

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY

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BCM DA-FMR-026-19

Mr A Sihlahla
City Manager
Buffalo City Metropolitan Municipality
East London
5201

Dear Mr Sihlahla

BCM DA MONTHLY PERFORMANCE REPORT – AUGUST 2019

Buffalo City Metropolitan Development Agency hereby submits the monthly report as required by section 87 of the MFMA. Attached is the Financial Performance report for the month of August 2019.

Kind Regards

MR B NELANA
CHIEF EXECUTIVE OFFICER
DATE: 10 SEPTEMBER 2019

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QUALITY CERTIFICATE

I, B Nelana, Chief Executive Officer of Buffalo City Metropolitan Development Agency, hereby certify that

☒ The monthly budget statement

☐ Mid-year budget and performance assessment

for the month of August 2019 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Mr. B Nelana

Chief Executive Officer of Buffalo City Metropolitan Development Agency.

Signature

Date

10/09/2019



Ref: BCMDA-SUB-060-19

Enquires: S Mgudlwa

Tel: 043 101 0172

**REPORT TO THE CITY MANAGER TO CONSIDER AND NOTE BCMDA'S MONTHLY
BUDGET STATEMENT – AUGUST 2019**

1. PURPOSE

The purpose of this report is to present to the City Manager the monthly budget statement of the Buffalo City Metropolitan Development Agency (BCMDA) for the period ended 31 August 2019.

2. AUTHORITY

Buffalo City Metropolitan Municipality.

3. LEGISLATIVE FRAMEWORK

- Municipal Finance Management Act, 56 of 2003, section 88
- Municipal Systems Amendment Act, 44 of 2003
- Municipal Budget and Reporting Regulations, 2009
- Companies Act, 71 of 2008

4. BACKGROUND

- 4.1. In terms of section 87 (11) of the MFMA, the Accounting Officer of a municipal entity must by no later than seven working days after the end of each month submit to the Accounting Officer of the parent municipality, the entity's budget monthly statements in a prescribed format as stipulated on the MFMA.
- 4.2. This report therefore follows the legislative reporting requirements as outlined in the Municipal Budget and Reporting Regulations.

**EXECUTIVE SUMMARY ON THE IMPLEMENTATION OF THE BUDGET AND THE
FINANCIAL STATE OF AFFAIRS OF THE AGENCY FOR THE PERIOD ENDING
AUGUST 2019**

4.3. Dashboard/Performance Summary

BCMDA hereby presents its 2019/20 budget and performance assessment report to the City Manager for year to date. Below is the high-level summary of the performance of the agency.

Table 1: Performance Summary

OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	21 467 518	Cash and Bank Balance	3 303 214
Expenditure	5 778 511	Call investments	15 841 878
Operating Surplus	15 689 007	Cash and cash equivalents	19 145 092
Capital Expenditure	498 879	Account Payables	(1 5 07 388)
Surplus after capital expenditure	15 192 128	Unspent conditional grants	(1 883 612)
FINANCIAL		HUMAN RESOURCES	
Operating surplus for the period	15 192 128	Total Staff Compliment (excluding interns)	18
YTD Grants and subsidies	21 259 128	Staff Appointments	0
% Creditors paid within term	100%	Staff Terminations	0
Current ratio	3:17:1	Number of funded vacant posts	0
		Salary bill – Officials	2 830 350
		Workforce costs as a % of expenditure (incl. capex)	60 %

4.4. Liquidity position

BCMDA's liquidity is 3:17:1 for the month ending 31 August 2019, which indicates that the Agency's current assets are sufficient to cover its current liabilities (debts) which are short-term debts. Its current assets comprise mainly of cash and cash equivalents received from the BCMM and DEA for the waste management project.

4.5. Expenditure on allocations received

BCMDA has an approved budget of R 124.7 million (R61million for operational expenditure and R 63 million for capital expenditure). The first tranche of the operational grant from the City of R22.6 million has been received. The consultants appointed for project management of the Water World and the Court Crescent projects have commenced working, invoices are currently being paid with 30 days. Such expenditure is allocated to the capital grant. The DEA waste management project is in progress. The approved 2019/20 budget has the following revenue elements:

- BCMM Operational Grant of R 45.2 million
- BCMM Capital Grant of R 63 million
- Agency services revenue of R 6.2 million
- Interest received of R 828 442
- Other income (conditional grants and tender fees etc.) of R 9.3 million

Total expenditure incurred at the end of August is R5.779 million. Included in this is R1 million relating to expenditure on the DEA grant. Out of the R 19.6 million (excluding VAT payable to SARS of R 2.9 million) received to date from the parent municipality, BCMDA has incurred expenditure of R 4.6 million YTD, which translates to 24%. The breakdown of the expenditure is as follows:

- Employee related Costs R 2 830 350
- Board Fees R 242 021
- Depreciation R 229 504
- Capital expenditure R 496 879

In relation to the BCMM annual grant allocation, the expenditure pattern at end of August should be 17 % and the agency has only incurred 10%, which is below the expectation. The procurement plan will be closely monitored to ensure that planned procurement

takes place timeously. The capital expenditure incurred for the month relates to consulting fees for water world and court crescent.

In relation to DEA waste management grant, R3.5 million has been spent against the R5.3 million received in March. This represents 66% expenditure on the grant, however expenditure against the funds that were available at the beginning of the financial year, the expenditure is 37%. It is anticipated that the expenditure pattern would improve during the course of the financial year.

4.6. Cash and cash equivalents

BCDMA's cash and cash equivalents balance at 31 August 2019 is R 19 145 092, which is made up of cash and bank account balances amounting to R 3 303 214 and call investment balance of R 15 841 878. These funds are all banked with First National Bank. Included in the cash and bank account balances is an amount of R 1 883 612 which relates to the DEA waste management project.

4.7. Outstanding Creditors

The Agency's creditors are made up of staff monthly provident fund, trade creditors, DEA waste management unspent grant, staff claims, amounts payable to SARS for Employee TAX. SARS statutory payments were subsequently made before due date on 7 September 2019. All other creditors will be settled by 15 September 2019.

5. IN YEAR BUDGET STATEMENT MAIN TABLES

5.1. Monthly Budget Statement Summary

The table below is a high-level summary of BCMDA's financial performance, capital expenditure, financial position and cash flow.

Buffalo City Metropolitan Development Agency - Table F1 Monthly Budget Statement Summary - M02 August

Description	2018/19	Current Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	-	828	-	87	118	138	(0)	-14%	-
Transfers recognised - operational	-	52,225	-	1,335	21,259	26,112	(5)	-19%	-
Other own revenue	-	6,357	-	90	90	1,060	(1)	-91%	-
Total Revenue (excluding capital transfers and contributions)	-	59,410	-	1,513	21,468	27,310	(5,842)	(0)	-
Employee costs	-	24,280	-	1,822	3,634	4,047	(413)	(0)	-
Remuneration of Board Members	-	1,276	-	155	242	213	29	0	-
Depreciation and asset impairment	-	1,761	-	111	230	294	(64)	(0)	-
Finance charges	-	4	-	-	-	-	-		-
Materials and bulk purchases	-	302	-	88	101	50	51	0	-
Transfers and grants	-	300	-	-	40	50	(10)	(0)	-
Other expenditure	-	31,487	-	830	1,533	5,248	(3,715)	(0)	-
Total Expenditure	-	59,410	-	3,006	5,779	9,901	(4,123)	(0)	-
Surplus/(Deficit)	-	0	-	(1,494)	15,689	17,409	(1,720)	(0)	-
Transfers recognised - capital	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	-	65,282	-	(997)	16,186	26,289	(12,103)	(0)	-
Taxation	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	-	65,282	-	(997)	16,186	26,289	(12,103)	(0)	-
Capital expenditure & funds sources									
Capital expenditure	-	65,282	-	497	497	10,804	(10,307)	(0)	-
Transfers recognised - capital	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Financial position									
Total current assets	-	1,927	-	-	20,141	-	-		-
Total non current assets	-	3,320	-	-	1,880	-	-		-
Total current liabilities	-	2,888	-	-	6,361	-	-		-
Total non current liabilities	-	-	-	-	-	-	-		-
Community wealth/Equity	-	2,359	-	-	15,660	-	-		-
Cash flows									
Net cash from (used) operating	-	66,533	-	(5,366)	15,790	11,089	4,701	0	-
Net cash from (used) investing	-	(65,282)	-	-	(565)	(10,880)	10,316	(0)	-
Net cash from (used) financing	-	(1,251)	-	(64)	(68)	(209)	141	(0)	-
Cash/cash equivalents at the year end	3,987	3,987	3,987	(5,430)	15,158	0	15,158	#####	3,987

5.2. 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: F2: Monthly Budget Statement – Financial Performance (Standard Classification)

Buffalo City Metropolitan Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August									
Description	2016/17	Current Year 2017/18							
	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	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-
Interest earned - external investments	-	829	-	87	118	138	(20)	-14.3%	-
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-
Agency services	-	8 278	-	1	1	1 046	(1 045)	-99.9%	-
Transfers and subsidies	-	52 225	-	1 335	21 259	8 704	12 555	144.2%	-
Other revenue	-	80	-	89	89	13	75	568.2%	-
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	59 410	-	1 813	21 488	9 802	11 586	118.8%	-
Expenditure By Type									
Employee related costs	-	24 280	-	1 822	3 634	4 047	(413)	-10.2%	-
Remuneration of Directors	-	1 276	-	155	242	213	29	13.8%	-
Debt impairment	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	-	1 781	-	111	230	294	(64)	-21.8%	-
Finance charges	-	4	-	-	-	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-
Other materials	-	302	-	88	101	50	51	100.7%	-
Contracted services	-	26 844	-	641	855	4 441	(3 585)	-80.7%	-
Transfers and subsidies	-	300	-	-	40	50	(10)	-20.5%	-
Other expenditure	-	4 843	-	189	677	807	(130)	-18.1%	-
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	-	59 410	-	3 086	5 779	9 601	(4 123)	-41.6%	-
Surplus/(Deficit)	-	0	-	(1 484)	15 689	1	15 688	2353258.9%	-
Transfers and subsidies - capital (monetary associations)	-	-	-	-	-	-	-	-	-
(National / Provincial and District)	-	65 282	-	497	497	10 890	(10 383)	-95.4%	-
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation	-	65 282	-	(997)	16 186	10 891	5 305	48.8%	-
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	65 282	-	(997)	16 186	10 891	5 305	-	-

5.2.1. Revenue by Source

- Out of a total operational revenue budget of R 61.6 million, BCMDA heavily relies on operational grant of R45.2 million from BCMM of which R 19.6 million (Excluding VAT) of this has been realised.

Other revenue sources are:

- The interest received is related to investment of surplus funds and always maintaining a positive bank balance on the primary bank account. Interest received to date is R 118 265.
- Transfer and subsidies relate to the capital funding from the parent municipality and for expenditure transferred to revenue in relation to the 1st tranche of the DEA project management fees payable to the Agency by virtue of being the project implementer.

5.2.2. Expenditure by Type

- The expenditure on employee related costs is currently at 15% in relation to the year to date budget. These costs are below the expected year to date percentage of 16.67 %. The reason for this variance is due to delays in the recruitment process of the Risk and Compliance Officer and the Project Manager for Tourism Development. These positions are anticipated to be filled by December 2019.
- The year to date other expenditure on the schedules relate to operational costs for running daily activities of the agency.
- The rest of the expenditure line items are satisfactory as it is the beginning of the financial year and procurement processes have commenced for those to be achieved within the first quarter.

5.3. Monthly Budget Statement – Financial Position

The table below is an overview of the financial position of the agency.

Table 4: F4: Monthly Budget Statement – Financial Position

Buffalo City Metropolitan Development Agency - Table F4 Monthly Budget Statement - Financial Position

Vote Description	2018/19	Current Year 2019/20			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash	-	166	-	3,117	-
Call investment deposits	-	1,761	-	15,907	-
Consumer debtors	-	-	-	45	-
Other debtors	-	-	-	1,036	-
Current portion of long-term receivables	-	-	-	-	-
Inventory	-	-	-	35	-
Total current assets	-	1,927	-	20,141	-
Non current assets					
Long-term receivables	-	-	-	-	-
Investments	-	-	-	-	-
Investment property	-	-	-	-	-
Investment in Associate	-	-	-	-	-
Property, plant and equipment	-	1,826	-	267	-
Biological	-	-	-	-	-
Intangible	-	1,494	-	1,613	-
Other non-current assets	-	-	-	-	-
Total non current assets	-	3,320	-	1,880	-
TOTAL ASSETS	-	5,247	-	22,021	-
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-	-	-
Borrowing	-	1,251	-	1,125	-
Consumer deposits	-	-	-	-	-
Trade and other payables	-	-	-	3,390	-
Provisions	-	1,637	-	1,846	-
Total current liabilities	-	2,888	-	6,361	-
Non current liabilities					
Borrowing	-	-	-	-	-
Provisions	-	-	-	-	-
Total non current liabilities	-	-	-	-	-
TOTAL LIABILITIES	-	2,888	-	6,361	-
NET ASSETS	-	2,359	-	15,660	-
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	-	2,359	-	15,660	-
Reserves	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	-	2,359	-	15,660	-

5.3.1. Assets

- The Agency cash and investment is made up of the primary bank account balance, DEA account balance, money market account balance and petty cash on hand.
- Consumer debtors related to the deposit due to the entity for office accommodation.
- Other debtors related to funds awaited from the parent municipality in relation to project management fees and capital funding for capital projects implemented by the Agency on behalf of the City.

5.3.2 Liabilities

- Trade and Other payables relate to staff monthly provident fund, trade creditors, DEA waste management unspent grant, amounts payable to SARS for TAX, leave provision, bonus provision and borrowings related to leased equipment.

5.4. Monthly Budget Statement – Cash Flows

The table below is an overview of the cash flow of the agency

Buffalo City Metropolitan Development Agency - Table F5 Monthly Budget Statement - Cash Flows - M02 August

Description	2018/19	Current Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Other revenue	-	6 357	-	218	368	1 060	(671)	-63.4%	-
Government - operating	-	52 225	-	-	22 628	8 704	13 924	160.0%	-
Government - capital	-	65 282	-	-	585	10 880	(10 316)	-94.8%	-
Interest	-	820	-	95	136	136	0	0.1%	-
Dividends	-	-	-	-	-	-	-	-	-
Payments									
Suppliers and employees	-	(50 155)	-	(5 850)	(7 829)	(9 692)	1 764	-18.2%	-
Finance charges	-	(4)	-	-	-	(1)	1	-100.0%	-
Dividends paid	-	-	-	-	-	-	-	-	-
Transfers and Grants	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	-	64 533	-	(5 346)	15 790	11 889	1 172	10.8%	-
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-
Payments									
Capital assets	-	(65 282)	-	-	(565)	(10 880)	10 316	-94.8%	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	(65 282)	-	-	(565)	(10 880)	(10 316)	-94.8%	-
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-
Payments									
Repayment of borrowing	-	(1 251)	-	(64)	(58)	(209)	141	-67.4%	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(1 251)	-	(64)	(58)	(209)	(141)	67.4%	-
NET INCREASE/ (DECREASE) IN CASH HELD	-	0	-	(5 430)	15 158	0	15 158	#####	-
Cash/cash equivalents at the year begin:	3 987	3 987	3 987	-	-	-	-	-	3 987
Cash/cash equivalents at the year end:	3 987	3 987	3 987	(5 430)	15 158	0	15 158	#####	3 987

Cash inflow for the month of August 2019 amounted to R 484 211 relating interest, VAT receivable and tender documents fees. The cash outflow amounted to R 5.9 million. Kindly refer to attached supporting schedule.

5.5. Aged debtors

The table below is an overview of aged debtors of the agency.

Buffalo City Metropolitan Development Agency - Supporting Table F3 Entity Aged debtors - M02 August

Detail	NT Code	Current Year 2019/20										Total	Bad Debts	>90 days
		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					
R thousands														
Debtors Age Analysis By Income Source	1100													
Trade and Other Receivables from Exchange Transactions - Water	1200													-
Trade and Other Receivables from Exchange Transactions - Electricity	1300													-
Receivables from Non-exchange Transactions - Property Rates	1400													-
Receivables from Exchange Transactions - Waste Water Management	1500													-
Receivables from Exchange Transactions - Waste Management	1600													-
Receivables from Exchange Transactions - Property Rental Debtors	1700													-
Interest on Asset Debtor Accounts	1812													-
Receivable unauthorised, irregular or fullless material expenditure	1900													-
Other	1923	571	465								45			-
Total By Income Source	2000	-	-	-	-	-	-	-	-	-	-	-	-	-
Debtors Age Analysis By Customer Group	2100													
Organs of State	2200	571	465								45	1 081		-
Commercial	2300													-
Households	2400													-
Other	2500													-
Total By Customer Group	2500	571	465	-	-	-	-	-	-	-	45	1 081	-	-

The debtors are made up of property deposit, project management fees and capital funding for capital projects implemented by the Agency on behalf of the City.

5.6 Aged creditors

The table below is an overview of aged creditors of the agency

Buffalo City Metropolitan Development Agency - Supporting Table F4 Entity Aged creditors - M02 August

Detail		NT	Current Year 2019/20								
R thousands		Code	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100		-	-	-	-	-	-	-	-	-
Bulk Water	0200		-	-	-	-	-	-	-	-	-
PAYE deductions	0300		403	-	-	-	-	-	-	-	403
VAT (output less input)	0400		-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500		127	-	-	-	-	-	-	-	127
Loan repayments	0600		-	-	-	-	-	-	-	-	-
Trade Creditors	0700		974	-	-	-	-	-	-	(1)	973
Auditor General	0800		-	-	-	-	-	-	-	-	-
Other	0900		1,687	-	-	-	-	-	-	-	1,687
Total By Customer Type		2800	3,391	-	-	-	-	-	-	(1)	3,390


The Agency's creditors are made up of staff monthly provident fund, trade creditors, DEA waste management unspent grant, staff claims amounts payable to SARS for TAX.

6. BCMDA Challenges

- 6.1. Growing needs of the Agency warranting additional financial resources.
- 6.2. Delayed receipt of funds for capital projects from the parent municipality after submission of supplier invoices for certification.

7. RECOMMENDATION

- 7.1. It is recommended that the City Manager considers and notes the report and the challenges highlighted above.



MR B NELANA

CHIEF EXECUTIVE OFFICER

DATE: 10 SEPTEMBER 2019

Attachments: Annexure A - F Schedule

Annexure B - Cash flow report

ANNEXURE A

ANNEXURE B

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY SOC LTD**SUMMARY CASH AND CASH EQUIVALENTS****FIRST QUARTER- AUGUST 2019****2019/20****Working Capital**

Description	Amount
Cash and Investments Available	19 145 091.59
Cash and cash equivalents at beginning of	24 575 123.60
Total receipts	484 210.90
Interest	95 966.62
Tender Document Fees	102 000.00
VAT Receivable	286 244.28
Payments made	5 914 242.91
Bank Charges (All Accounts)	1 165.52
Suppliers and Recruitment Costs	926 250.74
SARS Tax	3 287 949.24
Salaries,Wages,Allowances and Benefits	1 440 594.46
Staff Claims	36 781.89
Board and Audit Committee remuneration	221 501.06
Total cash and investments available	19 145 091.59

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BCMDA-FMR-026-19

Mr A Sihlahla
City Manager
Buffalo City Metropolitan Municipality
East London
5201

Dear Mr Sihlahla

BCMDA MONTHLY PERFORMANCE REPORT – AUGUST 2019

Buffalo City Metropolitan Development Agency hereby submits the monthly report as required by section 87 of the MFMA. Attached is the Financial Performance report for the month of August 2019.

Kind Regards


MR B NELANA
CHIEF EXECUTIVE OFFICER
DATE: 10 SEPTEMBER 2019

**EXECUTIVE SUMMARY ON THE IMPLEMENTATION OF THE BUDGET AND THE
FINANCIAL STATE OF AFFAIRS OF THE AGENCY FOR THE PERIOD ENDING
AUGUST 2019**

4.3. Dashboard/Performance Summary

BCMDA hereby presents its 2019/20 budget and performance assessment report to the City Manager for year to date. Below is the high-level summary of the performance of the agency.

Table 1: Performance Summary

OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	21 467 518	Cash and Bank Balance	3 303 214
Expenditure	5 778 511	Call investments	15 841 878
Operating Surplus	15 689 007	Cash and cash equivalents	19 145 092
Capital Expenditure	496 879	Account Payables	(1 5 07 388)
Surplus after capital expenditure	15 192 128	Unspent conditional grants	(1 883 612)
FINANCIAL		HUMAN RESOURCES	
Operating surplus for the period	15 192 128	Total Staff Compliment (excluding interns)	18
YTD Grants and subsidies	21 259 128	Staff Appointments	0
% Creditors paid within term	100%	Staff Terminations	0
Current ratio	3:17:1	Number of funded vacant posts	0
		Salary bill – Officials	2 830 350
		Workforce costs as a % of expenditure (incl. capex)	60 %

4.4. Liquidity position

BCMDA's liquidity is 3:17:1 for the month ending 31 August 2019, which indicates that the Agency's current assets are sufficient to cover its current liabilities (debts) which are short-term debts. Its current assets comprise mainly of cash and cash equivalents received from the BCMM and DEA for the waste management project.

4.5. Expenditure on allocations received

BCMDA has an approved budget of R 124.7 million (R61million for operational expenditure and R 63 million for capital expenditure). The first tranche of the operational grant from the City of R22.6 million has been received. The consultants appointed for project management of the Water World and the Court Crescent projects have commenced working, invoices are currently being paid with 30 days. Such expenditure is allocated to the capital grant. The DEA waste management project is in progress. The approved 2019/20 budget has the following revenue elements:

- BCMM Operational Grant of R 45.2 million
- BCMM Capital Grant of R 63 million
- Agency services revenue of R 6.2 million
- Interest received of R 828 442
- Other income (conditional grants and tender fees etc.) of R 9.3 million

Total expenditure incurred at the end of August is R5.779 million. Included in this is R1 million relating to expenditure on the DEA grant. Out of the R 19.6 million (excluding VAT payable to SARS of R 2.9 million) received to date from the parent municipality, BCMDA has incurred expenditure of R 4.6 million YTD, which translates to 24%. The breakdown of the expenditure is as follows:

- Employee related Costs R 2 830 350
- Board Fees R 242 021
- Depreciation R 229 504
- Capital expenditure R 496 879

In relation to the BCMM annual grant allocation, the expenditure pattern at end of August should be 17 % and the agency has only incurred 10%, which is below the expectation. The procurement plan will be closely monitored to ensure that planned procurement

takes place timeously. The capital expenditure incurred for the month relates to consulting fees for water world and court crescent.

In relation to DEA waste management grant, R3.5 million has been spent against the R5.3 million received in March. This represents 66% expenditure on the grant, however expenditure against the funds that were available at the beginning of the financial year, the expenditure is 37%. It is anticipated that the expenditure pattern would improve during the course of the financial year.

4.6. Cash and cash equivalents

BCDMA's cash and cash equivalents balance at 31 August 2019 is R 19 145 092, which is made up of cash and bank account balances amounting to R 3 303 214 and call investment balance of R 15 841 878. These funds are all banked with First National Bank. Included in the cash and bank account balances is an amount of R 1 883 612 which relates to the DEA waste management project.

4.7. Outstanding Creditors

The Agency's creditors are made up of staff monthly provident fund, trade creditors, DEA waste management unspent grant, staff claims, amounts payable to SARS for Employee TAX. SARS statutory payments were subsequently made before due date on 7 September 2019. All other creditors will be settled by 15 September 2019.

5. IN YEAR BUDGET STATEMENT MAIN TABLES

5.1. Monthly Budget Statement Summary

The table below is a high-level summary of BCMDA's financial performance, capital expenditure, financial position and cash flow.

Buffalo City Metropolitan Development Agency - Table F1 Monthly Budget Statement Summary - M02 August

Description	2018/19	Current Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	-	-	-	-	-	-	-		-
Service charges	-	-	-	-	-	-	-		-
Investment revenue	-	828	-	87	118	138	(0)	-14%	-
Transfers recognised - operational	-	52,225	-	1,335	21,259	26,112	(5)	-19%	-
Other own revenue	-	6,357	-	90	90	1,060	(1)	-91%	-
Total Revenue (excluding capital transfers and contributions)	-	59,410	-	1,513	21,468	27,310	(5,842)	(0)	-
Employee costs	-	24,280	-	1,822	3,634	4,047	(413)	(0)	-
Remuneration of Board Members	-	1,276	-	165	242	213	29	0	-
Depreciation and asset impairment	-	1,761	-	111	230	294	(64)	(0)	-
Finance charges	-	4	-	-	-	-	-		-
Materials and bulk purchases	-	302	-	88	101	50	51	0	-
Transfers and grants	-	300	-	-	40	50	(10)	(0)	-
Other expenditure	-	31,487	-	830	1,533	5,248	(3,715)	(0)	-
Total Expenditure	-	59,410	-	3,006	5,779	9,801	(4,123)	(0)	-
Surplus/(Deficit)	-	0	-	(1,494)	15,689	17,409	(1,720)	(0)	-
Transfers recognised - capital	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	-	65,282	-	(997)	16,186	26,289	(12,103)	(0)	-
Taxation	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	-	65,282	-	(997)	16,186	26,289	(12,103)	(0)	-
Capital expenditure & funds sources									
Capital expenditure	-	65,282	-	497	497	10,804	(10,307)	(0)	-
Transfers recognised - capital	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	65,282	-	497	497	10,880	(10,383)	(0)	-
Financial position									
Total current assets	-	1,927	-	-	20,141	-	-		-
Total non current assets	-	3,320	-	-	1,880	-	-		-
Total current liabilities	-	2,698	-	-	6,361	-	-		-
Total non current liabilities	-	-	-	-	-	-	-		-
Community wealth/Equity	-	2,358	-	-	15,660	-	-		-
Cash flows									
Net cash from (used) operating	-	66,533	-	(5,366)	15,790	11,089	4,701	0	-
Net cash from (used) investing	-	(66,282)	-	-	(565)	(13,880)	10,316	(0)	-
Net cash from (used) financing	-	(1,251)	-	(64)	(66)	(209)	141	(0)	-
Cash/cash equivalents at the year end	3,967	3,967	3,967	(5,430)	15,158	0	15,158	=====	3,967

5.2. 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: F2: Monthly Budget Statement – Financial Performance (Standard Classification)

Buffalo City Metropolitan Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August

Description	2018/19	Current Year 2019/20							
	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	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-
Service charges - water revenue	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-
Interest earned - external investments	-	828	-	87	118	138	(20)	-14.3%	-
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-
Agency services	-	6 278	-	1	1	1 046	(1 045)	-99.8%	-
Transfers and subsidies	-	52 225	-	1 335	21 259	8 704	12 555	144.2%	-
Other revenue	-	80	-	89	89	13	75	568.2%	-
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	59 410	-	1 513	21 468	9 802	11 666	118.6%	-
Expenditure By Type									
Employee related costs	-	24 280	-	1 822	3 634	4 047	(413)	-10.2%	-
Remuneration of Directors	-	1 276	-	155	242	213	29	13.8%	-
Debt impairment	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment	-	1 781	-	111	733	294	(64)	-21.8%	-
Finance charges	-	4	-	-	-	-	-	-	-
Bulk purchases	-	-	-	-	-	-	-	-	-
Other materials	-	302	-	88	101	50	51	100.7%	-
Contracted services	-	28 844	-	641	855	4 441	(3 585)	-80.7%	-
Transfers and subsidies	-	330	-	-	40	50	(10)	-20.5%	-
Other expenditure	-	4 843	-	189	677	807	(130)	-18.1%	-
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	-	59 410	-	3 086	5 779	9 591	(4 123)	-41.6%	-
Surplus/(Deficit)	-	0	-	(1 494)	15 689	1	15 688	2353258.0%	-
Transfers and subsidies - capital (monetary transactions)	-	-	-	-	-	-	-	-	-
(National / Provincial and District)	-	65 282	-	497	497	10 880	(10 383)	-95.4%	-
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) before taxation	-	65 282	-	(997)	16 186	10 881	5 305	48.8%	-
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	65 282	-	(997)	16 186	10 881	5 305	-	-

5.2.1. Revenue by Source

- Out of a total operational revenue budget of R 61.6 million, BCMDA heavily relies on operational grant of R45.2 million from BCMM of which R 19.6 million (Excluding VAT) of this has been realised.

Other revenue sources are:

- The interest received is related to investment of surplus funds and always maintaining a positive bank balance on the primary bank account. Interest received to date is R 118 265.
- Transfer and subsidies relate to the capital funding from the parent municipality and for expenditure transferred to revenue in relation to the 1st tranche of the DEA project management fees payable to the Agency by virtue of being the project implementer.

5.2.2. Expenditure by Type

- The expenditure on employee related costs is currently at 15% in relation to the year to date budget. These costs are below the expected year to date percentage of 16.67 %. The reason for this variance is due to delays in the recruitment process of the Risk and Compliance Officer and the Project Manager for Tourism Development. These positions are anticipated to be filled by December 2019.
- The year to date other expenditure on the schedules relate to operational costs for running daily activities of the agency.
- The rest of the expenditure line items are satisfactory as it is the beginning of the financial year and procurement processes have commenced for those to be achieved within the first quarter.

5.3. Monthly Budget Statement – Financial Position

The table below is an overview of the financial position of the agency.

Table 4: F4: Monthly Budget Statement – Financial Position

Buffalo City Metropolitan Development Agency - Table F4 Monthly Budget Statement - Financial Position

Vote Description	2018/19	Current Year 2019/20			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash	-	166	-	3,117	-
Call investment deposits	-	1,761	-	15,907	-
Consumer debtors	-	-	-	45	-
Other debtors	-	-	-	1,036	-
Current portion of long-term receivables	-	-	-	-	-
Inventory	-	-	-	35	-
Total current assets	-	1,927	-	20,141	-
Non current assets					
Long-term receivables	-	-	-	-	-
Investments	-	-	-	-	-
Investment property	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Property, plant and equipment	-	1,826	-	267	-
Biological	-	-	-	-	-
Intangible	-	1,494	-	1,613	-
Other non-current assets	-	-	-	-	-
Total non current assets	-	3,320	-	1,880	-
TOTAL ASSETS	-	5,247	-	22,021	-
LIABILITIES					
Current liabilities					
Bank overdraft	-	-	-	-	-
Borrowing	-	1,251	-	1,125	-
Consumer deposits	-	-	-	-	-
Trade and other payables	-	-	-	3,390	-
Provisions	-	1,637	-	1,846	-
Total current liabilities	-	2,888	-	6,361	-
Non current liabilities					
Borrowing	-	-	-	-	-
Provisions	-	-	-	-	-
Total non current liabilities	-	-	-	-	-
TOTAL LIABILITIES	-	2,888	-	6,361	-
NET ASSETS	-	2,359	-	15,660	-
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)	-	2,359	-	15,660	-
Reserves	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	-	2,359	-	15,660	-

5.3.1. Assets

- The Agency cash and investment is made up of the primary bank account balance, DEA account balance, money market account balance and petty cash on hand.
- Consumer debtors related to the deposit due to the entity for office accommodation.
- Other debtors related to funds awaited from the parent municipality in relation to project management fees and capital funding for capital projects implemented by the Agency on behalf of the City.

5.3.2 Liabilities

- Trade and Other payables relate to staff monthly provident fund, trade creditors, DEA waste management unspent grant, amounts payable to SARS for TAX, leave provision, bonus provision and borrowings related to leased equipment.

5.4. Monthly Budget Statement – Cash Flows

The table below is an overview of the cash flow of the agency

Buffalo City Metropolitan Development Agency - Table F5 Monthly Budget Statement - Cash Flows - M02 August

Description	2018/19	Current Year 2019/20							Full Year Forecast	
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %		
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates	-	-	-	-	-	-	-	-	-	
Service charges	-	-	-	-	-	-	-	-	-	
Other revenue	-	6 357	-	388	388	1 060	(671)	-63.4%	-	
Government - operating	-	52 225	-	-	22 628	8 704	13 924	160.0%	-	
Government - capital	-	65 282	-	-	965	10 860	(10 316)	-94.8%	-	
Interest	-	828	-	95	138	138	0	0.1%	-	
Dividends	-	-	-	-	-	-	-	-	-	
Payments										
Suppliers and employees	-	(50 155)	-	(5 850)	(7 829)	(9 682)	1 754	-18.2%	-	
Finance charges	-	(4)	-	-	-	(1)	1	-100.0%	-	
Dividends paid	-	-	-	-	-	-	-	-	-	
Transfers and Grants	-	-	-	-	-	-	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	-	64 533	-	(5 386)	15 790	11 989	1 172	10.6%	-	
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	
Payments										
Capital assets	-	(85 282)	-	-	(565)	(10 880)	10 316	-94.8%	-	
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	(85 282)	-	-	(565)	(10 880)	(10 316)	94.8%	-	
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	
Payments										
Repayment of borrowing	-	(1 251)	-	(64)	(68)	(209)	141	-67.4%	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	(1 251)	-	(64)	(68)	(209)	(141)	67.4%	-	
NET INCREASE/ (DECREASE) IN CASH HELD	-	0	-	(5 430)	15 158	0	15 158	100.000000%	-	
Cash/cash equivalents at the year begin:	3 987	3 987	3 987	-	-	-	-	-	3 987	
Cash/cash equivalents at the year end:	3 987	3 987	3 987	(5 430)	15 158	0	15 158	100.000000%	3 987	

Cash inflow for the month of August 2019 amounted to R 484 211 relating interest, VAT receivable and tender documents fees. The cash outflow amounted to R 5.9 million. Kindly refer to attached supporting schedule.

5.5. Aged debtors

The table below is an overview of aged debtors of the agency.

Buffalo City Metropolitan Development Agency - Supporting Table F3 Entity Aged debtors - M02 August

Detail	NT Code	Current Year 2019/20										Total	Bad Debts	>90 days
		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					
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1100	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	1600	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Asset Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-	-	-	-
Recoverable unsecured, irregular or fullless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	571	465	-	-	-	-	-	45	-	-	-	-	-
Total By Income Source	2000	-	-	-	-	-	-	-	-	-	-	-	-	-
Debtors Age Analysis By Customer Group														
Organs of State	2200	571	465	-	-	-	-	-	45	1 081	-	-	-	-
Commercial	2300	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	2400	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2500	-	-	-	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	571	465	-	-	-	-	-	45	1 081	-	-	-	-

The debtors are made up of property deposit, project management fees and capital funding for capital projects implemented by the Agency on behalf of the City.

5.6 Aged creditors

The table below is an overview of aged creditors of the agency

Buffalo City Metropolitan Development Agency - Supporting Table F4 Entity Aged creditors - M02 August

Detail	NT Code	Current Year 2019/20								Total
		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	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	-	-	-	-	-	-	-	-	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	403	-	-	-	-	-	-	-	403
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	127	-	-	-	-	-	-	-	127
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	974	-	-	-	-	-	-	(1)	973
Auditor General	0800	-	-	-	-	-	-	-	-	-
Other	0900	1 887	-	-	-	-	-	-	-	1 887
Total By Customer Type	2600	3 391	-	-	-	-	-	-	(1)	3 390


The Agency's creditors are made up of staff monthly provident fund, trade creditors, DEA waste management unspent grant, staff claims amounts payable to SARS for TAX.

6. BCMDA Challenges

- 6.1. Growing needs of the Agency warranting additional financial resources.
- 6.2. Delayed receipt of funds for capital projects from the parent municipality after submission of supplier invoices for certification.

7. RECOMMENDATION

- 7.1. It is recommended that the City Manager considers and notes the report and the challenges highlighted above.



MR B NELANA

CHIEF EXECUTIVE OFFICER

DATE: 10 SEPTEMBER 2019

Attachments: Annexure A - F Schedule

Annexure B - Cash flow report

ANNEXURE A

ANNEXURE B

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY SOC LTD**SUMMARY CASH AND CASH EQUIVALENTS****FIRST QUARTER- AUGUST 2019****2019/20****Working Capital**

Description	Amount
Cash and Investments Available	19 145 091.59
Cash and cash equivalents at beginning of	24 575 123.60
Total receipts	484 210.90
Interest	95 966.62
Tender Document Fees	102 000.00
VAT Receivable	286 244.28
Payments made	5 914 242.91
Bank Charges (All Accounts)	1 165.52
Suppliers and Recruitment Costs	926 250.74
SARS Tax	3 287 949.24
Salaries,Wages,Allowances and Benefits	1 440 594.46
Staff Claims	36 781.89
Board and Audit Committee remuneration	221 501.06
Total cash and investments available	19 145 091.59