015/16: 90%). The ratio indicates the level of payments relative to revenue billed. This ratio denotes the City's ability to collect the billed revenue from its consumers. The City budgets for the provision of debt impairment annually.

Total debtors book (including current accounts) as at 31 December 2016 amounts to R1.94 billion (2015: R1.47 billion). Households: R1.17 billion, Business: R442.03 million, Government: R70.98 million, Other: R255.18 million. BCMM analyses recoverability of debt on a monthly basis. During the latest review, an amount of R272.77 million has been identified as irrecoverable in respect of rates and service charges. A report has been prepared for Council's consideration and approval for the debt to be written off during the 2016/2017 financial period.

Refer to section 9.1 of the report for details on debtors' management. The debtors' age analysis report is reflected on Annexure B – SC3

7.4. Capital Expenditure

BCMM has spent R529.68 million (2015/16: R431.26 million) which is 31% (2015/16: 31%) of its 2016/17 adjusted capital budget of R1.69 billion (2015/16: R1.38 billion) as at 31 December 2016. This depicts a slight improvement in rand value terms when compared to the same period in the previous financial year. The capital expenditure will progressively improve during the year as the procurement processes are undertaken. (Refer to Section 16 for further details).

A detailed schedule of the capital projects expenditure is outlined in Annexure E.

7.5. Operating projects

The Metro has spent 43% (R142.35 million, inclusive of reclaimed vat) of its 2016/17 adjusted budget of R327.39 million as at 31 December 2016. This reflects an improvement in percentage terms when compared to the same period in the previous financial year where 21% (R146.07 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R697.73 million was spent. The operating expenditure will progressively improve during the year as the procurement processes are undertaken. (Refer to Section 17 for further details).

A detailed schedule of the operating projects expenditure is outlined in Annexure D.

7.6. Expenditure on DoRA Current Allocation

The Metro has spent R380.61 million (2015/16: R326.38 million) which is 46% (2015/16: 41%) of its 2016/2017 conditional grants budget of R828.70 million (2015/16: R801.94 million) as at 31 December 2016. This reflects a slight improvement in rand value terms when compared to the same period in the previous financial year. It is anticipated that the expenditure will improve progressively during the year as the procurement processes are undertaken. (Refer to Section 12 for further details).

7.6.1. Urban Settlement Development Grant (USDG) funded projects

BCMM has spent R375.80 million (2015/16: R296.47 million) which is 51% (2015/16: 42%) of its 2016/17 USDG budget of R731.50 million (2015/16: R713.13 million) as at 31 December 2016. This reflects an improvement when compared to the same period in the previous financial year. It is anticipated that the expenditure will improve progressively during the year as the procurement processes are undertaken. (Refer to Section 12 for further details).

7.7. Cash and Cash Equivalents

The cash and cash equivalents of the City as at 31 December 2016 are R2.30 billion made up of cash and bank amounting to R214.28 million and call investment deposits of R2.08 billion. This funding is invested with various financial institutions in compliance with the MFMA. Refer to Section 8.7 and Annexure A – C7 for the cash

flow statement as well as Section 11 and Annexure B – SC5 for the investment portfolio breakdown. The cost coverage ratio of the city is 3.80 months (September 2016: 3.37 months). This ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue during that month. This ratio denotes that the City can meet its monthly operating commitments 4 times due to its stronger financial health which is above the norm of 1-3 months as per the MFMA circular 71.

7.8. Outstanding Creditors

The Metro is paying its creditors within 30 days as stipulated by the MFMA except when there are disputes on received invoices. However, Small Micro Medium Enterprises (SMME) are paid on a fortnightly basis to assist emerging service providers. Refer to Section 10 for details.

7.9. Long-Term Debt Profile

The total long term borrowings of the municipality as at 31 December 2016 amounts to R471.90 million (September 2016: R485.24 million). (Refer to Annexure C for the schedule of borrowings).

The ratio of capital charges to operating expenditure as at 31 December 2016 is 1.96% (September 2016: 1.64%). This ratio assesses the level of capital expenditure to operating expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of municipal services. The acceptable ceiling in accordance with the MFMA circular 71 is 6-8%.

The total debt to revenue ratio is 10.29% (September 2016: 10.82%) as at 31 December 2016, this indicates the extent of total borrowings (short and long term debt financing) in relation to total operating revenue of the municipality. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. The municipality is therefore highly solvent to meet its debt obligation as the acceptable norm in accordance with the MFMA circular 71 is a ceiling of 45%.

8.2. Monthly Budget Statement – Financial Performance (standard classification)

The table below is an overview of the budgeted financial performance in relation to revenue and expenditure per standard classification.

Table 3: C2: Monthly Budget Statement – Financial Performance (standard classification)

BUF Buffalo City - Table C2 Consolidated Monthly Budget Statement - Financial Performance (standard classification) - M06 December

Description	Ref	Budget Year 2016/17								
		2015/16 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Standard										
<i>Governance and administration</i>		2 043 462	2 268 639	2 266 738	361 575	1 242 030	1 173 481	68 549	6%	2 266 738
Executive and council		22 873	30 796	30 796	3 225	11 096	12 221	(1 125)	-9%	30 796
Budget and treasury office		1 959 136	2 222 421	2 220 521	356 526	1 226 513	1 156 779	69 734	6%	2 220 521
Corporate services		61 452	15 421	15 421	1 825	4 421	4 481	(60)	-1%	15 421
<i>Community and public safety</i>		343 452	127 228	127 228	17 784	106 635	51 708	54 927	106%	127 228
Community and social services		19 619	19 511	19 511	767	6 201	8 827	(2 626)	-30%	19 511
Sport and recreation		5 074	6 161	6 161	201	842	1 183	(342)	-29%	6 161
Public safety		126 568	98 758	98 758	5 582	64 585	41 497	23 089	56%	98 758
Housing		191 764	-	-	11 233	34 983	-	34 983	#DIV/0!	-
Health		428	2 797	2 797	2	24	201	(176)	-88%	2 797
<i>Economic and environmental services</i>		18 794	100 222	100 222	1 280	9 562	42 788	(33 226)	-78%	100 222
Planning and development		18 012	26 543	26 543	1 230	9 268	9 983	(715)	-7%	26 543
Road transport		638	73 255	73 255	39	243	32 711	(32 468)	-99%	73 255
Environmental protection		144	423	423	11	51	94	(43)	-46%	423
<i>Trading services</i>		3 049 543	3 384 579	3 384 579	540 011	1 756 671	1 627 598	129 073	8%	3 384 579
Electricity		1 813 861	1 931 170	1 931 170	324 623	993 855	1 004 898	(11 042)	-1%	1 931 170
Water		469 599	541 296	541 296	100 356	304 821	250 355	54 466	22%	541 296
Waste water management		389 037	446 227	446 227	63 774	242 510	182 881	59 628	33%	446 227
Waste management		377 046	465 885	465 885	51 257	215 484	189 464	26 020	14%	465 885
<i>Other</i>	4	693 317	874 641	874 641	103 851	301 584	291 856	9 728	3%	874 641
Total Revenue - Standard	2	6 148 568	6 755 308	6 753 408	1 024 500	3 416 482	3 187 431	229 051	7%	6 753 408
Expenditure - Standard										
<i>Governance and administration</i>		1 071 990	1 189 292	1 189 644	90 027	485 214	468 460	16 754	4%	1 189 644
Executive and council		163 175	209 046	209 397	20 217	96 507	93 277	3 230	3%	209 397
Budget and treasury office		451 159	553 044	553 044	35 469	196 068	206 218	(10 150)	-5%	553 044
Corporate services		457 656	427 203	427 203	34 341	192 639	168 965	23 674	14%	427 203
<i>Community and public safety</i>		677 307	738 246	738 995	56 479	307 757	319 831	(12 074)	-4%	738 995
Community and social services		76 906	94 309	94 309	9 790	51 031	50 711	320	1%	94 309
Sport and recreation		94 189	77 113	77 113	5 964	36 366	41 296	(4 930)	-12%	77 113
Public safety		264 902	224 016	224 016	18 280	143 745	121 242	22 503	19%	224 016
Housing		211 673	280 019	280 768	19 852	61 565	89 474	(27 910)	-31%	280 768
Health		29 637	62 789	62 789	2 593	15 051	17 108	(2 057)	-12%	62 789
<i>Economic and environmental services</i>		819 559	919 523	916 523	59 456	381 490	485 153	(103 663)	-21%	916 523
Planning and development		166 818	270 451	267 451	18 930	116 576	115 654	922	1%	267 451
Road transport		548 790	543 263	543 263	29 154	206 096	315 893	(109 797)	-35%	543 263
Environmental protection		103 950	105 809	105 809	11 373	58 818	53 606	5 212	10%	105 809
<i>Trading services</i>		2 879 728	3 041 214	3 041 214	295 993	1 674 488	1 486 012	188 476	13%	3 041 214
Electricity		1 660 506	1 725 555	1 725 555	151 550	948 820	854 617	94 203	11%	1 725 555
Water		540 432	531 791	531 791	60 896	305 400	260 859	44 541	17%	531 791
Waste water management		367 042	467 437	467 437	47 851	229 873	192 740	37 133	19%	467 437
Waste management		311 749	316 432	316 432	35 696	190 394	177 796	12 598	7%	316 432
<i>Other</i>		15 853	17 685	17 685	2 408	10 020	7 382	2 638	36%	17 685
Total Expenditure - Standard	3	5 464 435	5 905 961	5 904 061	504 362	2 858 970	2 766 838	92 131	3%	5 904 061
Surplus/ (Deficit) for the year		684 133	849 347	849 347	520 138	557 512	420 593	136 920	33%	849 347

8.3. Monthly Budget Statement – Financial Performance (Revenue and expenditure by municipal vote)

The table below shows budgeted financial performance in relation to the revenue and expenditure by vote as well as the operating surplus or deficit for the City.

Table 4: C3: Monthly Budget Statement – Financial Performance (Revenue and expenditure by municipal vote)

BUF Buffalo City - Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06 December

Vote Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote										
Vote 1 - Directorate - Executive Support Services	1	383	145	145	-	-	86	(86)	-100.0%	145
Vote 2 - Directorate - City Manager		22 871	52 588	52 588	3 225	11 096	11 857	(762)	-6.4%	52 588
Vote 3 - Directorate - Human Settlements		191 817	362 572	362 572	11 233	34 981	63 797	(28 815)	-45.2%	362 572
Vote 4 - Directorate - Finance		2 629 530	2 947 365	2 945 733	458 507	1 517 278	1 383 970	133 308	9.6%	2 945 733
Vote 5 - Directorate - Corporate Services		6 667	13 036	13 036	1 732	3 853	2 792	1 060	38.0%	13 036
Vote 6 - Directorate - Infrastructure Services		2 725 848	2 744 633	2 744 633	488 754	1 541 231	1 443 050	98 181	6.8%	2 744 633
Vote 7 - Directorate - Development Planning		42 563	64 067	34 695	1 362	10 036	9 434	602	6.4%	34 695
Vote 8 - Directorate - Health / Public Safety & Emergency Services		126 995	162 440	162 440	5 584	64 609	68 882	(4 272)	-6.2%	162 440
Vote 9 - Directorate - Municipal Services		401 893	408 195	408 195	52 235	222 578	195 575	27 003	13.8%	408 195
Vote 10 - Directorate - Economic Development		-	-	29 372	1 869	10 819	7 987	2 833	35.5%	29 372
Total Revenue by Vote	2	6 148 568	6 755 039	6 753 408	1 024 500	3 416 482	3 187 431	229 051	7.2%	6 753 408
Expenditure by Vote										
Vote 1 - Directorate - Executive Support Services	1	181 382	206 009	206 098	21 568	100 008	86 204	13 804	16.0%	206 098
Vote 2 - Directorate - City Manager		72 883	115 928	116 189	7 208	47 684	51 665	(3 982)	-7.7%	116 189
Vote 3 - Directorate - Human Settlements		216 633	346 542	347 560	20 497	65 845	95 448	(29 603)	-31.0%	347 560
Vote 4 - Directorate - Finance		451 159	551 753	551 753	35 469	196 068	206 218	(10 150)	-4.9%	551 753
Vote 5 - Directorate - Corporate Services		138 039	192 959	192 959	15 120	89 402	76 315	13 087	17.1%	192 959
Vote 6 - Directorate - Infrastructure Services		3 227 357	3 234 571	3 234 571	290 998	1 711 066	1 674 557	36 508	2.2%	3 234 571
Vote 7 - Directorate - Development Planning		229 830	333 338	246 099	20 049	109 087	99 525	9 561	9.6%	246 099
Vote 8 - Directorate - Health / Public Safety & Emergency Services		297 183	321 998	321 998	21 200	160 420	154 590	5 829	3.8%	321 998
Vote 9 - Directorate - Municipal Services		649 970	602 596	602 596	62 393	340 482	288 247	52 234	18.1%	602 596
Vote 10 - Directorate - Economic Development		-	-	84 239	9 859	38 909	34 067	4 842	14.2%	84 239
Total Expenditure by Vote	2	5 464 435	5 905 692	5 904 061	504 362	2 858 970	2 766 838	92 131	3.3%	5 904 061
Surplus/ (Deficit) for the year	2	684 133	849 347	849 347	520 138	557 512	420 593	136 920	32.6%	849 347

8.4. Monthly Budget Statement – Financial Performance (Revenue by Source and Expenditure by Type)

The statement of financial performance presented in table below, compares the expenditure and revenue on accrual basis against budget for the period ending 31 December 2016.

Table 5: C4: Monthly Budget Statement – Financial Performance (Revenue by Source and Expenditure by Type)

BUF Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
<u>Revenue By Source</u>										
Property rates		865 235	1 122 920	1 122 920	73 403	545 061	597 638	(52 577)	-9%	1 122 920
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		1 694 297	1 815 256	1 815 256	307 043	941 633	901 198	40 436	4%	1 815 256
Service charges - water revenue		425 276	444 291	444 291	74 974	244 397	222 146	22 252	10%	444 291
Service charges - sanitation revenue		298 552	339 107	339 107	26 160	166 069	172 323	(6 254)	-4%	339 107
Service charges - refuse revenue		287 400	308 375	308 375	25 887	154 604	154 188	417	0%	308 375
Service charges - other		44 122	21 580	21 580	2 084	12 233	10 966	1 266	12%	21 580
Rental of facilities and equipment		16 583	20 045	20 045	1 080	6 690	5 267	1 423	27%	20 045
Interest earned - external investments		154 706	143 775	143 775	10 652	76 396	66 077	10 319	16%	143 844
Interest earned - outstanding debtors		32 661	34 651	34 651	4 375	24 277	15 801	8 476	54%	34 651
Dividends received		-	-	-	-	-	-	-	-	-
Fines		5 594	8 385	8 385	484	4 006	4 193	(187)	-4%	8 385
Licences and permits		12 612	13 958	13 958	1 136	6 327	5 817	510	9%	13 958
Agency services		-	-	-	-	-	-	-	-	-
Transfers recognised - operational		963 670	1 319 728	1 318 097	389 884	851 346	529 408	321 938	61%	1 319 728
Other revenue		646 582	314 698	314 698	5 355	92 677	112 426	(19 750)	-18%	314 898
Gains on disposal of PPE		500	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		5 447 791	5 906 770	5 905 139	922 519	3 125 717	2 797 447	328 269	12%	5 907 039

BUF Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2015/16	Budget Year 2016/17							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Expenditure By Type										
Employee related costs		1 352 201	1 531 068	1 531 068	117 555	727 254	776 939	(49 685)	-6%	1 387 619
Remuneration of councillors		54 375	58 099	58 099	4 465	26 680	29 049	(2 369)	-8%	52 910
Debt impairment		210 111	303 865	303 865	25 322	151 932	152 522	(590)	0%	245 009
Depreciation & asset impairment		789 811	748 339	748 339	68 435	374 170	374 170	0	0%	690 930
Finance charges		54 878	57 105	57 105	10 384	31 544	29 039	2 505	9%	54 313
Bulk purchases		1 427 318	1 521 587	1 521 587	110 322	813 329	779 794	33 535	4%	1 377 012
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		-	22 486	22 486	1 961	14 799	7 071	7 728	109%	21 622
Transfers and grants		237 321	288 468	288 468	21 598	120 495	144 232	(23 737)	-16%	258 568
Other expenditure		1 338 420	1 374 675	1 373 043	144 320	598 767	474 022	124 744	26%	1 635 830
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		5 464 435	5 905 693	5 904 061	504 362	2 858 970	2 766 838	92 131	3%	5 723 812
Surplus/(Deficit)		(16 644)	1 078	1 078	418 156	266 747	30 609	236 138	0	183 227
Transfers recognised - capital		670 394	848 269	848 269	101 981	290 765	389 984	(99 219)	(0)	850 353
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		653 750	849 347	849 347	520 138	557 512	420 593			1 033 579
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		653 750	849 347	849 347	520 138	557 512	420 593			1 033 579
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		653 750	849 347	849 347	520 138	557 512	420 593			1 033 579
Share of surplus/ (deficit) of associate		30 383	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		684 133	849 347	849 347	520 138	557 512	420 593			1 033 579

8.4.1. ANALYSIS OF STATEMENT OF FINANCIAL PERFORMANCE

The explanation below pertains to all variances in excess of 10%.

8.4.1.1 Service Charges – other

The demand for items mentioned below is not constant throughout the year. Income is earned when there is a demand by the clients. Therefore the trend in which income is earned is not constant. The main contributors are:

- Availability charges
- Connection / Reconnection charges

The situation is however monitored on a monthly basis.

8.4.1.2 Rental of facilities and equipment

Rental of facilities is demand driven and therefore difficult to predict accurately. The situation is monitored on a monthly basis.

8.4.1.3 Interest earned – external investments

Higher levels of investments at 31 December 2016 have resulted in additional interest earned above budgeted projections for quarter two.

8.4.1.4 Interest earned – outstanding debtors

Despite credit control action that was implemented, a primary contributing factor to the increase in interest earned from outstanding debtors is attributed to the non-payment by customers as a result of poor economic outlook and high unemployment rates.

8.4.1.5 Transfers recognised - operational

The variance is as a result of general fuel levy that was received in the month of August and December 2016. The general fuel levy was not projected for under operational transfers recognised, however this will be corrected in the mid-year adjustment budget.

8.4.1.6 Other revenue

Other revenue is made up of numerous miscellaneous items (e.g. town planning fees,

fire levy charges, market income, road & transport registration fees, cemetery & burial fees, etc.). The actual income realised is below the projected income for the period under review due to varying seasonal trends.

8.4.1.7 Contracted services

Contracted services are utilised as and when required. As the year progresses the use of contracted services will stabilise. One-Man-Contract workers have been appointed to assist towards the cleanliness of the City.

8.4.1.8 Transfers and grants

The monthly journal to account for Social Welfare Grants for the December 2016 period was not processed timeously and this has resulted in the variance. This correction will be made in the subsequent month.

8.4.1.9 Other expenditure

Other expenditure includes operating projects, operational costs as well as repairs and maintenance and these expenditure categories are overspent by 26% when compared to the year to date budget. These were not correctly projected for, however this will be corrected in the mid-year adjustment budget. Expenditure on repairs and maintenance is provided in table 6 below. Details on operating projects are provided on section 15 of the report.

8.4.1.10 Repairs and Maintenance

Table 6 below reflects that as at 31 December 2016, the repairs and maintenance expenditure is 38% of the approved budget of R414.79 million (2015/16: 37%). This is a slight improvement when compared with the prior year. Refer to Annexure B: SC13c (repairs and maintenance by asset class).

Table 6: Repairs and Maintenance per Directorate

Directorate	<u>2016/2017</u> <u>Annual</u> <u>Budget</u> <u>R</u>	<u>2016/2017</u> <u>Annual</u> <u>Expenditure</u> <u>R</u>	<u>2016/2017</u> <u>-</u> <u>Variance</u> <u>R</u>	<u>2016/2017</u> <u>% of</u> <u>Budget</u> <u>%</u>
Directorate Of Executive Support Services	3 235 637	456 522	1 161 296	14%
Directorate Of The City Manager	134 478	3 902	63 337	3%
Directorate Of Corporate Services	6 540 381	1 453 315	1 816 875	22%
Directorate Of Development & Spatial Planning	28 357 088	8 612 065	5 566 479	30%
Directorate Of Economic Development & Agencies	1 180 627	799 904	(209 590)	68%
Directorate Of Finance	3 273 630	272 016	1 364 799	8%
Directorate Of Health / Public Safety & Emergency Services	6 195 492	1 381 388	1 716 358	22%
Directorate Of Human Settlement	108 421	72 644	(18 433)	67%
Directorate Of Infrastructure Services	328 157 794	117 996 739	46 082 158	36%
<i>Electricity</i>	126 468 926	49 743 674	13 490 789	39%
<i>Water</i>	47 248 367	27 937 826	(4 313 642)	59%
<i>Sanitation</i>	33 026 802	12 848 466	3 664 935	39%
<i>Other</i>	121 413 699	27 466 773	33 240 077	23%
Directorate Of Municipal Services	37 607 278	26 767 436	(7 963 797)	71%
TOTAL	414 790 826	157 815 930	49 579 483	38%

8.5. Capital Expenditure excluding vat (municipal vote, standard classification and funding)

The table below reflects the Metro's capital programme in relation to capital expenditure by municipal vote, capital expenditure by standard classification and funding sources.

Table 7: C5: Monthly Budget Statement – Capital Expenditure (municipal vote, standard classification and funding)

BUF Buffalo City - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - M06 December

Vote Description	Ref	2015/16		Budget Year 2016/17						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Directorate - Executive Support Services		2 222	5 500	8 007	2	339	491	(152)	-31%	8 007
Vote 2 - Directorate - City Manager		5 142	17 522	17 522	1 026	10 738	41	10 698	26248%	17 522
Vote 3 - Directorate - Human Settlements		203 043	202 441	211 477	17 286	78 228	21 642	56 586	261%	211 477
Vote 4 - Directorate - Finance		2 034	10 600	10 748	59	380	1 852	(1 472)	-79%	10 748
Vote 5 - Directorate - Corporate Services		9 001	7 100	9 034	20	427	3 973	(3 545)	-89%	9 034
Vote 6 - Directorate - Infrastructure Services		818 247	887 671	937 030	127 081	359 642	174 449	185 193	106%	937 030
Vote 7 - Directorate - Development Planning		66 629	230 290	230 417	3 073	9 234	20 848	(11 613)	-56%	230 417
Vote 8 - Directorate - Health / Public Safety & Emergency Services		4 810	30 032	46 484	334	1 248	12 708	(11 460)	-90%	46 484
Vote 9 - Directorate - Municipal Services		75 245	122 478	167 702	7 864	20 038	9 976	10 062	101%	167 702
Vote 10 - Directorate - Economic Development		-	44 500	54 734	4 754	11 202	22 250	(11 048)	-50%	54 734
Total Capital Multi-year expenditure	4,7	1 186 373	1 558 134	1 693 155	161 499	491 477	268 229	223 248	83%	1 693 155
Total Capital Expenditure		1 186 373	1 558 134	1 693 155	161 499	491 477	268 229	223 248	83%	1 693 155
Capital Expenditure - Standard Classification										
Governance and administration		18 399	40 722	80 310	1 107	11 885	12 723	(837)	-7%	80 310
Executive and council		7 364	23 022	60 529	1 028	11 078	9 589	1 489	16%	60 529
Budget and treasury office		2 034	10 600	10 748	59	380	1 703	(1 322)	-78%	10 748
Corporate services		9 001	7 100	9 034	20	427	1 431	(1 004)	-70%	9 034
Community and public safety		245 226	276 498	309 838	25 484	99 182	49 084	50 098	102%	309 838
Community and social services		14 751	23 300	30 226	358	4 809	4 788	20	0%	30 226
Sport and recreation		22 622	20 725	21 651	7 506	14 898	3 430	11 468	334%	21 651
Public safety		4 810	30 032	46 484	334	1 248	7 364	(6 116)	-83%	46 484
Housing		203 043	202 441	211 477	17 286	78 228	33 502	44 726	134%	211 477
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		398 399	541 969	552 330	69 144	134 453	87 500	46 953	54%	552 330
Planning and development		66 629	274 790	285 151	7 826	20 436	45 174	(24 737)	-55%	285 151
Road transport		331 770	267 179	267 179	61 317	114 017	42 326	71 690	169%	267 179
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		460 130	680 946	732 365	65 589	236 881	116 021	120 860	104%	732 365
Electricity		146 652	143 000	143 000	14 656	48 177	22 654	25 523	113%	143 000
Water		116 452	87 500	87 500	17 365	60 264	13 862	46 402	335%	87 500
Waste water management		159 154	371 992	386 040	33 568	128 108	61 156	66 952	109%	386 040
Waste management		37 872	78 454	115 825	-	332	18 349	(18 017)	-98%	115 825
Other		64 219	18 000	18 312	175	9 075	2 901	6 175	213%	18 312
Total Capital Expenditure - Standard Classification	3	1 186 373	1 558 134	1 693 155	161 499	491 477	268 229	223 248	83%	1 693 155
Funded by:										
National Government		596 567	741 969	741 969	98 187	279 080	117 542	161 538	137%	741 969
Provincial Government		73 827	106 300	120 405	3 795	11 685	19 074	(7 390)	-39%	120 405
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		670 394	848 269	862 374	101 981	290 765	136 617	154 148	113%	862 374
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	69 582	69 582	-	-	11 023	(11 023)	-100%	69 582
Internally generated funds		515 979	640 283	761 199	59 517	200 712	120 589	80 123	66%	761 199
Total Capital Funding		1 186 373	1 558 134	1 693 155	161 499	491 477	268 229	223 248	83%	1 693 155

8.6. Monthly Budget Statement – Financial Position

The table below reflects the financial position of the Metro. It is good to note that the Metro is having high assets over liabilities resulting into the net worth of R15.54 billion.

Table 8: C6: Monthly Budget Statement – Financial Position

BUF Buffalo City - Table C6 Consolidated Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2015/16	Budget Year 2016/17			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		222 736	80 644	80 644	214 277	80 644
Call investment deposits		2 151 164	2 410 242	2 410 242	2 084 118	2 410 242
Consumer debtors		695 008	820 635	820 635	461 471	820 635
Other debtors		464 554	108 064	108 064	1 160 380	108 064
Current portion of long-term receivables		–	15	15	–	15
Inventory		36 030	106 480	106 480	44 514	106 480
Total current assets		3 569 493	3 526 080	3 526 080	3 964 760	3 526 080
Non current assets						
Long-term receivables		–	66	66	–	66
Investments		–	–	–	–	–
Investment property		342 030	485 540	485 540	342 030	485 540
Investments in Associate		112 292	90 099	90 099	112 292	90 099
Property, plant and equipment		12 885 919	13 447 560	13 555 576	13 004 283	13 555 576
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		85 948	25 080	25 080	85 948	25 080
Other non-current assets		69 018	82 676	82 676	69 018	82 676
Total non current assets		13 495 206	14 131 021	14 239 037	13 613 570	14 239 037
TOTAL ASSETS		17 064 699	17 657 101	17 765 117	17 578 331	17 765 117
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		50 709	51 825	51 825	39 470	51 825
Consumer deposits		53 708	59 455	59 455	53 708	59 455
Trade and other payables		1 143 254	852 917	852 917	821 808	852 917
Provisions		191 830	166 958	166 958	191 830	166 958
Total current liabilities		1 439 501	1 131 155	1 131 155	1 106 816	1 131 155
Non current liabilities						
Borrowing		445 768	518 175	518 175	432 433	518 175
Provisions		498 372	659 099	659 099	498 372	659 099
Total non current liabilities		944 139	1 177 274	1 177 274	930 805	1 177 274
TOTAL LIABILITIES		2 383 640	2 308 429	2 308 429	2 037 621	2 308 429
NET ASSETS	2	14 681 058	15 348 672	15 456 688	15 540 710	15 456 688
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		10 067 118	12 256 811	12 364 827	10 926 769	12 364 827
Reserves		4 613 941	3 091 861	3 091 861	4 613 941	3 091 861
TOTAL COMMUNITY WEALTH/EQUITY	2	14 681 058	15 348 672	15 456 688	15 540 710	15 456 688

8.7. Monthly Budget Statement – Cash Flow

The Metros' cash flow position and cash/cash equivalent outcome is shown in the table below. The Metro's cash position reflects a net decrease of R75.51 million resulting in cash and cash equivalents closing balance of R2.30 billion as at 31 December 2016. The net decrease is as a result of a lower collection rate than projected, it is however expected to improve as the year progresses.

Table 9: C7: Monthly Budget Statement – Cash Flow

BUF Buffalo City - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges		865 235	1 038 701	1 038 701	73 403	545 061	519 351	25 710	5%	1 038 701
Service charges		2 749 648	2 708 964	2 708 964	434 064	1 506 704	1 354 482	152 222	11%	2 708 964
Other revenue		73 095	330 374	330 374	10 140	121 932	165 187	(43 255)	-26%	330 374
Government - operating		963 670	1 319 728	1 319 728	389 884	851 346	659 864	191 482	29%	1 319 728
Government - capital		670 394	848 269	848 269	-	563 660	424 135	139 525	33%	848 269
Interest		187 436	178 495	178 495	15 027	100 674	89 247	11 426	13%	178 495
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(3 822 207)	(4 430 013)	(4 430 013)	(663 588)	(3 096 792)	(2 215 007)	881 786	-40%	(4 430 013)
Finance charges		(54 878)	(57 113)	(57 113)	(10 384)	(31 544)	(28 556)	2 988	-10%	(57 113)
Transfers and Grants		(237 321)	(288 468)	(288 468)	(21 598)	(120 495)	(144 234)	(23 739)	16%	(288 468)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1 395 072	1 648 938	1 648 938	226 949	440 545	824 469	383 924	47%	1 648 938
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		10 841	-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(1 186 373)	(1 558 134)	(1 693 155)	(161 499)	(491 477)	(779 067)	(287 590)	37%	(1 558 134)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1 175 532)	(1 558 134)	(1 693 155)	(161 499)	(491 477)	(779 067)	(287 590)	37%	(1 558 134)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	69 582	69 582	-	-	34 791	(34 791)	-100%	69 582
Increase (decrease) in consumer deposits		5 203	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		(49 702)	(51 825)	(51 825)	(13 334)	(24 573)	(25 912)	(1 339)	5%	(51 825)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(44 499)	17 757	17 757	(13 334)	(24 573)	8 878	33 452	377%	17 757
NET INCREASE/ (DECREASE) IN CASH HELD		175 041	108 561	(26 460)	52 115	(75 505)	54 280			108 561
Cash/cash equivalents at beginning:		2 200 541	2 382 186	2 382 186		2 373 900	2 382 186			2 373 900
Cash/cash equivalents at monthly year end:		2 375 582	2 490 747	2 355 726		2 298 395	2 436 467			2 482 416

PART 2: SUPPORTING **DOCUMENTATION**

9. IN-YEAR BUDGET STATEMENT SUPPORTING TABLES AND DOCUMENTATION

9.1. Debtors

The debtor analysis table below (table 10) provides an age analysis summary by revenue source and customer category for the total debtors.

Table 10: SC3 Monthly Budget Statement Aged Debtors

BUF Buffalo City - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2016/17										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	57 592	22 667	18 374	21 461	19 001	25 797	109 000	279 667	553 559	454 926		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	97 869	15 734	6 990	5 743	4 451	4 520	12 612	34 070	181 989	61 396		
Receivables from Non-exchange Transactions - Property Rates	1400	72 112	36 262	25 361	15 828	14 790	22 770	84 725	291 513	563 362	429 627		
Receivables from Exchange Transactions - Waste Water Management	1500	21 023	8 930	5 912	5 589	4 903	9 728	24 739	127 858	208 681	172 817		
Receivables from Exchange Transactions - Waste Management	1600	17 452	9 013	6 844	6 215	6 037	10 843	32 354	178 802	267 559	234 251		
Receivables from Exchange Transactions - Property Rental Debtors	1700	76	70	70	68	68	109	418	3 321	4 198	3 984		
Interest on Arrear Debtor Accounts	1810									-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-		
Other	1900	7 055	3 883	3 346	3 269	2 947	4 464	16 872	121 920	163 757	149 472		
Total By Income Source	2000	273 178	96 558	66 896	58 173	52 196	78 231	280 720	1 037 153	1 943 105	1 506 473	-	-
2015/16 - totals only		291 855	76 034	61 181	45 985	38 837	3 439	210 133	719 269	1 446 733	1 017 663		
Debtors Age Analysis By Customer Group													
Organs of State	2200	18 045	14 145	10 546	2 490	2 647	3 886	14 552	4 672	70 983	28 247		
Commercial	2300	129 951	26 656	15 095	13 275	11 495	17 698	58 723	169 137	442 031	270 328		
Households	2400	116 881	49 576	36 093	37 222	32 857	50 050	176 377	675 859	1 174 916	972 365		
Other	2500	8 301	6 181	5 161	5 186	5 197	6 596	31 068	187 485	255 175	235 533		
Total By Customer Group	2600	273 178	96 558	66 896	58 173	52 196	78 231	280 720	1 037 153	1 943 105	1 506 473	-	-

9.1.1. Additional debtors information

The debtors that are older than 30 days, which includes all charges, amounted to R1.67 billion as at 31 December 2016 which is an increase of R43.26 million over the amount of R1.63 billion as at 30 November 2016.

Despite credit control action and debt collection action that was implemented, the primary contributing factor to the increase in debtors and reduction in collection rate can be attributed to the non-payment by customers as a result of the poor economic outlook and high unemployment rates.

9.2. Additional debtor's information.

9.2.1. Age Analysis per Category

Table 11 below details debtors age analysis that are older than 30 days by income source as at 31 December 2016. It also provides comparison with the previous month (30 November 2016) which indicates an increase from R1.63 billion to R1.67 billion.

Table 11: Debtor's Age Analysis by Income Source Comparison

AGEING	RATES	SEWERAGE	ELECTRICITY	WATER	REFUSE	SUNDRY DEBTORS	TOTAL FOR DECEMBER 2016	TOTAL FOR NOVEMBER 2016
30 DAYS	36 261 593	8 929 909	15 734 488	22 666 556	9 012 680	3 952 866	96 558 091	86 351 247
60 DAYS	25 360 749	5 912 025	6 989 746	18 373 646	6 843 509	3 415 940	66 895 615	65 987 041
90 DAYS	15 828 146	5 588 538	5 743 164	21 461 086	6 215 071	3 337 223	58 173 228	55 573 157
120 DAYS TO 360 DAYS	122 285 437	39 369 890	21 582 629	153 798 290	49 233 533	24 877 136	411 146 914	403 995 934
YEAR 2	121 080 039	31 159 217	9 747 710	98 123 436	39 803 193	23 094 469	323 008 064	319 802 678
YEAR 3	65 126 515	26 214 961	5 997 654	56 044 205	33 594 417	24 512 179	211 489 931	201 248 712
YEAR 4	25 212 320	17 440 902	5 518 385	33 188 002	24 373 976	20 152 354	125 885 939	123 052 193
YEAR 5	20 347 251	13 101 999	5 045 620	22 736 264	18 144 986	14 170 633	93 546 754	94 648 849
YEAR 5+	59 747 222	39 941 254	7 760 690	69 575 126	62 885 619	43 311 948	283 221 858	276 002 727
TOTAL	491 249 273	187 658 696	84 120 085	495 966 609	250 106 983	160 824 747	1 669 926 394	1 626 662 538

9.2.2. Age Analysis per Category

Table 12 below details debtors age analysis per category type that are older than 30 days as at 31 December 2016. It also reflects the percentage split per category with domestic consumers having the highest share followed by indigent consumers. Please note that the financial system is not able to produce a collection ratio per service, however the collection ratio is reported on globally.

Table 12: Age Analysis per Category Type

CATEGORY TYPE	30 DAYS	60 DAYS	90 DAYS	120 DAYS+	Total	% Share
Domestic	39 759 214	26 617 529	26 495 034	629 794 149	722 665 926	43.28
Indigent	9 449 143	9 322 731	10 622 565	304 707 098	334 101 536	20.01
Business	26 656 436	15 095 369	13 274 751	257 052 943	312 079 500	18.69
Government	14 144 757	10 545 868	2 490 158	25 756 878	52 937 661	3.17
Municipal Staff	367 960	152 880	104 604	641 827	1 267 271	0.08
Other	6 180 581	5 161 238	5 186 116	230 346 565	246 874 501	14.78
Total	96 558 091	66 895 615	58 173 228	1 448 299 460	1 669 926 395	100

Note*: A stop order deduction is implemented for all municipal staff and councillors in arrears. When new staff join the employ of the municipality in many instances there is services debt, and therefore the arrears will be liquidated over an acceptable period of time, in terms of the Credit Control Policy. The reason why the debt reflects in the 30/60/90 day columns relating to staff and councillors is due to the fact that when the stop orders are receipted the payment is allocated to the oldest ageing category, giving the impression that current is not being paid, which is not the case as an amount is being deducted for current accounts.

9.2.3. Government Accounts

The total arrears owed by Government Departments to Buffalo City Metropolitan Municipality as at 31 December 2016 amounted to R52.94 million. This indicates an increase of R8.9 million when compared to prior month amount of R44.02 million. The debt has increased due to the correction of the monthly billing, specifically related to Department Of Public Works, and short payment of accounts by the various Departments during December 2016 period. Corrective action has been instituted by the Municipality to recover the outstanding amounts.

The increase in debt of the Department of Health's debtor balance of R23.74 million related to a backcharge of water relating to the Cecilia Makiwane Hospital. The Meter Readers could not gain access to the meters over a considerable amount of time resulting in higher estimates being raised. The readings have subsequently been obtained and the account has been recalculated. A credit adjustment in the amount of R12.19 million will be passed, resulting in the account reducing to a balance of R13.76 million. Corrective action has been instituted by the municipality to recover the outstanding amounts.

The breakdown of the arrears per department (excluding accounts in credit) is indicated in the table hereunder, as at 31 December 2016.

Table 13 below provides an analysis of government debtors that are older than 30 days as at 31 December 2016 and comparison with the previous month.

Table 13: Analysis of Government Debtors

DEPARTMENT	PROPERTY RATES	SERVICES	ARREARS AS AT 31 DECEMBER 2016	ARREARS AS AT 30 NOVEMBER 2016	DIFFERENCE
National Department Of Public Works	2 806 634	1 894 799	4 701 433	2 917 510	1 783 923
Provincial Department Of Public Works	14 643 513	2 298 062	16 941 575	11 913 077	5 028 498
Department Of Education	-	1 827 883	1 827 883	1 431 279	396 605
Department Of Health	-	23 744 715	23 744 715	22 071 649	1 673 066
Department Of Agriculture	-	-	-	6 407	(6 407)
Department of Human Settlements	-	48 007	48 007	45 188	2 819
Department of Labour - UIF Services	-	2 333	2 333	2 333	(0)
Members Of Provincial Legislature	-	85 196	85 196	80 634	4 562
Department of Rural Development and Land Reform	-	590 709	590 709	584 916	5 793
Provincial RDP Houses	-	4 995 810	4 995 810	4 962 380	33 430
TOTAL	17 450 147	35 487 514	52 937 661	44 015 373	8 922 287

10. CREDITORS' ANALYSIS

The creditors' analysis as depicted in table 14 below contains an aged analysis by customer type. It reflects that creditors are paid within 30 days, except when there are disputes on invoices received.

Table 14: SC4 Monthly Budget Statement Aged Creditors

BUF Buffalo City - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description	NT Code	Budget Year 2016/17									Prior year totals for chart (same period)	
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total		
R thousands												
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100	102 385								102 385	77 486	
Bulk Water	0200	16 824								16 824	16 031	
PAYE deductions	0300	16 341								16 341	13 420	
VAT (output less input)	0400	-								-	-	
Pensions / Retirement deductions	0500	19 543								19 543	15 545	
Loan repayments	0600	26 756								26 756	27 007	
Trade Creditors	0700	202 724								202 724	153 156	
Auditor General	0800	1 720								1 720	2 871	
Other	0900	20 597								20 597	550 300	
Total By Customer Type	1000	406 889	-	-	-	-	-	-	-	406 889	855 818	

The table below (table 15) depicts actual payments made by BCMM to its top twenty (20) creditors in December 2016.

Table 15: Payments made to the 20 highest paid creditors – December 2016

CREDITOR	90 DAYS	60 DAYS	30 DAYS	CURRENT	TOTAL	PAYMENT
ESKOM				102 385 525	102 385 525	102 385 525
MOTHEO/MPUMALANGA JOINT VENTURE				25 014 944	25 014 944	25 014 944
AMANZ ABANTU SERVICES (PTY)LTD				24 817 268	24 817 268	24 817 268
AMATOLA WATER				16 824 461	16 824 461	16 824 461
HAW & INGLIS(PTY)LTD				15 781 883	15 781 883	15 781 883
MANTELLA TRADING 522CC				13 245 050	13 245 050	13 245 050
NYONI PROJECTS (PTY)LTD				11 430 335	11 430 335	11 430 335
MAZIYA GENERAL SERVICES				10 972 182	10 972 182	10 972 182
DOWN TOUCH INVESTMENT (PTY)LTD				10 349 216	10 349 216	10 349 216
XMOOR TRANSPORT (PTY)LTD				9 458 122	9 458 122	9 458 122
GOROGANG PLANT HIRE				7 988 532	7 988 532	7 988 532
T V R CONSTRUCTION				6 585 023	6 585 023	6 585 023
CZAR CONTRUCTION				6 415 563	6 415 563	6 415 563
RUWACON (PTY)LTD				6 058 204	6 058 204	6 058 204
GINTI CC				5 643 518	5 643 518	5 643 518
ARISTOPIX (PTY)LTD				5 261 318	5 261 318	5 261 318
FASTMOVE ELECTRICAL CC				4 969 517	4 969 517	4 969 517
MORETENG INVESTMENTS				4 968 993	4 968 993	4 968 993
EYA BANTU PROFFESIONAL SERVICES CC				4 736 927	4 736 927	4 736 927
CHIPPA TRAINING ACADEMY (PTY) LTD				4 456 032	4 456 032	4 456 032
TOTAL	-	-	-	297 362 615	297 362 615	297 362 615

11. INVESTMENT PORTFOLIO ANALYSIS

The investment portfolio analysis detailed in table 16 below includes information of the institution where funds are invested, period of investment, type of investment and accrued interest for the month.

Table 16: SC5 Monthly Budget Statement – investment portfolio

BUF Buffalo City - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
Rand Merchant Bank X021901943		Call Account	Call Account	Call Account	270	2.3%	48 903	270	49 173
Absa 91 2884 4539		Call Account	Call Account	Call Account	5	0.0%	514	646	1 160
Standard 422 742		Call Account	Call Account	Call Account	–		–	–	–
Absa 91 4102 2241		Call Account	Call Account	Call Account	51	0.4%	9 882	(742)	9 140
Absa 91 4163 6965		Call Account	Call Account	Call Account	–		–	–	–
Absa 91 5484 1280		Call Account	Call Account	Call Account	1	0.0%	811	(806)	5
Rand Merchant Bank X021904910		Call Account	Call Account	Call Account	50	0.4%	9 215	(50)	9 165
Standard 76586/442740		Call Account	Call Account	Call Account	–		–	–	–
Absa 92 0562 2137		Call Account	Call Account	Call Account	5	0.0%	835	5	839
Rand Merchant Bank X021904913		Call Account	Call Account	Call Account	85	0.7%	15 383	85	15 468
Stanlib 551 660 303		Call Account	Call Account	Call Account	282	2.4%	43 563	(13)	43 550
Nedbank 03/7881532939/000041		Call Account	Call Account	Call Account	8	0.1%	1 525	(178)	1 347
Nedbank 03/7881532939/000056		Call Account	Call Account	Call Account	6	0.1%	1 057	6	1 063
Nedbank 03/7881532939/000058		Call Account	Call Account	Call Account	0	0.0%	14	(14)	–
Nedbank 03/7881532939/000103		Call Account	Call Account	Call Account	0	0.0%	3	(3)	–
Nedbank 03/7881532939/000064		Call Account	Call Account	Call Account	48	0.4%	8 638	48	8 686
Absa 92 0559 0710		Call Account	Call Account	Call Account	0	0.0%	43	0	43
Nedbank 03/7881532939/000117		Call Account	Call Account	Call Account	24	0.2%	4 437	24	4 462
Nedbank 03/7881532939/000108		Call Account	Call Account	Call Account	1	0.0%	177	1	178
Absa 92 2975 5568		Call Account	Call Account	Call Account	–		–	–	–
Absa 91 9360 7257		Call Account	Call Account	Call Account	6	0.0%	1 021	6	1 027

BUF Buffalo City - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
Nedbank 03/7881532939/000110		Call Account	Call Account	Call Account	1	0.0%	256	1	257
Rand Merchant Bank RRB1629010		Call Account	Call Account	Call Account	421	3.6%	76 209	421	76 630
Stanlib 551 989 180		Call Account	Call Account	Call Account	251	2.2%	38 654	251	38 905
Absa 92 2590 9850		Call Account	Call Account	Call Account	6	0.0%	1 006	6	1 012
Stanlib 551 539 764		Call Account	Call Account	Call Account	12	0.1%	1 893	12	1 905
Rand Merchant Bank RRB0324003		Call Account	Call Account	Call Account	0	0.0%	42	(42)	0
Stanlib 551 567 496		Call Account	Call Account	Call Account	0	0.0%	2	0	2
Stanlib 551 576 733		Call Account	Call Account	Call Account	0	0.0%	0	-	0
Rand Merchant Bank RRB0B25020		Call Account	Call Account	Call Account	9	0.1%	1 701	9	1 710
Standard 76586/442743		Call Account	Call Account	Call Account	-		-	-	-
Rand Merchant Bank RRB1609012		Call Account	Call Account	Call Account	-		(0)	-	(0)
Stanlib 551 742 405		Call Account	Call Account	Call Account	-		-	-	-
Rand Merchant Bank KLN2308011		Call Account	Call Account	Call Account	-		-	-	-
Nedbank 03/7881532939/000128		Call Account	Call Account	Call Account	224	1.9%	3 739	59 224	62 963
Rand Merchant Bank RRB1722008		Call Account	Call Account	Call Account	248	2.1%	10 253	55 848	66 102
Standard 76586/442745		Call Account	Call Account	Call Account	203	1.8%	18 657	28 688	47 345
Absa 92 6406 3148		Call Account	Call Account	Call Account	609	5.3%	67 446	69 609	137 055
Rand Merchant Bank KLN2720020		Call Account	Call Account	Call Account	40	0.3%	7 335	(171)	7 163
Stanlib 551 868 235		Call Account	Call Account	Call Account	1	0.0%	140	1	141
Absa 92 0559 0891		Call Account	Call Account	Call Account	3	0.0%	532	3	535
Rand Merchant Bank VVW2B13011		Call Account	Call Account	Call Account	2	0.0%	428	2	430
Standard 76586/494573		Call Account	Call Account	Call Account	28	0.2%	2 718	3 933	6 651

BUF Buffalo City - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
Nedbank 03/7881532939/000133		Call Account	Call Account	Call Account	3	0.0%	521	3	524
Nedbank 03/7881532939/000134		Call Account	Call Account	Call Account	113	1.0%	20 627	26	20 653
Stanlib 753 72 270		Call Account	Call Account	Call Account	342	3.0%	52 637	342	52 979
Stanlib 551 353 708		Call Account	Call Account	Call Account	7	0.1%	1 069	7	1 076
Standard 76586/442736		Call Account	Call Account	Call Account	220	1.9%	39 870	220	40 090
Stanlib 753 72 271		Call Account	Call Account	Call Account	310	2.7%	47 733	310	48 044
Rand Merchant Bank X021904579		Call Account	Call Account	Call Account	158	1.4%	28 703	158	28 861
Nedbank 03/7881532939/000101		Call Account	Call Account	Call Account	15	0.1%	2 695	15	2 710
Absa 92 1120 9757		Call Account	Call Account	Call Account	1 191	10.3%	215 707	1 191	216 898
Absa 92 2110 3430		Call Account	Call Account	Call Account	978	8.4%	177 143	978	178 121
Standard 76586/442741		Call Account	Call Account	Call Account	180	1.5%	32 534	180	32 714
Standard 76586/442744		Call Account	Call Account	Call Account	161	1.4%	29 092	161	29 253
Rand Merchant Bank RRB0C07002		Call Account	Call Account	Call Account	290	2.5%	52 590	290	52 880
Nedbank 03/7881532939/000129		Call Account	Call Account	Call Account	259	2.2%	46 903	259	47 162
Nedbank 03/7881532939/000132		Call Account	Call Account	Call Account	2 111	18.2%	400 579	(44 889)	355 690
Rand Merchant Bank KLN3815041		Call Account	Call Account	Call Account	1 267	10.9%	246 573	(51 733)	194 840
Standard 76586/470801		Call Account	Call Account	Call Account	1 080	9.3%	195 547	1 080	196 627
Standard 76586/442738		Call Account	Call Account	Call Account	14	0.1%	2 471	14	2 485
Municipality sub-total					11 599		1 970 026	125 692	2 095 717
Entities									
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				11 599		1 970 026	125 692	2 095 717

12. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Transfers and grants expenditure (excluding vat) per allocation or grant is provided in the table below. Further details on grants expenditure performance is detailed in section 12.1 below.

Table 17: SC7 Monthly Budget Statement – transfers and grants expenditure

BUF Buffalo City - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December										
Description	Ref	2015/16		Budget Year 2016/17						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		763 536	1 177 431	1 177 431	384 005	839 594	588 715	250 878	42.6%	1 177 431
Local Government Equitable Share		655 141	678 197	678 197	226 066	508 648	339 099	169 550	50.0%	678 197
Urban Settlement Development Grant		98 783	75 445	75 445	20 502	52 984	37 722	15 261	40.5%	75 445
Finance Management		1 194	1 200	1 200	69	310	600	(290)	-48.3%	1 200
EPWP Incentive		1 034	1 188	1 188	-	854	594	260	43.8%	1 188
Infrastructure Skills Development Grant		4 186	8 900	8 900	369	3 121	4 450	(1 329)	-29.9%	8 900
Water Services Operating Subsidy		-	-	-	-	-	-	-	-	-
Department of Public Works		-	2 470	2 470	322	322	1 235	(913)	-73.9%	2 470
Integrated City Development Grant		-	-	-	-	-	-	-	-	-
Municipal Human Settlement Capacity Grant		3 198	-	-	-	-	-	-	-	-
General Fuel Levy		-	410 031	410 031	136 677	273 354	205 016	68 339	33.3%	410 031
Provincial Government:		197 710	138 802	140 081	16 277	47 422	70 040	(22 618)	-32.3%	138 802
Roads Subsidy - Provincial Roads		-	-	-	-	-	-	-	-	-
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT) - Greening Award		-	-	-	-	-	-	-	-	-
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)		-	-	-	-	-	-	-	-	-
Department of Water Affairs		-	-	-	-	-	-	-	-	-
Local Government & Traditional Affairs		3 130	-	-	-	-	-	-	-	-
Health Subsidy - ATIC		-	-	-	-	-	-	-	-	-
DSRAC - Library Subsidy		9 638	15 000	15 000	-	-	7 500	(7 500)	-100.0%	15 000
Reclaim Land Claims Commission(RLCC		-	-	-	-	-	-	-	-	-
Dept Sport, Recreation, Arts and Culture (DSRAC)		30	-	-	-	-	-	-	-	-
Independent Electoral Commission		-	-	262	-	-	131	(131)	-100.0%	-
Human Settlement Development Grant		184 186	123 802	124 819	16 277	47 422	62 410	(14 988)	-24.0%	123 802
Dept of Land Affairs		727	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Health Subsidy - Environmental Health		-	-	-	-	-	-	-	-	-
Other grant providers:		2 424	3 496	556	-	1 086	195	890	456.1%	3 496
SETA - Skills Development		2 309	-	-	-	1 086	-	1 086	#DIV/0!	-
Donor Funding - Leiden & Galve		-	-	-	-	-	-	-	-	-
Salauda		-	-	-	-	-	-	-	-	-
Transnet		-	3 000	-	-	-	-	-	-	3 000
Trust Funds		-	-	-	-	-	-	-	-	-
Umsobomvu Youth Fund		116	-	-	-	-	-	-	-	-
BCMETS Funding		-	-	-	-	-	-	-	-	-
Donor Funding - European Commission		-	-	-	-	-	-	-	-	-
City of Oldenburg		-	496	496	-	-	165	(165)	-100.0%	496
Vuna Awards		-	-	90	-	-	30	(30)	-100.0%	-
Total operating expenditure of Transfers and Grants:		963 670	1 319 728	1 318 097	400 282	888 101	658 951	229 150	34.8%	1 319 728
Capital expenditure of Transfers and Grants										
National Government:		596 567	741 969	741 969	98 187	279 080	370 985	(91 904)	-24.8%	741 969
Urban Settlement Development Grant		576 870	656 054	656 054	98 000	278 701	328 027	(49 326)	-15.0%	656 054
Infrastructure Skills Development Grant		88	100	100	-	14	50	(36)	-72.8%	100
Energy Efficiency and Demand Management		3 998	-	-	-	-	-	-	-	-
Public Transport Network Grant		-	35 289	35 289	179	287	17 645	(17 358)	-98.4%	35 289
Neighbourhood Development Partnership		-	19 346	19 346	-	-	9 673	(9 673)	-100.0%	19 346
Integrated National Electrification Programme		10 517	25 000	25 000	7	59	12 500	(12 441)	-99.5%	25 000
Finance Management		102	100	100	-	19	50	(31)	-62.1%	100
Integrated City Development Grant		4 908	6 080	6 080	-	-	3 040	(3 040)	-100.0%	6 080
Municipal Human Settlement Capacity Grant		83	-	-	-	-	-	-	-	-
Provincial Government:		73 827	106 300	119 947	3 795	11 685	59 973	(48 288)	-80.5%	106 300
Human Settlement Development Grant		70 224	106 300	106 300	-	7 890	53 150	(45 260)	-85.2%	106 300
Human Settlement Development Grant - MPCC		-	-	-	-	-	-	-	-	-
Dept Sport, Recreation, Arts and Culture (DSRAC)		3 603	-	4 411	3 795	3 795	2 206	1 589	72.0%	-
Dept of Local Government and Traditional Affairs		-	-	9 036	-	-	4 518	(4 518)	-100.0%	-
Dept of Economic Development, Environmental Affairs and Tourism (DEDEAT)		-	-	199	-	-	100	(100)	-100.0%	-
District Municipality:		-	-	-	-	-	-	-	-	-
Health Subsidy - Environmental Health		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	458	-	-	229	(229)	-100.0%	-
Public Funding		-	-	-	-	-	-	-	-	-
European Commission		-	-	-	-	-	-	-	-	-
BCMETS Funding		-	-	-	-	-	-	-	-	-
Leiden		-	-	458	-	-	229	(229)	-100.0%	-
Total capital expenditure of Transfers and Grants		670 394	848 269	862 374	101 981	290 765	431 187	(140 422)	-32.6%	848 269
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		1 634 064	2 167 997	2 180 471	502 263	1 178 866	1 090 138	88 728	8.1%	2 167 997

12.1. Expenditure On Conditional Grant Allocations

The total expenditure inclusive of reclaimed vat on conditional grants budget as at 31 December 2016 amounts to R380.61 million (2015/16: R326.38 million) which is 46% (2015/16: 41%) of the approved budget of R828.70 million (2015/16: R801.94 million).

Table 18 below reflects the year to date expenditure on 2016/17 total conditional grants.

Table 18: Spending per Conditional Grant Funding Allocation

Funding	<u>2016/2017 Rollover Adjustment Budget</u>	<u>YTD Expenditure (incl. VAT)</u>	<u>Variance (incl. VAT)</u>	<u>% Expenditure (incl. VAT)</u>
Integrated National Electrification Programme Grant	25 000 000	68 469	24 931 531	0%
Finance Management Grant	1 300 000	332 117	967 883	26%
Infrastructure Skills Development Grant	9 000 000	3 228 867	5 771 133	36%
Neighbourhood Development Partnership Grant	19 346 000	0	19 346 000	0%
Urban Settlement Development Grant	731 499 000	375 798 936	355 700 064	51%
Integrated City Development Grant	6 080 000	0	6 080 000	0%
Expanded Public Works Programme Grant	1 188 000	855 768	332 232	72%
Public Transport Network Grant	35 289 000	326 912	34 962 088	1%
TOTAL CONDITIONAL GRANTS	828 702 000	380 611 068	448 090 932	46%

Comments on performance of programmes that are implemented by the above funding are detailed below.

12.1.1. INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

The following contracts are planned for the 2016/17 financial year:

AREA	CONNECTIONS
Buffer Strip Mdantsane Households	550
Chicken Farm Households	475
Fynbos/Scenery Park Households	550
Infills Households	50

The INEP funding is utilised to fund the abovementioned electrification programme. The Department of Electricity is currently having tenders that are still to be evaluated.

12.1.2. FINANCE MANAGEMENT GRANT (FMG)

Spending is progressive as current six interns have been remunerated accordingly. Three interns have been appointed and started the programme on 01 November 2016. The budget will also be utilised for the payment of the Municipal Finance Management Programme (MFMP) to be attended by three interns and one official at Wits Business School.

12.1.3. INFRASTRUCTURE SKILLS DEVELOPMENT GRANT (ISDG)

The funding is only being used to pay the interns stipends as well as mentor salaries. Previously there were eleven (11) interns in the program together with 2 external mentors. Nine (9) additional interns started on 01 December 2016 and their stipends will therefore increase expenditure. Procurement arrangements for the training of the 9 civil engineering interns is in progress and an informal tender has been prepared for behavioral assessment of new interns.

12.1.4 INTERGRATED CITY DEVELOPMENT GRANT (ICDG)

The Oxford Street, Settlersway and Urban Roads Rehabilitation is currently at procurement process.

12.1.5 URBAN SETTLEMENT DEVELOPMENT GRANT (USDG)

INFRASTRUCTURE SERVICES

Sanitation

The Eastern Beach Sewers project is in the process of litigation. Litigation process has been finalised for the Zwelitsha waste water treatment works project, and the contract for the Reeston waste water treatment works has been awarded.

Electricity

Street Lighting and Highmasts within BCMM Areas of Supply: Highmast Lighting Specification at tender stage. Project for new street lighting in Bonza Bay is to be completed soon. Electrification of informal dwelling areas: Contractors have been appointed for Fynbos and Dacawa Electrification.

DEVELOPMENT & SPATIAL PLANNING

KwaTshatsu Pedestrian Bridge

Construction tender was awarded on the 30 November 2016 and as a result construction will start in January 2017.

Needs Camp / Potsdam Bridge

The construction tender was awarded on the 09 December 2016 and construction will start in January 2017.

Traffic calming measures

Construction of speed humps has been completed in Airport Township, Mdantsane NU 2, NU 3, NU 11, Dunoon Road and Zwelitsha Zone 2. Other traffic calming measures tenders are in the procurement processes.

Traffic signals

Service Providers have been appointed to assess intersection controls that need improvement. Once the studies are completed, implementation will then be undertaken by means of acquiring materials and installing traffic signals at Amalinda (SPCA & Amalinda Stadium intersection) and Dice and Mdantsane Access Road intersections.

Sidewalks

The contract is now being evaluated at Bid Evaluation Committee (BEC).

ECONOMIC DEVELOPMENT AND AGENCIES

The tender for the construction of cashier cubicles for Fresh Produce Market has been awarded.

HEALTH / PUBLIC SAFETY & EMERGENCY SERVICES

The Construction of King William's Town Traffic Centre is in the final stages of the procurement processes.

MUNICIPAL SERVICES

The Construction of Cell 3, 4 and ancilliary works are in the procurement process. The municipality is also finalizing the specification and designs of Transfer Stations.

12.1.6 PUBLIC TRANSPORT INFRASTRUCTURE AND SYSTEMS GRANT

Operational plan review of integrated rapid public transport network

The tender is currently in the procurement process.

Qumza Highway

The tender for the Construction of Qumza Highway is currently in the procurement processes.

Development and Upgrading of Public Transport Facilities in KWT

The tender was awarded on 10 October 2016. Site handover was done on the 10th November 2016 and implementation will improve expenditure.

12.1.7 NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT

The funding has not yet been transferred from National Treasury. As a result no expenditure has been incurred.

13. COUNCILLOR AND EMPLOYEE BENEFITS

13.1. Councillor and Employees Benefits Summary

Table 19 below provides summary of employees and Councillors remuneration. The workforce costs as a percentage of expenditure amounted to 26.37%. The City is normally at 25%, however in the last six months the City embarked on paying scarce skills and additional responsibility allowances which resulted in higher employment costs.

Table 19: SC8 Monthly Budget Statement – Councillor and Staff Benefits

BUF Buffalo City - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	Ref	2015/16		Budget Year 2016/17						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		30 991	33 999	33 999	2 577	15 510	17 256	(1 746)	-10%	33 999
Pension and UIF Contributions		3 306	3 495	3 495	293	1 549	1 774	(225)	-13%	3 495
Medical Aid Contributions		1 783	1 987	1 987	132	790	1 008	(219)	-22%	1 987
Motor Vehicle Allowance		11 682	13 412	13 412	1 058	6 202	6 807	(606)	-9%	13 412
Cellphone Allowance		2 147	2 279	2 279	179	1 055	1 157	(101)	-9%	2 279
Housing Allowances		2 847	2 927	2 927	226	1 575	1 486	89	6%	2 927
Other benefits and allowances		1 620	-	-	-	-	-	-	-	-
Sub Total - Councillors		54 375	58 099	58 099	4 465	26 680	29 488	(2 808)	-10%	58 099
% increase	4		6.8%	6.8%						6.8%
Senior Managers of the Municipality										
Basic Salaries and Wages		5 998	12 192	12 192	400	2 569	6 187	(3 617)	-58%	12 192
Pension and UIF Contributions		1 166	2 216	2 216	78	479	1 124	(646)	-57%	2 216
Medical Aid Contributions		136	262	262	12	65	133	(68)	-51%	262
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		1 370	2 630	2 630	91	578	1 335	(756)	-57%	2 630
Cellphone Allowance		195	414	414	10	76	210	(135)	-64%	414
Housing Allowances		1	-	-	-	-	-	-	-	-
Other benefits and allowances		1 551	2 202	2 202	100	688	1 117	(430)	-38%	2 202
Payments in lieu of leave		885	-	-	-	-	-	-	-	-
Long service awards		(1)	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		11 300	19 916	19 916	690	4 454	10 106	(5 652)	-56%	19 916
% increase	4		76.2%	76.2%						76.2%
Other Municipal Staff										
Basic Salaries and Wages		788 780	913 258	913 258	70 949	422 973	463 432	(40 458)	-9%	913 258
Pension and UIF Contributions		146 210	174 823	174 823	14 954	89 042	88 714	328	0%	174 823
Medical Aid Contributions		60 245	81 759	81 759	5 888	34 498	41 489	(6 990)	-17%	81 759
Overtime		121 192	72 218	72 218	6 879	61 396	36 647	24 749	68%	72 218
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		20 565	30 051	30 051	2 085	11 805	15 250	(3 445)	-23%	30 051
Cellphone Allowance		3 967	3 884	3 884	336	1 969	1 971	(2)	0%	3 884
Housing Allowances		11 858	14 767	14 767	813	4 964	7 494	(2 529)	-34%	14 767
Other benefits and allowances		136 219	179 077	179 077	13 872	84 307	90 872	(6 565)	-7%	179 077
Payments in lieu of leave		33 749	16 209	16 209	(368)	1 237	8 225	(6 988)	-85%	16 209
Long service awards		18 114	18 925	18 925	1 463	10 570	9 603	966	10%	18 925
Post-retirement benefit obligations		-	6 181	6 181	6	37	3 137	(3 100)	-99%	6 181
Sub Total - Other Municipal Staff		1 340 901	1 511 153	1 511 153	116 878	722 799	766 833	(44 033)	-6%	1 511 153
% increase	4		12.7%	12.7%						12.7%
Total Parent Municipality		1 406 576	1 589 167	1 589 167	122 032	753 934	806 427	(52 493)	-7%	1 589 167
Unpaid salary, allowances & benefits in arrears:										
Sub Total - Other Staff of Entities		-	6 608	6 608	-	-	-	-	-	6 608
% increase	4		#DIV/0!	#DIV/0!						#DIV/0!
Total Municipal Entities		-	13 269	13 269	-	-	-	-	-	13 269
TOTAL SALARY, ALLOWANCES & BENEFITS		1 406 576	1 602 436	1 602 436	122 032	753 934	806 427	(52 493)	-7%	1 602 436
% increase	4		13.9%	13.9%						13.9%
TOTAL MANAGERS AND STAFF		1 352 201	1 544 233	1 544 233	117 568	727 254	776 939	(49 685)	-6%	1 544 233

13.2. Overtime Analysis

Table 20 below provides comparison of overtime expenditure against budget per directorate for the period ended 31 December 2016. Table 21 below details overtime expenditure incurred per cost centre for the past three months ended 31 December 2016.

Table 20: Overtime per Directorate

Directorate	2016/2017 Annual Budget R	2016/2017 YTD Budget R	2016/2017 YTD Expenditure R	2016/2017 Variance R	2016/2017 % of YTD Budget %
Directorate Of Executive Support Services	1 638 161	819 081	1 701 505	(882 425)	208%
Directorate Of The City Manager	310 477	155 239	185 209	(29 971)	119%
Directorate Of Corporate Services	597 129	298 565	375 689	(77 124)	126%
Directorate Of Development & Spatial Planning	623 454	311 727	220 426	91 301	71%
Directorate Of Economic Development & Agencies	468 800	234 400	122 129	112 271	52%
Directorate Of Finance	1 358 753	679 377	1 720 108	(1 040 731)	253%
Directorate Of Health / Public Safety & Emergency Services	29 709 079	14 854 540	17 951 171	(3 096 632)	121%
Directorate Of Human Settlement	101 931	50 966	0	50 966	0%
Directorate Of Infrastructure Services	17 131 302	8 565 651	17 835 963	(9 270 312)	208%
<i>Electricity</i>	7 741 181	3 870 591	5 802 169	(1 931 578)	150%
<i>Water</i>	3 352 141	1 676 071	6 773 138	(5 097 068)	404%
<i>Sanitation</i>	4 954 818	2 477 409	4 820 786	(2 343 377)	195%
<i>Other</i>	1 083 162	541 581	439 871	101 710	81%
Directorate Of Municipal Services	20 279 324	10 139 662	21 283 832	(11 144 170)	210%
Total	72 218 410	36 109 205	61 396 033	(25 286 828)	170%

Table 21: Overtime Per Cost Centre: October 2016 – December 2016

OVERTIME PER COST CENTRE

		October 2016 Amount	November 2016 Amount	December 2016 Amount
Directorate -Executive Support Services				
0505	OFFICE OF THE DIRECTOR EXECUTIVE SUPPORT SERVICES	94 635.87	293 718.14	291 442.64
0512	INTERNATIONAL & INTERGOVERNMENTAL RELATIONS	7 329.44	14 715.66	24 265.43
0523	IDP & BUDGET INTEGRATION	984.78	-	3 735.00
0531	POLITICAL OFFICE ADMINISTRATION	333.74	35 764.73	18 680.00
		103 283.83	344 198.53	338 123.07
DIRECTORATE OF THE CITY MANAGER				
1005	OFFICE OF THE CITY MANAGER	19 517.37	11 928.18	13 989.21
1015	INFORMATION / TECHNOLOGY & SUPPORT	-	-	26 542.36
1061	LEGAL SERVICES & MUNICIPAL COURT	-	-	2 110.34
		19 517.37	11 928.18	42 641.91
DIRECTORATE OF CORPORATE SERVICES				
1512	ADMINISTRATIVE & CORPORATE SUPPORT	4 143.05	2 742.76	5 244.48
1513	AUXILLIARY / RECORDS & DECISION TRACKING AND TELECOMMUNICATIONS	56 407.44	49 799.45	40 969.40
1531	HUMAN RESOURCES MANAGEMENT	15 683.42	10 445.71	8 562.08
1532	ADMINISTRATIVE SUPPORT	8 261.18	6 705.51	5 900.84
1533	EMPLOYEE RELATIONS	408.66	-	-
		84 903.75	69 693.43	60 676.80
DIRECTORATE OF DEVELOPMENT & SPATIAL PLANNING				
2023	BUILDING MAINTENANCE	-	20 036.53	21 314.90
2034	INTEGRATED PUBLIC TRANSPORT NETWORK OPERATIONS	17 625.61	14 829.67	16 552.56
2037	TRAFFIC MANAGEMENT & SAFETY	5 731.62	11 748.87	13 467.29
		23 357.23	46 615.07	51 334.75
DIRECTORATE OF ECONOMIC DEVELOPMENT & AGENCIES				
2505	OFFICE OF THE DIRECTOR OF ECONOMIC DEVELOPMENT & AGENCIES	-	1 995.98	-
2511	FRESH PRODUCE MARKET	18 440.53	12 963.51	35 536.41
		18 440.53	14 959.49	35 536.41
DIRECTORATE OF FINANCE				
3011	BUDGET & TREASURY MANAGEMENT	-	8 502.56	-

		October 2016 Amount	November 2016 Amount	December 2016 Amount
3031	EXPENDITURE & PAYMENTS MANAGEMENT	-	-	1 090.94
3034	VAT / LEASES & PAYMENTS	4 683.89	3 905.58	2 733.92
3041	FINANCIAL REPORTING	-	-	1 195.02
3051	REVENUE MANAGEMENT	6 001.08	36 198.26	60 667.36
3052	ACCOUNTS MANAGEMENT & REVENUE CONTROL	110 182.29	89 290.58	73 931.35
3053	COASTAL REVENUE MANAGEMENT	33 184.85	67 430.58	123 221.56
3054	CUSTOMER RELATIONS (CALL CENTRE)	5 938.87	78 509.51	80 411.48
3057	RATES & VALUATIONS	-	6 585.13	11 884.90
3061	STRATEGY & OPERATIONS	3 060.85	3 398.89	2 818.03
3071	SUPPLY CHAIN MANAGEMENT	20 606.16	4 449.35	8 076.60
		183 657.99	298 270.44	366 031.16
	DIRECTORATE OF HEALTH / PUBLIC SAFETY & EMERGENCY SERVICES			
3512	DISASTER MANAGEMENT	7 229.86	11 353.63	9 699.45
3513	FIRE & RESCUE	288 888.01	429 905.07	280 520.09
3521	MUNICIPAL HEALTH SERVICES	2 076.51	10 870.75	34 773.44
3531	PUBLIC SAFETY & PROTECTION SERVICES	85 972.20	47 118.87	65 308.59
3532	LAW ENFORCEMENT SERVICES	1 120 544.91	1 223 788.28	1 547 970.27
3533	TRAFFIC SERVICES	348 381.93	504 523.64	510 118.38
		1 853 093.42	2 227 560.24	2 448 390.22
	DIRECTORATE OF INFRASTRUCTURE SERVICES			
4505	OFFICE OF THE DIRECTOR OF INFRASTRUCTURE SERVICES	3 071.76	2 810.99	2 932.86
4511	ELECTRICAL & ENERGY SERVICES	2 077.25	2 082.19	2 225.91
4512	CUSTOMER SERVICES & REVENUE PROTECTION	78 450.75	90 506.31	72 276.54
4513	ELECTRICAL DEVELOPMENT / CONTRACTS & ASSETS	631.83	6 880.30	669.00
4514	ELECTRICAL DISTRIBUTION	861 671.40	883 545.79	987 719.76
4521	ROADS / PIU & CONSTRUCTION	2 707.11	-	-
4523	PROJECT IMPLEMENTATION UNIT	-	-	322.07
4524	ROADS	56 339.79	32 441.63	2 790.82
4532	SANITATION	690 687.03	782 917.28	721 650.16
4533	SCIENTIFIC SERVICES	-	-	3 796.40
4535	WATER SERVICES	1 033 025.49	1 134 321.98	1 012 359.68
4543	WORKSHOPS	47 603.89	37 275.61	58 581.34
		2 776 266.30	2 972 782.08	2 865 324.54
	DIRECTORATE OF MUNICIPAL SERVICES			
5005	OFFICE OF THE DIRECTOR OF MUNICIPAL SERVICES	6 604.39	12 272.88	19 719.40

		October 2016 Amount	November 2016 Amount	December 2016 Amount
5011	COMMUNITY AMENITIES	27 822.76	24 043.82	19 304.66
5013	LIBRARIES	12 140.21	7 726.13	26 981.53
5014	HALLS	179 848.60	212 151.52	190 790.03
5015	RECREATION	74 883.75	492 499.92	443 561.56
5016	SPORTS FACILITIES	95 441.19	72 931.42	195 815.44
5022	CEMETRIES & CREMATORIA	66 593.04	7 346.86	251 618.90
5023	CONSERVATION	110 610.36	54 752.35	188 530.57
5024	PARKS: COASTAL	402 760.21	328 531.25	805 044.73
5031	SOLID WASTE MANAGEMENT	5 897.17	10 601.79	10 811.77
5032	CLEANSING & REFUSE REMOVAL: COASTAL	1 254 728.36	1 404 928.06	1 308 593.43
5035	LANDFILLS & TRANSFER STATIONS	91 510.19	130 480.41	109 511.13
		2 928 840.23	3 258 266.41	3 570 283.15
	TOTAL OVERTIME	7 991 360.65	9 244 273.87	9 778 342.01

13.2.1. Comments On Overtime

a) Directorate of Executive Support Services

The over expenditure is due to the Mayoral Bodyguards having to work extended overtime and night shifts. Furthermore, staff had to work overtime during Summer Season Events which contributed to the exceeded overtime.

b) City Managers Office

The over expenditure on overtime was due to the year end procedures that were undertaken by the Internal Audit unit.

c) Directorate of Corporate Services

The over expenditure on overtime is as a result of council meetings which necessitates the drivers to deliver council agendas outside the normal operating hours. The payroll section also had to work overtime in order to finalise payroll amendments for the month.

d) Directorate of Finance

A large portion of the over expenditure was due to Financial Reporting and Supply Chain Management officials having to work overtime in order to meet the deadlines

for the submission of Requests for Information (RFI's) to the Auditor General (AGSA).

Furthermore, Revenue Management undertook roll out campaigns to assist customers in addressing municipal billing and meter reading related matters. These roll out campaigns were time-tabled over October and November and based within the local regional area. This resulted in three Main Regional Centers being opened to the public on Saturdays.

e) Directorate of Infrastructure Services

Electricity – Overtime is incurred while carrying out emergency work in all areas of East London and King Williams Town/Bisho due to standby emergencies, vandalism, theft, revenue protection raids for illegal connections etc.

Water – Overtime is incurred while carrying out emergency work due to the high number of pipe bursts.

Sanitation – Overtime is incurred while carrying out emergency work (burst rising mains etc.) and attending to alarms received via the telemetry system or faults at pump stations i.e. tripped pumps etc.

f) Directorate of Health / Public Safety & Emergency Services

The traffic services as an emergency service will always have to work overtime due to the nature of services rendered in that it has to respond to all emergencies either road accidents, unrest situations, protest marches, shortage of staff and disasters. Operational staff duties performed over the weekends include Drunk and driving campaigns, events, roadblocks etc. in order to comply with the National Rollout Enforcement Plan (NREP).

g) Directorate of Municipal Services

Overtime is linked to hall usage, the staff working overtime are halls staff. Most bookings occur after hours or over weekends which results in overtime. This is a service to the public and it is therefore essential that the overtime is worked.

The Department of Solid Waste Management is experiencing a shortage of trucks

due to mechanical problems and a shortage of staff. The department is forced to allow workers to work after hours in order to curb the backlogs in certain areas to meet service delivery expectations and some areas within the region require a seven days coverage of refuse removal due to large volumes of waste generated.

13.3. Standby and Shift Allowance Analysis

Table 22 below reflects the total standby and shift allowance incurred per directorate for the past three months ended 31 December 2016. There was an increase in the total payment between October 2016 and November 2016 of R27 129 and an increase in the total payment between November 2016 and December 2016 of R64 372.

Table 22: Standby & Shift Allowance per Directorate

	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016
Directorate of Executive Support Services	3 140	8 359	7 299
Directorate of the City Manager	-	-	30 512
Directorate of Corporate Services	59 474	33 128	2 092
Directorate of Development and Spatial Planning	7 906	13 487	11 766
Directorate Economic Development & Agencies	-	-	2 202
Directorate of Finance	16 981	17 177	18 255
Directorate of Health / Public Safety & Emergency Services	593 390	561 137	653 631
Directorate of Infrastructure Services	581 007	632 563	631 530
Directorate of Municipal Services	300 355	323 530	296 423
TOTAL	1 562 253	1 589 382	1 653 708

13.4. Cost of Temporary Staff

The total payment of Temporary Staff for the past three months ended 31 December 2016 is reflected below. There was an increase in the total payment between October 2016 and November 2016 of R498 504 and an increase in the total payment between November 2016 and December 2016 of R132 552.

Table 23: Temporary Staff per Directorate

	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016
Directorate of Executive Support Services	613 970	235 993	338 185
Directorate of the City Manager	165 079	312 219	275 908
Directorate of Corporate Services	695 594	966 971	1 047 026
Directorate of Development and Spatial Planning	60 800	54 949	97 203
Directorate Economic Development & Agencies	-	-	10 365
Directorate of Finance	431 358	370 901	420 036
Directorate of Health / Public Safety & Emergency Services	41 486	41 951	35 478
Directorate of Human Settlements	160 054	270 474	124 205
Directorate of Infrastructure Services	169 474	168 407	174 253
Directorate of Municipal Services	1 495 551	1 910 004	1 941 762
TOTAL	3 833 365	4 331 869	4 464 421

13.5. Councillors Costs

The table below shows the budget and expenditure to date for councillors costs. The year to date budget of R29 049 401 less the year to date expenditure of R26 666 752 leaves a variance of R2 382 648.

Table 24: Councillors Costs

Councillors Allowances and Benefits	2016/2017 Annual Budget R	2016/2017 YTD Budget R	2016/2017 YTD Expenditure R	2016/2017 Variance R	2016/2017 YTD Expenditure %
Mayoral Allowance	790 172	395 086	358 913	36 173	91%
Deputy Mayoral Allowance	638 158	319 079	293 762	25 317	92%
Mayoral Committee Allowance	6 599 489	3 299 745	2 722 495	577 250	83%
Speakers Allowance	638 158	319 079	297 232	21 847	93%
Out of Pocket Expenses	1 208 400	604 200	209 031	395 169	35%
Councillors Allowance	24 124 437	12 062 219	11 614 833	447 386	96%
Cllr Cell Phone Allowance	2 278 635	1 139 318	1 055 201	84 117	93%
Cllr Housing Subsidy	2 927 329	1 463 665	1 574 756	-111 092	108%
Cllr Medical Aid	1 986 812	993 406	789 714	203 692	79%
Cllr Pension Scheme	3 495 042	1 747 521	1 549 189	198 332	89%
Cllr Travel Allowance	13 412 169	6 706 085	6 201 627	504 457	92%
TOTAL	58 098 801	29 049 401	26 666 752	2 382 648	92%

14. MUNICIPAL ENTITY FINANCIAL PERFORMANCE

The entity has started operating on its own with minimal need for daily support from the parent municipality. The Buffalo City Metropolitan Development Agency has a budget of R18.38 million and has spent R6.92 million (38%) as at 31 December 2016.

The acceptable norm of expenditure is 50%, however the spending is generally low due to vacancies which will only be filled in January and February 2017 and consulting fees for precinct plans for which procurement processes are underway.

A detailed analysis of the entity's financial performance for month ended 31 December 2016 is outlined in Annexure F.

15. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP is a management, implementation and monitoring tool which assists the Executive Mayor, Councillors, Accounting Officer, Senior Managers and the community with the realization of Municipality's strategic objectives as contained in the Integrated Development Plan. It also seeks to ensure monitoring and execution of the budget, performance of senior management and the achievement of the service delivery objectives set by Council. SDBIP enhances the principle of democratic and accountable local government as enshrined in section 152 of the Constitution. The SDBIP should therefore contain information that pertains to performance indicators, service delivery targets as well as measurement source. The SDBIP for the 2016/2017 financial year per vote is informed by Council resolutions to improve the quality of life of residents and citizens of BCMM. In doing so, Council is renewing its pledge to create "a City that grows with you".

The BCMM 2016/17 Service Delivery Targets and Performance Indicators as well as actual performance achieved are attached as Annexure G.

Below is the summary of the 2nd quarter SDBIP performance per directorate.

SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS - SECOND QUARTER 2016/17 PER DIRECTORATE

Executive Support Services

The Executive Support Services Directorate has set 6 Key Performance Indicators (KPI's) on their SDBIP. The total of KPI's achieved is 3 and not achieved in this quarter is 3. Therefore, the overall 2nd Quarter Performance for Executive Support Services is standing at 50%.

City Manager

The Directorate of the City Manager has set 5 KPI's on their SDBIP. The total of KPI's achieved is 4, not achieved is 1 and not for reporting this quarter is 0. Therefore, the overall 2nd Quarter Performance for City Manager is standing at 80%.

Human Settlements

The Human Settlements Directorate has set 7 Key Performance Indicators (KPI's) on their SDBIP. The total of KPI's achieved is 5, not achieved is 2. Therefore, the overall 2nd Quarter Performance for Human Settlements is standing at 71%.

Directorate of Finance

The Directorate of Finance has set 15 Key Performance Indicators (KPI's) on their SDBIP. The total of KPI's achieved is 8 and not achieved is 7. Therefore, the overall 2nd Quarter Performance for Budget and Treasury is standing at 53%.

Corporate Services

The Corporate Services Directorate has set 10 KPI's on their SDBIP. The total of KPI's achieved is 6 not achieved is 3 and not for reporting is 1. Therefore, the overall 2nd quarter performance for corporate services is 67%.

Infrastructure Services

The Infrastructure Services Directorate has set 17 KPI's on their SDBIP. The total of KPI's achieved is 11, not achieved is 2 and not for reporting this quarter is 4. Therefore, the overall 2nd Quarter Performance for Infrastructure Services is 85%.

Development and Spatial Planning

The Directorate of Development and Spatial Planning has set 15 KPI's on their SDBIP. The total of KPI's achieved is 4 and not achieved in this quarter is 11. Therefore, the overall 2nd Quarter Performance for Development and Spatial Planning is 27%.

Economic Development and Agencies

The Directorate of Economic Development and Agencies has set 12 KPI's on their SDBIP. The total of KPI's achieved is 8 and not achieved in this quarter is 3 and not for reporting this quarter is 1. Therefore, the overall 2nd Quarter Performance for Economic Development and Agencies is 73%.

Health, Public Safety and Emergency Services

The Directorate of Health, Public Safety and Emergency Services has set 9 KPI's on their SDBIP. The total of KPI's achieved is 3 and not achieved in this quarter is 6. Therefore, the overall 2nd Quarter Performance for Health, Public Safety and Emergency Services is standing at 33%.

Municipal Services

The Directorate of Municipal Services has set 18 KPI's on their SDBIP. The total of KPI's achieved is 8, not achieved is 4 and not for reporting this quarter is 6. Therefore, the overall 2nd Quarter Performance for Municipal Services is 67%.

The overall institutional performance for 2nd quarter is 59%. The performance declined by 2% compared to the previous quarter (1st Quarter).

The above information is summarized in table 35 below:

The above information is summarized in table 35 below:

Table 25: Summary of BCMM 2nd Quarter Performance per Directorate

Directorates	Total no. of KPI(s)	No. of KPI(s) achieved	No. of KPI's not achieved	Not for reporting this quarter	% of KPI's achieved
Executive Support Services	6	3	3	0	50%
City Manager's Office	5	4	1	0	80%
Human Settlements	7	5	2	0	71%
Directorate of Finance	15	8	7	0	53%
Corporate Services	10	6	3	1	67%
Infrastructure Services	17	11	2	4	85%
Development and Spatial Planning	15	4	11	0	27%
Economic Development and Agencies	12	8	3	1	73%
Health, Public Safety and Emergency Services	9	3	6	0	33%
Municipal Services	18	8	4	6	67%
Total	114	60	42	12	59%

16.CAPITAL PROGRAMME PERFORMANCE

BCMM has spent R529.68 million inclusive of reclaimed vat (2015/16: R431.26 million) which is 31% (2015/16: 31%) of its 2016/17 adjusted capital budget of R1.69 billion (2015/16: R1.38 billion) as at 31 December 2016. This depicts a slight improvement in rand value terms when compared to the same period in the previous financial year. The capital expenditure will progressively improve during the year as the procurement processes are undertaken. Refer to Annexure A – C5 for the breakdown per municipal vote, standard classification & funding; Annexure B – SC12 for monthly expenditure trends; SC13a for breakdown of asset classification for new assets and SC13b for breakdown on asset classification on renewal of existing asset).

Table 26 below reflects capital expenditure performance per source of funding.

Table 26: Capital Expenditure per Funding Source against Budget

Funding	<u>2016/2017 Rollover Adjustment Budget</u>	<u>YTD Expenditure (incl. VAT)</u>	<u>Variance (incl. VAT)</u>	<u>% Expenditure (incl. VAT)</u>
Total Own Funding	830 781 135	200 712 048	630 069 087	24%
DoE(Integrated National Electrification Programme)	25 000 000	68 469	24 931 531	0%
DEDEAT c/o	199 168	-	199 168	0%
DSRAC c/o	4 411 277	3 794 774	616 503	86%
Finance Management Grant	100 000	21 628	78 372	22%
Galve c/o	458 000	-	458 000	0%
Infrastructure Skills Development Grant	100 000	15 477	84 523	15%
Integrated City Development Grant	6 080 000	-	6 080 000	0%
Local Government & Traditional Affairs	9 036 112	-	9 036 112	0%
Neighbourhood Development Partnership Grant	19 346 000	-	19 346 000	0%
Urban Settlement Development Grant	656 054 030	316 853 962	339 200 069	48%
Human Settlement Development Grant	106 300 000	7 890 060	98 409 940	7%
Public Transport Infrastructure and Systems Grant	35 289 000	326 912	34 962 088	1%
Total Grants	862 373 587	328 971 281	533 402 306	38%
TOTAL PER FUNDING	1 693 154 722	529 683 329	1 163 471 393	31%

Table 27 below reflects capital expenditure performance per service.

Table 27: Actual Expenditure per Service against Budget

Services	2016/2017 Rollover Adjustment Budget	YTD Expenditure (incl. VAT)	Variance (incl. VAT)	% Expenditure (incl. VAT)
Water	87 500 000	64 632 898	22 867 102	74%
Waste Water	420 539 799	139 938 516	280 601 283	33%
Electricity	143 000 000	48 763 685	94 236 315	34%
Roads and Stormwater	261 098 558	124 983 763	136 114 795	48%
Housing	211 477 194	88 044 136	123 433 059	42%
Transport Planning	139 789 000	2 460 301	137 328 699	2%
Local Economic Development	54 734 025	11 457 342	43 276 683	21%
Spatial Planning	96 708 219	6 976 000	89 732 219	7%
Waste Management / Refuse	115 796 195	377 685	115 418 511	0%
Amenities	51 376 990	19 539 122	31 837 868	38%
Public Safety	46 483 912	1 247 895	45 236 017	3%
Support Services	46 338 808	12 186 503	34 152 304	26%
Other - BCM Fleet	18 312 022	9 075 484	9 236 538	50%
TOTAL PER SERVICE	1 693 154 722	529 683 329	1 163 471 393	31%

Table 28 below reflects capital expenditure performance per directorate.

Table 28: Actual Expenditure per Directorate against Budget

Directorate	2016/2017 Rollover Adjustment Budget	YTD Expenditure (incl. VAT)	Variance (incl. VAT)	% Expenditure (incl. VAT)
Directorate of Executive Support Services	8 007 062	339 263	7 667 799	4%
Directorate of the City Manager	17 521 500	10 749 334	6 772 166	61%
Directorate of Human Settlement	211 477 194	88 044 136	123 433 059	42%
Directorate of Finance	747 535	286 839	460 696	38%
Directorate of Corporate Services	9 033 820	429 052	8 604 768	5%
Directorate of Infrastructure Services	937 030 379	387 512 841	549 517 538	41%
Directorate of Development and Spatial Planning	230 417 219	9 436 301	220 980 918	4%
Directorate of Economic Development and Agencies	54 734 025	11 457 342	43 276 683	21%
Directorate of Health, Public Safety and Emergency Services	46 483 912	1 247 895	45 236 017	3%
Directorate of Municipal Services	167 702 076	20 084 073	147 618 003	12%
TOTAL DIRECTORATES	1 683 154 722	529 587 076	1 153 567 646	31%
Asset Replacement	10 000 000	96 253	9 903 747	1%
GRAND - TOTAL	1 693 154 722	529 683 329	1 163 471 393	31%

The capital programme performance by month is tabulated in table 29 below (Exclusive of Vat).

Table 29: SC12 Monthly budget Statement – capital expenditure trend

BUF Buffalo City - Supporting Table SC12 Consolidated Monthly Budget Statement - capital expenditure trend - M06 December

Month	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
R thousands									
Monthly expenditure performance trend									
July	148	6 746	6 746	1 611	1 611	6 746	5 135	76.1%	0%
August	42 068	42 169	42 169	39 205	40 817	48 916	8 099	16.6%	3%
September	57 530	34 991	34 991	86 333	127 150	83 907	(43 243)	-51.5%	8%
October	101 591	58 305	58 305	78 499	205 649	142 212	(63 436)	-44.6%	13%
November	85 219	56 652	56 652	124 330	329 978	198 865	(131 113)	-65.9%	21%
December	111 569	69 364	69 364	161 499	491 477	268 229	(223 248)	-83.2%	32%
January	62 851	41 215	41 215			309 443	-		
February	49 495	42 842	42 842			352 285	-		
March	117 166	65 464	65 464			417 750	-		
April	19 396	89 153	89 153			506 903	-		
May	96 244	87 115	87 115			594 018	-		
June	443 096	964 116	1 099 137			1 693 155	-		
Total Capital expenditure	1 186 373	1 558 134	1 693 155	491 477					

The capital programme performance table 30 below provide summary of capital expenditure by asset class/sub-class for new assets (Exclusive of VAT).

17. OTHER SUPPORTING DOCUMENTS

17.1. Operating Projects Expenditure

The Metro has spent 43% (R142.35 million) inclusive of reclaimed vat of its 2016/17 adjusted budget of R327.39 million as at 31 December 2016. This reflects an improvement in percentage terms when compared to the same period in the previous financial year where 21% (R146.07 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R697.73 million was spent. The operating expenditure will progressively improve during the year as the procurement processes are undertaken.

A detailed schedule of the operating projects expenditure is outlined in Annexure D.

Tables 32 and 33 below summarise Annexure D.

Table 32: Operating Projects per Directorate

	<u>2016/2017</u> <u>Rollover</u> <u>Adjustment</u> <u>Budget</u>	<u>YTD</u> <u>Expenditure</u> <u>(incl.vat)</u>	<u>Variance</u> <u>(incl.vat)</u>	<u>%</u> <u>Expenditu</u> <u>re</u> <u>(incl.vat)</u>
Executive Support Services	6 639 858	13 837	6 626 021	0%
Directorate of the City Manager	27 684 535	12 421 612	15 262 923	45%
Directorate of Human Settlement	127 319 287	48 081 174	79 238 113	38%
Directorate of Finance	53 449 700	9 342 040	44 107 660	17%
Directorate of Corporate Services	8 900 000	3 213 390	5 686 610	36%
Directorate of Infrastructure Services	54 495 761	43 872 350	10 623 412	81%
Directorate of Development and Spatial Planning	1 250 000	284 810	965 190	23%
Directorate of Economic Development and Agencies	33 500 000	18 179 289	15 320 711	54%
Directorate of Health, Public Safety and Emergency Services	3 599 600	321 992	3 277 608	9%
Directorate of Municipal Services	10 550 000	6 618 354	3 931 646	63%
	327 388 741	142 348 846	185 039 896	43%

Table 33: Operating Projects per Funding Source

	<u>2016/2017 Rollover Adjustment Budget</u>	<u>YTD Expenditure (incl. vat)</u>	<u>Variance (incl. vat)</u>	<u>% Expenditure (incl. vat)</u>
Total Own Funding	112 519 700	31 266 342	81 253 358	28%
City of Oldenburg	495 761	0	495 761	0%
Department of Public Works	2 469 600	321 992	2 147 608	13%
Expanded Public Works Programme Incentives Grant	1 188 000	855 768	332 232	72%
Finance Management Grant	1 200 000	310 489	889 511	26%
Human Settlement Development Grant	123 802 000	47 422 055	76 379 945	38%
Human Settlement Development Grant c/o	1 017 287	0	1 017 287	0%
Independent Electoral Commission c/o	261 565	0	261 565	0%
Glasgow	89 858	13 837	76 021	15%
Infrastructure Skills Development Grant	8 900 000	3 213 390	5 686 610	36%
Urban Settlement Development Grant	75 444 970	58 944 974	16 499 996	78%
Total Grants	214 869 041	111 082 504	103 786 537	52%
TOTAL PER FUNDING	327 388 741	142 348 846	185 039 896	43%

**18. INCOME AND EXPENDITURE REPORTS FOR DIRECTORATE OF HEALTH /
PUBLIC SAFETY & EMERGENCY SERVICES AND MUNICIPAL SERVICES**

18.1. Health / Public Safety & Emergency Services

Below is the table indicating the breakdown of the Cost Analysis indicating income and expenditure.

Table 34: Health / Public Safety & Emergency Services – Cost Analysis

Health & Public Safety	Total Revenue	Employee Costs	Other Operating Expenditure	Repairs & Maintenance	Total Expenditure Excluding Capital
OFFICE OF THE DIRECTOR OF HEALTH / PUBLIC SAFETY & EMERGENCY SERVICES	0	1 473 802	156 534	0	1 630 336
GM - EMERGENCY SERVICES	(46 488 983)	36 787 833	12 277 483	353 170	49 418 486
EMERGENCY SERVICES	0	1 146 769	242 450	15 325	1 404 545
DISASTER MANAGEMENT	0	1 129 069	571 831	24 526	1 725 426
FIRE & RESCUE	(46 488 983)	34 511 995	11 463 201	313 319	46 288 515
GM - MUNICIPAL HEALTH SERVICES	(24 200)	13 007 964	2 051 639	64 642	15 124 244
MUNICIPAL HEALTH SERVICES	(24 200)	13 007 964	2 051 639	64 642	15 124 244
GM - PUBLIC SAFETY & PROTECTION SERVICES	(18 096 239)	85 456 133	7 826 933	963 576	94 246 642
PUBLIC SAFETY & PROTECTION SERVICES	(12 948)	8 625 705	3 432 139	602 440	12 660 284
LAW ENFORCEMENT SERVICES	(1 020)	51 543 321	1 905 771	206 530	53 655 621
TRAFFIC SERVICES	(18 082 272)	25 287 107	2 489 023	154 606	27 930 737
Total	(64 609 422)	136 725 732	22 312 588	1 381 388	160 419 708

18.2. Municipal Services

Below is the table indicating the breakdown of the Cost Analysis indicating income and expenditure.

Table 35: Municipal Services – Cost Analysis

Municipal Services	Total Revenue	Employee Costs	Other Operating Expenditure	Repairs & Maintenance	Total Expenditure Excluding Capital
OFFICE OF THE DIRECTOR OF MUNICIPAL SERVICES	0	3 314 343	610 520	2 000	3 926 863
GM - COMMUNITY AMENITIES	(1 647 310)	46 857 574	11 915 385	2 948 186	61 721 145
COMMUNITY AMENITIES	0	5 361 233	317 303	34 979	5 713 516
LIBRARIES	(124 248)	9 164 121	1 062 926	143 348	10 370 395
HALLS	(681 560)	7 056 375	1 726 849	221 909	9 005 134
RECREATION	(773 953)	15 254 592	3 937 602	1 801 930	20 994 124
SPORTS FACILITIES	(67 548)	10 021 252	4 870 704	746 021	15 637 976
					0
GM - PARKS / CEMETRIES & CONSERVATION	(5 446 446)	65 620 064	16 327 457	3 207 356	85 154 878
PARKS / CEMETRIES & CONSERVATION	0	1 195 769	100 630	0	1 296 399
CEMETRIES & CREMATORIA	(4 576 215)	10 911 971	5 865 593	109 567	16 887 131
CONSERVATION	(819 003)	7 158 876	1 745 260	438 032	9 342 168
PARKS: COASTAL	(51 228)	46 353 450	8 615 974	2 659 757	57 629 180
GM - SOLID WASTE MANAGEMENT	(215 484 337)	61 319 041	107 750 003	20 609 894	189 678 938
SOLID WASTE MANAGEMENT	(60)	3 943 473	6 175 987	4 160 394	14 279 855
CLEANSING & REFUSE REMOVAL: COASTAL	(210 869 284)	52 075 507	81 022 784	16 449 499	149 547 790
LANDFILLS & TRANSFER STATIONS	(4 614 993)	5 300 062	20 551 232	0	25 851 294
Total	(222 578 093)	177 111 022	157 154 598	26 767 436	340 481 824

19. MID YEAR ADJUSTMENT BUDGET FOR THE 2016/2017 FINANCIAL YEAR

The enclosed performance report will be analysed in terms of its revenue projections and expenditure categories which will culminate in the Mid-year adjustment budget to be tabled in a Council meeting in February 2017 in terms of S28 of the MFMA.

20. SUMMARY OF PROGRESS MADE ON RESOLVING PROBLEMS IDENTIFIED IN THE PREVIOUS YEAR'S ANNUAL REPORT

20.1. Audit Findings

The 2014/15 audit report highlighted qualifications in the following area:

- Irregular expenditure

The institution undertook an analysis of the Auditor General findings relating to amounts disclosed as irregular expenditure. This work was performed as part of the Audit Improvement Plan. In instances where findings were disputed then supporting documentation was provided. In instances where there was agreement then the amount disclosed in the Annual Financial Statements for irregular expenditure was adjusted. Initial work performed by the Auditor General is suggesting that this has yielded a positive result.

- Commitments

The institution undertook the appointment of a project team to focus on analysing the amounts recorded as commitments with the intention of rectifying any errors which may have arisen. This project analysed the contracts which were awarded, by reference to the contracts register as well as award letters. Furthermore, payment documentation was scrutinised to corroborate the amounts spent by the financial year end date. The work was concluded and the updated disclosure recorded in the Annual Financial Statements for 30 June 2016 which is in the final stages of audit. Initial communication by the Auditor General is suggesting a possibility of a positive outcome.

20.2. Expenditure Management

As has been communicated previously, certain corrective measures have been implemented in order to mitigate expenditure challenges that were being experienced. The corrective action which was implemented included:

- The Bid Committee were tasked to convene regularly to ensure that there are no backlogs in the tender process
- Additional tender committees were created with the view of accelerating the procurement process
- Due diligence was performed on the successful tenderers
- The Implementation of Procurement Planning would significantly improve expenditure patterns and reduce need for roll-overs

These actions have contributed to improved spending patterns for the 6 months with 48% of the capital urban settlement development grant (USDG) budget spent. This is in comparison to 41% spent for the comparable timeframe in the prior year.

20.3. Revenue Management

The institution continues to experience challenges in the following areas:

- Illegal connections
- Unread meters due to accessibility
- Indigent consumers using excess of 6 kilolitres of water which cannot be recovered
- Flat rates being charged in unmetered areas

In an ongoing attempt to undertake corrective measures, the following has been implemented:

- The appointment of a service provider to allow for consumers to purchase prepaid electricity through various electronic media platforms.
- The appointment of the reconnection and disconnection team to assist in monitoring the illegal connections.
- Council has approved the turnaround plan to mitigate water losses and ageing infrastructure assets as well as the implementation of new meters in unmetered areas over a period of 3 years. This plan is being implemented on an ongoing basis with funding being allocated in the MTREF budget.

20.4. Asset Management

The institution identified a concern four years ago regarding the ageing of the

various classes of assets on a portfolio basis. This required a change in accounting methodology to allow for the accumulation of resources to allow for the replacement of infrastructure. Initially it involved the implementation of the revaluation methodology for infrastructure assets.

A service provider was appointed to assist with updating the fixed assets registers for audit purposes and to create a reliable reporting base on which to allow for the preparation of asset management plans and a consolidated infrastructure management plans. The institution allowed for the release of funding to infrastructure portfolios focused on replacing existing infrastructure. Additional funding will be released upon the successful completion and approval of a long term strategic plan.

The initial asset management plans have been prepared and the institution is in the process of associating funding resources to those infrastructure asset portfolios which have the highest criticality and risk association. The additional funding which has been accumulated by the institution will be released and included in the budgeting process upon the successful conclusion and approval of the plans.

21. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

QUALITY CERTIFICATE

I, NCEBA NCUNYANA, the Acting City Manager of Buffalo City Metropolitan Municipality do hereby certify that –

Mid-year budget and performance assessment (Section 72 Report)

for the period ending **December 2016** has been prepared in accordance with the Municipal Finance Management Act 2003 and Regulations made under that Act.

Print name: Nceba Ncunyana

Acting City Manager of Buffalo City Metropolitan Municipality, BUF

Signature:

Date:

ANNEXURES:

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- 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 (1) Transfers and Grants Expenditure
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- SC12 Capital Expenditure trend
- SC13a Capital Expenditure on New Assets by Class
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- SC13c Expenditure on Repairs and Maintenance by Asset Class
- SC13d Depreciation by Asset Class

Annexure C

Schedule of Borrowings

Annexure D

Operating expenditure report

Annexure E

Capital expenditure report

Annexure F

Buffalo City Development Agency Financial Performance Report

Annexure G

Service Delivery and Budget Implementation Plan