

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION
OF THE 2018/19 BUDGET FOR THE PERIOD ENDED 30 JUNE 2019**

1. PURPOSE

The purpose of the report is for Council to consider and note the statement of financial performance and the implementation of the 2018/19 budget of the Buffalo City Metropolitan Municipality for the period ended 30 June 2019.

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

3.1. The Constitution of the Republic of South Africa, 1996

3.2. Municipal Finance Management Act No 56, 2003 Chapter 7, Section 52

3.3. Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

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).

This report contains preliminary information of transactions processed by end of business on 04 July 2019 as the financial year end closure is still in progress. BCMM will continue processing journals and closing entries to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019. This will allow the institution to prepare a credible set of Annual Financial Statements for presentation to the Auditor General by 31 August 2019. As such, the results in this report are as at a point in time (04 July 2019) and will be subject to potential certain adjustments as issues arise to fairly present the financial affairs of the institution as at 30 June 2019. This report has been compiled in compliance with Section 52(d) of the MFMA which requires submission within 30 days of the end of each quarter.

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PART 1: IN-YEAR REPORT

5. **RESOLUTIONS**

It is recommended that:

- (i) Council **CONSIDERS** and **NOTES** the report on the statement of financial performance and the implementation of the 2018/19 budget for the period ended 30 June 2019 including supporting documentation attached as Annexure A to G.

- (ii) Council **NOTES** the spending trend on capital and operating projects as well as the reasons for such an expenditure as indicated in section 14 and 15 respectively of this report.

- (iii) Council **NOTES** the year to date collection rate for the period ended 30 June 2019 of 87.79%.

X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY

ANDILE SIHLAHLA/ NS

DATE

6. EXECUTIVE SUMMARY ON THE IMPLEMENTATION OF THE BUDGET AND THE FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY FOR THE PERIOD ENDED 30 JUNE 2019

6.1. Dashboard / Performance Summary

Table 1: Performance Summary

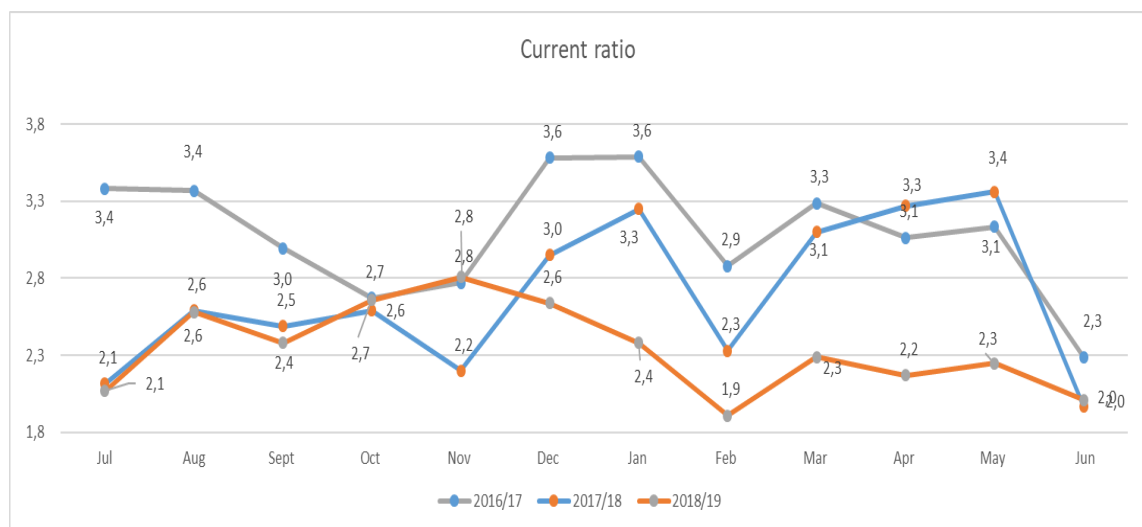
OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	R 5,903,053,270	Bank Balance	R 437,455,616
Expenditure	(R6,742,997,859)	Call investments (excl. int.)	R 919,257,462
Operating Deficit	(R839,944,590)	Cash and cash equivalents	R 1,356,713,078
Transfers and Subsidies Recognised – Capital	R 664,683,986	<i>Account Payables</i>	<i>(R 692,089,601)</i>
Deficit After Capital Transfers	(R175,260,604)	<i>Unspent conditional grants</i>	<i>(R 440,865,652)</i>
DEBTORS		<i>Committed to Capital budget-own funds</i>	<i>(R 315,824,647)</i>
Total debtors book (incl. impairment)	R 2,010,037,431	Possible cash deficit should there be no revenue collection made	(R 92,066,822)
Total debtors - Government	R 29,588,825		
Total debtors - Business	R 716,400,241		
Total debtors - Households	R 1,264,048,368	Total Long term loans	R 345,554,088
Total debt written off	R 227,352,696	SURPLUS / (DEFICIT) PER SERVICE	
		Water	R14,097,167
REPAIRS AND MAINTENANCE		Electricity	(R 136,771,718)
2017/2018: Exp.= R338,87 m, which is 75% of the adjusted budget of R450,54 m	2018/2019: Exp.= R380,16 m, which is 89% of adjusted budget of R425,14 m	Refuse	R 58,695,257
		Sewerage	R 170,361,021
CAPITAL EXPENDITURE		OPERATING PROJECTS EXPENDITURE	
2017/2018: Exp. as a % of Adjusted Budget of R1.77b: Exp. (excl. vat) = R1,25 bil % exp. (Excl. vat) :70% Exp. (incl. vat) = R1,34 bil % exp. (incl. vat): 76%	2018/2019: Exp. as a % of Adjusted Budget of R2.10b: Exp. (excl. vat) = R1,47 bil % exp. (Excl. vat) :70% Exp. (incl. vat) = R1,57 bil % exp. (incl. vat): 75%	2017/2018: Exp. as a % of Adjusted Budget of R314.40m: Exp. (excl. vat) = R247,19 mil % exp. (excl. vat): 79% Exp. (incl. vat) = R253,53 mil % exp. (incl. vat): 81%	2018/2019: Exp. as a % of Adjusted Budget of R349.21m: Exp. (excl. vat) = R229,82 mil % exp. (excl. vat): 66% Exp. (incl. vat) = R237,74 mil % exp. (incl. vat): 68%
FINANCIAL		HUMAN RESOURCES	
Operating deficit before Capital Transfers	(R 839,944,590)	Total staff complement	5 299
Debtors collection ratio	87.79%	Staff Appointments	33
YTD Grants and subsidies: recognized - Capital	R 664,683,986	Staff Terminations	14
Creditors payment days	36 days	Number of funded vacant posts	788
Current ratio	2.01:1	Total overtime paid (YTD)	R 126,563,199
Total Debt to Revenue	7.71%	Allowances and benefits – Councillors (YTD)	R 62,315,518
Capital Charges to Operating Expenditure	1.35%	Salary bill – Officials	R 2,001,414,262
Cost coverage ratio	2.18 months	Workforce costs as a % of expenditure	30.61%.

6.2. Liquidity position

Buffalo City Metropolitan Municipality's liquidity is considered stable as the Current Ratio is 2.01:1 which indicates the ability of municipality's current assets to cover its current liabilities. This is above the norm of 1.5-2:1. The City has a strong cash and cash equivalent and can easily meet its immediate obligations, however, the stagnant revenue base and high rate of increase in operating costs is a threat to the City's cash position. This ratio denotes that the City can meet its short term liabilities.

The graph below shows comparison of the current ratio for the current financial year and the two previous financial years.

Figure 1: Current Ratio

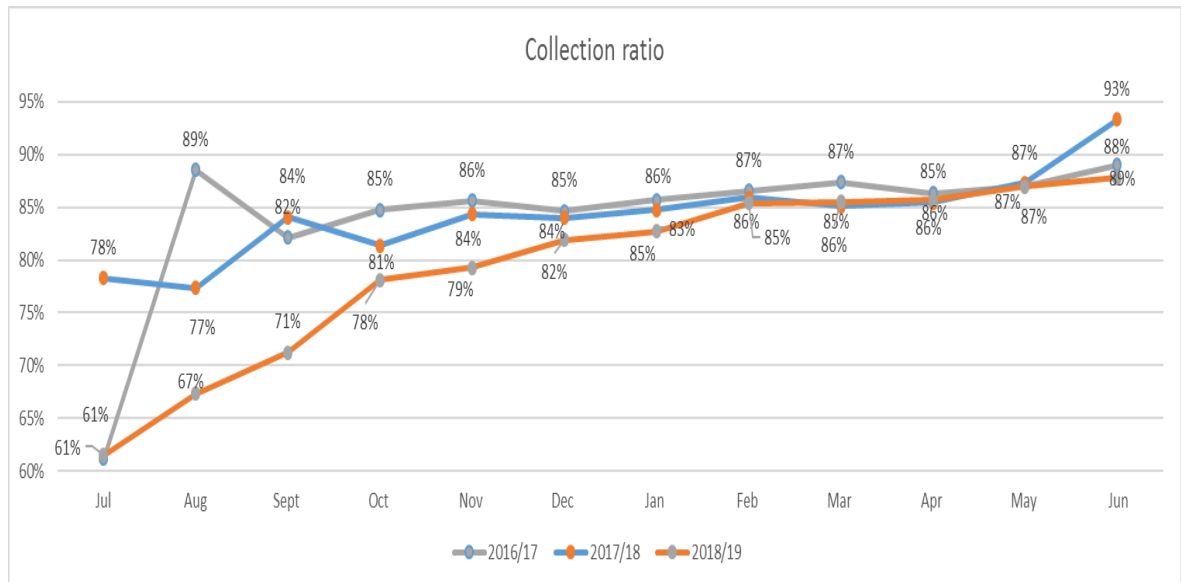


6.3. Collection Rate and Outstanding Debtors

The year to date collection rate for the month ended 30 June 2019 is 87.79% (2017/18: 93.32%). This ratio denotes the City's ability to collect the billed revenue from its consumers. The collection rate has increased by 0.81% from last month where 86.98% was achieved for the period ended 31 May 2019. The corrective measures that are implemented to improve the collection are detailed under section 8.1.1. of the report under debtors management.

The graph below shows comparison of the monthly collection ratio for the current financial year and the two previous financial years.

Figure 2: Collection Ratio



Total gross debtors book (including current accounts) as at 30 June 2019 amounts to R2.01 billion (2017/18: R1.74 billion). Households: R1.26 billion, Business: R716.40 million and Government: R29.59 million.

Refer to section 8.1. of the report for details on debtors' management. The debtors' age analysis report is reflected on Annexure B – SC3.

6.4. Capital Expenditure

BCMM has spent 75% (R1.57 billion, inclusive of reclaimed vat) of its 2018/19 adjusted capital budget of R2.1 billion as at 30 June 2019. This reflects a slight decrease in percentage terms when compared to the same period in the previous financial year where 76% (R1.34 billion, inclusive of reclaimed vat) of the adjusted budget of R1.77 billion was spent. There has been more expenditure incurred in rand terms as R1.57 billion was spent as compared to R1.34 billion that was spent in the previous financial year. Expenditure is expected to improve as the financial year end closure is still in progress.

Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019. (Refer to Section 14 for further details).

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

6.5. Operating Projects

The Metro has spent 68% (R237.74 million, inclusive of reclaimed vat) of its 2018/19 adjusted operating projects budget of R349.21 million as at 30 June 2019. This reflects a decline when compared to the same period in the previous financial year where 81% (R253.53 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R314.40 million was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019. (Refer to Section 15 for further details).

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

6.6. Expenditure on Conditional Grants (DoRA Allocation)

The Metro has spent 80% (R889.11 million, inclusive of reclaimed vat) of its 2018/2019 conditional grants budget of R1.11 billion as at 30 June 2019. This reflects a decline when compared to the same period in the previous financial year where 88% (R941.21 million, inclusive of reclaimed of vat) of conditional grants budget of R1.06 billion was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019. (Refer to Section 11 for further details).

6.6.1. Urban Settlement Development Grant (USDG) funded projects

BCMM has spent 78% (R748.14 million, inclusive of reclaimed vat) of its 2018/2019 USDG budget of R962.99 million as at 30 June 2019. This reflects a decline when compared to the same period in the previous financial year where 91% (R847.47 million, inclusive of reclaimed of vat) of USDG budget of R928.13 million was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019. (Refer to Section 11 for further details).

6.7. Cash and Cash Equivalents

The cash and cash equivalents of the City as at 30 June 2019 are R1.36 billion made up of cash and bank amounting to R437.46 million and call investment deposits of R919.26 million. This funding is invested with various financial institutions in compliance with the MFMA.

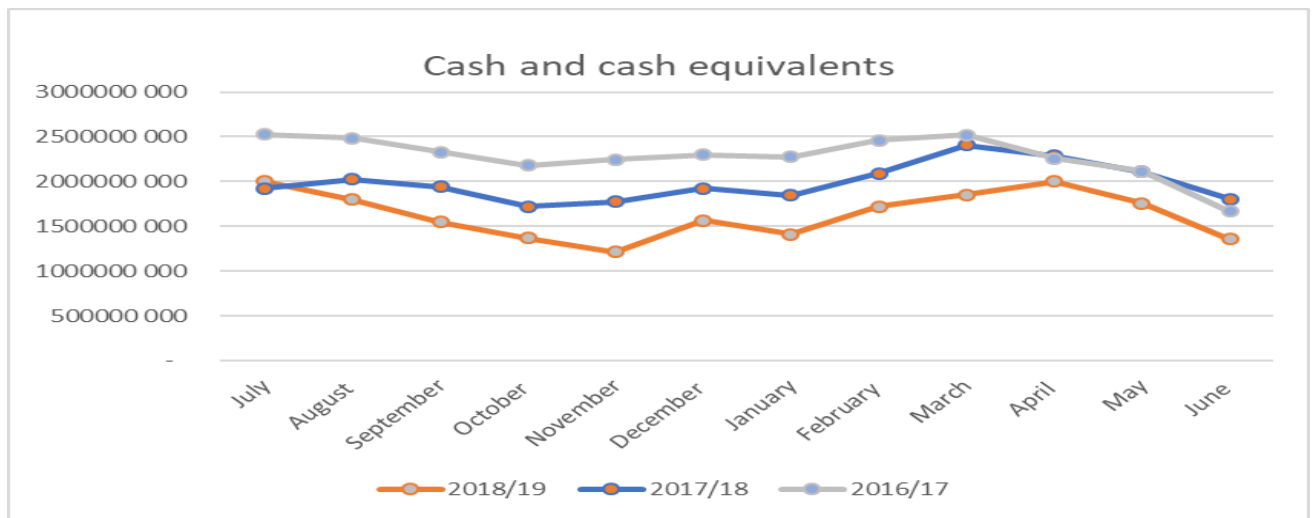
The City's cash reserves has decreased due to the City vigorously investing in its asset renewal and upgrading program that is funded by its own funding. This is an indication of the City's commitment in addressing the aging infrastructure and ensuring that cash reserves are re-invested into infrastructure assets. The non-achievement of the 92.5% target that was set on the collection rate also had a negative impact on cash reserves. The corrective measures that are implemented to improve the collection are detailed under section 8.1.1. of the report under debtors management. Refer to Section 7.4.5 and Annexure A – C7 for the cash flow statement as well as Section 10 and Annexure B – SC5 for the investment portfolio breakdown.

The cost coverage ratio of the City is 2.18 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 period. This ratio denotes that the City can meet its monthly operating commitments 2.18 times, which is within the norm of 1-3 months as

per the MFMA circular 71. It is however a concern to note that the City's cash and cash equivalent reserve is decreasing due to stagnant revenue base and operating expenditure that is increasing at a high rate. There has also been high capital investment that is funded by internally generated funds.

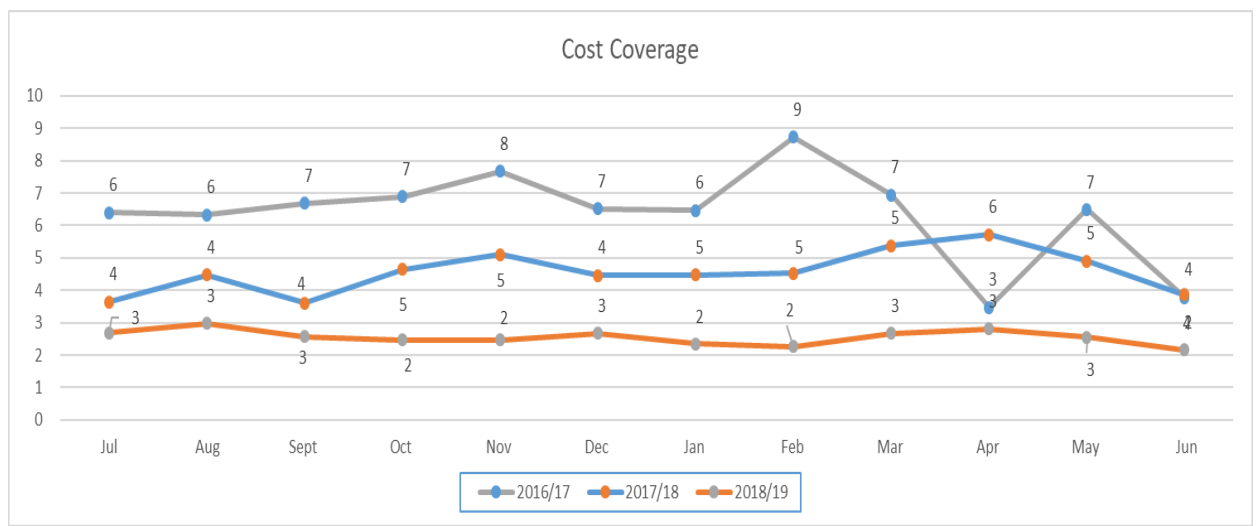
The graph below shows comparison of the monthly cash and cash equivalents over the 3-year period.

Figure 3: Cash and cash Equivalents



The graph below shows comparison of the monthly cost coverage for the current financial year and the two previous financial years.

Figure 4: Cost Coverage



6.8. Outstanding Creditors

The creditors payment period has increased to 36 days due to high level accruals at year end. Refer to Section 9 for details.

6.9. Long-Term Debt Profile

The total long term borrowings of the municipality as at 30 June 2019 amounts to R345.6 million. Refer to Annexure C for the schedule of borrowings.

The ratio of capital charges to operating expenditure as at 30 June 2019 is 1.35%. This ratio assesses the level of capital charges / interest charges to operating expenditure. The norm as per the MFMA circular 71 is between 6 and 8%.

The total debt to revenue ratio is 7.71% as at 30 June 2019, 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 outcome is below the norm. This indicates that the municipality has capacity to take on additional financing from borrowing to invest in infrastructure projects. BCMM is in the process of considering new loan funding which will move this ratio closer to the National Treasury norm of 45%.

7.2 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 (functional classification) - M12 June										
Description	Ref	Budget Year 2018/19								
		2017/18 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Functional										
Governance and administration		2 139 702	2 538 086	2 534 132	114 204	2 407 192	2 534 132	(126 940)	-5%	2 534 132
Executive and council		31 030	26 940	26 940	(8 877)	20 315	26 940	(6 625)	-25%	26 940
Finance and administration		2 108 673	2 511 147	2 507 193	123 081	2 386 878	2 507 193	(120 315)	-5%	2 507 193
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		437 476	355 122	503 013	60 915	326 309	503 013	(176 704)	-35%	503 013
Community and social services		27 483	29 896	29 896	2 007	24 870	29 896	(5 027)	-17%	29 896
Sport and recreation		45 350	5 190	5 190	792	3 800	5 190	(1 390)	-27%	5 190
Public safety		149 359	160 223	164 873	17 365	158 962	164 873	(5 912)	-4%	164 873
Housing		215 250	159 786	303 026	40 694	137 784	303 026	(165 242)	-55%	303 026
Health		35	27	27	57	893	27	866	3216%	27
Economic and environmental services		413 802	445 284	494 676	31 161	420 887	494 676	(73 789)	-15%	494 676
Planning and development		139 269	259 330	258 671	28 422	248 501	258 671	(10 171)	-4%	258 671
Road transport		273 359	182 656	232 706	2 592	171 343	232 706	(61 364)	-26%	232 706
Environmental protection		1 174	3 299	3 299	147	1 044	3 299	(2 254)	-68%	3 299
Trading services		3 436 783	4 014 827	4 008 124	262 601	3 387 930	4 008 124	(620 193)	-15%	4 008 124
Energy sources		1 775 553	2 069 822	2 059 618	161 895	1 824 338	2 059 618	(235 280)	-11%	2 059 618
Water management		633 119	799 770	798 270	25 947	666 843	798 270	(131 426)	-16%	798 270
Waste water management		651 301	680 364	680 364	54 127	479 241	680 364	(201 123)	-30%	680 364
Waste management		376 809	464 872	469 872	20 631	417 509	469 872	(52 363)	-11%	469 872
Other	4	31 215	27 126	27 126	1 854	25 418	27 126	(1 708)	-6%	27 126
Total Revenue - Functional	2	6 458 978	7 380 447	7 567 071	470 735	6 567 737	7 567 071	(999 334)	-13%	7 567 071
Expenditure - Functional										
Governance and administration		1 334 928	1 388 546	1 426 214	101 172	1 194 245	1 426 214	(231 969)	-16%	1 426 214
Executive and council		351 406	428 705	446 858	27 610	404 784	446 858	(42 074)	-9%	446 858
Finance and administration		973 877	944 722	964 201	72 440	780 398	964 201	(183 804)	-19%	964 201
Internal audit		9 644	15 119	15 155	1 122	9 064	15 155	(6 091)	-40%	15 155
Community and public safety		845 339	850 861	893 240	95 222	920 636	893 240	27 396	3%	893 240
Community and social services		99 350	98 652	100 428	10 525	112 736	100 428	12 308	12%	100 428
Sport and recreation		276 332	230 543	228 169	24 386	307 372	228 169	79 203	35%	228 169
Public safety		328 219	372 647	370 800	39 880	383 313	370 800	12 513	3%	370 800
Housing		105 092	107 401	151 834	17 051	79 382	151 834	(72 452)	-48%	151 834
Health		36 346	41 617	42 010	3 380	37 834	42 010	(4 176)	-10%	42 010
Economic and environmental services		741 035	805 719	786 711	112 563	1 403 184	786 711	616 474	78%	786 711
Planning and development		220 782	185 310	176 403	45 881	506 999	176 403	330 596	187%	176 403
Road transport		497 184	598 768	588 605	64 151	871 496	588 605	282 891	48%	588 605
Environmental protection		23 069	21 641	21 702	2 530	24 689	21 702	2 987	14%	21 702
Trading services		3 103 545	3 394 903	3 348 045	373 202	3 139 245	3 348 045	(208 800)	-6%	3 348 045
Energy sources		1 854 018	1 989 513	1 972 248	208 090	1 961 163	1 972 248	(11 086)	-1%	1 972 248
Water management		623 453	641 479	605 923	92 232	591 231	605 923	(14 692)	-2%	605 923
Waste water management		303 305	455 370	455 538	44 409	256 367	455 538	(199 171)	-44%	455 538
Waste management		322 769	308 541	314 336	28 472	330 485	314 336	16 149	5%	314 336
Other		80 109	105 975	105 851	9 369	85 686	105 851	(20 165)	-19%	105 851
Total Expenditure - Functional	3	6 104 956	6 546 003	6 560 061	691 527	6 742 998	6 560 061	182 936	3%	6 560 061
Surplus/ (Deficit) for the year		354 022	834 444	1 007 010	(220 792)	(175 261)	1 007 010	(1 182 270)	-117%	1 007 010

7.3 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) - M12 June										
Vote Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote	1									
Vote 01 - Directorate - Executive Support Services		1 138	-	846	99	334	846	(512)	-60,5%	846
Vote 02 - Directorate - Municipal Manager		30 698	26 940	26 940	(8 877)	20 370	26 940	(6 570)	-24,4%	26 940
Vote 03 - Directorate - Human Settlement		215 250	159 786	303 026	40 694	137 784	303 026	(165 242)	-54,5%	303 026
Vote 04 - Directorate - Chief Financial Officer		2 077 192	2 492 463	2 487 663	121 241	2 355 027	2 487 663	(132 637)	-5,3%	2 487 663
Vote 05 - Directorate - Corporate Services		11 830	10 801	10 801	791	12 845	10 801	2 044	18,9%	10 801
Vote 06 - Directorate - Infrastructure Services		3 333 333	3 732 612	3 770 958	244 562	3 141 765	3 770 958	(629 193)	-16,7%	3 770 958
Vote 07 - Directorate - Spatial Planning And Development		136 083	195 565	221 001	27 809	233 201	221 001	12 200	5,5%	221 001
Vote 08 - Directorate - Health / Public Safety & Emergency Services		149 394	160 250	164 900	17 422	159 855	164 900	(5 045)	-3,1%	164 900
Vote 09 - Directorate - Municipal Services		450 816	503 257	508 257	23 577	447 222	508 257	(61 035)	-12,0%	508 257
Vote 10 - Directorate - Economic Development & Agencies		53 245	98 773	72 679	3 416	59 335	72 679	(13 343)	-18,4%	72 679
Vote 11 - Vote 11		-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12		-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13		-	-	-	-	-	-	-	-	-
Vote 14 - Vote 14		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	6 458 978	7 380 447	7 567 071	470 735	6 567 737	7 567 071	(999 334)	-13,2%	7 567 071
Expenditure by Vote	1									
Vote 01 - Directorate - Executive Support Services		229 773	309 737	318 883	24 681	284 407	318 883	(34 475)	-10,8%	318 883
Vote 02 - Directorate - Municipal Manager		176 395	191 028	205 908	8 367	190 346	205 908	(15 562)	-7,6%	205 908
Vote 03 - Directorate - Human Settlement		105 092	107 401	151 834	17 051	79 382	151 834	(72 452)	-47,7%	151 834
Vote 04 - Directorate - Chief Financial Officer		610 017	503 480	528 930	37 867	407 702	528 930	(121 229)	-22,9%	528 930
Vote 05 - Directorate - Corporate Services		124 686	157 617	157 841	13 412	154 595	157 841	(3 246)	-2,1%	157 841
Vote 06 - Directorate - Infrastructure Services		3 348 091	3 748 890	3 683 296	416 622	3 741 307	3 683 296	58 010	1,6%	3 683 296
Vote 07 - Directorate - Spatial Planning And Development		320 911	305 497	286 893	52 205	574 084	286 893	287 191	100,1%	286 893
Vote 08 - Directorate - Health / Public Safety & Emergency Services		368 787	420 235	418 791	43 827	425 636	418 791	6 846	1,6%	418 791
Vote 09 - Directorate - Municipal Services		717 297	653 407	658 654	65 346	770 793	658 654	112 139	17,0%	658 654
Vote 10 - Directorate - Economic Development & Agencies		103 906	148 711	149 032	12 150	114 747	149 032	(34 285)	-23,0%	149 032
Vote 11 - Vote 11		-	-	-	-	-	-	-	-	-
Vote 12 - Vote 12		-	-	-	-	-	-	-	-	-
Vote 13 - Vote 13		-	-	-	-	-	-	-	-	-
Vote 14 - Vote 14		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	6 104 956	6 546 003	6 560 061	691 527	6 742 998	6 560 061	182 936	2,8%	6 560 061
Surplus/ (Deficit) for the year	2	354 022	834 444	1 007 010	(220 792)	(175 261)	1 007 010	(1 182 270)	-117,4%	1 007 010

7.4 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 ended 30 June 2019.

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) - M12 June										
Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		972 423	1 421 961	1 417 161	98 325	1 298 333	1 417 161	(118 828)	-8%	1 417 161
Service charges - electricity revenue		1 728 377	1 992 712	1 971 508	160 528	1 771 693	1 971 508	(199 815)	-10%	1 971 508
Service charges - water revenue		440 830	563 043	563 043	22 637	429 436	563 043	(133 606)	-24%	563 043
Service charges - sanitation revenue		304 905	322 143	322 143	26 504	328 804	322 143	6 661	2%	322 143
Service charges - refuse revenue		249 497	294 388	294 388	20 321	247 457	294 388	(46 930)	-16%	294 388
Rental of facilities and equipment		16 971	17 563	17 563	1 717	18 616	17 563	1 053	6%	17 563
Interest earned - external investments		126 690	140 961	140 631	8 415	95 873	140 631	(44 758)	-32%	140 631
Interest earned - outstanding debtors		49 322	54 405	54 405	5 763	66 450	54 405	12 045	22%	54 405
Dividends received								-		
Fines, penalties and forfeits		23 698	16 591	16 591	1 883	13 907	16 591	(2 684)	-16%	16 591
Licences and permits		13 985	14 597	14 597	2 863	15 008	14 597	410	3%	14 597
Agency services		25 806	31 270	30 528	7 985	31 993	30 528	1 465	5%	30 528
Transfers and subsidies		888 572	968 323	1 007 902	22 977	888 010	1 007 902	(119 892)	-12%	1 007 902
Other revenue		675 442	713 589	713 560	18 104	694 434	713 560	(19 126)	-3%	713 560
Gains on disposal of PPE		8 478	-	-	209	3 038	-	3 038	0%	-
Total Revenue (excluding capital transfers and contributions)		5 524 997	6 551 547	6 564 019	398 232	5 903 053	6 564 019	(660 966)	-10%	6 564 019

BUF Buffalo City - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Expenditure By Type										
Employee related costs		1 839 251	1 960 957	2 008 166	171 749	2 001 414	2 008 166	(6 752)	0%	2 008 166
Remuneration of councillors		59 473	64 185	64 185	5 118	62 316	64 185	(1 870)	-3%	64 185
Debt impairment		310 385	343 696	343 336	71 390	227 353	343 336	(115 984)	-34%	343 336
Depreciation & asset impairment		992 860	896 426	896 290	120 740	1 463 713	896 290	567 423	63%	896 290
Finance charges		43 960	59 808	39 013	3 019	38 467	39 013	(546)	-1%	39 013
Bulk purchases		1 552 488	1 698 510	1 694 310	181 994	1 645 362	1 694 310	(48 948)	-3%	1 694 310
Other materials		83 619	87 764	81 054	7 827	76 840	81 054	(4 214)	-5%	81 054
Contracted services		681 665	869 185	815 134	85 562	665 013	815 134	(150 120)	-18%	815 134
Transfers and subsidies		62 471	95 051	69 546	8 473	60 100	69 546	(9 447)	-14%	69 546
Other expenditure		468 846	470 422	549 028	35 653	502 421	549 028	(46 607)	-8%	549 028
Loss on disposal of PPE		10 496	-	-	-	-	-	-		-
Total Expenditure		6 105 514	6 546 003	6 560 061	691 527	6 742 998	6 560 061	182 936	3%	6 560 061
Surplus/(Deficit)		(580 518)	5 544	3 958	(293 295)	(839 945)	3 958	(843 902)	(0)	3 958
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		930 359	803 900	1 003 052	71 597	663 777	1 003 052	(339 275)	(0)	1 003 052
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		229	25 000	-	907	907	-	907	0	-
Transfers and subsidies - capital (in-kind - all)		3 394	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year		354 022	834 444	1 007 010	(220 792)	(175 261)	1 007 010			1 007 010

7.4.1 ANALYSIS OF STATEMENT OF FINANCIAL PERFORMANCE

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

7.4.1.1 Operating Deficit

The City incurred an operating deficit (excluding capital transfers) of R839.95 million, this is mainly caused by an unfavourable variance realised on depreciation. The main contributing factor to high depreciation costs is the use of revaluation method as the basis of valuing BCMM infrastructure assets. The change of valuation method is still under consideration. Various cost containment measures are also being implemented to contain expenditure whilst revenue enhancement strategies are being explored to improve the City's revenue.

7.4.1.2 Service Charges – Electricity

The consumption registered from the smart metered sites have indicated that the monthly billing is consistent with previous periods. Factors that contributed to the variance between budget and actual performance are, but not limited to the following:

- i. The imposition of intensified load-shedding at the beginning of 2019.
- ii. The continued drive from ESKOM to reduce electricity consumption.
- iii. The move by more affluent consumers to off grid or alternative energy sources.
- iv. Increase in meter tampering and illegal connections into the BCMM Electrical Grid.

7.4.1.3 Service Charges – Water

The variance is due to the following:

- i. areas where there is community unrest whereby meters could not be read.
- ii. challenges relating to delays in communicating the information on completed RDP houses to water and billing departments as the process is not automated.

7.4.1.4 Service Charges – Refuse

This service has remained consistent in the monthly billing per month for the financial year, however the extension of service that was anticipated did not materialise.

7.4.1.5 Interest earned - external investments

The decrease in cash reserves that is mainly caused by the low collection rate when compared to the set targets, is having a negative impact on interest earned on external investments.

7.4.1.6 Interest earned – outstanding debtors

The variance is as a result of the debtors book that is increasing due to non-payment of debtors despite the daily credit control action that is implemented. Due to the monthly increase in debtors, the interest charges increase automatically.

7.4.1.7 Fines, penalties and forfeits

The material variance in Fines & Penalties is caused by the following factors:

- (i) Limited staff and resources to execute in the servicing proxies and summonses.
- (ii) Inclement weather prohibited operations deployment.
- (iii) Offenders failing to finalize their outstanding offence payments.

7.4.1.8 Transfers and Subsidies

Revenue of grants is recognized when grant conditions are met; year-end accruals and journal entries are still being processed.

7.4.1.9 Debt Impairment

The following factors influence the variance for Debt Impairment:

- i. Debt write-offs are done periodically during the financial year.
- ii. Debt write-offs are only implemented after a proper investigation is conducted into each account. This process can take between 1-6

months depending on the number of accounts that are appearing on the write-off list.

The process of finalising and processing the year-end entries that relate to debt impairment is still underway, to be concluded as part of preparing the final set of Annual Financial Statements.

7.4.1.10 Depreciation & asset impairment

The variance is due to the fact that the City is using revaluation model to value its infrastructure assets. The change of valuation model is still under consideration. The process of finalising and processing the year-end entries that relate to depreciation and asset impairment is still underway to be concluded as part of preparing the final set of Annual Financial Statements.

7.4.1.11 Contracted Services

The variance is mainly due to the under expenditure on operating projects. The two operating projects with significant low expenditure are:

- a) Human Settlements projects – some projects were delayed after local communities forced entry into the incomplete houses and delayed construction. An execution order will be executed whereby all illegal invasions will be evicted.
- b) Rural Sanitation Backlog: Contractors are on site, project is targeted for completion by end June 2019.
- c) Year-end accruals and journal entries are still being processed and the expenditure on contracted services is also expected to improve.

7.4.1.12 Transfers and Subsidies

The actual expenditure is below the projected expenditure for the period under review due to delays in the implementation of Trade, Industry & Rural Agrarian programme.

7.4.2 Repairs and maintenance

Table 6 below reflects that as at 30 June 2019, the repairs and maintenance expenditure is 89% of the adjusted budget of R425.14 million (2017/18: 75%).

Refer to Annexure B: SC13c (repairs and maintenance by asset class).

Table 6: Repairs and Maintenance per Directorate

Repairs and Maintenance

Directorate	<u>2018/2019</u> <u>Annual</u> <u>Budget</u> <u>R</u>	<u>2018/2019</u> <u>Annual</u> <u>Expenditure</u> <u>R</u>	<u>2018/2019</u> <u>-</u> <u>Variance</u> <u>R</u>	<u>2018/2019</u> <u>% of</u> <u>Budget</u> <u>%</u>
Directorate Of Executive Support Services	3 497 658	1 282 892	2 214 766	37%
Directorate Of The City Manager	6 845 360	7 004 663	(159 303)	102%
Directorate Of Corporate Services	2 175 095	1 882 745	292 350	87%
Directorate Of Development & Spatial Planning	19 531 477	14 228 651	5 302 826	73%
Directorate Of Economic Development & Agencies	1 400 734	1 254 034	146 700	90%
Directorate Of Finance	2 941 574	1 443 803	1 497 771	49%
Directorate Of Health / Public Safety & Emergency Services	6 436 172	5 153 710	1 282 462	80%
Directorate Of Human Settlement	618 466	370 166	248 300	60%
Directorate Of Infrastructure Services	349 277 800	318 152 064	31 125 736	91%
<i>Electricity</i>	152 873 689	120 355 632	32 518 057	79%
<i>Water</i>	55 107 016	35 763 883	19 343 133	65%
<i>Sanitation</i>	44 428 310	37 637 492	6 790 818	85%
<i>Other</i>	96 868 785	124 395 056	(27 526 271)	128%
Directorate Of Municipal Services	32 419 139	29 389 061	3 030 078	91%
TOTAL	425 143 475	380 161 789	44 981 686	89%

7.4.3 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, functional classification and funding - M12 June)										
Vote Description	Ref	2017/18	Budget Year 2018/19							
		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 01 - Directorate - Executive Support Services		2 284	3 500	5 887	619	2 596	5 887	(3 291)	-56%	5 887
Vote 02 - Directorate - Municipal Manager		2 111	51 840	94 240	12 770	129 611	94 240	35 371	38%	94 240
Vote 03 - Directorate - Human Settlement		485	104 755	205 900	19 707	117 511	205 900	(88 389)	-43%	205 900
Vote 04 - Directorate - Chief Financial Officer		328	152 538	42 442	14 951	17 854	42 442	(24 587)	-58%	42 442
Vote 05 - Directorate - Corporate Services		345	3 600	781	100	656	781	(125)	-16%	781
Vote 06 - Directorate - Infrastructure Services		103 195	916 280	1 172 865	256 391	832 899	1 172 865	(339 965)	-29%	1 172 865
Vote 07 - Directorate - Spatial Planning And Development		772	263 838	273 673	26 228	202 311	273 673	(71 362)	-26%	273 673
Vote 08 - Directorate - Health / Public Safety & Emergency Services		3 123	14 270	39 882	6 689	27 278	39 882	(12 604)	-32%	39 882
Vote 09 - Directorate - Municipal Services		2 247	160 829	187 823	21 769	114 456	187 823	(73 367)	-39%	187 823
Vote 10 - Directorate - Economic Development & Agencies		851	106 692	75 607	10 865	27 993	75 607	(47 614)	-63%	75 607
Total Capital Multi-year expenditure	4,7	115 740	1 778 142	2 099 100	370 089	1 473 166	2 099 100	(625 934)	-30%	2 099 100
Capital Expenditure - Functional Classification										
Governance and administration		101 442	292 651	260 259	79 457	235 992	260 259	(24 267)	-9%	260 259
Executive and council		4 395	55 340	96 927	11 970	129 099	96 927	32 172	33%	96 927
Finance and administration		97 047	237 311	163 332	67 486	106 893	163 332	(66 439)	-35%	163 332
Internal audit										
Community and public safety		5 037	197 475	347 157	37 609	200 969	347 157	(146 189)	-42%	347 157
Community and social services		80	21 820	27 560	3 855	22 010	27 560	(5 550)	-20%	27 560
Sport and recreation		1 430	57 950	75 375	7 374	35 601	75 375	(39 774)	-53%	75 375
Public safety		3 043	12 050	36 539	6 566	24 186	36 539	(12 352)	-34%	36 539
Housing		485	104 755	205 900	19 707	117 511	205 900	(88 389)	-43%	205 900
Health		-	900	1 784	107	1 660	1 784	(123)	-7%	1 784
Economic and environmental services		6 133	519 369	795 784	88 563	555 655	795 784	(240 129)	-30%	795 784
Planning and development		1 095	227 957	244 135	24 633	189 579	244 135	(54 557)	-22%	244 135
Road transport		5 018	286 985	546 153	63 904	365 090	546 153	(181 063)	-33%	546 153
Environmental protection		19	4 427	5 496	26	986	5 496	(4 510)	-82%	5 496
Trading services		2 601	689 248	634 664	153 737	454 299	634 664	(180 365)	-28%	634 664
Energy sources		1 802	129 450	151 095	36 661	143 193	151 095	(7 903)	-5%	151 095
Water management		-	198 451	208 222	48 348	138 158	208 222	(70 065)	-34%	208 222
Waste water management		-	283 394	194 394	58 198	115 658	194 394	(78 736)	-41%	194 394
Waste management		798	77 952	80 952	10 530	57 291	80 952	(23 662)	-29%	80 952
Other		527	79 400	61 235	10 723	26 252	61 235	(34 983)	-57%	61 235
Total Capital Expenditure - Functional Classification	3	115 740	1 778 142	2 099 100	370 089	1 473 166	2 099 100	(625 934)	-30%	2 099 100
Funded by:										
National Government		81	698 635	898 435	122 415	607 833	898 435	(290 602)	-32%	898 435
Provincial Government		-	-	-	-	-	-	-		-
District Municipality		-	-	-	-	-	-	-		-
Other transfers and grants		-	27 292	14 372	142	1 742	14 372	(12 630)	-88%	14 372
Transfers recognised - capital		81	725 927	912 807	122 557	609 575	912 807	(303 232)	-33%	912 807
Borrowing	6	-	69 000	-	-	-	-	-		-
Internally generated funds		115 659	983 215	1 186 293	247 532	863 591	1 186 293	(322 702)	-27%	1 186 293
Total Capital Funding		115 740	1 778 142	2 099 100	370 089	1 473 166	2 099 100	(625 934)	-30%	2 099 100

7.4.4 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 excess assets over liabilities resulting into the net worth of R19.51 billion as per statement of financial position. Consumer debtors and other debtors are reflected net of impairments as per the statement of financial position.

Table 8: C6: Monthly Budget Statement – Financial Position

BUF Buffalo City - Table C6 Consolidated Monthly Budget Statement - Financial Position - M12 June						
Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		165 102	80 155	80 155	437 456	80 155
Call investment deposits		1 660 393	1 563 129	1 471 362	919 257	1 563 129
Consumer debtors		509 087	937 997	937 637	1 041 341	937 997
Other debtors		864 981	880 000	880 000	611 009	880 000
Current portion of long-term receivables		–	19	19	–	19
Inventory		42 790	128 841	128 841	39 630	128 841
Total current assets		3 242 353	3 590 140	3 498 014	3 048 692	3 590 140
Non current assets						
Long-term receivables		–	80	80	–	80
Investments		–	–	–	–	–
Investment property		427 563	486 233	486 233	434 528	486 233
Investments in Associate		121 008	109 020	109 020	121 008	109 020
Property, plant and equipment		18 190 726	19 381 893	19 541 187	18 238 559	19 381 893
Biological		–	–	–	–	–
Intangible		18 884	12 029	12 029	21 144	12 029
Other non-current assets		50 382	100 038	100 038	–	100 038
Total non current assets		18 808 564	20 089 293	20 248 587	18 815 239	20 089 293
TOTAL ASSETS		22 050 917	23 679 433	23 746 601	21 863 932	23 679 433
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		52 572	59 667	57 974	30 179	59 667
Consumer deposits		60 013	71 941	71 941	64 109	71 941
Trade and other payables		1 313 124	1 060 015	1 060 015	1 196 795	1 060 015
Provisions		223 387	203 354	203 354	222 538	203 354
Total current liabilities		1 649 095	1 394 977	1 393 284	1 513 621	1 394 977
Non current liabilities						
Borrowing		345 554	355 516	287 581	315 376	355 516
Provisions		526 803	797 489	797 489	526 803	797 489
Total non current liabilities		872 357	1 153 005	1 085 070	842 178	1 153 005
TOTAL LIABILITIES		2 521 453	2 547 982	2 478 354	2 355 799	2 547 982
NET ASSETS	2	19 529 464	21 131 451	21 268 247	19 508 132	21 131 451
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		10 479 007	17 390 299	17 527 095	9 050 458	17 390 299
Reserves		9 050 458	3 741 152	3 741 152	10 457 675	3 741 152
TOTAL COMMUNITY WEALTH/EQUITY	2	19 529 464	21 131 451	21 268 247	19 508 132	21 131 451

7.4.5 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 R468.78 million, resulting in cash and cash equivalents closing balance of R1.36 billion as at 30 June 2019.

Table 9: C7: Monthly Budget Statement – Cash Flow

BUF Buffalo City - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M12 June

Description	Ref	2017/18	Budget Year 2018/19							
		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		972 680	1 315 314	1 310 874	96 040	1 139 807	1 310 874	(171 067)	-13%	1 310 874
Service charges		2 678 192	2 934 363	2 914 750	220 362	2 410 133	2 914 750	(504 617)	-17%	2 914 750
Other revenue		321 754	248 395	258 070	44 546	683 364	258 070	425 294	165%	258 070
Government - operating		888 572	1 471 673	1 521 746	8 982	1 421 358	1 521 746	(100 388)	-7%	1 521 746
Government - capital		930 588	803 900	1 003 052	-	1 088 460	1 003 052	85 408	9%	1 003 052
Interest		176 012	182 768	195 036	14 178	162 323	195 036	(32 713)	-17%	195 036
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(4 385 163)	(5 152 832)	(5 210 796)	(387 480)	(5 762 678)	(5 210 796)	551 882	-11%	(5 210 796)
Finance charges		(43 960)	(59 818)	(39 013)	(3 019)	(38 467)	(39 013)	(546)	1%	(39 013)
Transfers and Grants		(39 330)	(60 526)	(70 626)	(3 334)	(47 346)	(70 626)	(23 281)	33%	(70 626)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1 499 345	1 683 238	1 883 093	(9 726)	1 056 955	1 883 093	826 138	44%	1 883 093
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		14 288	-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(1 330 596)	(1 753 142)	(2 099 100)	(370 089)	(1 473 166)	(2 099 100)	(625 934)	30%	(2 099 100)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1 316 308)	(1 753 142)	(2 099 100)	(370 089)	(1 473 166)	(2 099 100)	(625 934)	30%	(2 099 100)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	69 000	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		(47 642)	(59 667)	(57 974)	(17 684)	(52 572)	(57 974)	(5 402)	9%	(57 974)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(47 642)	9 333	(57 974)	(17 684)	(52 572)	(57 974)	(5 402)	9%	(57 974)
NET INCREASE/ (DECREASE) IN CASH HELD		135 395	(60 571)	(273 980)	(397 499)	(468 784)	(273 980)			(273 980)
Cash/cash equivalents at beginning:		1 690 102	1 703 855	1 825 497		1 825 497	1 825 497			1 825 497
Cash/cash equivalents at monthly year end:		1 825 497	1 643 284	1 551 516		1 356 713	1 551 516			1 551 516

PART 2: SUPPORTING
DOCUMENTATION

8. IN-YEAR BUDGET STATEMENT SUPPORTING TABLES AND DOCUMENTATION

8.1 Debtors

The debtor analysis 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 - M12 June													
Description	NT Code	Budget Year 2018/19										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	34 724	19 131	14 134	13 022	10 180	7 807	48 922	240 531	388 451	320 462	127 296	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	114 311	20 506	8 026	5 310	4 650	4 883	14 423	42 448	214 566	71 713	5 107	
Receivables from Non-exchange Transactions - Property Rates	1400	99 663	32 590	20 592	16 483	14 871	12 967	67 465	233 580	498 210	345 365	29 104	
Receivables from Exchange Transactions - Waste Water Management	1500	22 664	9 495	5 563	4 539	4 001	3 590	20 077	108 330	178 260	140 538	23 158	
Receivables from Exchange Transactions - Waste Management	1600	18 643	9 047	5 777	5 174	4 779	4 350	24 580	162 069	234 418	200 952	26 090	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	39	39	39	-	
Interest on Arrear Debtor Accounts	1810	7 219	7 029	6 705	6 583	6 328	6 134	28 503	174 144	242 647	221 693	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	13 797	7 309	6 645	4 997	5 871	6 294	26 858	181 685	253 457	225 706	16 598	
Total By Income Source	2000	311 020	105 107	67 442	56 109	50 680	46 024	230 828	1 142 826	2 010 037	1 526 468	227 353	-
2017/18 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	10 230	5 666	3 383	700	489	346	3 171	5 603	29 589	10 310	-	
Commercial	2300	162 857	38 046	22 679	18 203	17 147	13 254	66 034	378 179	716 400	492 818	-	
Households	2400	137 933	61 396	41 381	37 206	33 044	32 422	161 623	759 044	1 264 048	1 023 339	227 353	
Other	2500	-	-	-	-	-	-	-	-	-	-	-	
Total By Customer Group	2600	311 020	105 107	67 442	56 109	50 680	46 024	230 828	1 142 826	2 010 037	1 526 468	227 353	-

8.1.1. Additional debtors' information

The arrears which includes all charges excluding VAT, amounted to R2,010,037,431 as at 30 June 2019 which is a decrease of R25,532,798 over the amount of R2,035,570,229 as at 31 May 2019.

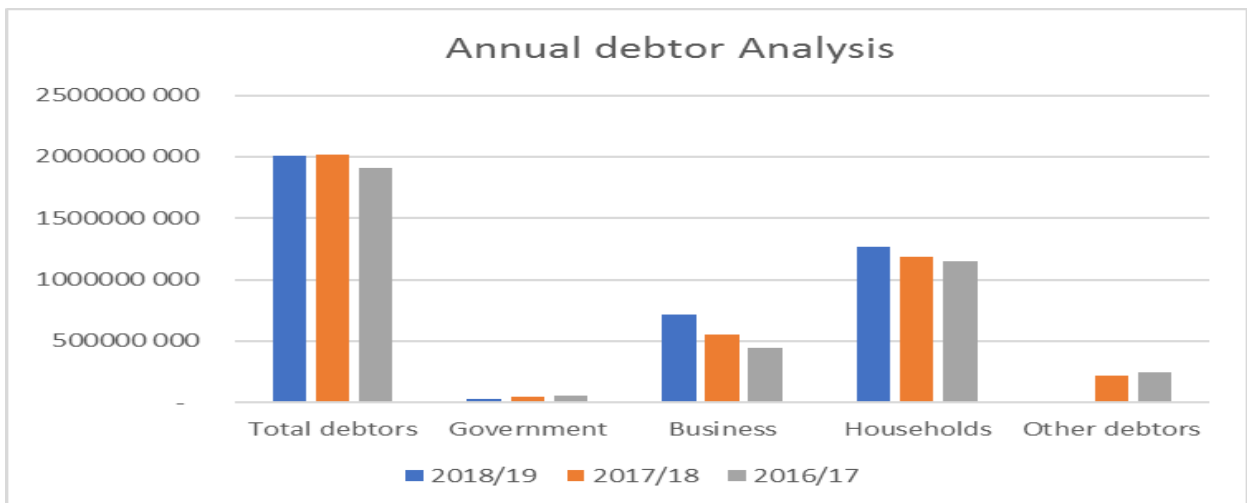
To improve the collection rate, the following remedial actions are being implemented:

- i. Enforcement of debt collection action as prescribed in the Credit Control Policy.
- ii. Conversion of existing electricity meters to prepayment meters, including conversion of large power users to automated metering devices.
- iii. Continued implementation of the on-line vending purchases and bill payments through latest technology. The prepayment system and the Municipal Financial System integrate seamlessly with each other, which means that where customers are blocked for non-payment and want to make a purchase for electricity, the latest arrear balance must be settled before the customer can buy electricity. This process has a positive impact on the BCMM cash flow and collection rate.
- iv. Activation of the SMS functionality to inform customers of their current and outstanding debt.
- v. Investigation of various strategies inter alia; such as to consider approval of the Revenue Management function an essential service, to ensure that revenue management services are not interrupted, specifically related to industrial action within the City.
- vi. Perform a water meter reading completeness review to address the non-reading of water meters as well as feasibility study on the installation of smart water meter devices.
- vii. Exploring the increase of the City's revenue base, to ease tariff increases on existing customers.
- viii. Implementation of Indigent Registration Campaigns to ensure that all indigent customers are registered and also to ensure that the Indigent Application is processed within 30 days of receipt.

- ix. Work at curbing electricity and water non-technical losses to the acceptable norm, such as meter tampering, installing meters in flat-rated areas and improved meter reading.
- x. The improvement in resolving billing related queries within the time frame of sixty (60) days from date of lodging of the query. Water leak queries generally take up to ninety (90) days to resolve due to the fact that the customer's consumption has to be monitored for that period to be able to generate a realistic adjustment.
- xi. The improvement of the turnaround time related to registration of properties and transfer of rates and services charges to within 30 days of receiving the information from the Deeds Office.

The graph below shows comparison of annual movements in debtors of the 3 year period.

Figure 4: Debtors age analysis over the 3 year period



8.2. Additional debtor's information.

8.2.1. Age Analysis per Category

Table 11 below details debtors age analysis by income source as at 30 June 2019. It also provides comparison with the previous month (31 May 2019) which indicates a decrease from R2.03 billion to R2.01 billion.

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

AGEING	RATES	SEWERAGE	ELECTRICITY	WATER	REFUSE	SUNDRY DEBTORS	TOTAL FOR JUNE 2019	TOTAL FOR MAY 2019
CURRENT	102 098 065	25 261 894	114 918 969	38 961 306	19 536 864	10 242 717	311 019 814	285 095 066
30 DAYS	34 908 865	11 096 086	21 412 141	22 918 969	9 962 879	4 808 203	105 107 143	107 702 595
60 DAYS	22 800 564	6 779 441	8 546 854	19 094 715	6 626 293	3 594 460	67 442 327	76 356 092
90 DAYS	18 630 851	5 379 657	5 801 703	16 634 349	6 025 949	3 636 783	56 109 293	61 913 058
120 DAYS TO 360 DAYS	120 530 503	36 306 022	28 523 500	103 714 216	43 390 370	27 554 612	360 019 224	393 944 307
YEAR 2	83 303 230	34 789 197	17 581 073	103 980 981	44 621 995	35 068 407	319 344 884	324 771 517
YEAR 3	53 056 969	24 697 899	11 855 482	75 227 016	32 884 120	21 493 179	219 214 664	217 808 503
YEAR 4	36 783 016	16 887 679	5 764 600	42 526 299	23 234 259	16 425 895	141 621 748	142 048 557
YEAR 5	27 952 891	11 979 566	3 615 912	28 811 142	17 358 194	14 904 007	104 621 711	103 910 373
YEAR 5+	73 269 085	43 556 415	8 749 373	73 301 489	69 207 514	57 452 747	325 536 623	322 020 159
TOTAL	573 334 038	216 733 856	226 769 608	525 170 481	272 848 436	195 181 011	2 010 037 431	2 035 570 229

8.2.2. Age Analysis per Category

Table 12 below details debtors age analysis per category type as at 30 June 2019. It also reflects the percentage split per category with domestic consumers having the highest share followed by business. Please note that the financial system is not able to produce a collection ratio per category, however the collection ratio is reported on total debtors.

Table 12: Age Analysis per Category Type

CATEGORY TYPE	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 DAYS+	Total	% Share
Domestic	140 214 332.67	59 099 822	42 559 367	40 257 884	1 235 771 803	1 517 903 209	75.52
Indigent	9 438 059.06	7 730 900	3 275 151	1 941 779	9 169 031	31 554 920	1.57
Business	149 690 756.66	32 149 097	18 023 569	13 014 398	214 207 689	427 085 508	21.25
Government	10 183 520.05	5 711 987	3 382 896	699 751	9 610 671	29 588 825	1.47
Municipal Staff	1 449 145.04	405 252	199 939	195 015	1 567 843	3 817 195	0.19
Councillors	44 000.62	10 085	1 405	466	31 817	87 774	0.00
Total	311 019 814.10	105 107 143	67 442 327	56 109 293	1 470 358 854	2 010 037 431	100.00

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. In terms of the accounting treatment of the amounts received, within the financial system the amounts are allocated against the oldest debt first resulting in the outstanding balance as reflected in the above table.

During the month of June 2019 a total of R1,791,463 was receipted against staff and councillors accounts. The amount was allocated as follows:

Current Billing Receipts	R 1,415,480
Arrears Receipts	<u>R 375,983</u>
Total Receipts	<u>R 1,791,463</u>

Billing related queries such as water leaks prevent the debt from decreasing until it is resolved.

8.2.3. Government Accounts

The total arrears owed by Government Departments to Buffalo City Metropolitan Municipality as at 30 June 2019 amounted to R29,588,825 and this is a decrease of R10,284,587 when compared to 31 May 2019. Debt reduction is a result of constant implementation of credit control and debt collection action. Demand letters were sent to all Government Departments in arrears. Telephonic communication was also done including reconciliation of accounts with the Government Departments in arrears for payment and this exercise is ongoing.

The breakdown of the arrears per department (excluding accounts in credit) are indicated in the table hereunder, as at 30 June 2019.

Table 13: Analysis of Government Debtors

DEPARTMENT	PROPERTY RATES	SERVICES	ARREARS AS AT JUNE 2019	ARREARS AS AT MAY 2019	DIFFERENCE
National Department Of Public Works	5 271	6 452 683	6 457 954	6 733 119	(275 165)
Provincial Department Of Public Works	1 090 430	2 167 106	3 257 537	4 045 982	(788 446)
Department Of Education	0	6 304 355	6 304 355	7 707 876	(1 403 521)
Department Of Health	0	11 726 686	11 726 686	8 784 230	2 942 457
Department Of Social Development	0	134 166	134 166	136 492	(2 326)
Department Of Transport	0	14 338	14 338	57 673	(43 335)
Department Of Agriculture	0	16 922	16 922	48 216	(31 294)
Department Of Nature Conservation	0	22 354	22 354	31 486	(9 131)
Department of Human Settlements	0	296 999	296 999	278 084	18 915
Sport, Recreation, Arts and Culture	0	66 774	66 774	78 318	(11 544)
Department of Labour - UIF Services	0	246 579	246 579	248 425	(1 846)
Members Of Provincial Legislature	0	94 216	94 216	157 586	(63 370)
Department of Rural Development and Land Reform	0	949 945	949 945	1 017 035	(67 090)
Provincial RDP Houses	0	0.0	0.0	10 548 891	(10 548 891)
TOTAL	1 095 701	28 493 124	29 588 825	39 873 412	(10 284 587)

9. CREDITORS' ANALYSIS

The creditors' analysis as depicted in table 14 below contains an aged analysis by customer type. Due to high level accruals at year end, the creditors payment days has increased to 36 days.

Table 14: SC4 Monthly Budget Statement Aged Creditors

BUF Buffalo City - Supporting Table SC4 Monthly Budget Statement - aged creditors - M12 June

Description R thousands	NT Code	Budget Year 2018/19								Total	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			
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100	178 728									178 728	
Bulk Water	0200	19 770									19 770	
PAYE deductions	0300	25 461									25 461	
VAT (output less input)	0400	-									-	
Pensions / Retirement deductions	0500	29 023									29 023	
Loan repayments	0600	26 142									26 142	
Trade Creditors	0700	186 672									186 672	
Auditor General	0800	347									347	
Other	0900	225 945									225 945	
Total By Customer Type	1000	692 089	-	-	-	-	-	-	-	-	692 089	-

The table below (table 15) depicts actual payments made by BCMM to its top twenty (20) creditors in June 2019.

Table 15: Payments made to the 20 highest paid creditors – June 2019

CREDITOR	90 DAYS	60 DAYS	30 DAYS	CURRENT	TOTAL	PAYMENT
ESKOM			-	178 727 728	178 727 728	178 727 728
AMATOLA WATER				19 769 738	19 769 738	19 769 738
HAW & INGLIS (PTY) LTD				42 756 014	42 756 014	42 756 014
CZAR CONSTRUCTION			6 952 036	34 161 425	41 113 461	41 113 461
EZULUWENI CONSTRUCTION (PTY) LTD				31 423 252	31 423 252	31 423 252
STEFANUTTI STOCKS ROADS & EARTHWORKS				31 035 251	31 035 251	31 035 251
MANTELLA TRADING 522 CC			378 074	29 806 419	30 184 493	30 184 493
MVEZO PLANT & CIVILS CC				17 450 796	17 450 796	17 450 796
EYA BANTU PROFESSIONAL SERVICES CC				16 127 305	16 127 305	16 127 305
MOTHEO/ MPUMALANGA JOINT VENTURE				15 195 198	15 195 198	15 195 198
VODACOM (PTY) LTD				15 114 655	15 114 655	15 114 655
VOVO GROUP SOUTHERN AFRICA				14 632 502	14 632 502	14 632 502
MAKALI PLANT AND CONSTRUCTION (PTY) LTD				14 506 940	14 506 940	14 506 940
AMANZ ABANTU SERVICES (PTY) LTD				12 767 491	12 767 491	12 767 491
DOWN TOUCH INVESTMENTS (PTY) LTD	787 063		11 933 127		12 720 190	12 720 190
BIDVEST MCCARTHY ISUZU TRUCKS (PTY) LTD				9 928 370	9 928 370	9 928 370
TOYOTA SOUTH AFRICA (PTY) LTD				9 103 023	9 103 023	9 103 023
IMVUSA TRADING 415CC				8 220 650	8 220 650	8 220 650
NLG GROUP CC			7 858 190		7 858 190	7 858 190
TSHUVANE SERVICES				7 385 047	7 385 047	7 385 047
TOTAL	787 063		27 121 426	508 111 805	536 020 295	536 020 295

10. 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 - M12 June									
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
R thousands		Yrs/Months							
Municipality									
Land Affairs - West Bank		Call Account	Call Account	Call Account	309	4,20%	57 465	309	57 775
Finance Management Grant		Call Account	Call Account	Call Account	2	0,03%	388	2	390
MD Urban Renewal (MT Ruth Node)		Call Account	Call Account	Call Account	62	0,84%	11 515	62	11 577
Workmans Compensation (COID)		Call Account	Call Account	Call Account	100	1,36%	18 562	100	18 662
Reeston Development		Call Account	Call Account	Call Account	1	0,01%	176	1	177
Human Settlement Development Grant (HSDG)		Call Account	Call Account	Call Account	97	1,32%	18 076	97	18 173
Intergrated Electrification Programme (INEP)		Call Account	Call Account	Call Account	14	0,19%	2 286	14	2 300
Trust Funds		Call Account	Call Account	Call Account	6	0,08%	1 145	6	1 151
Vuna Awards		Call Account	Call Account	Call Account	6	0,08%	1 069	6	1 075
Department of Sports, Recreation & Culture (DSARC)		Call Account	Call Account	Call Account	0	0,00%	50	0	51
Department of Sports, Recreation & Culture (DSARC)		Call Account	Call Account	Call Account	1	0,01%	188	1	189
City of Leiden		Call Account	Call Account	Call Account	0	0,01%	83	0	84
Needscamp Planning		Call Account	Call Account	Call Account	5	0,07%	943	5	948
Umsobomvu Youth Fund (UYF)		Call Account	Call Account	Call Account	2	0,02%	301	2	302
Land Affairs - East Bank		Call Account	Call Account	Call Account	482	6,54%	89 501	482	89 983
Land Affairs West Bank		Call Account	Call Account	Call Account	290	3,94%	46 678	290	46 968
European Commission		Call Account	Call Account	Call Account	6	0,09%	1 182	6	1 189
Salaida		Call Account	Call Account	Call Account	6	0,08%	931	6	937
Electricity Demand Management Grant		Call Account	Call Account	Call Account	1	0,01%	141	1	142
ADM Funding		Call Account	Call Account	Call Account	9	0,12%	1 683	9	1 692
Urban Settelement Development Grant		Call Account	Call Account	Call Account	664	9,01%	123 259	664	123 923
Urban Settelement Development Grant		Call Account	Call Account	Call Account	514	6,99%	112 497	(90 486)	22 011

BUF Buffalo City - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M12 June

Investments by maturity Name of institution & investment ID	Re f	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
R thousands		Yrs/Months							
Municipality									
Urban Settelement Development Grant		Call Account	Call Account	Call Account	688	9,35%	137 124	(61 343)	75 781
Urban Settelement Development Grant		Call Account	Call Account	Call Account	727	9,88%	143 930	(52 112)	91 818
Infrastructure Skills Development Grant		Call Account	Call Account	Call Account	17	0,23%	3 116	17	3 133
Infrastructure Development Levy		Call Account	Call Account	Call Account	1	0,01%	169	1	170
Bcmet		Call Account	Call Account	Call Account	3	0,04%	509	3	512
Expanded Public Works Programme		Call Account	Call Account	Call Account	0	0,00%	8	0	8
City of Oldenburg		Call Account	Call Account	Call Account	2	0,03%	346	2	348
Public Transport Network Grant		Call Account	Call Account	Call Account	49	0,67%	9 161	49	9 210
DEAT		Call Account	Call Account	Call Account	1	0,02%	222	1	224
Neighbourhood Development Grant (NDP Grant)		Call Account	Call Account	Call Account	25	0,34%	4 667	25	4 692
Integrated City Development Grant (ICDG)		Call Account	Call Account	Call Account	2	0,02%	310	2	312
Municipal Emergency Housing Grant (MEHG)		Call Account	Call Account	Call Account	49	0,67%	9 095	49	9 144
Capital Replacement Reserve (CRR)		Call Account	Call Account	Call Account	102	1,39%	16 458	102	16 560
Mayoral Projects (CRR)		Call Account	Call Account	Call Account	8	0,11%	1 291	8	1 299
Own Funds		Call Account	Call Account	Call Account	38	0,52%	12 273	(11 962)	311
Own Funds		Call Account	Call Account	Call Account	313	4,26%	82 837	(65 687)	17 151
Own Funds		Call Account	Call Account	Call Account	150	2,03%	57 854	(56 850)	1 003
Own Funds		Call Account	Call Account	Call Account	293	3,98%	83 979	(67 707)	16 272
Own Funds		Call Account	Call Account	Call Account	336	4,57%	113 537	(111 664)	1 873
Own Funds		6 Months	Fixed Deposit	21/09/2018	–	0,00%	–	–	–
Own Funds		6 Months	Fixed Deposit	21/09/2018	–	0,00%	–	–	–
Own Funds		6 Months	Fixed Deposit	27/06/2018	–	0,00%	–	–	–
Own Funds		6 Months	Fixed Deposit	26/06/2018	–	0,00%	–	–	–
Own Funds - CRR		Call Account	Call Account	Call Account	703	9,55%	130 588	703	131 291
Own Funds - CRR		Call Account	Call Account	Call Account	206	2,80%	38 256	206	38 462
Own Funds - CRR		Call Account	Call Account	Call Account	184	2,50%	34 208	184	34 392
Own Funds - CRR		Call Account	Call Account	Call Account	127	1,73%	23 618	127	23 745
Own Funds - CRR		Call Account	Call Account	Call Account	143	1,94%	26 499	143	26 642
Own Funds (Depreciation)		Call Account	Call Account	Call Account	505	6,86%	117 140	(99 495)	17 645
Own Funds (Depreciation)		Call Account	Call Account	Call Account	66	0,90%	16 069	(16 069)	–
Own Funds (Depreciation)		Call Account	Call Account	Call Account	28	0,38%	6 866	(6 866)	–
Housing Development		Call Account	Call Account	Call Account	16	0,21%	2 906	16	2 921
TOTAL INVESTMENTS AND INTEREST	2				7 362		1 561 156	(636 537)	924 619

11. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Transfers and grants receipts per allocation or grant is provided in the table below. Further details on grants expenditure performance (inclusive of vat) is detailed in section 11.1 below.

Table 17: SC6 Monthly Budget Statement – transfers and grants receipts

BUF Buffalo City - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M12 June										
Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		1 189 967	1 399 602	1 399 602	-	1 358 010	1 358 010	-	0,0%	1 399 602
Local Government Equitable Share		705 277	778 048	778 048	-	736 456	736 456	-	0,0%	778 048
General Fuel Levy		467 978	513 844	513 844	-	513 844	513 844	-	0,0%	513 844
Finance Management		1 300	1 150	1 150	-	1 150	1 150	-	0,0%	1 150
EPWP Incentive		4 952	4 050	4 050	-	4 050	4 050	-	0,0%	4 050
Urban Settlement Development Grant		-	77 810	77 810	-	77 810	77 810	-	0,0%	77 810
Public Transport Network Grant	3	-	14 000	14 000	-	14 000	14 000	-	0,0%	14 000
Infrastructure Skills Development Grant		10 460	10 700	10 700	-	10 700	10 700	-	0,0%	10 700
Municipal Human Settlement Capacity Grant		-	-	-	-	-	-	-	-	-
Other transfers and grants [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		124 905	72 071	100 911	8 982	59 742	100 911	(41 169)	-40,8%	72 071
Human Settlement Development Grant		109 905	56 201	85 041	8 982	43 120	85 041	(41 922)	-49,3%	56 201
DSRAC - Library Subsidy		15 000	15 870	15 870	-	15 870	15 870	-	0,0%	15 870
Department of Public Works		-	-	-	-	-	-	-	-	-
Office of the Premier	4	-	-	-	-	752	-	752	-	-
DEDEA (BCMDA)		-	-	-	-	-	-	-	-	-
Other transfers/grants [insert description]		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
Other grant providers:		3 145	846	846	1 201	3 606	3 216	390	12,1%	-
SETA - Skills Development		3 115	-	-	1 201	3 572	2 370	1 201	50,7%	-
Donor Funding - Leiden		-	-	-	-	-	-	-	-	-
Salauda / Gavle		30	846	846	-	35	846	(812)	-95,9%	-
City of Oldenburg		-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	1 318 017	1 472 519	1 501 359	10 184	1 421 358	1 462 137	(40 780)	-2,8%	1 471 673
Capital Transfers and Grants										
National Government:		1 003 476	803 900	912 090	-	1 088 460	1 088 460	-	0,0%	803 900
Urban Settlement Development Grant		928 128	685 182	807 372	-	962 992	962 992	-	0,0%	685 182
Public Transport and Systems		55 868	81 165	67 165	-	95 165	95 165	-	0,0%	81 165
Neighbourhood Development Partnership		-	13 250	13 250	-	6 000	6 000	-	0,0%	13 250
Integrated National Electrification Programme		7 300	6 200	6 200	-	6 200	6 200	-	0,0%	6 200
Electricity Demand Side Management		6 000	8 000	8 000	-	8 000	8 000	-	0,0%	8 000
Integrated City Development Grant		6 080	10 003	10 003	-	10 003	10 003	-	0,0%	10 003
Finance Management		-	-	-	-	-	-	-	-	-
Infrastructure Skills Development Grant		100	100	100	-	100	100	-	0,0%	100
Other capital transfers [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	9 036	9 036	-	-	9 036	(9 036)	-100,0%	9 036
Dept of Local Government and Traditional Affairs		-	9 036	9 036	-	-	9 036	(9 036)	-100,0%	9 036
Dept Sport, Recreation, Arts and Culture (DSRAC)		-	-	-	-	-	-	-	-	-
Department of Public Works		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
Salauda / Gavle		-	-	-	-	-	-	-	-	-
Public Funding		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	1 003 476	812 936	921 127	-	1 088 460	1 097 496	(9 036)	-0,8%	812 936
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	2 321 493	2 285 455	2 422 486	10 184	2 509 818	2 559 634	(49 816)	-1,9%	2 284 609

11.1 Expenditure On Conditional Grants (DoRA Allocation)

The Metro has spent 80% (R889.11 million, inclusive of reclaimed vat) of its 2018/2019 conditional grants budget of R1.11 billion as at 30 June 2019. This reflects a decline when compared to the same period in the previous financial year where 88% (R941.21 million, inclusive of reclaimed of vat) of conditional grants budget of R1.06 billion was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019.

Table 18 below reflects the year to date expenditure on 2018/19 total conditional grants.

Table 18: Spending per Conditional Grant Funding Allocation

Funding/Grant	2018/2019 Approved Budget	YTD Exp (vat incl.) R	% Expenditure vs. Budget (vat incl.)
Integrated National Electrification Programme Grant	6 200 000	5 212 952	84%
EEDSM (Energy, Efficiency and Demand Side Management)	8 000 000	7 997 734	100%
Finance Management Grant	1 150 000	1 146 999	100%
Infrastructure Skills Development Grant	10 800 000	9 662 193	89%
Urban Settlement Development Grant	962 992 000	748 135 294	78%
Neighbourhood Development Partnership Grant	13 250 000	1 782 838	13%
Integrated City Development Grant	10 003 000	9 695 446	97%
Expanded Public Works Programme Grant	4 050 000	4 048 739	100%
Public Transport Infrastructure and Systems Grant	95 165 000	101 427 350	107%
TOTAL	1 111 610 000	889 109 544	80%

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

Details of the projects that are implemented by each grant are reflected in both Annexure D and E.

Also refer to section 14.1 of the report on measures to improve expenditure performance.

11.1.1. INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME GRANT (INEP)

No further expenditure will be incurred as construction for the Fynbos electrification and Mdantsane projects are complete.

11.1.2. INFRASTRUCTURE SKILLS DEVELOPMENT GRANT (ISDG)

Mentor salary claims and Mentee stipends for the month of June 2019 have not yet been captured on the system due to late submission of claims. There is a halt on the recruitment of additional interns as per National Treasury directive pending some interns completing the program by end of June 2019. A rollover will be requested for the remaining balance.

11.1.3. URBAN SETTLEMENT DEVELOPMENT GRANT (USDG)

BCMM has spent 78% of its 2018/2019 USDG budget of R962.99 million as at 30 June 2019. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019.

11.1.4. NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT

A contractor that had been appointed could not meet the programme requirements and this caused delays in the implementation of the project; and this resulted in the Metro only receiving R6 million of the R13.25 million that was gazetted. An amount of R7.25 million has been withheld and therefore not transferred to the Metro and as such could not be spent, the budget will be adjusted in the final adjustment budget.

11.1.5. HUMAN SETTLEMENTS

There were some procurement delays on some of major contracts. Cluster 3 major infrastructure contract work on site was blocked after

local communities forced entry into the incomplete houses and delayed construction of infrastructure in some areas of the project. The process of eviction has begun. Illegal invaders have been moved although others still resist eviction. Some houses have been evacuated to create space for rectification and to bring them to practical completion.

12. COUNCILLOR AND EMPLOYEE BENEFITS

12.1. Councillor and Employees Benefits Summary

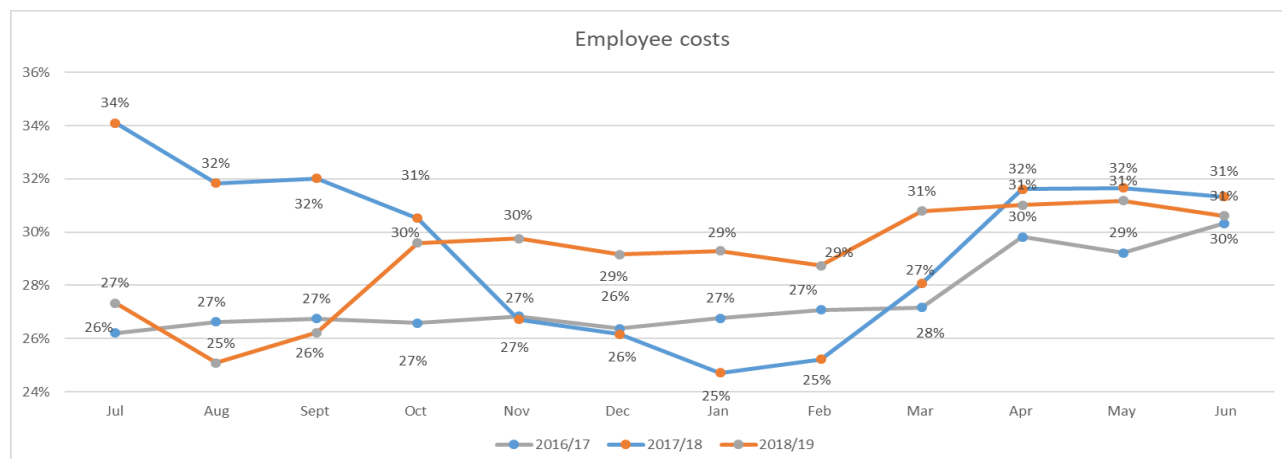
Table 19 below provides summary of employees and councillors remuneration. The workforce costs as a percentage of total expenditure amounted to 30.61%. This is within the norm of 25% - 40%.

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

BUF Buffalo City - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M12 June										
Summary of Employee and Councillor remuneration	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
	1	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		33 837	40 253	40 253	2 868	35 236	40 253	(5 017)	-12%	40 253
Pension and UIF Contributions		4 136	3 999	3 999	354	4 265	3 999	267	7%	3 999
Medical Aid Contributions		2 070	1 885	1 885	196	2 270	1 885	386	20%	1 885
Motor Vehicle Allowance								-		
Cellphone Allowance		4 047	2 624	2 624	338	4 309	2 624	1 685	64%	2 624
Housing Allowances		2 261	2 274	2 274	194	2 361	2 274	87	4%	2 274
Other benefits and allowances		13 123	13 150	13 150	1 169	13 873	13 150	723	5%	13 150
Sub Total - Councillors		59 473	64 185	64 185	5 118	62 316	64 185	(1 870)	-3%	64 185
% increase	4		7,9%	7,9%						7,9%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		7 732	15 446	15 297	-	7 056	15 297	(8 241)	-54%	15 297
Pension and UIF Contributions		1 411	2 851	2 823	-	1 206	2 823	(1 617)	-57%	2 823
Medical Aid Contributions		202	284	281	-	175	281	(106)	-38%	281
Overtime		-	-	-	-	-	-	-		-
Performance Bonus		-	-	-	-	76	-	76	0%	-
Motor Vehicle Allowance		1 647	3 311	3 277	-	1 488	3 277	(1 788)	-55%	3 277
Cellphone Allowance		200	-	-	-	212	-	212	0%	-
Housing Allowances		1 810	520	515	-	1 888	515	1 373	266%	515
Other benefits and allowances		71	2 745	2 717	-	96	2 717	(2 621)	-96%	2 717
Payments in lieu of leave		-	-	-	-	-	-	-		-
Long service awards		-	-	-	-	-	-	-		-
Post-retirement benefit obligations	2									
Sub Total - Senior Managers of Municipality		13 072	25 157	24 910	-	12 197	24 910	(12 712)	-51%	24 910
% increase	4		92,5%	90,6%						90,6%
Other Municipal Staff										
Basic Salaries and Wages		1 090 428	1 167 270	1 207 276	105 983	1 255 120	1 207 276	47 844	4%	1 207 276
Pension and UIF Contributions		202 052	221 985	221 373	21 546	244 621	221 373	23 248	11%	221 373
Medical Aid Contributions		84 778	104 778	118 127	7 913	90 892	118 127	(27 235)	-23%	118 127
Overtime		140 923	85 052	75 739	11 341	126 563	75 739	50 824	67%	75 739
Performance Bonus		77 149	97 741	103 549	9 194	88 532	103 549	(15 017)	-15%	103 549
Motor Vehicle Allowance		26 621	37 813	37 448	2 623	29 634	37 448	(7 815)	-21%	37 448
Cellphone Allowance		4 149	4 903	4 855	383	4 350	4 855	(505)	-10%	4 855
Housing Allowances		7 607	19 130	19 495	609	7 287	19 495	(12 208)	-63%	19 495
Other benefits and allowances		94 291	123 562	122 424	8 318	100 404	122 424	(22 020)	-18%	122 424
Payments in lieu of leave		27 897	20 475	20 267	5	784	20 267	(19 483)	-96%	20 267
Long service awards		22 535	23 922	23 672	2 081	24 955	23 672	1 283	5%	23 672
Post-retirement benefit obligations	2	32 361	7 604	7 601	3	31	7 601	(7 570)	-100%	7 601
Sub Total - Other Municipal Staff		1 810 792	1 914 233	1 961 826	169 999	1 973 172	1 961 826	11 347	1%	1 961 826
% increase	4		5,7%	8,3%						8,3%
Total Parent Municipality		1 883 336	2 003 576	2 050 920	175 117	2 047 685	2 050 920	(3 235)	0%	2 050 920

The graph below shows the workforce costs as a percentage of total expenditure for the current financial year and the two previous financial years.

Figure 5: Workforce (Employee) Costs



12.2. Overtime Analysis

Table 20 below provides comparison of overtime expenditure against budget per directorate for the period ended 30 June 2019. Table 21 below details overtime expenditure incurred per cost centre for the past three months ended 30 June 2019.

Table 20: Overtime per Directorate

Directorate Overtime	2018/2019 Annual Budget R	2018/2019 YTD Expenditure R	2018/2019 YTD Variance R	2018/2019 % of YTD Budget %
Directorate Of Executive Support Services	1 719 220	3 012 889	(1 293 669)	175%
Directorate Of The City Manager	603 240	1 059 746	(456 506)	176%
Directorate Of Corporate Services	531 768	531 327	441	100%
Directorate Of Development & Spatial Planning	779 665	204 203	575 462	26%
Directorate Of Economic Development & Agencies	586 261	389 009	197 252	66%
Directorate Of Finance	2 110 426	2 248 182	(137 756)	107%
Directorate Of Health / Public Safety & Emergency Services	22 486 503	35 788 520	(13 302 017)	159%
Directorate Of Human Settlement	127 471	11 388	116 083	9%
Directorate Of Infrastructure Services	21 433 979	40 523 702	(19 089 723)	189%
<i>Electricity</i>	9 680 766	14 227 173	(4 546 407)	147%
<i>Water</i>	4 192 032	13 116 045	(8 924 013)	313%
<i>Sanitation</i>	6 196 268	12 228 607	(6 032 339)	197%
<i>Other</i>	1 364 913	951 877	413 036	70%
Directorate Of Municipal Services	25 360 396	42 794 233	(17 433 837)	169%
Total	75 738 929	126 563 199	(50 824 270)	167%

The total overtime payment for the months April 2019, May 2019 and June 2019 is reflected below. There was an increase in the total payment of overtime between April 2019 and May 2019 of R63 086 and a decrease in the total payment of overtime between May 2019 and June 2019 of R186 369.

Table 21: Overtime Per Cost Centre: April 2019 – June 2019

OVERTIME PER COST CENTRE

		April 2019 Amount	May 2019 Amount	June 2019 Amount
DIRECTORATE -EXECUTIVE SUPPORT SERVICES				
0505	OFFICE OF THE DIRECTOR EXECUTIVE SUPPORT SERVICES	127 397.71	198 369.86	171 586.79
0511	COMM/MARKETING/INTERNAT & INTERGOV RELATIONS	0	927.00	1 442.00
0512	INTERNATIONAL & INTERGOVERNMENTAL RELATIONS	0	4 057.23	3 230.56
0523	IDP & BUDGET INTEGRATION	10 410.67	33 515.34	16 000.85
0531	POLITICAL OFFICE ADMINISTRATION	19 552.84	61 750.52	0
0536	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	28 049.76	0	238.59
		185 410.98	298 619.95	192 498.79
DIRECTORATE OF THE CITY MANAGER				
1005	OFFICE OF THE CITY MANAGER	41 948.58	61 834.38	88 771.91
1015	INFORMATION / TECHNOLOGY & SUPPORT	13 838.45	13 274.21	24 663.41
		55 787.03	75 108.59	113 435.32
DIRECTORATE OF CORPORATE SERVICES				
1505	OFFICE OF THE DIRECTOR CORPORATE SERVICES	(138.56)	(138.56)	0
1512	ADMINISTRATIVE & CORPORATE SUPPORT	20 326.27	6 752.86	12 930.25
1513	AUXILLIARY / RECORDS & DECISION TRACKING AND TELECOMMUNICATIONS	33 454.33	10 946.08	25 639.45
1531	HUMAN RESOURCES MANAGEMENT	1 502.06	0	0
1532	ADMINISTRATIVE SUPPORT	10 662.00	0	14 216.00
1536	ORGANISATIONAL DEVELOPMENT	1 992.76	0500.00	827.08
		67 798.86	17 060.38	53 612.78
DIRECTORATE OF DEVELOPMENT & SPATIAL PLANNING				
2034	INTEGRATED PUBLIC TRANSPORT NETWORK OPERATIONS	6 140.94	11 602.30	6 102.58
2037	TRAFFIC MANAGEMENT & SAFETY	7 563.04	9 191.53	3 313.91
2045	TOWNSHIP REGENERATION	1 046.88	0	0
		14 750.86	20 793.83	9 416.49

		April 2019 Amount	May 2019 Amount	June 2019 Amount
	DIRECTORATE OF ECONOMIC DEVELOPMENT & AGENCIES			
2505	OFFICE OF THE DIRECTOR ECONOMIC DEVELOPMENT	10 122.66	01 082.90	0
2511	FRESH PRODUCE MARKET	5 806.01	8 676.34	13 299.68
2521	TOURISM / ARTS / CULTURE & HERITAGE	24 028.40	25 089.65	21 180.28
		39 957.07	32 683.09	34 479.96
	DIRECTORATE OF FINANCE			
3005	OFFICE OF THE DIRECTOR FINANCE	1 056.09	528.05	0
3011	BUDGET & TREASURY MANAGEMENT	7 933.73	0	13 649.52
3031	EXPENDITURE & PAYMENTS MANAGEMENT	0	4 896.36	233.16
3033	PAYROLL & BENEFITS	454.53	1 904.12	1 979.04
3034	VAT / LEASES & PAYMENTS	0	3 324.72	0
3052	ACCOUNTS MANAGEMENT & REVENUE CONTROL	5 318.73	0	5 099.10
3053	COASTAL REVENUE MANAGEMENT	8 964.02	3 665.64	57 579.44
3054	CUSTOMER RELATIONS (CALL CENTRE)	171 942.07	142 029.52	176 142.41
3055	INLAND REVENUE MANAGEMENT	0	1 732.08	18 629.34
3056	MIDLAND REVENUE MANAGEMENT	5 428.48	7 613.05	9 934.42
3057	RATES & VALUATIONS	0	0	393.78
3061	STRATEGY & OPERATIONS	0	260.91	0
3071	SUPPLY CHAIN MANAGEMENT	0	80 294.91	6 602.92
		201 097.65	246 249.36	290 243.13
	DIRECTORATE OF HEALTH / PUBLIC SAFETY & EMERGENCY SERVICES			
3512	DISASTER MANAGEMENT	11 452.29	2 431.23	5 627.88
3513	FIRE & RESCUE	720 213.41	797 569.21	596 702.14
3521	MUNICIPAL HEALTH SERVICES	1 881.86	15 181.73	0
3532	LAW ENFORCEMENT SERVICES	1 446 827.93	1 591 722.75	1 404 903.67
3533	TRAFFIC SERVICES	563 889.97	476 487.02	545 428.34
		2 744 265.46	2 883 391.94	2 552 662.03
	DIRECTORATE OF HUMAN SETTLEMENT			
4005	OFFICE OF THE DIRECTOR OF HUMAN SETTLEMENT	712.42	0	0
4011	HOUSING DELIVERY & IMPLEMENTATION	2 731.20	0	0
		3 443.62	0	0

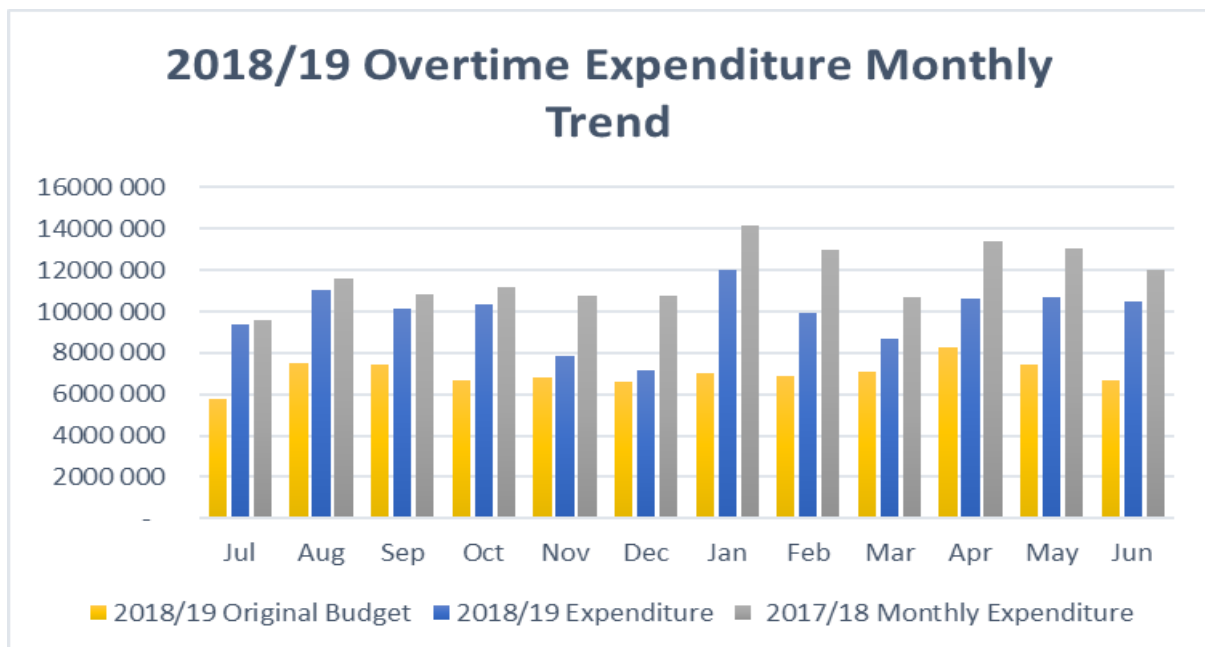
		April 2019 Amount	May 2019 Amount	June 2019 Amount
	DIRECTORATE OF INFRASTRUCTURE SERVICES			
4505	OFFICE OF THE DIRECTOR OF INFRASTRUCTURE SERVICES	2 248.08	2 248.08	5 512.05
4511	ELECTRICAL & ENERGY SERVICES	1 807.48	2 202.77	2 323.52
4512	CUSTOMER SERVICES & REVENUE PROTECTION	124 106.87	115 308.91	103 507.26
4513	ELECTRICAL DEVELOPMENT / CONTRACTS & ASSETS	853.95	768.56	811.26
4514	ELECTRICAL DISTRIBUTION	1 334 009.84	1 077 757.61	1 378 559.56
4521	ROADS / PIU & CONSTRUCTION	0	0	4 282.26
4522	CONSTRUCTION	0	0	2 393.38
4523	PROJECT IMPLEMENTATION UNIT	0	10 318.73	0
4524	ROADS	17 618.07	22 157.48	25 460.63
4532	SANITATION	1 060 733.88	1 075 410.77	1 090 526.70
4535	WATER SERVICES	1 141 971.63	1 191 639.53	1 223 324.06
4543	WORKSHOPS	57 677.90	64 650.78	28 062.38
		3 741 027.70	3 562 463.22	3 864 763.06
	DIRECTORATE OF MUNICIPAL SERVICES			
5005	OFFICE OF THE DIRECTOR OF MUNICIPAL SERVICES	20 206.25	20 030.94	25 879.68
5011	COMMUNITY AMENITIES	21 306.84	19 161.02	32 730.06
5013	LIBRARIES	25 646.67	55 420.01	27 772.49
5014	HALLS	192 274.64	232 399.11	230 160.56
5015	RECREATION	493 812.44	446 803.88	514 302.80
5016	SPORTS FACILITIES	176 269.22	160 865.18	133 616.78
5022	CEMETRIES & CREMATORIA	314 409.64	352 345.58	345 354.95
5023	CONSERVATION	167 412.89	134 518.38	137 647.15
5024	PARKS: COASTAL	340 566.59	461 225.80	251 331.33
5031	SOLID WASTE MANAGEMENT	49 415.61	18 536.68	21 811.64
5032	CLEANSING & REFUSE REMOVAL: COASTAL	1 624 575.19	1 530 327.59	1 542 737.83
5035	LANDFILLS & TRANSFER STATIONS	156 008.58	130 525.63	137 703.99
		3 581 904.56	3 562 159.80	3 401 049.26
	TOTAL OVERTIME	10 635 443.79	10 698 530.16	10 512 160.82

The measures that have been put in place to reduce overtime are the following:

- a) Employees are not permitted to work more than ten (10) hours overtime per week – this is in line with the Basic Conditions of Employment Act.
- b) All planned overtime is capped at forty (40) hours per month - this is in line with the Basic Conditions of Employment Act.
- c) All emergency overtime to be signed and approved by Heads of Directorates to ensure accountability and emphasis on control measures.

The graph below shows the overtime expenditure monthly trend for the current financial year compared to prior year

Figure 6: Overtime Expenditure Monthly Trend



12.2.1. Comments On Overtime

a) Directorate of Finance

The Call Centre is required to be operational 365 day a year, which includes weekends and public holidays. The staff are 5 day workers and as such need to be paid overtime for workdone on a weekend and public holidays in order to keep the Call Centre operational. Meetings have been held with Senior staff at Human Resources and a process plan has been drafted for the implementation of the conditions of service of the staff, from 5 day to 6 day workers.

b) Directorate of Executive Support

The over expenditure is due to the following:

- i. IDP & Budget integration: Overtime paid to IDP employees who worked during the IDP/Budget Roadshows.
- ii. Political Office: Overtime was spent on the clustering of IDP budget hearings in May 2019 and meetings which were held over weekends had an impact on overtime for Public Participation Practitioners as they were expected to loudhail after working hours and during weekends.

c) Directorate of City Manager

Overtime in the office of the City Manager is based on emergency work for the support of the network, applications, IT Environment and server room. This cannot be avoided as these are crucial services in support of the IT environment.

d) Directorate of Corporate Services

The over expenditure on overtime is as a result of nature of operations which necessitates the drivers to deliver council packages outside the normal operating hours. In some cases, staff are required to do special deliveries that contributes to working overtime.

e) Directorate of Infrastructure Services

- i. Electricity – Overtime is due to emergency raids to eradicate illegal connections. Vandalism and theft contribute to a large percentage of overtime.
- ii. Roads – Emergency callouts for the clearing of storm-water drains.
- iii. Water and Sanitation - Operational requirements to attend to call outs for burst pipes after hours. Overtime is due to additional hours worked on 12hr shifts, emergency replacements of staff on leave and vacant posts.
- iv. Mechanical Workshop - Overtime is mainly caused by call outs by departments for either mechanical breakdown, tyre punctures, vehicles getting stuck & accidents.

f) Directorate of Health, Public Safety & Emergency Services

Structured overtime is compulsory compensation payable as a result of the requirement to work on Sundays and Public Holidays as part of a shift system. The structured overtime cannot be reduced for Fire & Rescue as this function operates on a 24-hour basis. Any reduction would have a negative effect on service delivery by the Fire & Rescue Services.

Overtime is worked by security guards throughout the institution. Security guards are working longer hours due to the fact that there are many sites which require security guarding and there is insufficient staff to cover all sites.

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.

Cleansing & Refuse Removal: Inland – the department provides services 7 days' a week and five days are normal working days. Saturday and Sunday is regarded as structured overtime. The department is exploring other measures to introduce a 6-day work shift. Measures are being put in place to adhere to the 40hrs per month.

12.3. Standby and Shift Allowance Analysis

Table 22 below reflects the total standby and shift allowance incurred per directorate for the past three months ended 30 June 2019. The total standby and shift payment for the months of April 2019, May 2019 and June 2019 is reflected below. There was an increase in the total payment between April 2019 and May 2019 of R229 663 and a decrease in the total payment between May 2019 and June 2019 of R304 806.

Table 22: Standby & Shift Allowance per Directorate

	APRIL 2019	MAY 2019	JUNE 2019
Directorate of Executive Support Services	2 416	5 181	3 346
Directorate of the City Manager	52 537	51 779	54 992
Directorate of Corporate Services	4 701	486	3 396
Directorate of Development & Spatial Planning	16 609	11 844	16 758
Directorate Economic Development & Agencies	1 275	1 439	1 213
Directorate of Finance	10 972	11 278	10 049
Directorate of Health/Public Safety & Emergency Services	611 824	599 452	605 354
Directorate of Human Settlement	0	0	0
Directorate of Infrastructure Services	779 125	1 007 484	739 777
Directorate of Municipal Services	317 284	337 462	286 715
TOTAL	1 796 743	2 026 406	1 721 600

12.4. Cost of Temporary Staff

The total payment of Temporary Staff for the months of April 2019, May 2019 and June 2019, is reflected below. There was An increase in the total payment between April 2019 and May 2019 of R1 276 370 and an increase in the total payment between May 2019 and June 2019 of R1 168 096.

Table 23: Temporary Staff per Directorate

	APRIL 2019	MAY 2019	JUNE 2019
Directorate of Executive Support Services	357 552	253 191	164 498
Directorate of the City Manager	134 109	269 949	24 521
Directorate of Corporate Services	1 128 522	1 303 796	1 546 678
Directorate of Development & Spatial Planning	126 293	106 266	61 154
Directorate Economic Development & Agencies	10 671	0	574
Directorate of Finance	91 107	193 524	2 408 575
Directorate of Health/Public Safety & Emergency Services	84 987	74 126	60 338
Directorate of Human Settlement	97 781	86 205	49 598
Directorate of Infrastructure Services	53 798	53 162	11 804
Directorate of Municipal Services	2 053 203	3 074 174	2 254 747
TOTAL	4 138 023	5 414 392	6 582 488

12.5. Councillors Costs

The table below shows the budget and expenditure to date for councillors' costs. The year to date expenditure of R62.32 million less annual budget of R64.19 million leaves a variance of R 1.87million.

Table 24: Councillors Costs

Councillors Allowances And Benefits	2018/2019 Annual Budget R	2018/2019 YTD Expenditure R	2018/2019 Variance R	2018/2019 Variance %
Councillors Allowances	42 877 130	39 545 665	3 331 465	7.77
Housing Allowance	2 274 000	2 360 871	(86 871)	0.00
Medical Aid Allowance	1 884 903	2 270 435	(385 532)	(20.45)
Pension Allowance	3 998 763	4 265 267	(266 504)	(6.66)
Travel Allowance	13 150 247	13 873 281	(723 034)	(5.50)
Total	64 185 043	62 315 518	1 869 525	2.91

13. MUNICIPAL ENTITY FINANCIAL PERFORMANCE

BCMDA has spent R29.15 million (67%) of its 2018/2019 approved operating budget of R43.18 million. The entity has also spent 15.54% (R2.20 million of its 2018/19 capital budget of R14.37 million. A detailed analysis of the entity's performance for month ended 30 June 2019 is outlined in the attached **Annexure F**.

Table 25: Monthly Budget Statement – summary of municipal entity

BUF Buffalo City - Supporting Table SC11 Monthly Budget Statement - summary of municipal entities - M12 June										
Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Municipal Entity										
Buffalo City Development Agency										
Interest earned - external investments		145	789	459	13	439	459	(19)	-4%	459
Agency services		-	990	248	215	215	248	(32)	-13%	248
Transfers and subsidies		21 724	32 033	31 952	-	29 847	32 033	(2 185)	-7%	31 952
Other revenue		153	10 544	10 522	1 334	3 415	10 522	(7 107)	-68%	10 522
Total Operating Revenue	1	22 022	44 355	43 181	1 562	33 917	43 261	(9 344)	-22%	43 181
Expenditure By Municipal Entity										
Buffalo City Development Agency										
Employee related costs		14 481	21 727	20 636	1 750	16 037	20 636	(4 599)	-22%	20 636
Remuneration of Directors		900	850	796	97	750	796	(45)	-6%	796
Depreciation & asset impairment		799	1 412	1 276	116	1 208	1 276	(69)	-5%	1 276
Finance charges		5	10	5	-	0	5	(5)	-100%	5
Other expenditure		8 162	20 356	20 468	906	11 153	20 468	(9 315)	-46%	20 468
Total Operating Expenditure	2	24 347	44 355	43 181	2 868	29 148	43 181	(14 033)	-32%	43 181
Surplus/ (Deficit) for the yr/period		(2 325)	(0)	(0)	(1 307)	4 769	80	4 689	5850%	(0)
Capital Expenditure By Municipal Entity										
Buffalo City Development Agency										
			27 292	14 372	633	2 233	14 372	(12 139)	-84%	14 372
Total Capital Expenditure	3	-	27 292	14 372	633	2 233	14 372	(12 139)	-84%	14 372

14. CAPITAL PROGRAMME PERFORMANCE

BCMM has spent 75% (R1.57 billion, inclusive of reclaimed vat) of its 2018/19 adjusted capital budget of R2.1 billion as at 30 June 2019. This reflects a slight decline in terms of percentage and an improvement in rand value when compared to the same period in the previous financial year where 76% (R1.34 billion, inclusive of reclaimed vat) of the adjusted budget of R1.77 billion was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019.

Refer to Annexure A – C5 for the breakdown per municipal vote, standard classification & funding; Annexure B – SC14 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. A detailed schedule of the capital projects expenditure is outlined in Annexure E.

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

Table 26: Capital Expenditure per Funding Source against Budget

2018/2019 CAPITAL BUDGET PER FUNDING SOURCE	2018/2019 THIRD ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXP. INCLD. VAT %
TOTAL OWN FUNDS	1 081 676 022	765 851 375	71%
Urban Settlements Grant	866 982 240	673 980 393	78%
Public Transport Network Grant	89 415 000	98 042 731	110%
Intergrated City Development Grant	10 003 000	9 695 446	97%
Infrastructure Skills Development Grant	100 000	111 309	111%
Neighbourhood Development Partnership Grant	13 250 000	1 782 838	13%
Energy Efficiency and Demand Side Management	8 000 000	7 997 734	100%
Integrated National Electrification Grant	6 200 000	5 212 952	84%
Finance Management Grant	65 720	74 626	114%
Local Government and Traditional Affairs	9 036 112	5 029 577	56%
TOTAL GRANTS	1 003 052 072	801 927 605	80%
TOTAL - FUNDING SOURCES	2 084 728 094	1 567 778 981	75%
BCMDA Projects	14 371 900	1 700 230	12%
TOTAL CONSOLIDATED CAPITAL PER FUNDING	2 099 099 994	1 569 479 211	75%

Table 27 below reflects capital expenditure performance per service

Table 27: Actual Expenditure per Service against Budget

2018/2019 CAPITAL BUDGET PER SERVICE	2018/2019 THIRD ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Amenities	103 870 608	57 164 968	55%
Electricity	150 095 421	145 726 356	97%
Housing	205 454 640	130 592 007	64%
Local Economic Development	60 735 322	25 827 999	43%
Other	73 000 000	70 801 133	97%
Public Safety	38 404 257	26 371 760	69%
Roads	546 152 873	391 249 936	72%
Spatial Planning	53 796 046	19 963 542	37%
Support Services	149 298 956	155 730 508	104%
Transport Planning	218 351 112	202 452 392	93%
Waste Management	82 952 360	60 634 261	73%
Waste Water	199 512 859	130 597 835	65%
Water	203 103 640	150 666 283	74%
TOTAL - PER SERVICE	2 084 728 094	1 567 778 981	75%
BCMDA Projects	14 371 900	1 700 230	12%
TOTAL CONSOLIDATED CAPITAL PER SERVICE	2 099 099 994	1 569 479 211	75%

Table 28 below reflects capital expenditure performance per directorate.

Table 28: Actual Expenditure per Directorate against Budget

2018/2019 CAPITAL BUDGET PER DIRECTORATE	2018/2019		2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
	THIRD ADJUSTMENT BUDGET			
Executive Support Services	5 886 795		2 595 928	44%
City Manager's Office	94 240 000		129 616 356	138%
Corporate Services	781 438		668 700	86%
Spatial Planning & Development	273 672 816		223 347 887	82%
Economic Development & Agencies	61 235 322		26 251 883	43%
Finance Services	32 441 696		14 061 250	43%
Health, Public Safety & Emergency Services	39 882 335		27 559 618	69%
Human Settlements	205 899 931		131 006 728	64%
Infrastructure Services	1 172 864 793		890 003 859	76%
Municipal Services	187 822 968		118 863 854	63%
Total Directorates	2 074 728 094		1 563 976 064	75%
Asset Replacement	10 000 000		3 802 917	38%
Total Budget Per Directorate	2 084 728 094		1 567 778 981	75%
BCMDA Projects	14 371 900		1 700 230	12%
TOTAL CONSOLIDATED CAPITAL PER DIRECTORATE	2 099 099 994		1 569 479 211	75%

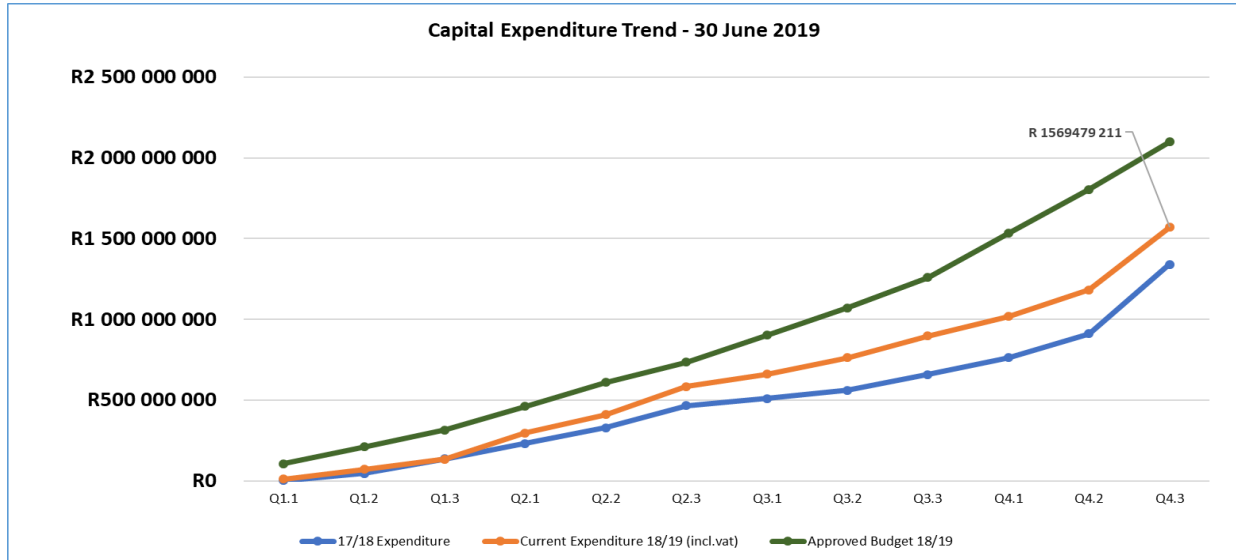
The capital programme performance by month is tabulated in table 29 below (inclusive of Vat).

Table 29: SC12 Monthly Budget Statement – capital expenditure trend

BUF Buffalo City - Supporting Table SC12 Consolidated Monthly Budget Statement - capital expenditure trend - M12 June									
Month	2017/18	Budget Year 2018/19							
	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	2 308	148 178	146 091	79 865	79 865	146 091	66 226	45,3%	4%
August	40 222	148 178	146 091	(14 129)	-	292 181	292 181	100,0%	0%
September	85 095	148 178	169 867	57 137	57 137	462 048	404 911	87,6%	3%
October	85 567	148 178	169 867	151 564	208 701	631 915	423 214	67,0%	12%
November	90 386	148 178	169 867	104 066	312 767	801 782	489 016	61,0%	18%
December	123 230	148 178	169 867	158 939	471 706	971 649	499 943	51,5%	27%
January	40 944	148 178	169 867	70 648	542 354	1 141 516	599 162	52,5%	31%
February	50 319	148 178	169 867	97 161	639 515	1 311 383	671 868	51,2%	36%
March	88 730	148 178	150 226	124 822	764 336	1 461 609	697 273	47,7%	43%
April	98 635	148 178	212 493	114 481	878 818	1 674 102	795 284	47,5%	0
May	137 819	148 178	212 493	158 523	1 037 341	1 886 595	849 254	45,0%	0
June	(727 516)	148 178	212 505	370 089	1 407 430	2 099 100	691 670	33,0%	0
Total Capital expenditure	115 740	1 778 142	2 099 100	1 473 166					

The graph below shows the capital expenditure trend inclusive of reclaimed vat for the current financial year and the previous financial year.

Figure 7: Capital Expenditure Trend



14.1. Strategies that have been put in place to improve expenditure

The City continues to implement intervention measures to improve the City's spending performance. The weekly reporting that is submitted to the City Manager on sitting of bid committees assists in early identification of challenges. This has led to further review of bid committees to improve its effectiveness, as a result:

- a) All bid committees were restructured in December 2018 to ensure effectiveness and efficiency.
- b) With the new restructured committees, it is envisaged that the target of taking an average period of three months from initiation to the award of an open bid; whereas in the past it used to take an average of about six months.
- c) A Selection Committee has been established to ensure fair distribution of work, promote competition, realise value for money, ensure rotational system which is cost effective and transparent in the management of awarded annual contracts.

- d) Reconfiguration of processes at the Supply Chain Management unit are also underway to improve all procurement related activities.

15. OTHER SUPPORTING DOCUMENTS

15.1. Operating Projects Expenditure

The Metro has spent 68% (R237.74 million, inclusive of reclaimed vat) of its 2018/19 adjusted operating projects budget of R349.21 million as at 30 June 2019. This reflects a decline when compared to the same period in the previous financial year where 81% (R253.53 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R314.40 million was spent. Expenditure is expected to improve as the financial year end closure is still in progress. Journals and closing entries are still being processed to adequately account for all the financial transactions which were incurred for the financial year ended 30 June 2019.

A detailed schedule of the operating projects expenditure is outlined in **Annexure D**. Also refer to section 14.1 above of the report on measures that are implemented to improve expenditure.

Tables 30 and 31 below summarise Annexure D.

Table 30: Operating Projects per Directorate

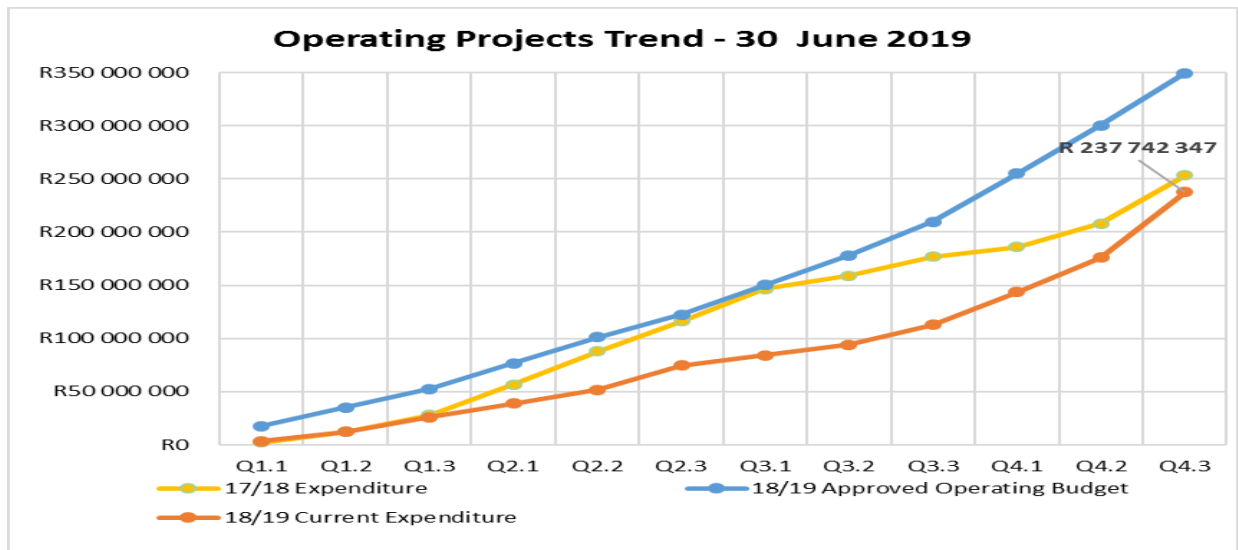
Directorate	THIRD ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Executive Support Services	41 573 011	26 730 144	64%
Municipal Manager's Office	44 132 840	38 484 272	87%
Human Settlements	100 011 359	42 791 323	43%
Directorate of Financial Services	26 365 213	16 184 717	61%
Directorate of Corporate Services	20 710 375	19 298 037	93%
Directorate of Infrastructure Services	66 000 000	58 054 707	88%
Development and Spatial Planning	9 350 000	6 248 406	67%
Directorate of Economic Development	32 370 000	23 898 725	74%
Directorate of Health & Public Safety	300 000	290 163	97%
Directorate of Municipal Services	8 400 000	5 761 854	69%
TOTAL PER DIRECTORATE	349 212 798	237 742 347	68%

Table 31: Operating Projects Per Funding Source

<u>Funding</u>	THIRD ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Total Own Funding	145 731 298	107 148 847	74%
Expanded Public Works Programme Incentives Grant	4 050 000	4 048 740	100%
Finance Management Grant	1 084 280	1 072 373	99%
Human Settlement Development Grant	56 201 024	15 651 976	28%
Human Settlement Development Grant c/o	19 797 040	16 352 557	83%
Infrastructure Skills Development Grant	10 700 000	9 550 884	89%
Public Transport Infrastructure Grant	5 750 000	3 384 619	59%
Salaida (Gavle)	846 101	407 026	48%
Urban Settlement Development Grant	96 009 760	74 154 900	77%
Municipal Emergency Housing Grant	9 043 295	5 970 424	66%
TOTAL GRANTS	203 481 500	130 593 500	64%
TOTAL PER FUNDING	349 212 798	237 742 347	68%

The graph below shows the operating projects expenditure trend for the current financial year and the previous financial year.

Figure 8: Operating Projects Expenditure Trend



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

15.2.1 Health / Public Safety & Emergency Services

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

Table 32: 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	4 339 876	403 022	15 866	4 758 763
GM - EMERGENCY SERVICES	(58 065 852)	87 769 628	23 523 726	1 750 371	113 043 725
EMERGENCY SERVICES	0	2 697 002	71 912	67 115	2 836 029
DISASTER MANAGEMENT	0	3 019 693	1 435 950	33 776	4 489 418
FIRE & RESCUE	(58 065 852)	82 052 933	22 015 865	1 649 480	105 718 278
GM - MUNICIPAL HEALTH SERVICES	(893 253)	34 855 240	2 557 451	421 451	37 834 142
MUNICIPAL HEALTH SERVICES: COASTAL REGION	(893 253)	34 855 240	2 557 451	421 451	37 834 142
GM - PUBLIC SAFETY & PROTECTION SERVICES	(63 377 548)	248 197 581	18 835 938	2 966 022	269 999 542
PUBLIC SAFETY & PROTECTION SERVICES	(314 118)	2 105 553	3 569 045	1 600 401	7 274 999
LAW ENFORCEMENT SERVICES	(2 512 717)	144 109 199	6 030 540	558 851	150 698 590
TRAFFIC SERVICES	(60 550 713)	101 982 829	9 236 353	806 771	112 025 953
Total	122 336 653)	375 162 325	45 320 137	5 153 710	425 636 173

15.2.2 Municipal Services

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

Table 33: 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	8 356 353	1 373 558	23 183	9 753 093
GM - COMMUNITY AMENITIES	(21 108 490)	134 994 748	89 607 274	9 588 906	234 190 928
COMMUNITY AMENITIES	0	14 927 381	71 560 452	736 030	87 223 864
LIBRARIES	(16 039 080)	28 058 757	7 913 772	847 969	36 820 497
HALLS	(1 381 893)	22 424 082	3 087 776	2 691 332	28 203 190
RECREATION	(3 554 201)	45 206 497	3 231 972	2 850 125	51 288 594
SPORTS FACILITIES	(133 317)	24 378 030	3 813 302	2 463 450	30 654 782
GM - PARKS / CEMETRIES & CONSERVATION	(8 605 262)	167 475 395	29 899 072	8 742 304	206 116 771
PARKS / CEMETRIES & CONSERVATION	0	2 855 191	265 599	0	3 120 789
CEMETRIES & CREMATORIA	(7 448 830)	31 111 052	10 487 563	1 624 530	43 223 145
CONSERVATION	(1 044 162)	20 043 861	3 392 733	1 252 394	24 688 987
PARKS: COASTAL	(112 269)	113 465 291	15 753 178	5 865 381	135 083 849
GM - SOLID WASTE MANAGEMENT	(250 349 941)	188 120 690	121 576 811	11 034 668	320 732 169
SOLID WASTE MANAGEMENT	0	17 959 830	27 074 552	8 055 824	53 090 205
CLEANSING & REFUSE REMOVAL: COASTAL	(247 462 392)	154 773 332	66 193 427	2 959 014	223 925 773
LANDFILLS & TRANSFER STATIONS	(2 887 549)	15 387 528	28 308 832	19 830	43 716 190
Total	(280 063 693)	498 947 185	242 456 715	29 389 061	770 792 961

16. 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 realisation 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 2018/2019 financial year per vote is informed by Council resolutions to improve the quality of life of residents and citizens of BCMM.

The BCMM 2018/2019 Service Delivery Targets and Performance Indicators as well as actual performance achieved are attached as Annexure G.

Below is the summary of the 4th quarter SDBIP performance per directorate.

SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS – FORTH QUARTER 2018/2019 PER DIRECTORATE

Executive Support Services

The Executive Support Services Directorate has set 9 Key Performance Indicators. The total number of KPI's achieved is 6, not achieved is 1 and not for reporting in this quarter is 2. Therefore, the overall 4th Quarter Performance for Executive Support Services is 86%.

Human Settlements

The Human Settlements Directorate has set 5 Key Performance Indicators (KPI's) on their SDBIP. The total of KPI's achieved is 4 and not achieved is 1. Therefore, the overall 4th Quarter Performance for Human Settlements is 80%.

Directorate of Finance

The Directorate of Finance has set 13 KPI's on their SDBIP. The total number of KPI's achieved is 7, not achieved is 6 and not applicable is 0. Therefore, the overall 4th Quarter Performance for Directorate of Finance is 54%.

Corporate Services

The Corporate Services Directorate has set 9 KPI's. The total number of KPI's achieved is 5, not achieved is 3 and not applicable is 1. Therefore, the overall 4th Quarter Performance for Corporate Services is 63%.

Infrastructure Services

The Directorate of Infrastructure Services has set 20 KPI's. The total number of KPI's achieved is 14, not achieved is 6 and not applicable is 0. Therefore, the overall 4th Quarter Performance for Infrastructure Services is 70%.

Spatial Planning and Development

The Directorate of Spatial Planning and Development has set 13 KPI's. The total number of KPI's achieved is 7, not achieved is 5 and not for reporting for this quarter is 1. Therefore, the overall 4th Quarter Performance for Spatial Planning and Development is standing at 58%.

Economic Development and Agencies

The Directorate of Economic Development & Agencies has set 8 KPI's on their SDBIP. The total number of KPI's achieved is 5 and not achieved is 3. Therefore, the overall 4th Quarter Performance for Economic Development & Agencies is standing at 63%.

Health/Public Safety and Emergency Services

The Directorate of Health/Public Safety and Emergency Services has set 7 KPI's. The total number of KPI's achieved is 4, not achieved in this quarter is 3 and not applicable is 0. Therefore, the overall 4th Quarter Performance for Health/Public Safety and Emergency Services is standing at 57%.











Municipal Services

The Directorate of Municipal Services has set 13 KPI's. The total number of KPI's achieved is 6, not achieved is 7 and not for reporting in this quarter is 0. Therefore, the overall 4th Quarter Performance for Municipal Services is 46%.

The overall institutional performance for the fourth quarter is standing at **62%**.

The above information is summarized in table 34 below.

Table 34: Summary of BCMM 4th 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	4 th Quarter % of KPI's achieved	3 rd Quarter % of KPI's achieved
Executive Support Services	9	6	1	2	86% 	67%
Human Settlements	5	4	1	0	80% 	60%
Directorate of Finance	13	7	6	0	54% 	75%
Corporate Services	9	5	3	1	63% 	75%
Infrastructure Services	20	14	6	0	70% 	73%
Spatial Planning & Development	13	7	5	1	58% 	46%
Economic Development and Agencies	8	5	3	0	63% 	88%
Health/Public Safety and Emergency Services	7	4	3	0	57% 	43%
Municipal Services	13	6	7	0	46% 	50%
Total	97	58	35	4	62% 	64%

17.MUNICIPAL MANAGER’S QUALITY CERTIFICATION

QUALITY CERTIFICATE

I, ANDILE SIHLAHLA City Manager of Buffalo City Metropolitan Municipality do hereby certify that –

The quarterly report on the implementation of the budget and financial state of affairs of the municipality (Section 52d Report)

for the period ending **June 2019** has been prepared in accordance with the Municipal Finance Management Act 2003 and Regulations made under that Act.

Print name: Andile Sihlahla

City Manager of Buffalo City Metropolitan Municipality

Signature:

ANNEXURES:

Annexure A

- C1 Monthly Budget Statement - Summary
- C2 Monthly Budget Statement - Financial Performance (Std Classification)
- C3 Monthly Budget Statement - Financial Performance (By Municipal Vote)
- C4 Monthly Budget Statement - Financial Performance (Revenue and Expenditure)
- C5 Monthly Budget Statement - Capital Expenditure (Municipal Vote, Std Classification and Funding)
- C6 Monthly Budget Statement - Financial Position
- C7 Monthly Budget Statement - Cash Flow

Annexure B

- SC1 Material Variance Explanation
- SC2 Performance Indicators
- SC3 Aged Debtors
- SC4 Aged Creditors
- SC5 Investment Portfolio
- SC6 Transfers and Grants Receipts
- SC7 (1) Transfers and Grants Expenditure
- SC7 (2) Expenditure against approved rollovers
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- SC11 Monthly Budget Statement – Summary of Municipal Entity
- SC14 Capital Expenditure trend
- SC13a Capital Expenditure on New Assets by Class
- SC13b Capital Expenditure on Renewal of Existing Assets by Class
- SC13c Expenditure on Repairs and Maintenance by Asset Class
- SC13d Depreciation by Asset Class

Annexure C

- Schedule of Borrowings

Annexure D

Operating expenditure report

Annexure E

Capital expenditure report

Annexure F

Buffalo City Metropolitan Development Agency Performance Report

Annexure G

Service Delivery and Budget Implementation Plans (SDBIP)