

REPORT TO EXECUTIVE MAYOR: 15 JANUARY 2019

File No.:5/1/1/1[18/19]

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2018/19 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT

1. PURPOSE

The purpose of the report is for the Executive Mayor to consider and note the mid-year budget and performance assessment of Buffalo City Metropolitan Municipality for the 2018/19 financial year.

2. AUTHORITY

Executive Mayor

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 71 & 72

3.3. Municipal Budget and Reporting Regulations, 2009

4. BACKGROUND

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

a) assess the performance of the municipality during the first half of the financial year, taking into account—

(i) the monthly statements referred to in section 71 for the first half of the financial year;

(ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;

(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and

(iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of

- section 88 from any such entities; and
- b) submit a report on such assessment to—
- (i) the mayor of the municipality;
 - (ii) the National Treasury; and
 - (iii) the relevant provincial treasury.

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

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

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PART 1: IN-YEAR REPORT

5. RESOLUTIONS

It is recommended that:

- (i) The Executive Mayor consider and note the 2018/19 Mid-Year Budget and Performance Assessment Report of BCMM for the 2018/19 financial year in terms of Section 72 of the MFMA including supporting documentation attached as Annexure A to G.

- (ii) The Executive Mayor 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) The Executive Mayor notes the year to date collection rate for the period ended 31 December 2018 of 81.90%.

A. SIHLAHLA

CITY MANAGER

BUFFALO CITY METROPOLITAN MUNICIPALITY

ANDILE XOSEKA/ NS

DATE

**6. EXECUTIVE SUMMARY ON THE IMPLEMENTATION OF THE BUDGET
AND THE FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY FOR THE
PERIOD ENDED 31 DECEMBER 2018**

6.1. Dashboard / Performance Summary

Table 1: Performance Summary

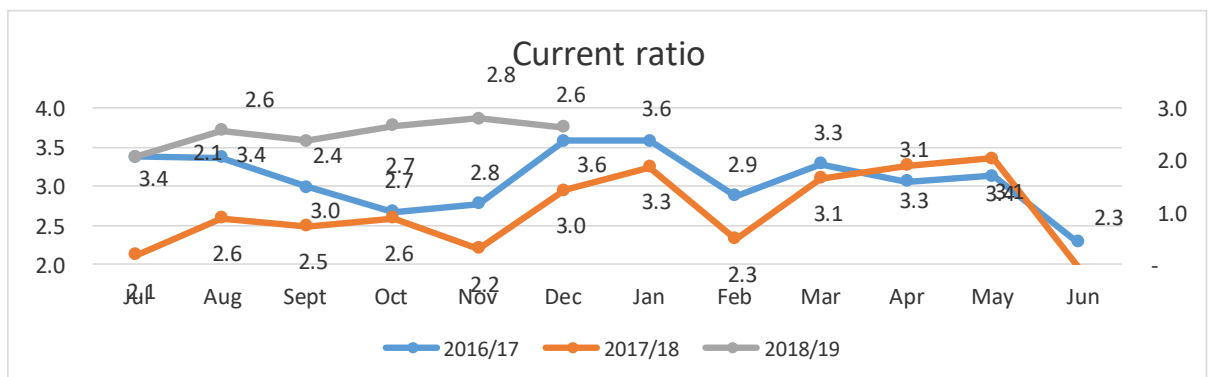
OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	R 3,435,496,099	Bank Balance	R 337,585,847
Expenditure	(R 3,514,345,042)	Call investments (excl. int.)	R 1,226,271,814
Operating Deficit	(R 78,848,942)	Cash and cash equivalents	R 1,563,857,661
Transfers and Subsidies Recognised – Capital	R 256,203,472	<i>Account Payables</i>	<i>(R 543,276,455)</i>
Surplus After Capital Transfers	R 177,354,529	<i>Unspent conditional grants</i>	<i>(R 382,308,791)</i>
DEBTORS		<i>Committed to Capital budget-own funds</i>	<i>(R 880,745,517)</i>
Total debtors book (incl. impairment)	R 2,266,872,375	Possible cash deficit should there be no revenue collection made	(R 242,473,102)
Total debtors - Government	R 67,771,234		
Total debtors - Business	R 681,102,236	Total Long term loans	R 372,568,618
Total debtors - Households	R 1,517,998,905		
Total debt written off	R 0	SURPLUS / (DEFICIT) PER SERVICE	
REPAIRS AND MAINTENANCE		Water	R 273,977,466
		Electricity	(R 146,957,636)
2017/2018: Exp.= R154,87m, which is 33% of adjusted budget of R462.49 m	2018/2019: Exp.= R200,64 , which is 41% of adjusted budget of R493,60 m	Refuse	R 46,129,364
		Sewerage	R 90,576,520
CAPITAL EXPENDITURE		OPERATING PROJECTS EXPENDITURE	
<u>2017/2018: Exp. as a % of Adjusted Budget of R1.71b:</u> Exp. (excl. vat) = R426,81mil % exp (Excl. vat) :25% Exp. (incl. vat) = R464,77 mil % exp (incl. vat): 27%	<u>2018/2019: Exp. as a % of Adjusted Budget of R1.99b:</u> Exp. (excl. vat) = R537,44 mil % exp. (Excl. vat) :27% Exp. (incl. vat) = R584,48 mil % exp. (incl. vat): 29%	<u>2017/2018: Exp. as a % of Adjusted Budget of R300.9m:</u> Exp. (excl. vat) = R110,30 mil % exp.(excl. vat): 37% Exp. (incl. vat) = R116,23 mil % exp.(incl. vat): 39%	<u>2018/2019: Exp. as a % of Adjusted Budget of R333.73m:</u> Exp. (excl. vat) = R74,08 mil % exp. (excl. vat): 22% Exp. (incl. vat) = R74,44 mil % exp. (incl. vat): 22%
FINANCIAL		HUMAN RESOURCES	
Operating deficit for the period	(R 78,848,942)	Total staff complement	5 090
Debtors collection ratio	81.9%	Staff Appointments	19
YTD Grants and subsidies: recognized - Capital	R 256,203,472	Staff Terminations	16
% of Creditors paid within terms	100%	Number of funded vacant posts	796
Current ratio	2.64	Total overtime paid (YTD)	58,078,606
Total Debt to Revenue	8.83%	Allowances and benefits – Councillors (YTD)	R 30,272,010
Capital Charges to Operating Expenditure	1.30%	Salary bill – Officials	R 994,358,932
Cost coverage ratio	2.69 months	Workforce costs as a % of expenditure	29,6%

6.2. Liquidity position

Buffalo City Metropolitan Municipality's liquidity is considered stable as the Current Ratio is 2.64:1 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

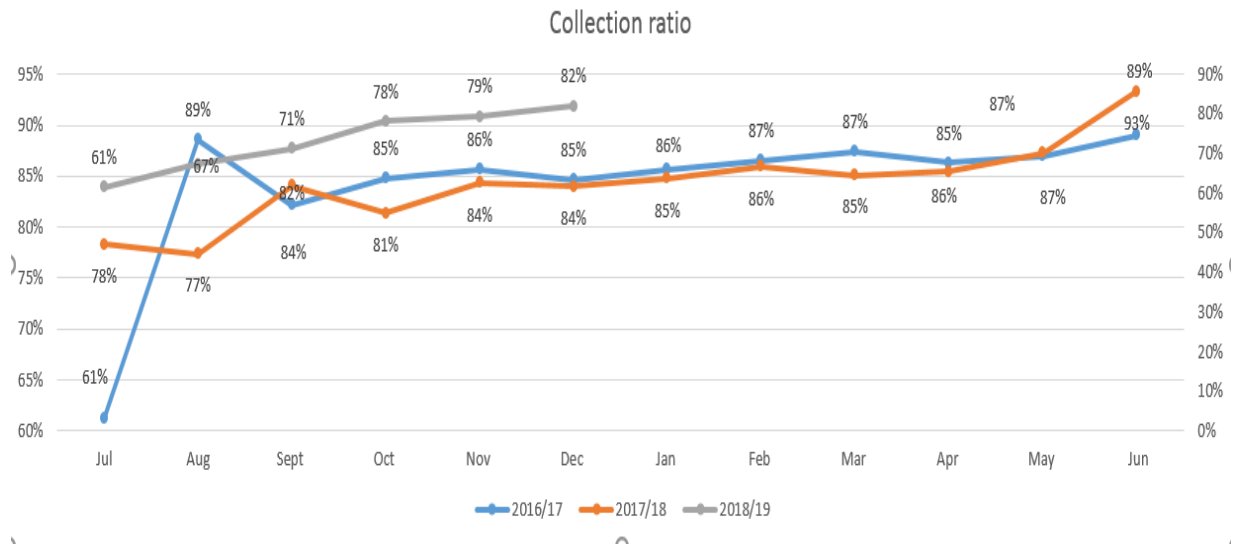
The year to date collection rate for the month ended 31 December 2018 is 81.90% (2017/18: 83.99%). This ratio denotes the City's ability to collect the billed revenue from its consumers. The collection rate has increased by 2.63% from last month where 79.27% was achieved for the period ended 30 November 2018.

On a year on year comparison, there is a significant decline in the collection rate. One of the contributing factors is the appeal process that is not yet concluded on property rates, which is a result of the implementation of the new General Valuation Roll. The accounts that are affected by this process are

protected from Credit Control action pending the finalisation of the appeal process.

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 31 December 2018 amounts to R2.26 billion (2017/18: R2.13 billion). Households: R1.52 billion, Business: R681.10 million and Government: R67.77 million.

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

6.4. Capital Expenditure

BCMM has spent 29% (R584.48 million, inclusive of reclaimed vat) of its 2018/19 adjusted capital budget of R1.99 billion as at 31 December 2018. This reflects an increase when compared to the same period in the previous financial year where 27% (R464.77 million, inclusive of reclaimed vat) of the adjusted budget of R1.71 billion was spent. (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 22% (R74.44 million, inclusive of reclaimed vat) of its 2018/19 adjusted operating projects budget of R333.73 million as at 31 December 2018. This reflects a decline when compared to the same period in the previous financial year where 39% (R116.23 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R298.17 million was spent. (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 44% (R402.73 million, inclusive of reclaimed vat) of its 2018/2019 conditional grants budget of R911.61 million as at 31 December 2018. This reflects a decline when compared to the same period in the previous financial year where 45% (R392.93 million, inclusive of reclaimed of vat) of conditional grants budget of R882.77 million was spent. (Refer to Section 11 for further details).

7.6.1. Urban Settlement Development Grant (USDG) funded projects

BCMM has spent 43% (R326.68 million, inclusive of reclaimed vat) of its 2018/2019 USDG budget of R762.99 million as at 31 December 2018. This reflects a decline when compared to the same period in the previous financial year where 47% (R357.98 million, inclusive of reclaimed of vat) of USDG budget of R768.13 million was spent. (Refer to Section 11 for further details).

6.7. Cash and Cash Equivalents

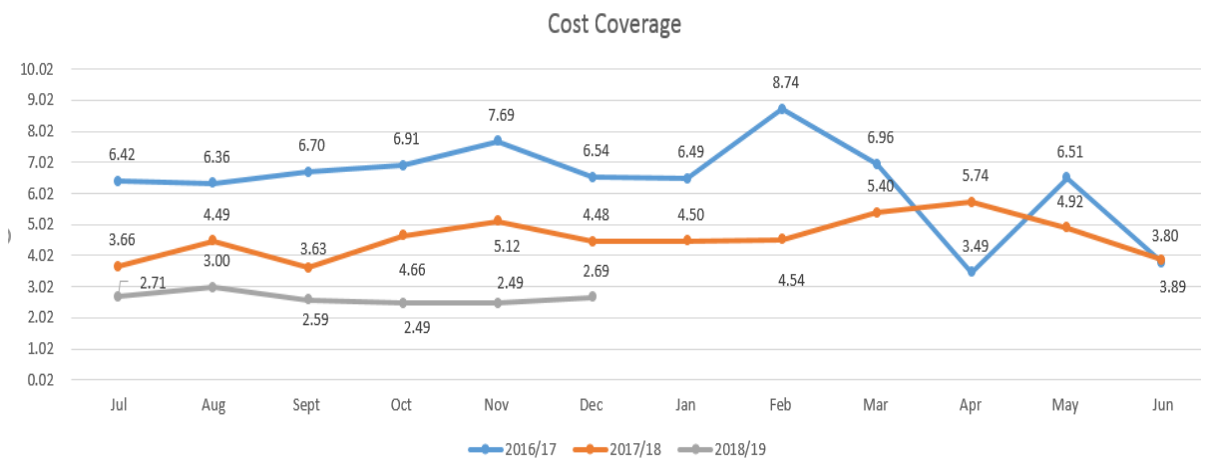
The cash and cash equivalents of the City as at 31 December 2018 are R1.56 billion made up of cash and bank amounting to R337 million and call investment deposits of R1.22 billion. This funding is invested with various financial institutions in compliance with the MFMA.

Refer to Section 8.7 and Annexure A – C7 for the cash flow statement as well as Section 10 and Annexure B – SC5 for the investment portfolio breakdown.

The cost coverage ratio of the City is 2.69 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 2.69 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 have also been high capital investment that is funded by internally generated funds.

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

Figure 3: Cost Coverage



6.8. Outstanding Creditors

The Metro is paying its creditors within 30 days as stipulated by the MFMA except when there are disputes on received invoices. Small Micro Medium Enterprises (SMME) are paid on a fortnightly basis to assist emerging service providers. Refer to Section 9 for details.

6.9. Long-Term Debt Profile

The total long term borrowings of the municipality as at 31 December 2018 amounts to R373 million (Refer to Annexure C for the schedule of borrowings).

The ratio of capital charges to operating expenditure as at 31 December 2018 is 1.30%. 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 8.83% as at 31 December 2018, 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) - M06 December

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									
Revenue - Functional										
<i>Governance and administration</i>		2,144,155	2,538,086	2,538,932	383,387	1,422,315	1,272,942	149,373	12%	2,538,932
Executive and council		31,030	26,940	26,940	2,714	12,692	7,040	5,652	80%	26,940
Finance and administration		2,113,125	2,511,147	2,511,993	380,673	1,409,623	1,265,902	143,721	11%	2,511,993
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		360,757	293,677	313,474	32,721	93,027	86,175	6,852	8%	313,474
Community and social services		27,483	29,896	29,896	264	3,946	6,063	(2,118)	-35%	29,896
Sport and recreation		45,350	5,190	5,190	61	779	1,390	(611)	-44%	5,190
Public safety		72,639	98,778	98,778	14,530	54,080	35,572	18,508	52%	98,778
Housing		215,250	159,786	179,583	17,866	33,686	43,149	(9,463)	-22%	179,583
Health		35	27	27	-	537	2	535	35506%	27
<i>Economic and environmental services</i>		494,217	447,405	456,441	78,252	200,387	183,659	16,728	9%	456,441
Planning and development		142,512	200,005	209,042	42,843	97,398	87,647	9,751	11%	209,042
Road transport		350,531	244,101	244,101	35,363	102,348	94,921	7,427	8%	244,101
Environmental protection		1,174	3,299	3,299	46	641	1,091	(450)	-41%	3,299
<i>Trading services</i>		3,349,390	4,014,827	3,993,624	531,523	1,963,217	1,588,456	374,761	24%	3,993,624
Energy sources		1,758,747	2,069,822	2,048,618	175,285	954,247	860,800	93,447	11%	2,048,618
Water management		562,532	799,770	799,770	249,497	534,167	255,004	279,163	109%	799,770
Waste water management		651,301	680,364	680,364	37,515	225,898	288,547	(62,648)	-22%	680,364
Waste management		376,809	464,872	464,872	69,226	248,905	184,106	64,799	35%	464,872
<i>Other</i>	4	31,215	27,126	27,126	2,494	12,754	12,462	291	2%	27,126
Total Revenue - Functional	2	6,379,732	7,321,123	7,329,598	1,028,376	3,691,700	3,143,694	548,005	17%	7,329,598
Expenditure - Functional										
<i>Governance and administration</i>		1,184,260	1,354,222	1,352,058	156,421	670,324	524,629	145,695	28%	1,352,058
Executive and council		351,363	394,381	396,691	58,629	218,032	164,078	53,955	33%	396,691
Finance and administration		823,253	944,722	940,343	97,137	447,703	354,594	93,108	26%	940,343
Internal audit		9,644	15,119	15,024	655	4,589	5,957	(1,368)	-23%	15,024
<i>Community and public safety</i>		621,933	586,469	601,427	78,660	310,921	218,922	91,999	42%	601,427
Community and social services		99,521	98,652	97,945	12,941	56,087	43,802	12,286	28%	97,945
Sport and recreation		294,562	230,543	227,910	40,473	156,724	86,193	70,530	82%	227,910
Public safety		86,798	108,256	107,233	10,021	48,977	42,664	6,314	15%	107,233
Housing		104,899	107,401	126,838	11,405	29,960	28,700	1,260	4%	126,838
Health		36,153	41,617	41,501	3,820	19,173	17,563	1,609	9%	41,501
<i>Economic and environmental services</i>		1,076,929	1,071,729	1,066,347	246,495	862,593	441,899	420,694	95%	1,066,347
Planning and development		316,137	186,929	185,984	76,332	248,890	70,192	178,698	255%	185,984
Road transport		737,722	863,159	858,930	167,539	602,096	356,891	245,205	69%	858,930
Environmental protection		23,069	21,641	21,433	2,624	11,606	14,816	(3,209)	-22%	21,433
<i>Trading services</i>		3,097,248	3,394,903	3,387,324	299,615	1,627,763	1,485,673	142,090	10%	3,387,324
Energy sources		1,845,488	1,989,513	1,986,483	185,518	1,097,993	921,178	176,816	19%	1,986,483
Water management		625,746	641,479	640,000	47,285	243,668	254,418	(10,750)	-4%	640,000
Waste water management		303,245	455,370	454,074	26,849	108,471	184,204	(75,733)	-41%	454,074
Waste management		322,769	308,541	306,766	39,963	177,631	125,874	51,757	41%	306,766
<i>Other</i>		80,110	105,975	105,582	13,719	42,744	37,926	4,818	13%	105,582
Total Expenditure - Functional	3	6,060,480	6,513,298	6,512,737	794,910	3,514,345	2,709,049	805,296	30%	6,512,737
Surplus/ (Deficit) for the year		319,252	807,825	816,861	233,466	177,355	434,645	(257,291)	-59%	816,861

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) - M06									
Vote Description	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									
Vote 01 - Directorate - Executive Support Services	1 138	-	846	39	39	-	39	#DIV/0!	846
Vote 02 - Directorate - Municipal Manager	30 698	26 940	26 940	2 714	12 747	7 053	5 694	80.7%	26 940
Vote 03 - Directorate - Human Settlement	215 250	159 786	179 583	17 866	33 686	43 149	(9 463)	-21.9%	179 583
Vote 04 - Directorate - Chief Financial Officer	2 077 404	2 492 463	2 492 463	378 593	1 397 566	1 251 713	145 852	11.7%	2 492 463
Vote 05 - Directorate - Corporate Services	8 715	10 801	10 801	1 118	5 905	3 848	2 057	53.5%	10 801
Vote 06 - Directorate - Infrastructure Services	3 245 939	3 732 612	3 711 408	492 786	1 792 845	1 472 736	320 109	21.7%	3 711 408
Vote 07 - Directorate - Spatial Planning And Development	140 323	195 565	204 601	28 836	73 353	100 669	(27 315)	-27.1%	204 601
Vote 08 - Directorate - Health / Public Safety & Emergency Services	149 846	160 250	160 250	19 404	78 433	59 865	18 568	31.0%	160 250
Vote 09 - Directorate - Municipal Services	450 816	503 257	503 257	69 597	254 270	193 428	60 842	31.5%	503 257
Vote 10 - Directorate - Economic Development & Agencies	59 603	39 449	39 449	17 425	42 856	11 233	31 623	281.5%	39 449
Total Revenue by Vote	6 379 732	7 321 123	7 329 598	1 028 376	3 691 700	3 143 694	548 005	17.4%	7 329 598
Expenditure by Vote									
Vote 01 - Directorate - Executive Support Services	227 708	275 413	277 971	25 717	131 414	109 857	21 557	19.6%	277 971
Vote 02 - Directorate - Municipal Manager	176 395	191 028	191 451	37 909	119 853	79 719	40 134	50.3%	191 451
Vote 03 - Directorate - Human Settlement	104 899	107 401	126 838	11 405	29 960	28 700	1 260	4.4%	126 838
Vote 04 - Directorate - Chief Financial Officer	487 684	503 480	500 112	58 819	268 216	198 548	69 668	35.1%	500 112
Vote 05 - Directorate - Corporate Services	124 686	157 617	156 535	14 271	73 503	62 598	10 905	17.4%	156 535
Vote 06 - Directorate - Infrastructure Services	3 340 719	3 748 890	3 742 735	402 571	1 945 252	1 636 307	308 944	18.9%	3 742 735
Vote 07 - Directorate - Spatial Planning And Development	293 267	305 497	304 208	87 755	285 666	111 040	174 626	157.3%	304 208
Vote 08 - Directorate - Health / Public Safety & Emergency Services	368 787	420 235	414 825	44 233	204 835	170 591	34 244	20.1%	414 825
Vote 09 - Directorate - Municipal Services	735 698	653 407	648 125	95 688	400 100	270 099	130 001	48.1%	648 125
Vote 10 - Directorate - Economic Development & Agencies	200 637	150 330	149 937	16 541	55 546	41 590	13 956	33.6%	149 937
Total Expenditure by Vote	6 060 480	6 513 298	6 512 737	794 910	3 514 345	2 709 049	805 296	29.7%	6 512 737
Surplus/ (Deficit) for the year	319 252	807 825	816 861	233 466	177 355	434 645	(257 291)	-59.2%	816 861

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 31 December 2018.

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

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

Description	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	972 680	1 421 961	1 421 961	102 047	726 569	776 846	(50 277)	-6%	1 421 961
Service charges - electricity revenue	1 661 074	1 992 712	1 971 508	151 623	913 991	1 003 070	(89 079)	-9%	1 971 508
Service charges - water revenue	436 642	563 043	563 043	182 389	380 363	281 521	98 841	35%	563 043
Service charges - sanitation revenue	304 733	322 143	322 143	26 454	169 821	165 472	4 350	3%	322 143
Service charges - refuse revenue	249 497	294 388	294 388	21 348	127 958	146 288	(18 330)	-13%	294 388
Service charges – other	26 246	–	–	–	–	–	–	–	–
Rental of facilities and equipment	15 882	17 563	17 563	1 243	8 931	8 345	586	7%	17 563
Interest earned - external investments	126 690	140 961	140 961	5 921	48 431	69 210	(20 779)	-30%	140 961
Interest earned - outstanding debtors	49 322	41 807	41 807	5 660	28 461	27 296	1 165	4%	41 807
Fines, penalties and forfeits	23 698	16 591	16 591	1 217	6 443	6 904	(460)	-7%	16 591
Licences and permits	14 250	14 597	14 597	1 155	6 302	7 534	(1 232)	-16%	14 597
Agency services	–	31 270	31 270	(13)	8 402	15 629	(7 227)	-46%	31 270
Transfers and subsidies	1 356 550	1 471 673	1 492 316	397 924	913 205	1 369 362	(456 156)	-33%	1 492 316
Other revenue	211 880	188 513	188 513	26 168	95 665	82 793	12 872	16%	188 513
Gains on disposal of PPE	–	–	–	44	953	–	953	0%	–
Total Revenue (excluding capital transfers and contributions)	5 449 145	6 517 222	6 516 662	923 182	3 435 496	3 960 269	(524 773)	-13%	6 516 662

Description	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	1 838 345	1 961 118	1 939 914	210 652	994 359	985 060	9 299	1%	1 939 914
Remuneration of councillors	60 373	65 035	65 035	5 012	30 272	30 352	(80)	0%	65 035
Debt impairment	310 385	343 696	343 696	58 239	172 805	171 848	956	1%	343 696
Depreciation & asset impairment	992 860	896 426	896 426	250 029	742 260	471 503	270 757	57%	896 426
Finance charges	43 960	59 818	59 818	-	20 072	20 558	(485)	-2%	59 818
Bulk purchases	1 552 488	1 698 510	1 698 510	110 589	888 804	924 327	(35 524)	-4%	1 698 510
Other materials	-	86 376	86 376	11 220	38 104	37 245	859	2%	86 376
Contracted services	3 207	857 589	876 473	72 376	317 023	420 916	(103 893)	-25%	876 473
Transfers and subsidies	39 330	60 526	60 526	(4 690)	31 747	32 392	(645)	-2%	60 526
Other expenditure	1 219 531	484 205	485 957	81 482	278 900	198 052	80 849	41%	485 957
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	6 060 480	6 513 298	6 512 731	794 910	3 514 345	3 292 252	222 093	7%	6 512 731
Surplus/(Deficit)	(611 335)	3 924	3 931	128 272	(78 849)	668 017	(746 866)	(0)	3 931
Transfers and subsidies – capital (monetary allocations) (National / Provincial and District)	930 588	803 900	812 936	105 194	256 203	416 120	(159 917)	(0)	812 936
Transfers and subsidies – capital (in-kind – all)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	319 252	807 825	816 867	233 466	177 355	1 084 137			816 867
Taxation							-		
Surplus/(Deficit) after taxation	319 252	807 825	816 867	233 466	177 355	1 084 137			816 867
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	319 252	807 825	816 867	233 466	177 355	1 084 137			816 867
Share of surplus/ (deficit) of associate									
Surplus/ (Deficit) for the year	319 252	807 825	816 867	233 466	177 355	1 084 137			816 867

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 R78.85 million, this is mainly caused by an unfavourable variance of R270.76 million that has been 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 Water

An overbilling of R143 million on one of the accounts took place in error and has been adjusted in January 2019. The error occurred in an account finalisation within the Inland Region and was detected through the internal review control measures.

7.4.1.3 Service Charges Refuse

The variance noted is as a result of planned growth on the refuse charges that has not been realised. The variance will be assessed in the mid-year adjustment budget for possible revision.

7.4.1.4 Interest Earned on External Investment

Call and short-term levels of investments have decreased which directly impacts the amount of invested funds available to earn interest. This is due to year-end accruals paid during July to October 2018 resulting in a decrease in interest being realised.

7.4.1.5 Licences and Permits

Under collection or decrease in revenue can be attributed to the fact that vehicle licences can be renewed at the Post Office and the Department of Transport directly. Members of the public generally go to the closest convenient point in order to pay which may not always be BCMM. Three private companies other than BCMM also offer roadworthy testing of vehicles. These private companies are not as strict and as legislated as BCMM as the municipality is legislated by the Department of Transport in terms of compliance hence members of the public will prefer to go to the companies less legislated. Learners Licences and Professional Drivers Licence testing can also be undertaken at the Department of Transport. If members of the public cannot secure an appointment for these tests which are suitable for them through BCMM they will then arrange an appointment with the Dept of Transport which contributes to the lesser income derived by BCMM. BCMM strike action at the end of November also contributed to a drop in revenue.

7.4.1.6 Agency fees

Decrease can be attributed to the strike action which affected services during the last week of November and early December. Further, members of the public have the option of renewing vehicle licences at the Post Office, at Zwelitsha & directly at the Department of Transport which affects the income collected thus reducing the agency fees retained by BCMM.

7.4.1.7 Transfers and subsidies

Variance on government grant and subsidies is as a result of the timing difference between the National Treasury's payment schedule and the actual receipting of grants.

7.4.1.8 Other Revenue

Other revenue is made up of numerous miscellaneous items (e.g. town planning fees, fire levy charges, market income, road & transport registration fees, cemetery & burial fees, etc.). The actual income realised is above the

projected income for the period under review due to technical problems in the system that failed to eliminate inter-company transactions between BCMM and BCMDA. The technical error is being addressed and will be rectified in the in the month of January 2019.

7.4.1.9 Depreciation

High expenditure is experience on depreciation when compared to the budget. This is mainly due to the use of revaluation model that is used to value infrastructure assets. The change of valuation method is still under consideration.

7.4.1.10 Contracted Services

The variance is mainly due to the differences in classification of expenditure categories, the budget is reported under Contracted Services however the actuals are under Other Expenditure, the budget will be adjusted during the mid-year adjustment budget.

7.4.1.11 Other expenditure

The variance is mainly due to the differences in classification of expenditure categories, the actuals are reported under Other Expenditure however the budget is under Contracted Services, the budget will be adjusted during the mid-year adjustment budget.

7.4.2 Repairs and maintenance

Table 6 below reflects that as at 31 December 2018, the repairs and maintenance expenditure is 41% of the adjusted budget of R493.62 million (2017/18: 33%). Refer to Annexure B: SC13c (repairs and maintenance by asset class).

Table 6: Repairs and Maintenance per Directorate

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>% of</u> <u>Budget</u> <u>%</u>
Directorate Of Executive Support Services	3 997 658	541 764	14%
Directorate Of The City Manager	7 345 360	5 495 596	75%
Directorate Of Corporate Services	2 475 095	850 688	34%
Directorate Of Development & Spatial Planning	31 831 477	4 438 310	14%
Directorate Of Economic Development & Agencies	1 400 734	621 220	44%
Directorate Of Finance	3 141 574	956 533	30%
Directorate Of Health / Public Safety & Emergency Services	6 436 172	2 074 700	32%
Directorate Of Human Settlement	118 466	108 843	92%
Directorate Of Infrastructure Services	394 877 800	169 518 472	43%
<i>Electricity</i>	152 873 689	60 635 833	40%
<i>Water</i>	55 107 016	8 946 699	16%
<i>Sanitation</i>	44 428 310	11 510 949	26%
<i>Other</i>	142 468 785	88 424 991	62%
Directorate Of Municipal Services	41 977 627	16 029 224	38%
TOTAL	493 601 963	200 635 349	41%

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)

Vote Description	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									
Multi-Year expenditure appropriation									
Vote 01 - Directorate - Executive Support Services	-	3 500	5 887	12	882	1 962	(1 080)	-55%	5 887
Vote 02 - Directorate - Municipal Manager	-	51 840	55 040	5 888	67 016	18 347	48 670	265%	55 040
Vote 03 - Directorate - Human Settlement	129 646	104 755	105 220	8 179	23 999	35 073	(11 074)	-32%	105 220
Vote 04 - Directorate - Chief Financial Officer	68 781	152 538	215 866	48	726	71 955	(71 230)	-99%	215 866
Vote 05 - Directorate - Corporate Services	-	3 600	3 781	-	100	1 260	(1 161)	-92%	3 781
Vote 06 - Directorate - Infrastructure Services	853 960	916 280	1 001 135	105 367	299 393	336 640	(37 247)	-11%	1 001 135
Vote 07 - Directorate - Spatial Planning And Development	132 841	263 838	294 910	29 440	91 971	98 303	(6 332)	-6%	294 910
Vote 08 - Directorate - Health / Public Safety & Emergency Services	19 244	14 270	35 312	810	7 950	11 804	(3 855)	-33%	35 312
Vote 09 - Directorate - Municipal Services	92 086	160 829	178 495	5 750	38 708	59 498	(20 790)	-35%	178 495
Vote 10 - Directorate - Economic Development & Agencies	33 687	81 692	95 257	3 445	6 697	31 327	(24 630)	-79%	95 327
Total Capital Multi-year expenditure	1 330 245	1 753 142	1 990 904	158 939	537 442	666 171	(128 729)	-19%	1 990 974
Total Capital Expenditure	1 330 245	1 753 142	1 990 904	158 939	537 442	666 171	(128 729)	-19%	1 990 974
Capital Expenditure - Functional Classification									
Governance and administration	68 781	292 651	368 340	8 917	82 604	123 249	(40 646)	-33%	368 340
Executive and council	-	55 340	57 727	4 488	66 038	19 316	46 722	242%	57 727
Finance and administration	68 781	237 311	310 614	4 430	16 566	103 934	(87 368)	-84%	310 614
Internal audit	-	-	-	-	-	-	-	-	-
Community and public safety	197 679	193 125	221 457	14 729	43 663	74 101	(30 439)	-41%	221 457
Community and social services	-	21 820	29 560	2 375	7 346	9 891	(2 545)	-26%	29 560
Sport and recreation	48 788	57 950	68 897	4 176	9 160	23 054	(13 894)	-60%	68 897
Public safety	19 244	7 700	15 965	-	2 272	5 342	(3 070)	-57%	15 965
Housing	129 646	104 755	105 220	8 179	23 999	35 207	(11 208)	-32%	105 220
Health	-	900	1 815	-	886	607	278	46%	1 815
Economic and environmental services	511 546	498 719	605 622	88 010	241 925	202 646	39 280	19%	605 622
Planning and development	166 529	202 957	227 436	26 835	88 237	76 102	12 135	16%	227 436
Road transport	345 017	291 335	372 540	61 175	152 998	124 655	28 344	23%	372 540
Environmental protection	-	4 427	5 646	-	690	1 889	(1 199)	-63%	5 646
Trading services	552 240	689 248	706 515	43 838	163 858	236 405	(72 548)	-31%	706 515
Energy sources	127 035	129 450	142 345	12 459	53 553	47 630	5 923	12%	142 345
Water management	132 049	198 451	202 823	18 561	47 422	67 866	(20 444)	-30%	202 823
Waste water management	249 859	283 394	283 394	12 817	39 644	94 826	(55 182)	-58%	283 394
Waste management	43 297	77 952	77 952	-	23 239	26 083	(2 845)	-11%	77 952
Other	351	79 400	88 970	3 445	5 393	29 770	(24 377)	-82%	88 970
Total Capital Expenditure - Functional Classification	1 330 596	1 753 142	1 990 904	158 939	537 442	666 171	(128 729)	-19%	1 990 904
Funded by:									
National Government	930 588	803 900	803 900	83 795	286 962	268 991	17 971	7%	803 900
Provincial Government	-	-	9 036	-	-	3 024	(3 024)	-100%	9 036
District Municipality	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	1 304	-	1 304	0%	-
Transfers recognised - capital	930 588	803 900	812 936	83 795	288 266	272 014	16 252	6%	812 936
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	69 000	69 000	-	-	23 088	(23 088)	-100%	69 000
Internally generated funds	400 009	880 242	1 108 968	75 144	249 176	371 069	(121 893)	-33%	1 108 968
Total Capital Funding	1 330 596	1 753 142	1 990 904	158 939	537 442	666 171	(128 729)	-19%	1 990 904

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 R20 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 - M06 December

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		165 104	80 155		337 586	80 155
Call investment deposits		1 660 393	1 563 129		1 226 272	1 563 129
Consumer debtors		509 087	937 997		775 345	937 997
Other debtors		864 981	880 000		921 940	880 000
Current portion of long-term receivables		–	19		–	19
Inventory		42 790	128 841		42 245	128 841
Total current assets		3 242 355	3 590 140	–	3 303 387	3 590 140
Non current assets						
Long-term receivables		–	80		–	80
Investments		–	–		–	–
Investment property		427 563	486 233		427 952	486 233
Investments in Associate		121 008	109 020		121 008	109 020
Property, plant and equipment		18 190 726	19 381 893		17 932 851	19 381 893
Agricultural		–	–		–	–
Biological		–	–		–	–
Intangible		18 884	12 029		18 627	12 029
Other non-current assets		50 382	100 038		–	100 038
Total non current assets		18 808 564	20 089 293	–	18 500 439	20 089 293
TOTAL ASSETS		22 050 919	23 679 433	–	21 803 826	23 679 433
LIABILITIES						
Current liabilities						
Bank overdraft		–	–		–	–
Borrowing		52 572	59 667		41 120	59 667
Consumer deposits		60 013	71 941		62 675	71 941
Trade and other payables		1 313 124	1 060 015		925 585	1 060 015
Provisions		223 387	203 354		222 538	203 354
Total current liabilities		1 649 095	1 394 977	–	1 251 918	1 394 977
Non current liabilities						
Borrowing		345 554	355 516		331 449	355 516
Provisions		526 803	797 489		526 803	797 489
Total non current liabilities		872 357	1 153 005	–	858 251	1 153 005
TOTAL LIABILITIES		2 521 453	2 547 982	–	2 110 170	2 547 982
NET ASSETS	2	19 529 466	21 131 451	–	19 693 656	21 131 451
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		10 479 009	17 390 299		9 050 458	17 390 299
Reserves		9 050 458	3 741 152		10 643 198	3 741 152
TOTAL COMMUNITY WEALTH/EQUITY	2	19 529 466	21 131 451	–	19 693 656	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 R0.262 billion resulting in cash and cash equivalents closing balance of R1.56 billion as at 31 December 2018.

Table 9: C7: Monthly Budget Statement – Cash Flow

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

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		1 086 071	1 315 314		100 002	595 060	657 657	(62 597)	-10%	1 315 314
Service charges		2 678 192	2 934 363		342 144	1 290 637	1 467 182	(176 545)	-12%	2 934 363
Other revenue		208 362	248 395		21 606	104 505	124 198	(19 693)	-16%	248 395
Government - operating		888 572	1 471 673		176 563	694 957	735 836	(40 880)	-6%	1 471 673
Government - capital		930 588	803 900		30 991	456 281	401 950	54 331	14%	803 900
Interest		176 012	182 768		17 985	76 892	91 384	(14 492)	-16%	182 768
Dividends			-		-	-	-	-		-
Payments										
Suppliers and employees		(4 424 494)	(5 152 832)		(167 039)	(2 871 059)	(2 576 416)	294 643	-11%	(5 152 832)
Finance charges		(43 960)	(59 818)		-	(20 072)	(29 909)	(9 837)	33%	(59 818)
Transfers and Grants			(60 526)		5 412	(27 144)	(30 263)	(3 119)	10%	(60 526)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1 499 345	1 683 238	-	527 664	300 056	841 619	541 563	64%	1 683 238
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)		(157 635)	(536 138)	(876 571)	(340 433)	39%	(1 753 142)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1 316 308)	(1 753 142)	-	(157 635)	(536 138)	(876 571)	(340 433)	39%	(1 753 142)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans			-	-	-	-	-	-	-	-
Borrowing long term/refinancing			69 000	-	-	-	-	-	-	69 000
Increase (decrease) in consumer deposits			-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing		(47 642)	(59 667)		(16 651)	(25 557)	(29 834)	(4 276)	14%	(59 667)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(47 642)	9 333	-	(16 651)	(25 557)	(29 834)	(4 276)	14%	9 333
NET INCREASE/ (DECREASE) IN CASH HELD		135 395	(60 571)	-	353 378	(261 639)	(64 786)			(60 571)
Cash/cash equivalents at beginning:		1 690 102	1 703 855	-		1 825 497	1 703 855			1 825 497
Cash/cash equivalents at month/year end:		1 825 497	1 643 284	-		1 563 858	1 639 069			1 764 926

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 - M06 December

Description	NT Code	Budget Year 2018/19									Total over 90 days	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			
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	192,178	35,955	33,228	24,068	33,361	18,110	85,381	232,657	654,937	393,576		2,586
Trade and Other Receivables from Exchange Transactions - Electricity	1300	100,324	24,463	9,594	6,917	5,967	4,407	13,450	47,723	212,845	78,464		4,550
Receivables from Non-exchange Transactions - Property Rates	1400	97,129	40,093	30,215	29,646	18,496	26,003	53,328	210,800	505,709	338,273		4,483
Receivables from Exchange Transactions - Waste Water Management	1500	22,469	10,913	7,456	6,452	6,095	7,182	22,674	103,183	186,424	145,586		1,979
Receivables from Exchange Transactions - Waste Management	1600	18,805	10,184	7,645	6,678	6,244	6,212	29,597	154,153	239,518	202,884		1,800
Receivables from Exchange Transactions - Property Rental Debtors	1700								41	41	41		-
Interest on Arrear Debtor Accounts	1810	5,853	5,464	5,332	5,762	5,751	5,309	29,270	157,055	219,796	203,147		-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820												-
Other	1900	11,440	9,268	6,585	6,209	6,624	6,927	30,288	170,261	247,601	220,308		273
Total By Income Source	2000	448,197	136,340	100,056	85,732	82,538	74,150	263,987	1,075,873	2,266,872	1,582,280	-	15,671
2017/18 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	12,253	11,141	6,456	10,805	3,531	9,379	1,268	12,938	67,771	37,921		-
Commercial	2300	155,367	46,526	27,060	17,755	17,508	14,994	59,716	342,176	681,102	452,149		3,604
Households	2400	280,577	78,673	66,539	57,172	61,498	49,777	203,003	720,760	1,517,999	1,092,210		12,067
Other	2500	-	-	-	-	-	-	-	-	-	-		-
Total By Customer Group	2600	448,197	136,340	100,056	85,732	82,538	74,150	263,987	1,075,873	2,266,872	1,582,280	-	15,671

8.1.1. Additional debtors' information

The arrears in respect of 30 days and more, which includes all charges excluding VAT, amounted to R1,818,675,174 as at 31 December 2018 which is an increase of R10,283,928 over the amount of R1,808,391,246 as at 30 November 2018.

Please note that the debtor balance as indicated in the tables hereunder relates to arrears only (30 days and older) and excludes the December 2018 current account which is due by 15 January 2019.

The municipality is experiencing the following challenges, which have a negative impact in the collection ratio:

- 1) Consumers, who are unable to pay, raise queries, so that their accounts can be held in abeyance. When a query is logged, the account is flagged and protected against credit control action while the query is being investigated.
- 2) Instability of the network, especially in the Mdantsane and King Williams Town areas, this continuously hampers the staff from attending to consumer accounts on time.
- 3) Illegal connections and meter tampering is contributing to non-payment of services.

Revenue management has however embarked on implementing the following strategies in order to improve the collection rate:

- 1) Effective implementation of disconnection of the electricity is being monitored and reviewed continuously;
- 2) A Task Team within Revenue Management has been constituted to identify and to ensure that the consumer accounts in arrears are scrutinized with the intention of fast tracking collection of the debt, which will result in the reduction of the book debt;
- 3) The Credit Control and Indigent Support Policy has been reviewed with the intention to implement strict controls over collection;
- 4) Standard operating procedures have been reviewed and adopted which are currently being implemented;
- 5) The Rates and Valuation Department is constantly checking whether properties are zoned correctly and subsequently raising the correct rates tariff.
- 6) Debt collection contract is being implemented to improve the collection of revenue;
- 7) Risks that result in inaccurate billing (the high risk is on meter reading for water consumption) are being addressed to improve accuracy of billing.

8.2. Additional debtor's information.

8.2.1. Age Analysis per Category

Table 11 below details debtors age analysis that are older than 30 days by income source as at 31 December 2018. It also provides comparison with the previous month (30 November 2018) which indicates an increase from R1.81 billion to R1.82 billion.

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

AGEING	RATES	SEWERAGE	ELECTRICITY	WATER	REFUSE	SUNDRY DEBTORS	TOTAL FOR DECEMBER 2018	TOTAL FOR NOVEMBER 2018
30 DAYS	41,832,304	12,031,183	24,931,425	40,939,358	10,886,642	5,718,713	136,339,624	133,432,419
60 DAYS	31,866,676	8,463,052	10,131,687	37,225,679	8,330,707	4,037,713	100,055,514	94,898,761
90 DAYS	31,383,784	7,340,490	7,336,540	28,050,987	7,468,532	4,151,466	85,731,799	92,422,592
120 DAYS TO 360 DAYS	118,252,591	45,508,959	28,788,163	181,878,856	52,584,254	28,092,890	455,105,713	472,064,611
YEAR 2	75,852,328	34,225,565	23,048,058	114,400,215	43,832,358	35,498,805	326,857,330	316,896,721
YEAR 3	47,972,933	22,760,001	12,014,675	61,126,282	30,887,751	19,976,717	194,738,360	190,433,781
YEAR 4	34,849,514	15,628,897	5,445,307	35,542,096	20,963,409	15,206,733	127,635,956	124,059,395
YEAR 5	24,937,954	12,799,683	3,543,398	25,444,703	18,049,141	16,504,208	101,279,087	99,439,556
YEAR 5+	66,616,960	38,625,907	7,633,868	65,098,122	62,386,798	50,570,137	290,931,791	284,743,410
TOTAL	473,565,044	197,383,735	122,873,122	589,706,298	255,389,593	179,757,382	1,818,675,174	1,808,391,246

8.2.2. Age Analysis per Category

Table 12 below details debtors age analysis per category type that are older than 30 days as at 31 December 2018. 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 service, however the collection ratio is reported on globally.

Table 12: Age Analysis per Category Type

CATEGORY TYPE	30 DAYS	60 DAYS	90 DAYS	120 DAYS+	Total	% Share
Domestic	60,723,756	45,806,257	35,132,846	863,029,498	1,004,692,356	55.24
Indigent	16,154,096	19,083,667	20,508,070	148,277,493	204,023,326	11.22
Business	37,041,601	18,639,407	13,359,035	211,809,102	280,849,146	15.44
Government	12,491,175	6,455,753	10,804,624	27,116,213	56,867,765	3.13
Municipal Staff	454,454	352,026	289,811	1,236,818	2,333,109	0.13
Councillors	9,498	13,829	9,398	30,458	63,184	0.00
Other	9,465,045	9,704,574	5,628,016	245,048,655	269,846,289	14.84
Total	136,339,624	100,055,514	85,731,799	1,496,548,237	1,818,675,174	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

relating to municipal staff and councillors.

During the month of December 2018 a total of R1,778 765.88 was receipted against staff and councillors accounts. The amount was allocated as follows:

Current Billing Receipts	R 879 383
Arrears Receipts	<u>R 899 383</u>
Total Receipts	<u>R 1,778 766</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 31 December 2018 amounted to R56,867,765. The breakdown of the arrears per department (excluding accounts in credit) indicated in the table hereunder, as at 31 December 2018. The arrears related to government debt amounting to R41 million is held up in the General Valuation Appeal Process, which is due to be resolved by the Appeals Committee.

Table 13: Analysis of Government Debtors

DEPARTMENT	PROPERTY RATES	SERVICES	ARREARS AS AT 31 DECEMBER 2018	ARREARS AS AT 30 NOVEMBER 2018	DIFFERENCE
National Department Of Public Works	1,601,007	7,464,191	9,065,198	21,339,142	(12,273,945)
Provincial Department Of Public Works	14,634,974	1,524,884	16,159,858	58,002,032	(41,842,174)
Department Of Education	-	4,328,661	4,328,661	7,456,663	(3,128,002)
Department Of Health	-	15,129,275	15,129,275	10,168,407	4,960,868
Department Of Social Development	-	398,718	398,718	1,425,262	(1,026,544)
Department Of Transport	-	120,381	120,381	59,064	61,317
Department Of Agriculture	-	13,263	13,263	31,408	(18,145)
Department Of Nature Conservation	-	12,935	12,935	7,187	5,748
Department of Human Settlements	-	133,417	133,417	108,570	24,847
Sport, Recreation, Arts and Culture	-	1,813	1,813	12,241	(10,428)
Department of Labour - UIF Services	-	111,540	111,540	105,891	5,649
Members Of Provincial Legislature	-	124,530	124,530	63,254	61,276
Department of Water Affairs	-	-	-	-	-
Department of Cooperate Governance & Traditional Affairs	-	-	-	-	-
Department of Rural Development and Land Reform	-	890,643	890,643	715,070	175,573
Provincial RDP Houses	-	10,377,534	10,377,534	10,259,067	118,467
South African Social Security Agency	-	-	-	-	-
TOTAL	16,235,980	40,631,785	56,867,765	109,753,258	(52,885,493)

9. CREDITORS' ANALYSIS

The creditors' analysis as depicted in table 14 below contains an aged analysis by customer type. It reflects that creditors are paid within 30 days.

Table 14: SC4 Monthly Budget Statement Aged Creditors

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

Description R thousands	NT Code	Budget Year 2018/19									Prior year totals for chart (same period)
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	106 326								106 326	112 935
Bulk Water	0200	18 583								18 583	19 303
PAYE deductions	0300	36 296								36 296	15 442
VAT (output less input)	0400	-								-	-
Pensions / Retirement deductions	0500	26 234								26 234	19 473
Loan repayments	0600	26 251								26 251	-
Trade Creditors	0700	279 792								279 792	258 984
Auditor General	0800	5 624								5 624	2 201
Other	0900	44 171								44 171	36 230
Total By Customer Type	1000	543 276	-	-	-	-	-	-	-	543 276	464 568

The table below (table 15) depicts actual payments made by BCMM to its top twenty (20) creditors in December 2018.

Table 15: Payments made to the 20 highest paid creditors – December 2018

<u>CREDITOR</u>	<u>90 DAYS</u>	<u>60 DAYS</u>	<u>30 DAYS</u>	<u>CURRENT</u>	<u>TOTAL</u>	<u>PAYMENT</u>
ESKOM				100 260 970	100 260 970	100 260 970
AMATOLA WATER				19 268 530	19 268 530	19 268 530
MOTHEO/ MPUMALANGA JOINT VENTURER				8 959 743	8 959 743	8 959 743
RUWACON (PTY) LTD			2 409 956	5 233 710	7 643 666	7 643 666
AMANZ ABANTU SERVICES (PTY) LTD				6 735 543	6 735 543	6 735 543
HAW % INGLIS (PTY) LTD				6 361 582	6 361 582	6 361 582
MANTELLA TRADING 522 CC				5 943 248	5 943 248	5 943 248
EYA BANTU PROFFESIONAL SERVICES CC				5 144 546	5 144 546	5 144 546
MAZIYA GENERAL SERVICES				4 816 236	4 816 236	4 816 236
T V R CONSTRUCTION				4 806 388	4 806 388	4 806 388
CZAR CONSTRUCTION				4 365 507	4 365 507	4 365 507
BUSINESS CONNEXION				3 916 313	3 916 313	3 916 313
TSHUVANE SERVICES				3 024 589	3 024 589	3 024 589
ABERDARE CABLES (PTY) LTD				2 814 621	2 814 621	2 814 621
MORETENG INVESTMENTS				2 718 033	2 718 033	2 718 033
C & M FASTNERS CC				2 529 707	2 529 707	2 529 707
LIFETIME CONNECTION MANUFACTURING SUPPLY CC				2 345 448	2 345 448	2 345 448
NYONI PROJECTS (PTY) LTD				2 188 097	2 188 097	2 188 097
MAKINWA MEDIA SOLUTIONS (PTY) LTD				2 074 267	2 074 267	2 074 267
SITA (PTY) LTD			1 120 783	925 889	2 046 672	2 046 672
TOTAL	-	-	3 530 739	194 432 967	197 963 706	197 963 706

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 - M06 December									
Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
Land Affairs - West Bank		Call Account	Call Account	Call Account	309	0	55,624	309	55,933
Finance Management Grant		Call Account	Call Account	Call Account	6	0	1,165	6	1,171
MD Urban Renewal (MT Ruth Node)		Call Account	Call Account	Call Account	62	0	11,146	62	11,208
Workmans Compensation (COID)		Call Account	Call Account	Call Account	59	0	10,587	59	10,646
Reeston Development		Call Account	Call Account	Call Account	1	0	170	1	171
Human Settlement Development Grant (HSDG)		Call Account	Call Account	Call Account	97	0	17,497	97	17,594
Intergrated Electrification Programme (INEP)		Call Account	Call Account	Call Account	18	0	14	6,218	6,232
Trust Funds		Call Account	Call Account	Call Account	6	0	1,109	6	1,115
Vuna Awards		Call Account	Call Account	Call Account	6	0	1,091	6	1,097
Department of Sports, Recreation & Culture (DSARC)		Call Account	Call Account	Call Account	0	0	49	0	49
Department of Sports, Recreation & Culture (DSARC)		Call Account	Call Account	Call Account	1	0	182	1	183
City of Leiden		Call Account	Call Account	Call Account	0	0	81	0	81
Needscamp Planning		Call Account	Call Account	Call Account	5	0	963	5	968
Umsobomvu Youth Fund (UYF)		Call Account	Call Account	Call Account	2	0	291	2	293
Land Affairs - East Bank		Call Account	Call Account	Call Account	482	0	86,633	482	87,115
Land Affairs West Bank		Call Account	Call Account	Call Account	287	0	44,949	287	45,236
European Commission		Call Account	Call Account	Call Account	6	0	1,144	6	1,151

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

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
R thousands		Yrs/Months							
Municipality									
Salaida		Call Account	Call Account	Call Account	7	0	1,092	7	1,099
Electricity Demand Management Grant		Call Account	Call Account	Call Account	29	0	4,058	1,029	5,086
ADM Funding		Call Account	Call Account	Call Account	9	0	1,691	9	1,701
Urban Settleme nt Development Grant		Call Account	Call Account	Call Account	243	0	31,248	29,991	61,239
Urban Settleme nt Development Grant		Call Account	Call Account	Call Account	267	0	22,082	62,267	84,350
Urban Settleme nt Development Grant		Call Account	Call Account	Call Account	452	0	64,518	40,452	104,971
Urban Settleme nt Development Grant		Call Account	Call Account	Call Account	392	0	43,782	59,392	103,174
Infrastructure Skills Development Grant		Call Account	Call Account	Call Account	27	0	4,920	27	4,947
Infrastructure Development Levy		Call Account	Call Account	Call Account	1	0	163	1	164
Bcmet		Call Account	Call Account	Call Account	3	0	493	3	496
Expanded Public Works Programme		Call Account	Call Account	Call Account	11	0	1,152	1,833	2,985
City of Oldenburg		Call Account	Call Account	Call Account	2	0	335	2	336
Public Transport Network Grant		Call Account	Call Account	Call Account	415	0	64,675	24,206	88,881
DEAT		Call Account	Call Account	Call Account	1	0	214	1	216
Neighbourhood Development Grant (NDP Grant)		Call Account	Call Account	Call Account	34	0	6,073	34	6,107
Integrated City Development Grant (ICDG)		Call Account	Call Account	Call Account	40	0	5,022	5,041	10,063
Capital Replacement Reserve (CRR)		Call Account	Call Account	Call Account	101	0	15,848	101	15,950
Mayoral Projects (CRR)		Call Account	Call Account	Call Account	8	0	1,243	8	1,251
Own Funds		Call Account	Call Account	Call Account	66	0	11,880	66	11,946
Own Funds		Call Account	Call Account	Call Account	34	0	5,354	34	5,389
Own Funds		Call Account	Call Account	Call Account	93	0	16,723	93	16,816
Own Funds		Call Account	Call Account	Call Account	261	0	46,921	261	47,182
Own Funds		Call Account	Call Account	Call Account	180	0	32,327	180	32,507
Own Funds		6 Months	Fixed Deposi	21/09/2018	-	-	-	-	-
Own Funds		6 Months	Fixed Deposi	21/09/2018	-	-	-	-	-
Own Funds		6 Months	Fixed Deposi	27/06/2018	116	0	51,681	(51,681)	-
Own Funds		6 Months	Fixed Deposi	26/06/2018	137	0	51,667	(51,667)	-
Own Funds - CRR		Call Account	Call Account	Call Account	703	0	126,404	703	127,107
Own Funds - CRR		Call Account	Call Account	Call Account	206	0	37,030	206	37,236
Own Funds - CRR		Call Account	Call Account	Call Account	184	0	33,112	184	33,296
Own Funds - CRR		Call Account	Call Account	Call Account	127	0	22,861	127	22,988
Own Funds - CRR		Call Account	Call Account	Call Account	143	0	25,650	143	25,793
Own Funds (Depreciation)		Call Account	Call Account	Call Account	631	0	113,386	631	114,017
Own Funds (Depreciation)		Call Account	Call Account	Call Account	87	0	15,554	87	15,640
Own Funds (Depreciation)		Call Account	Call Account	Call Account	37	0	6,646	37	6,683
Municipality sub-total					6,397		1,098,499	131,358	1,229,856

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 - M06 December

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:										
Operating Transfers and Grants	1,2									
National Government:		-	1,399,602	1,399,602	171,281	675,734	675,734	-		1,399,602
Local Government Equitable Share			778,048	778,048	-	324,187	324,187	-		778,048
General Fuel Levy			513,844	513,844	171,281	342,562	342,562			513,844
Finance Management			1,150	1,150	-	1,150	1,150			1,150
EPWP Incentive			4,050	4,050	-	2,835	2,835			4,050
Urban Settlement Development Grant			77,810	77,810	-	-	-			77,810
Public Transport Network Grant	3		14,000	14,000	-	-	-	-		14,000
Infrastructure Skills Development Grant			10,700	10,700	-	5,000	5,000	-		10,700
Municipal Human Settlement Capacity Grant			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
Other transfers and grants [insert description]			-	-	-	-	-	-		-
Provincial Government:		-	72,071	92,720	5,282	17,414	45,934	(20,585)	-44.8%	72,071
Human Settlement Development Grant			56,201	76,850	5,282	17,414	37,999	(20,585)	-54.2%	56,201
DSRAC - Library Subsidy			15,870	15,870	-	-	7,935	-		15,870
Department of Public Works			-	-	-	-	-	-		-
Office of the Premier			-	-	-	-	-	-		-
DEDEA (BCMDA)			-	-	-	-	-	-		-
Other transfers/grants [insert description]			-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
[insert description]			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
Other grant providers:		-	-	846	-	1,809	1,809	-		-
SETA - Skills Development			-	-	-	1,809	1,809	-		-
Donor Funding - Leiden			-	-	-	-	-	-		-
Salauda / Gavle			-	846	-	-	-	-		-
City of Oldenburg			-	-	-	-	-	-		-
[insert description]			-	-	-	-	-	-		-
Total Operating Transfers and Grants	5	-	1,471,673	1,493,168	176,563	694,957	723,477	(20,585)	-2.8%	1,471,673
Capital Transfers and Grants										
National Government:		-	803,900	803,900	221,739	456,281	456,281	-		803,900
Urban Settlement Development Grant			685,182	685,182	190,748	381,496	381,496	-		685,182
Public Transport and Systems			81,165	81,165	23,791	47,582	47,582			81,165
Neighbourhood Development Partnership			13,250	13,250	-	6,000	6,000			13,250
Integrated National Electrification Programme			6,200	6,200	6,200	6,200	6,200			6,200
Electricity Demand Side Management			8,000	8,000	1,000	5,000	5,000			8,000
Integrated City Development Grant			10,003	10,003	-	10,003	10,003	-		10,003
Finance Management			-	-	-	-	-	-		-
Infrastructure Skills Development Grant			100	100	-	-	-	-		100
Other capital transfers [insert description]			-	-	-	-	-	-		-
Provincial Government:		-	-	-	-	-	4,518	(4,518)	-100.0%	-
Dept of Local Government and Traditional Affairs			-	-	-	-	4,518	(4,518)	-100.0%	-
Dept Sport, Recreation, Arts and Culture (DSRAC)			-	-	-	-	-	-		-
Department of Public Works			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
[insert description]			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
Salauda / Gavle			-	-	-	-	-	-		-
Public Funding			-	-	-	-	-	-		-
0			-	-	-	-	-	-		-
Total Capital Transfers and Grants	5	-	803,900	803,900	221,739	456,281	460,799	(4,518)	-1.0%	803,900
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	2,275,573	2,297,068	398,302	1,151,238	1,184,276	(25,103)	-2.1%	2,275,573

11.1 Expenditure On Conditional Grants (DoRA Allocation)

The Metro has spent 44% (R402.73 million, inclusive of reclaimed vat) of its 2018/2019 conditional grants budget of R911.61 million as at 31 December 2018. This reflects a decline when compared to the same period in the previous financial year where 45% (R392.93 million, inclusive of reclaimed of vat) of conditional grants budget of R882.77 million was spent.

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	2018/19 Approved Budget	YTD Exp (vat) R	Variance (vat incl.) R	% Expenditure vs. Budget (vat incl.)
Integrated National Electrification Programme Grant	6,200,000	1,842,236	4,357,764	30%
EEDSM (Energy, Efficiency and Demand Side Management)	8,000,000	7,795,663	204,337	97%
Finance Management Grant	1,150,000	289,481	860,519	25%
Infrastructure Skills Development Grant	10,800,000	4,887,834	5,912,166	45%
Urban Settlement Development Grant	762,992,000	326,685,354	436,306,646	43%
Neighbourhood Development Partnership Grant	13,250,000	0	13,250,000	0%
Integrated City Development Grant	10,003,000	8,120,305	1,882,695	81%
Expanded Public Works Programme Grant	4,050,000	6,141,812	(2,091,812)	152%
Public Transport Infrastructure and Systems Grant	95,165,000	46,976,409	48,188,591	49%
TOTAL	911,610,000	402,739,094	508,870,906	44%

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)

There were delays in the beginning of the Fynbos electrification project due to the municipality having to wait for approval of change controls from the Department of Energy. Approval has been granted and electrification of Fynbos has since commenced.

11.1.2. EXPANDED PUBLIC WORKS PROGRAMME GRANT

A request for an additional budget (own funding) to cover the budget shortfall on the EPWP Incentive Grant will be requested through the mid-year adjustment budget process. The requested budget will also assist to counter fund the EPWP project for the remainder of the current financial year.

11.1.3. ENERGY, EFFICIENCY AND DEMAND SIDE MANAGEMENT (EEDSM)

The implementation of the project is 97% complete.

11.1.4. FINANCE MANAGEMENT GRANT (FMG)

There are eight (8) interns currently serving on the internship programme. The interns are being remunerated accordingly. The recruitment process to appoint one (1) one additional intern is at an advanced stage. Furthermore, the grant will be utilised for the payment of the Municipal Finance Management Programme (MFMP) to be attended from March 2019 by three (3) interns and one (1) finance official at Wits Business School. Grant funding will be fully utilized at year end in line with the set targets.

11.1.5. INFRASTRUCTURE SKILLS DEVELOPMENT GRANT (ISDG)

The recruitment process to appoint four (4) mentors and five (5) interns has started. Furthermore, an informal tender for behavioral assessment of new interns will be advertised in the third quarter.

11.1.6. URBAN SETTLEMENT DEVELOPMENT GRANT (USDG)

SPATIAL PLANNING AND DEVELOPMENT

Bridge Designs & Implementation

Nine sites have been identified. Preliminary designs have been completed for all the sites. Expenditure will improve in the third quarter.

Guardrails

Quotations have been requested from the annual contractors and work is scheduled to start in February 2019. Expenditure will improve by end of quarter three.

Sleeper Site Roads

The project was awarded on 29 November 2018. Expenditure will improve once construction starts on site and that is expected to be in February 2019. Funding will be fully spent by 30 June 2019.

Needs Camp / Potsdam Bridge

The project is progressing well and as per programme and the expenditure is in line with the cash flow projections.

Bridge Designs & Implementation – Ward 8

The preliminary design has been completed. Water Use License Application to be submitted to Department of Economic Affairs, Environment and Tourism during quarter three. Work has commenced and expenditure will improve. Funding will be fully spent by 30 June 2019.

Bridge Designs & Implementation – Ward 14

The preliminary design has been completed. Water Use License Application to be submitted to Department of Economic Affairs, Environment and Tourism during quarter three. Work has commenced and expenditure will improve. Funding will be fully spent by 30 June 2019.

Traffic Calming

The contractor has completed the construction of speed humps and has commenced at Scenery Park, Ndancama, Mdantsane NU 14, Zwelitsha Zone 4 & 10, Elephant Road and will commence with the construction in Mdantsane NU1 and Ward 16. Funding will be fully spent by 30 June 2019.

Traffic Signals

The wayleaves have been handed to the South African National Roads Agency (SANRAL) for the North East Expressway (NEX)/N2 intersection and waiting for their approval to proceed with the installation of signals in the coastal region. Department of Transport (DoT) has not yet commented on the wayleaves that have been submitted for the Zwelitsha Police Head Quarters intersection in the inland region.

Taxi /Bus Embayments

Construction will start in January 2019. Funding will be fully spent by 30 June 2019.

CITY MANAGER

Expenditure is ongoing, grant funding will be fully utilized at year end.

INFRASTRUCTURE SERVICES

Water

The evaluation of contract 3A is being expedited as most water projects are waiting for its award. Expenditure will improve once contract is awarded.

Sanitation

Tender to address rural sanitation backlog was awarded on 15 November 2018. Expenditure will improve in the third quarter of the financial year.

MUNICIPAL SERVICES

Construction of leachate treatment is progressing well, seventy-five percent (75%) of the budget has been spent.

11.1.7. INTEGRATED CITY DEVELOPMENT GRANT (ICDG)

ICDG projects are progressing well, expenditure is sitting at 81%.

11.1.8. PUBLIC TRANSPORT NETWORK GRANT

Qumza Highway Phase 7 – Phase 1 & 2

Construction only started in September 2018 due to work permit delay from Department of Labour. Contractor is progressing well on site and expenditure will be fully spent by 30 June 2019

11.1.9. NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT

The annual contract for bridges, roads and stormwater has been awarded; the contractor will commence in January 2019 for road upgrades. Funding will be fully spent by 30 June 2019.

11.1.10. HUMAN SETTLEMENTS

Some major projects have experienced community riots and illegal occupation of housing structures that were still under construction further blocking to site for installation of internal services. The metro has applied for eviction of the illegal occupants of houses under construction; the matter is set for argument by the parties on 13 January 2019 at the High Court.

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 29%. This is within the norm of 25% - 40%.

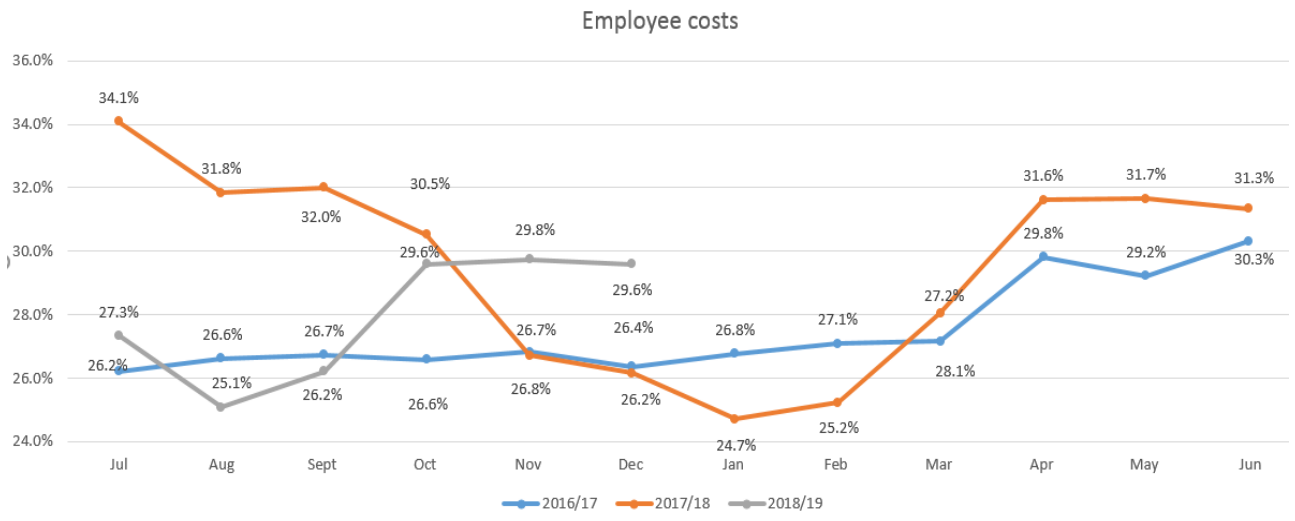
Table 19: SC8 Monthly Budget Statement – Councillor, Board Members and Staff Benefits

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

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		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages			40,253	40,253	2,803	16,805	12,600	4,205	33%	40,253
Pension and UIF Contributions			3,999	3,999	344	2,060	1,252	809	65%	3,999
Medical Aid Contributions			1,885	1,885	183	1,095	590	505	86%	1,885
Motor Vehicle Allowance										
Cellphone Allowance			2,624	2,624	341	2,271	821	1,450	177%	2,624
Housing Allowances			2,274	2,274	196	1,183	712	471	66%	2,274
Other benefits and allowances			13,150	13,150	1,146	6,858	4,116	2,741	67%	13,150
Sub Total - Councillors		-	64,185	64,185	5,012	30,272	20,092	10,180	51%	64,185
% increase	4		#DIV/0!	#DIV/0!						#DIV/0!
Senior Managers of the Municipality										
Basic Salaries and Wages			15,446	15,297	786	4,715	5,180	(465)	-9%	15,297
Pension and UIF Contributions			2,851	2,823	137	824	956	(132)	-14%	2,823
Medical Aid Contributions			284	281	20	120	95	25	27%	281
Overtime										
Performance Bonus					76	76		76	#DIV/0!	
Motor Vehicle Allowance			3,311	3,277	167	1,009	1,110	(101)	-9%	3,277
Cellphone Allowance					23	146		146	#DIV/0!	
Housing Allowances			520	515	195	1,160	175	986	565%	515
Other benefits and allowances			2,745	2,717	11	73	920	(848)	-92%	2,717
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations										
Sub Total - Senior Managers of Municipality		-	25,157	24,910	1,415	8,123	8,436	(313)	-4%	24,910
% increase	4		#DIV/0!	#DIV/0!						#DIV/0!
Other Municipal Staff										
Basic Salaries and Wages			1,167,270	1,153,950	149,491	630,200	390,801	239,399	61%	1,153,950
Pension and UIF Contributions			221,985	219,719	19,746	118,502	74,411	44,091	59%	219,719
Medical Aid Contributions			104,778	103,713	7,270	43,881	35,124	8,757	25%	103,713
Overtime			7,370	84,116	8,309	58,079	28,487	29,591	104%	84,116
Performance Bonus			97,741	96,741	9,648	46,039	32,763	13,276	41%	96,741
Motor Vehicle Allowance			37,813	37,448	2,412	14,350	12,682	1,668	13%	37,448
Cellphone Allowance			4,903	4,855	358	2,136	1,644	491	30%	4,855
Housing Allowances			19,130	18,939	612	3,632	6,414	(2,782)	-43%	18,939
Other benefits and allowances			201,244	122,256	8,055	49,784	41,404	8,380	20%	122,256
Payments in lieu of leave			20,475	20,267	23	124	6,864	(6,740)	-98%	20,267
Long service awards			23,922	23,672	2,057	12,306	8,017	4,289	53%	23,672
Post-retirement benefit obligations			7,604	7,601	3	15	2,574	(2,559)	-99%	7,601
Sub Total - Other Municipal Staff		-	1,914,233	1,893,277	207,983	979,045	641,184	337,862	53%	1,893,277
% increase	4		#DIV/0!	#DIV/0!						#DIV/0!
Total Parent Municipality		-	2,003,576	1,982,372	214,411	1,017,440	669,711	347,729	52%	1,982,372

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 4: Workforce (Employee) Costs



12.2. Overtime Analysis

Table 20 below provides comparison of overtime expenditure against budget per directorate for the period ended 31 December 2018. Table 21 below details overtime expenditure incurred per cost centre for the past three months ended 31 December 2018.

Table 20: Overtime per Directorate

Directorate Overtime	2018/2019 Annual Budget R	2018/2019 YTD Expenditure R	2018/2019 % of YTD Budget %
Directorate Of Executive Support Services	1 719 220	1 657 870	96%
Directorate Of The City Manager	603 240	584 227	97%
Directorate Of Corporate Services	531 768	330 963	62%
Directorate Of Development & Spatial Planning	779 665	103 917	13%
Directorate Of Economic Development & Agencies	586 261	154 913	26%
Directorate Of Finance	2 110 426	1 050 606	50%
Directorate Of Health / Public Safety & Emergency Services	30 863 991	16 250 485	53%
Directorate Of Human Settlement	127 471	7 944	6%
Directorate Of Infrastructure Services	21 433 979	18 281 632	85%
<i>Electricity</i>	9 680 766	6 414 475	66%
<i>Water</i>	4 192 032	6 016 156	144%
<i>Sanitation</i>	6 196 268	5 438 864	88%
<i>Other</i>	1 364 913	412 138	30%
Directorate Of Municipal Services	25 360 396	19 656 050	78%
Total	84 116 417	58 078 606	69%

Table 21: Overtime Per Cost Centre: October 2018 – December 2018

DIRECTORATE	OCTOBER 2018	NOVEMBER 2018	DECEMBER 2018
Directorate of Executive Support Services	287 233	209 918	243 629
Directorate of the City Manager	62 784	112 239	70 678
Directorate of Corporate Services	53 209	60 495	28 952
Directorate of Development & Spatial Planning	6 667	33 755	5 048
Directorate Economic Development & Agencies	28 834	41 591	20 057
Directorate of Finance	157 659	123 516	103 071
Directorate of Health/Public Safety & Emergency Services	2 689 121	1 541 456	1 884 906
Directorate of Human Settlement	0	0	0
Directorate of Infrastructure Services	3 189 915	2 980 659	2 341 803
Directorate of Municipal Services	3 003 179	2 759 132	2 439 234
TOTAL	9 478 601	7 862 762	7 137 376

The total overtime payment for the months of October 2018, November 2018 and December 2018 is reflected above. There was an decrease in the total payment of overtime between October 2018 and November of R1,615,839 and a further decrease in the total payment of overtime between November 2018 and December 2018 of R 725,386.

OVERTIME PER COST CENTRE

		October 2018 Amount	November 2018 Amount	December 2018 Amount
DIRECTORATE -EXECUTIVE SUPPORT SERVICES				
0505	OFFICE OF THE DIRECTOR EXECUTIVE SUPPORT SERVICES	2 84 879.44	193 510.73	227 589.08
0512	INTERNATIONAL & INTERGOVERNMENTAL RELATIONS	1 660.04	4 796.92	4 109.36
0523	IDP & BUDGET INTEGRATION	693.63	3 717.26	5 476.59
0531	POLITICAL OFFICE ADMINISTRATION	0	0	6 453.51
0536	MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	0	7 893.20	0
		287 233.11	209 918.11	243 628.54
DIRECTORATE OF THE CITY MANAGER				
1005	OFFICE OF THE CITY MANAGER	62 783.71	48 397.96	59 753.93
1015	INFORMATION / TECHNOLOGY & SUPPORT	0	63 841.14	10 923.61
		62 783.71	112 239.10	70 677.54
DIRECTORATE OF CORPORATE SERVICES				
1505	OFFICE OF THE DIRECTOR CORPORATE SERVICES	0138.56	0138.56	0138.56
1512	ADMINISTRATIVE & CORPORATE SUPPORT	8 185.01	721.02	5 337.31
1513	AUXILLIARY / RECORDS & DECISION TRACKING AND TELECOMMUNICATIONS	21 566.90	45 685.50	20 698.94
1531	HUMAN RESOURCES MANAGEMENT	13 433.55	11 173.36	0
1532	ADMINISTRATIVE SUPPORT	10 662.00	3 554.00	3 554.00
1536	ORGANISATIONAL DEVELOPMENT	(500.00)	(500.00)	(500.00)
		53 208.90	60 495.32	28 951.69
DIRECTORATE OF DEVELOPMENT & SPATIAL PLANNING				
2034	INTEGRATED PUBLIC TRANSPORT NETWORK OPERATIONS	0	20 161.31	0
2037	TRAFFIC MANAGEMENT & SAFETY	6 667.41	13 594.05	5 048.15
		6 667.41	33 755.36	5 048.15
DIRECTORATE OF ECONOMIC DEVELOPMENT & AGENCIES				
2511	FRESH PRODUCE MARKET	7 038.35	7 655.89	17 453.80
2521	TOURISM / ARTS / CULTURE & HERITAGE	21 795.84	20 584.96	0
2531	TRADE / INDUSTRY & RURAL AGRARIAN	0	13 350.21	2 603.10
		28 834.19	41 591.06	20 056.90

		October 2018 Amount	November 2018 Amount	December 2018 Amount
	DIRECTORATE OF FINANCE			
3031	EXPENDITURE & PAYMENTS MANAGEMENT	654.59	0	0
3033	PAYROLL & BENEFITS	317.12	0	0
3052	ACCOUNTS MANAGEMENT & REVENUE CONTROL	4 099.65	3 489.40	938.85
3053	COASTAL REVENUE MANAGEMENT	7 442.24	4 002.68	2 921.59
3054	CUSTOMER RELATIONS (CALL CENTRE)	134 993.84	113 390.64	98 034.59
3055	INLAND REVENUE MANAGEMENT	0176.43	0176.43	0176.43
3056	MIDLAND REVENUE MANAGEMENT	3 154.69	2 810.06	1 352.01
3061	STRATEGY & OPERATIONS	2 464.20	0	0
3071	SUPPLY CHAIN MANAGEMENT	4 708.80	0	0
		157 658.70	123 516.35	103 070.61
	DIRECTORATE OF HEALTH / PUBLIC SAFETY & EMERGENCY SERVICES			
3512	DISASTER MANAGEMENT	1 589.28	4 560.54	5 037.10
3513	FIRE & RESCUE	769 017.53	237 262.42	344 370.44
3521	MUNICIPAL HEALTH SERVICES	1 124.04	2 895.69	12 240.86
3532	LAW ENFORCEMENT SERVICES	1 394 578.31	844 904.45	1 024 472.71
3533	TRAFFIC SERVICES	522 811.39	451 832.89	498 784.67
		2 689 120.55	1 541 455.99	1 884 905.78
	DIRECTORATE OF INFRASTRUCTURE SERVICES			
4505	OFFICE OF THE DIRECTOR OF INFRASTRUCTURE SERVICES	2 529.09	2 810.10	2 201.25
4511	ELECTRICAL & ENERGY SERVICES	1 999.49	2 611.38	2 587.05
4512	CUSTOMER SERVICES & REVENUE PROTECTION	96 016.54	88 772.25	79 019.78
4513	ELECTRICAL DEVELOPMENT / CONTRACTS & ASSETS	683.16	896.66	896.66
4514	ELECTRICAL DISTRIBUTION	1 015 232.96	965 683.33	833 463.00
4524	ROADS	11 632.07	16 735.65	293.78
4532	SANITATION	958 495.91	965 255.72	670 664.94
4535	WATER SERVICES	1 047 003.50	898 747.40	739 846.45
4543	WORKSHOPS	56 322.34	39 146.52	12 829.79
		3 189 915.06	2 980 659.01	2 341 802.70
	DIRECTORATE OF MUNICIPAL SERVICES			
5005	OFFICE OF THE DIRECTOR OF MUNICIPAL SERVICES	7 972.01	2 190.65	11 647.81
5011	COMMUNITY AMENITIES	21 763.04	16 474.11	14 798.91
5013	LIBRARIES	11 651.66	11 793.11	1 711.16
5014	HALLS	239 277.82	214 799.71	210 678.42
5015	RECREATION	446 337.66	315 313.22	363 879.45

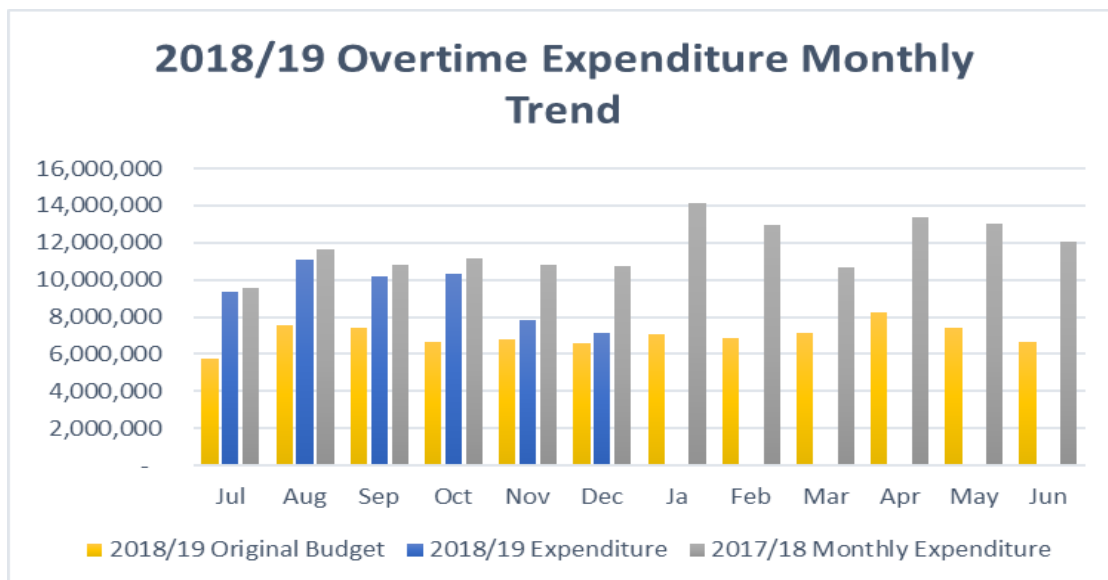
		October 2018 Amount	November 2018 Amount	December 2018 Amount
5016	SPORTS FACILITIES	126 952.16	137 133.71	116 468.05
5022	CEMETRIES & CREMOTORIA	123 877.58	210 480.24	167 116.66
5023	CONSERVATION	157 163.48	111 788.74	106 056.93
5024	PARKS: COASTAL	189 449.42	223 891.88	187 578.77
5031	SOLID WASTE MANAGEMENT	30 926.55	25 255.48	18 071.24
5032	CLEANSING & REFUSE REMOVAL: COASTAL	1 481 695.22	1 354 310.96	1 142 731.34
5035	LANDFILLS & TRANSFER STATIONS	166 112.84	135 699.89	98 494.99
		3 003 179.44	2 759 131.70	2 439 233.73
	TOTAL OVERTIME	9 478 601.07	7 862 762.00	7 137 375.64

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.
- d) The graph below shows the overtime expenditure monthly trend for the current financial year compared with budget and previous financial year. This reflects that the overtime expenditure is decreasing when compared to the first quarter of both the previous and current financial years.

The graph below shows the overtime expenditure monthly trend for the current financial year.

Figure 5: Overtime Expenditure Monthly Trend



12.2.1. Comments On Overtime

a) Directorate of Executive Support

The over expenditure is due to the respective political office's bodyguards having to work extended overtime and night shifts. Furthermore, Public Participation (Political Office) unit staff had to work overtime due to loudhailing done after business hours and on weekends.

b) 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.

c) Directorate of Corporate Services

The over expenditure on overtime is as a result of nature of operations which necessitates the drivers to deliver agendas outside the normal operating hours. In some cases staff are required to do special deliveries that contributes to working overtime. Payroll amendments and wage curve calculations also resulted in overtime.

d) 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 – Over expenditure on overtime is due to emergency callouts for water repairs and shift work at water treatment plants.
- iii. Water and Sanitation - Operational requirements to attend to overflows / breakdowns after hours. Overtime is due to additional hours worked on 12hr shifts, emergency replacements of staff on leave and vacant posts.

e) 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 as Fire & Rescue operate on a 24/7 basis. Any reduction would have a negative effect on service delivery by the Fire

& Rescue Services.

Excessive overtime worked by security guards throughout the institution is impacting on the overtime which is combined with Law Enforcement. This is an issue, which together with HR will need to be resolved. Security guards are working longer hours due to the fact that there are many sites which require security & guarding and there is insufficient staffing to cover all sites.

f) 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 or to introduce a 6-day shift work. Measures are being put in place to adhere to the 40hrs per month.

Cleansing & Refuse Removal: Coastal - There is a moratorium that says all the vacant funded posts created before April 2017 must not be advertised, this results in the shortage of staff. The department is forced to allow workers to work after hours in order to curb the backlogs in certain areas to meet service delivery expectations and some areas within the region require a seven days' coverage of refuse removal due to large volumes of waste generated.

Landfills & Transfer Stations - Landfills as per the permit have operating hours. The operations of the facilities warrants that there must be staff on site during the operating hours as stipulated in the permit. Landfills operate from 08:00 till 22:00 during weekdays and they operate from 08:00 till 16:00 on weekends and public holidays.

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 31 December 2018. The total standby and shift payment for the months of October 2018, November 2018 and December 2018 is reflected below. There was an increase in the total payment between October 2018 and November 2018 of R255,146 and a decrease in the total payment between November 2018 and December 2018 of R262,665.

Table 22: Standby & Shift Allowance per Directorate

DIRECTORATE	OCTOBER 2018	NOVEMBER 2018	DECEMBER 2018
Directorate of Executive Support Services	3 475	4 755	3 593
Directorate of the City Manager	4 611	117 246	57 456
Directorate of Corporate Services	1 526	1 355	628
Directorate of Development & Spatial Planning	13 112	17 296	9 031
Directorate Economic Development & Agencies	1 151	1 275	1 049
Directorate of Finance	9 000	12 162	7 890
Directorate of Health/Public Safety & Emergency Services	557 505	623 453	586 131
Directorate of Human Settlement	0	0	0
Directorate of Infrastructure Services	695 623	720 782	574 784
Directorate of Municipal Services	298 558	341 383	336 481
TOTAL	1 584 561	1 839 707	1 577 042

12.4. Cost of Temporary Staff

The total payment of Temporary Staff for the months of October 2018, November 2018 and December 2018 is reflected above. There was a decrease in the total payment between October 2018 and November 2018 of R629,489 and an increase in the total payment between November 2018 and December 2018 of R3,219,527.

Table 23: Temporary Staff per Directorate

DIRECTORATE	OCTOBER	NOVEMBER	DECEMBER
	2018	2018	2018
Directorate of Executive Support Services	560 562	603 945	660 812
Directorate of the City Manager	293 954	293 307	405 142
Directorate of Corporate Services	1 339 450	1 325 083	1 636 813
Directorate of Development & Spatial Planning	177 929	113 747	119 649
Directorate Economic Development & Agencies	33 906	33 906	54 106
Directorate of Finance	704 145	556 449	815 388
Directorate of Health/Public Safety & Emergency Services	209 252	182 321	292 385
Directorate of Human Settlement	229 006	229 435	336 952
Directorate of Infrastructure Services	249 192	206 757	411 753
Directorate of Municipal Services	1 985 832	1 608 789	3 640 256
TOTAL	5 783 228	5 153 739	8 373 266

12.5. Councillors Costs

The table below shows the budget and expenditure to date for councillors' costs. The year to date expenditure of R30.27 million less annual budget of R65.18 million leaves a variance of R 33.91 million.

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	19,076,173	23,800,957	44%
Housing Allowance	2,274,000	1,183,167	1,090,833	52%
Medical Aid Allowance	1,884,903	1,094,657	790,246	58%
Pension Allowance	3,998,763	2,060,494	1,938,269	52%
Travel Allowance	13,150,247	6,857,520	6,292,727	52%
Total	64,185,043	30,272,010	33,913,033	47%

13. MUNICIPAL ENTITY FINANCIAL PERFORMANCE

BCMDA has spent R7.44 million (16.7%) of its 2018/2019 approved operating budget of R44.35 million. The entity has also spent 5% (R1.3 million) of its 2018/19 capital budget of R27.29 million. Refer to **Annexure F** for further details.

Table 25: Monthly Budget Statement – summary of municipal entity

BUF Buffalo City - Supporting Table SC11 Monthly Budget Statement - summary of municipal entities - M05 November

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										
<i>Buffalo City Metropolitan Development Agency SOC Ltd</i>										
Interest earned - external investments		-	789	-	39	201	263	(62)	-24%	789
Agency services		-	990	-	-	-	330	(330)	-100%	990
Transfers and subsidies		-	32,033	-	-	14,924	16,016	(1,093)	-7%	32,033
Other revenue		-	10,544	-	0	6	3,515	(3,509)	-100%	10,544
Total Operating Revenue	1	-	44,355	-	39	15,131	20,124	(4,993)	-25%	44,355
Expenditure By Municipal Entity										
<i>Buffalo City Metropolitan Development Agency SOC Ltd</i>										
Employee related costs		-	21,727	-	1,201	4,805	7,242	(2,437)	-34%	21,727
Remuneration of Directors		-	850	-	18	102	283	(182)	-64%	850
Depreciation & asset impairment		-	1,412	-	94	-	-	-		-
Finance charges		-	10	-	0	313	471	(158)	-34%	1,412
Other expenditure		-	20,356	-	1,187	0	3	(3)	-100%	10
Total Operating Expenditure	2	-	44,355	-	2,500	7,440	14,785	(7,345)	-50%	44,355
Surplus/ (Deficit) for the yr/period		-	(0)	-	(2,461)	7,691	5,339	(12,339)	-231%	(0)
Capital Expenditure By Municipal Entity										
<i>Buffalo City Metropolitan Development Agency SOC Ltd</i>										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	27,292	-	1,304	1,304	9,097	(7,793)	-86%	9,097
Total Capital Expenditure	3	-	27,292	-	1,304	1,304	9,097	(7,793)	-86%	9,097

A detailed analysis of the entity's performance for month ended 31 December 2018 is outlined in the attached **Annexure F**.

14. CAPITAL PROGRAMME PERFORMANCE

BCMM has spent 29% (R584.48 million, inclusive of reclaimed vat) of its 2018/19 adjusted capital budget of R1.99 billion as at 31 December 2018. This reflects an increase when compared to the same period in the previous financial year where 27% (R464.77 million, inclusive of reclaimed vat) of the adjusted budget of R1.71 billion was spent.

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 Rollover Adjustment Budget	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Own Funds	852,950,000	181,406,898	21%
Own Funds	228,726,022	19,523,607	9%
Loan	69,000,000	0	0%
TOTAL OWN FUNDS	1,150,676,022	200,930,505	17%
Urban Settlements Grant	685,182,240	318,393,665	46%
Public Transport Network Grant	81,165,000	45,575,232	56%
Intergrated City Development Grant	10,003,000	8,120,305	81%
Infrastructure Skills Development Grant	100,000	97,644	98%
Neighbourhood Development Partnership Grant	13,250,000	0	0%
Energy Efficiency and Demand Side Management	8,000,000	7,795,663	97%
Integrated National Electrification Grant	6,200,000	1,842,236	30%
Local Government & Traditional Affairs	9,036,112	417,036	5%
TOTAL GRANTS	812,936,352	382,241,782	47%
TOTAL - FUNDING SOURCES	1,963,612,374	583,172,287	30%
BCMDA Projects	27,291,750	1,304,348	5%
TOTAL CONSOLIDATED CAPITAL PER FUNDING	1,990,904,124	584,476,634	29%

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 Rollover Adjustment Budget	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Amenities	97,542,927	15,469,834	16%
Electricity	141,345,421	54,839,178	39%
Housing	104,254,640	27,280,865	26%
LED	67,535,322	5,159,688	8%
Other	18,000,000	8,841,297	49%
Public Safety	33,897,065	7,403,331	22%
Roads	354,572,365	167,701,039	47%
Spatial Planning	89,183,654	7,638,775	9%
Support Services	286,910,118	70,385,053	25%
Transport Planning	204,201,112	93,199,938	46%
Waste Manangement	79,952,360	26,472,451	33%
Waste Water	288,512,859	45,301,802	16%
Water	197,704,531	53,479,038	27%
TOTAL - PER SERVICE	1,963,612,374	583,172,287	30%
BCMDA Projects	27,291,750	1,304,348	5%
TOTAL CONSOLIDATED CAPITAL PER SERVICE	1,990,904,124	584,476,634	29%

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 ROLLOVER ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCL. VAT	2018/2019 EXPENDITURE INCL. VAT %
Executive Support Services	5,886,795	882,091	15%
City Manager's Office	55,040,000	67,019,252	122%
Corporate Services	3,781,438	112,252	3%
Spatial Planning & Development	294,910,424	100,910,452	34%
Economic Development & Agencies	68,035,322	5,392,539	8%
Finance Services	205,865,666	280,902	0%
Health/Public Safety & Emergency Services	35,312,335	7,949,552	23%
Human Settlements	105,149,931	27,321,166	26%
Infrastructure Services	1,001,135,176	330,773,877	33%
Municipal Services	178,495,287	42,085,494	24%
Total Directorates	1,953,612,374	582,727,576	30%
Asset Replacement	10,000,000	444,710	4%
Total Budget Per Directorate	1,963,612,374	583,172,287	30%
BCMDA Projects	27,291,750	1,304,348	5%
TOTAL CONSOLIDATED CAPITAL PER DIRECTORATE	1,990,904,124	584,476,634	29%

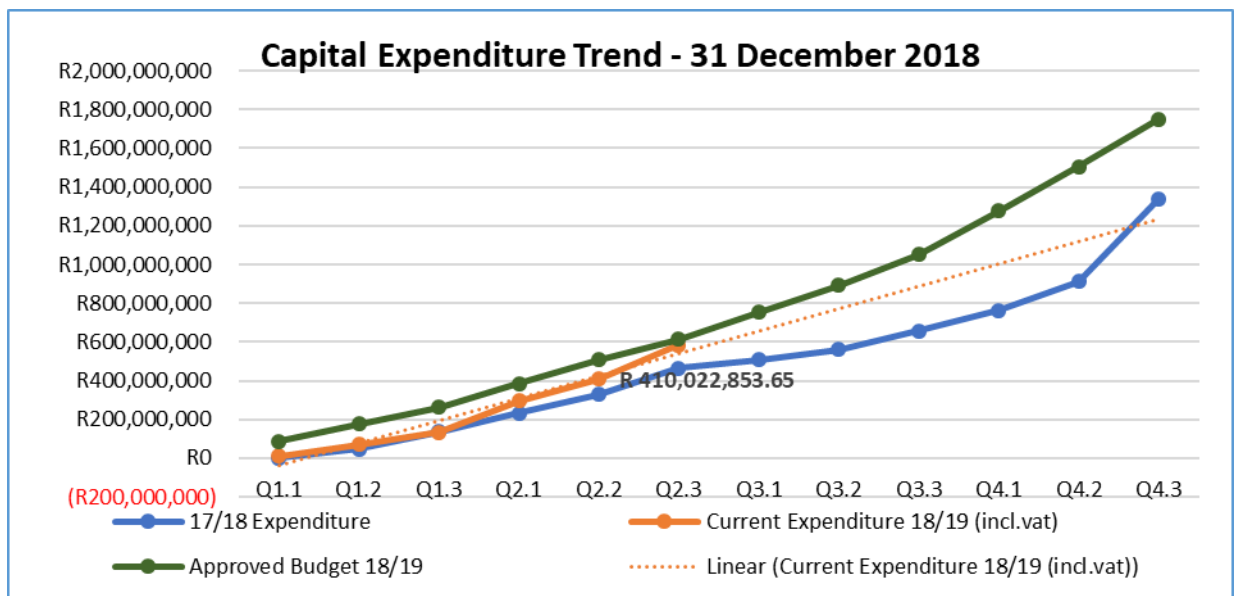
The capital programme performance by month is tabulated in table 29 below (inclusive of Vat).

Table 29: SC12 Monthly Budget Statement – capital expenditure trend

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	131 677	923	79 865	79 865	923	(78 942)	-8553.4%	8653%
August	40 222	131 677	166 312	(14 129)	65 736	167 235	101 499	60.7%	39%
September	85 095	131 677	166 312	57 137	122 873	333 547	210 674	63.2%	37%
October	85 567	131 677	166 312	151 564	274 437	499 859	225 422	45.1%	55%
November	90 386	131 677	166 312	104 066	378 503	666 171	287 668	43.2%	57%
December	123 230	131 677	166 312	158 939	537 442	832 483	295 041	35.4%	65%
January	40 944	131 677	166 312	-		998 795	-		
February	50 319	131 677	166 312	-		1 165 107	-		
March	88 839	131 677	166 312	-		1 331 419	-		
April	98 635	131 677	166 312	-		1 497 731	-		
May	137 819	131 677	166 312	-		1 664 043	-		
June	487 231	304 692	326 931	-		1 990 974	-		
Total Capital expenditure	1 330 596	1 753 142	1 990 974	537 442					

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

Figure 6: 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 have been 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. This committee is also meant to ensure that there is efficiency in the allocation of work and high performance by service providers as it also ensures that no service provider is overloaded in the allocation of work.
- 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 22% (R74.44 million, inclusive of reclaimed vat) of its 2018/19 adjusted operating projects budget of R333.73 million as at 31 December 2018. This reflects a decline when compared to the same period in the previous financial year where 39% (R116.23 million, inclusive of reclaimed vat) of the adjusted operating projects budget of R298.17 million was spent..

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 30 below summarise Annexure D.

Table 30: Operating Projects per Directorate

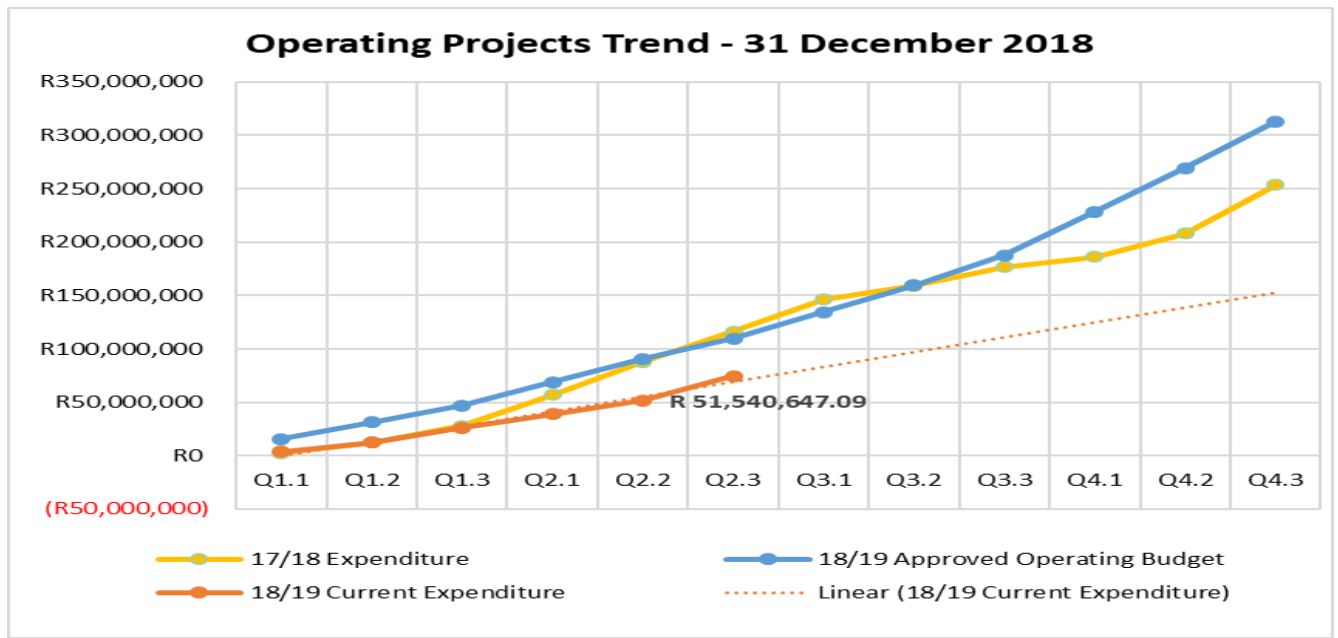
DIRECTORATE	1ST ADJUSTMEN T BUDGET	2018/2019 YTD EXPENDITUR E INCLD. VAT	2018/2019 EXPENDITUR E INCLD. VAT %
Executive Support Services	44,173,011	4,685,028	11%
Municipal Manager's Office	37,559,760	20,077,891	53%
Human Settlements	76,568,064	11,767,765	15%
Directorate of Financial Services	26,430,933	8,664,236	33%
Directorate of Corporate Services	21,710,375	8,490,587	39%
Directorate of Infrastructure Services	61,000,000	1,559,412	3%
Development and Spatial Planning	15,900,000	2,396,710	15%
Directorate of Economic Development	34,310,000	11,757,103	34%
Directorate of Health & Public Safety	1,179,300	178,217	15%
Directorate of Municipal Services	14,900,000	4,868,473	33%
TOTAL PER DIRECTORATE	333,731,443	74,445,421	22%

Table 31: Operating Projects Per Funding Source

FUNDING	1ST ADJUSTMENT BUDGET	2018/2019 YTD EXPENDITURE INCLD. VAT	2018/2019 EXPENDITURE INCLD. VAT %
Own Funds	149,177,518	42,224,074	28%
Total Own Funding	149,177,518	42,224,074	28%
Expanded Public Works Programme Incentives Grant	4,050,000	6,141,812	152%
Finance Management Grant	1,150,000	289,481	25%
Human Settlement Development Grant	56,201,024	2,613,725	5%
Human Settlement Development Grant c/o	19,797,040	8,654,040	44%
Infrastructure Skills Development Grant	10,700,000	4,790,190	45%
Public Transport Infrastructure Grant	14,000,000	1,401,177	10%
Salaida (Galve)	846,101	39,233	5%
Urban Settlement Development Grant	77,809,760	8,291,689	11%
TOTAL GRANTS	184,553,925	32,221,347	17%
TOTAL PER FUNDING	333,731,443	74,445,421	22%

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

Figure 7: Operating Projects Expenditure Trend



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

16.1 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	2,100,582	151,681	1,210	2,253,473
GM - EMERGENCY SERVICES	(54,080,259)	44,554,402	5,484,066	886,930	50,925,398
EMERGENCY SERVICES	0	1,350,404	40,597	0	1,391,001
DISASTER MANAGEMENT	0	1,471,462	458,510	18,080	1,948,052
FIRE & RESCUE	(54,080,259)	41,732,535	4,984,960	868,849	47,586,345
GM - MUNICIPAL HEALTH SERVICES	(537,000)	18,021,070	1,086,076	65,430	19,172,576
MUNICIPAL HEALTH SERVICES: COASTAL REGION	(537,000)	18,021,070	1,086,076	65,430	19,172,576
GM - PUBLIC SAFETY & PROTECTION SERVICES	(23,815,300)	122,542,114	8,820,558	1,121,131	132,483,802
PUBLIC SAFETY & PROTECTION SERVICES	(159,168)	1,021,141	1,711,759	703,164	3,436,063
LAW ENFORCEMENT SERVICES	(2,505,498)	69,523,815	2,945,946	329,246	72,799,007
TRAFFIC SERVICES	(21,150,635)	51,997,158	4,162,853	88,721	56,248,732
Total	(78,432,559)	187,218,167	15,542,382	2,074,700	204,835,249

16.2 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	4,350,120	660,104	20,836	5,031,060
GM - COMMUNITY AMENITIES	(1,354,256)	68,538,577	47,740,053	6,587,652	122,866,282
COMMUNITY AMENITIES	0	7,534,577	39,132,745	183,827	46,851,150
LIBRARIES	(73,366)	14,421,895	3,786,491	452,627	18,661,013
HALLS	(546,206)	11,751,079	1,638,245	1,318,526	14,707,850
RECREATION	(682,442)	21,835,684	1,718,516	2,251,741	25,805,941
SPORTS FACILITIES	(52,241)	12,995,341	1,464,057	2,380,931	16,840,329
GM - PARKS / CEMETRIES & CONSERVATION	(4,011,002)	80,627,752	15,077,369	3,898,114	99,603,234
PARKS / CEMETRIES & CONSERVATION		1,509,042	122,208	0	1,631,250
CEMETRIES & CREMATORIA	(3,325,936)	13,884,227	5,477,272	1,408,977	20,770,477
CONSERVATION	(641,057)	9,400,208	1,705,439	500,715	11,606,362
PARKS: COASTAL	(44,009)	55,834,274	7,772,449	1,988,422	65,595,145
GM - SOLID WASTE MANAGEMENT	(218,728,922)	94,350,137	72,726,798	5,522,622	172,599,557
SOLID WASTE MANAGEMENT	0	8,494,653	10,873,839	4,314,083	23,682,575
CLEANSING & REFUSE REMOVAL: COASTAL	(217,513,431)	77,916,750	46,835,832	1,208,538	125,961,120
LANDFILLS & TRANSFER STATIONS	(1,215,490)	7,938,735	15,017,127	0	22,955,863
Total	(224,094,180)	247,866,586	136,204,324	16,029,224	400,100,134

17. 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 2nd quarter SDBIP performance per directorate.

SERVICE DELIVERY TARGETS – 2018/2019 MID-TERM PERFORMANCE PER DIRECTORATE

Executive Support Services

The Executive Support Services Directorate has set 9 targets on its SDBIP. The total of targets achieved is 4, not achieved is 3 and not for reporting is 2. The overall mid-term performance for Executive Support Services is 57%.

Chief Operating Officer

The Directorate of the City Manager has set 5 targets on its SDBIP. The total of targets achieved is 5 and not achieved is 0. The overall mid-term performance for the Directorate of the City Manager is 100%.

Human Settlements

The Human Settlements Directorate has 5 set targets on their SDBIP. The total of targets achieved is 3 and not achieved is 2. The overall mid-term performance for Human Settlements is 60%.

Directorate of Finance

The Directorate of Finance has set 13 targets on its SDBIP. The total of targets achieved is 9, not achieved is 3 and not for reporting in this quarter is 1. The overall mid-term performance for Directorate of Finance is 75%.

Corporate Services

The Corporate Services Directorate has set 5 targets on its SDBIP. The total of targets achieved is 3, not achieved is 2 not for reporting in this quarter is 0. The overall mid-term performance for Corporate Services is 60%.

Infrastructure Services

The Directorate of Infrastructure Services has set 20 targets on its SDBIP. The total of targets achieved is 10, not achieved is 2 and not for reporting is 8. The overall mid-term performance for Infrastructure Services 83%.

Spatial Planning and Development

The Directorate of Spatial Planning and Development has set 13 targets on its SDBIP. The total of targets achieved is 8, not achieved is 5 and not for reporting is 0. The overall mid-term performance for Spatial Planning and Development is 62%.

Economic Development and Agencies

The Directorate of Economic Development & Agencies has set 8 targets on its SDBIP. The total of targets achieved is 4, not achieved is 4 and not for reporting is 0. The overall mid-term performance for Economic Development & Agencies is 50%.

Health/Public Safety and Emergency Services

The Directorate of Health/Public Safety and Emergency Services has set 8 targets on its SDBIP. The total of targets achieved is 3, not achieved is 4 and not

for reporting is 1. The overall mid-term performance for Health/Public Safety and Emergency Services is 43%.

Municipal Services

The Directorate of Municipal Services has set 15 targets on its SDBIP. The total of targets achieved is 9, not achieved is 5 and not for reporting is 1. The overall mid-term Performance for Municipal Services is 64%.

The overall institutional performance for the mid-term is 66%.

The above information is summarized in table 34 below.

Table 34: Summary of BCMM Mid-Term Performance per Directorate

Directorates	Total no. of KPI(s)	No. of KPI(s) achieved	No. of KPI's not achieved	Not for reporting this quarter	% of KPI's achieved
Executive Support Services	9	4	3	2	57%
City Manager's Office	5	5	0	0	100%
Human Settlements	5	3	2	0	60%
Directorate of Finance	13	9	3	1	75%
Corporate Services	5	3	2	0	60%
Infrastructure Services	20	10	2	8	83%
Spatial Planning & Development	13	8	5	0	62%
Economic Development and Agencies	8	4	4	0	50%
Health/Public Safety and Emergency Services	8	3	4	1	43%
Municipal Services	15	9	5	1	64%
Total	101	58	30	13	66%

18. MID YEAR ADJUSTMENT BUDGET FOR THE 2017/2018 FINANCIAL YEAR

The enclosed performance report will be analysed in terms of its revenue projections and expenditure categories which will culminate in the mid-year adjustment budget to be tabled in a Council meeting in February 2018 in terms of S28 of the MFMA.

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

19.1 Audit Findings

The 2017/18 audit opinion has regressed when compared to that of 2016/17 financial year. The institution has received a qualified audit opinion. On the report, the Auditor General (AG) has pointed out that Service charges, specifically arising from the sale of water was not measured reliably due to faulty water meters and inaccurate meter readings and AG was unable to obtain sufficient appropriate evidence that all revenue from service charges had been recorded accurately.

Additional to the above, there are certain compliance findings that have been identified by the Auditor General as matters of emphasis. An Audit Improvement Plan (AIP) has been prepared detailing the audit findings together with the required corrective action to be taken. A committee has been created that has been tasked with undertaking oversight of the actions to rectify non-compliance related issues. The AIP will be submitted to Internal Audit on a quarterly basis to monitor implementation and review of actions.

Although no audit opinion was expressed on non financial information, an area which needs to be a focus for the forthcoming financial year is the reporting of performance information. In this regard there will be a focus in analysing the quarterly performance reports to ensure quality information is provided.

19.2 Expenditure Management

The institution continues to be plagued with cyclical expenditure patterns with expenditure being comparatively low for the first 6 months of the year and then increasing in the last 6 months. The institution attempts to continue to implement changes in an attempt to improve expenditure. These changes include:

- a. The Bid Committee were tasked to convene regularly to ensure that there are no backlogs in the tender process.
- b. All bid committees have been restructured to improve its effectiveness & efficiency.
- c. As a tool to monitor the performance of each bid committee, all committees are required to submit weekly reports to the City Manager. This will assist in early identification of challenges that are experienced by each committee so that remedial actions can be implemented quicker.
- d. 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 annual contracts.

19.3 Revenue Management

The institution continues to experience challenges in the following areas:

- a) Illegal connections
- b) Unread meters due to inaccessibility and non-registered of new meter installations.
- c) Indigent consumers using excess of 6 kilolitres of water which cannot be recovered
- d) Financial system discrepancies that hinder accurate Billing
- e) Flat rates being charged in unmetered areas

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

- a) The Revenue Department has as standing report on all consumers who are reported by Disconnection service provider to the Revenue Protection Unit for follow up. The Department is rolling out Smart Meters for monitoring and early detection of illegal connections.
- b) The Water Works Department is currently rolling out meter replacement program and moving of meters from within the property to outside boundry of the property. The Department is working closely with the Department of Water Works and the Department of Housing

to identify and register all non-registered meters onto the financial system.

- c) The Department is looking at a model to control and manage water usage by Indigent Debtors in the Metro.
- d) Revenue department has initiated system monitoring mechanisms which will identify gaps and discrepancies in the Billing system with assistance of the onsite BCX consultant in particular for electricity conventional meters.
- e) Council has approved the turnaround plan to mitigate water losses and ageing infrastructure assets as well as the implementation of new meters in unmetered areas over a period of 3 years. This plan is being implemented on an ongoing basis with funding being allocated in the MTREF budget.

19.4 Asset Management

BCMM is still committed towards maintaining, upgrading and where necessary replacing all its aging assets and also creating new assets that are needed for service delivery purposes.

In the current financial year BCMM has put aside a total capital budget of R1.9 billion broken down as follows:

- a) New assets R1.2 billion
- b) Renewal of existing assets R2111 million
- c) Upgrading of existing assets R564 million

This commitment by the Council seeks to ensure that BCMM will continue to provide the much needed services to all its people and attract the more investors to come and invest in the City.

An audit improvement plan was developed and implemented to address all the issues that were identified in the previous year's annual report. BCMM is also in the process of procuring an integrated asset management system, which will cater for the full cycle management of all asset categories. This will improve the accuracy of asset management and reporting, and will enhance efficiency.

20. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

QUALITY CERTIFICATE

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

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

for the period ending **December 2018** 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:

Date:

ANNEXURES:

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

Annexure B

- SC1 Material Variance Explanation
- SC2 Performance Indicators
- SC3 Aged Debtors
- SC4 Aged Creditors
- SC5 Investment Portfolio
- SC6 Transfers and Grants Receipts
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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 Plan