



Ref: BCMDA-BDS-002-22

Enquires: S Mgudlwa

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REPORT TO THE BOARD OF DIRECTORS ON THE HALF YEAR FINANCIAL PERFORMANCE AND POSITION OF THE AGENCY

1. PURPOSE

To report to the Board on the financial performance and position of the Agency for the period 01 July 2021 to 31 December 2021.

2. BACKGROUND

The Accounting Officer of a municipal entity must by 20 January of each year:

- a) assess the performance of the entity during the first half of the financial year, taking into account:
 - i. the monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and
 - ii. the entity's annual report for the past year, and progress on resolving problems identified in the annual report; and
- b) submit a report on such assessment to –
 - i. the board of directors of the entity; and
 - ii. the parent municipality of the entity

3. DISCUSSION

3.1. Financial performance

- a) The statement of financial performance is used to measure performance of the institution against the approved budget for a specific period.
- b) This statement summarises income and expenditure taking into consideration cash items that affect performance of the resources.

Table 1: Income

(Refer to F2 of the F schedule)

Source	Budgeted	Budget year-to date	Year to date Actual	Variance year to date	% Variance
BCMM Operational Grant	48 468 515	24 234 258	21 073 267	3 160 991	13%
BCMM Operational Grant - Capital Projects	50 000 000	25 000 000	34 106 470	(9 106 470)	-36%
Neighbourhood Development Programme – Integrated Waste Management	7 708 125	3 854 063	1 094 254	2 759 809	72%
DEFF Waste Management	-	-	203	(203)	N/A
LGSETA Grant	22 218	11 109	17 576	(6 467)	-58%
Development Levy	7 948 299	3 974 150	0	3 974 150	100%
Interest	467 482	233 741	316 007	(82 266)	-35%
Agency Fees	4 439 875	2 219 938	2 728 518	(508 580)	23%
Other Income (Recoveries and Tender Fees)	10 800	5 400	7 328	(1 928)	100%
Total Revenue	119 065 315	59 532 659	59 343 624	189 036	0%

- a) To date the Agency achieved 87 % of its year-to- date BCMM operational grant allocation as the variance percentage is 13 %. The actual amount invoiced for the operating grant during the period under review amounted to R 24 234 258 due to an agreement reached of invoicing two tranches in a financial year. The 1st tranche allocation of the BCMM operational grant got reduced by the output VAT of R 3 160 990 as the municipal entity is a registered VAT vendor.
- b) BCMM Operational Grant for capital projects has a -36% variance based on the work executed. The revenue recognised will increase in the same proportion as expenditure incurred as this grant is recognised on a claim basis from the City.
- c) NDP waste management grant has a 72% variance as there has not been any funding received in the current financial year so expenditure had to be within the available funding as only R 1 030 427 was available after releasing R 1 213 066 of the R 2.2 million (VAT exclusive) that was received during the 2019/20 financial year and accruing monthly interest.
- d) LGSETA grant is received based on trainings attended and paid for of which there has been an increase as compared to the previous period as the providers continued rolling out skills development initiatives.
- e) Developments levy fees have not yet been received. One lease agreement was lodged and registered at the deeds office. Processes are still in progress for the financial close conclusion and thus the Agency will realise the 1st tranche of the facilitation fee on the Seaview Terrace development. The budget line item has been reduced in the adjustments budget.

- f) Interest received variance is -35% of the budgeted amount. This is as a result of interest earned on the money market and the fixed deposit facility where more funds were receivable than anticipated.
- g) The agency fees are more than anticipated due to contractors and consultants' fees based on the work done.
- h) Other income mainly relates to tender document fees wherein none were sold as all tender documents were requested electronically and recoveries from Staff and Board members.

Table 2: Expenditure

(Refer to F2 of the F schedule)

Source	Budgeted	Budget year-to date	Year to date Actual	Variance year to date	% Variance
Operational Expenditure	117 865 315	58 932 660	58 510 956	421 704	1%
Board Remuneration	1 849 699	924 850	1 223 134	(298 284)	-32%
Depreciation	994 811	497 406	617 510	(120 104)	-24%
Finance Charges	4 285	2 143	1	2 142	100%
Other Expenditure	28 551 243	14 275 622	11 236 291	3 039 331	21%
NDP Grant Expenditure	7 708 125	3 854 063	1 070 854	2 783 209	72%
BCMM Operational Grant Expenditure – Capital Projects	50 000 000	25 000 000	32 310 526	(7 310 526)	-29%
Employee Related Costs	28 757 152	14 378 576	12 052 640	2 325 936	16%
Capital Expenditure	1 200 000	600 000	288 686	311 314	52%
Intangible Asset - Computer software and Application	800 000	400 000	104 000	296 000	74%
Computer Equipment	320 000	160 000	184 686	(24 686)	-15%
Furniture and Office Equipment	80 000	40 000	-	40 000	100%
Total Expenditure	119 065 315	59 532 660	58 799 642	733 018	1%
Surplus/(Deficit)	-	1	543 982	(543 82)	

- a) Operational expenditure has a 1% variance due to the following:
- Board fees which are more than anticipated due to the organisational design processes that necessitated Board decision which were not anticipated upon finalisation of the 2021/22 budget. An adjustment however has been

processed in the adjustments budget to avoid any over expenditure in this budget line item.

- Other expenditure which became less than anticipated due to procurement processes being underway. Refer to Annexure A
- More work done on construction sites than expected based on submitted claims and certifications by the City.
- Employee related costs with a 16% variance which is due to the five vacancies which have not yet been filled.

Table 3: Performance Summary

OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	59 343 624	Cash and Bank Balance	131 010
Expenditure	(58 510 956)	Call investments	9 355 523
Operating Surplus	832 668	Cash and cash equivalents	9 486 533
Capital Expenditure	(288 686)	Account Payables	(1 686 880)
Surplus after capital expenditure	543 982	Unspent conditional grants	(112 693)
FINANCIAL		HUMAN RESOURCES	
Operating surplus for the period	543 982	Total Staff Compliment (excluding interns)	28
YTD Grants and subsidies	56 291 771	Staff Appointments	2
% Creditors paid within term	100%	Staff Terminations	0
Liquidity	7.6:1	Number of funded vacant posts	5
		Salary bill – Officials	(11 947 990)
		Workforce costs as a % of expenditure (incl. capex)	20%
		Workforce costs as a % of expenditure (excl. capex)	21%

3.2 Financial position

Assets

- a) The Agency's current assets comprise mainly of cash and cash equivalents, receivables BCMM in relation to the capital projects and the VAT receivable from SARS.
- b) The agency has further incurred expenditure on procurement of computer equipment and office furniture. **(Annexure B- Asset Management)** report on the status of asset management of the Agency.

Liabilities

- a) The Act requires that all creditors be settled within 30 days of receipt of invoice from a supplier/service provider. All creditors were paid within 30 days from the date of receiving an invoice except one invoice which had an unresolved enquiry.
- b) As at the end of the period under review, the current liabilities comprise of trade payables, Neighbourhood Development Partnership unspent grant for the Duncan Village buy-back centre and integrated waste management system, DFFE unspent grant for the waste management project, leave provision, retention costs for capital projects, employee related cost system errors and lease liabilities.

Working Capital

a) Below is the detail of cash position of the agency as at 31 December 2021:

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY SOC LTD	
SUMMARY CASH AND CASH EQUIVALENTS	
SECOND QUARTER - DECEMBER 2021	
2021/22	
Working Capital	
Description	Amount
Cash and Investments Available	6 209 479.92
Cash and cash equivalents at beginning of the month	21 505 916.66
Total receipts	5 149 083.99
Interest	35 128.07
BCMM Contractor's Fees	4 659 038.50
Project Management Fees	372 723.08
VAT Receivable	80 993.60
Returned NDP Salaries	1 200.74
Payments made	20 445 520.73
Bank Charges (All Accounts)	1 353.96
Suppliers and Recruitment Costs	17 065 378.29
Board and Audit Committee Claims	154 080.00
Salaries, Wages, Allowances and Benefits	1 912 492.42
Staff Claims	19 746.63
SARS Tax & Vat Payable	1 292 469.43
Total cash and investments available	6 209 479.92

3.3 Compliance with procurement laws, regulations and policies

a) The agency has complied with the prescripts of its supply chain management applicable legislation. **See Annexure C.**

4. FINANCIAL IMPLICATIONS

None.

5. LEGAL IMPLICATION

5.1. Compliance with Municipal Finance Management Act, Section 88 (1) b, which states that the accounting officer of a municipal entity must by the 20th of January each year submit a performance assessment report of the Board of directors and the parent municipality.

6. RECOMMENDATION

6.1. It is recommended that the Board notes and accepts the first half year financial performance report for the 2021/22 financial year.

6.2. That the Agency will adjust its budget for the current financial year to accommodate the following:

- To cater for additional funding approved on the Public Employment Programme.
- Under and over collection of revenue and allocate more funds where needed using available savings.
- To cater for roll-overs from the preceding financial year.
- To appropriately adjust funding for the capital projects to accommodate variation orders.

PREPARED BY:



MRS V NTSODO-BOYCE

CHIEF FINANCIAL OFFICER

DATE: 19 JANUARY 2022

APPROVED BY:



MR B NELANA

CHIEF EXECUTIVE OFFICER

DATE: 19 JANUARY 2022

Enclosed: Annexure A: Other General Expenditure

Annexure B: Asset Management Report

Annexure C: BCMDA Supply Chain Management Report

ANNEXURE A – DETAIL OF OTHER GENERAL EXPENDITURE

No	Strategic Objective	Performance Indicator	Budget 2021/22	Actual Expenditure	Variance	Variance %
1.	Efficient and Effective Information Technology and Knowledge Management Services	Implementation of Enterprise Architecture/Master Systems Plan	500 000	104 000	396 000	79%
2.	Sound Governance Oversight and Legislative Compliance	Improved Audit Outcome	959 000	765 476	193 524	20%
3.		Implementation of the Internal Audit Coverage Plan	425 000	103 206	321 794	76%
4.		Monitor mSCOA compliance	300 000	0	300 000	100%
5.	Effective and Efficient Corporate Services to advance Agency Performance	Talent Management (Learning and Growth)	820 000	245 375	574 625	70%
6.	Effective Board Secretariat and Legal Support	Implementation of litigation matters attended to within time-frames	300 000	0	300 000	100%
7.		Board Secretariat Functions and legal support matters dealt with as per legislated time-frames	103 000	78 000	25 000	24%
8.	Conducive working environment	EAP Wellness program developed	350 000	72 592	277 408	79%

No	Strategic Objective	Performance Indicator	Budget 2021/22	Actual Expenditure	Variance	Variance %
9.	Tourism opportunities exploited in high value products	Number of interpretive boards developed (TIM)	800 000	217 391	582 609	73%
10.		Number of Public Art Strategies	1 000 000	160 00	840 000	84%
11.		Number of interpretive boards designed (TIM)	800 000	0	800 000	100%
12.	To identify sports tourism infrastructure development opportunities	Number of Tourism Routes Developed	700 000	0	700 000	100%
13.	Global Promotion of Tourism Attractions	Number of Marketing and Communication services procured	1 900 000	122 500	1 777 500	94%
14.	Inner City Regeneration	Implementation of a BCMM Business Improvement District Strategy	1 000 000	493 702	506 298	51%
15.	A well-developed Beachfront	Implementation of Integrated Beachfront Programme (IBP) in Kidd's Beach	1 100 000	0	1100 000	100%
16.		Environmental Upgrade on Marina Glen B (Ebuhlanti)	1 246 650	766 451	480 199	39%
17.		Planning and execution of various areas	500 000	0	500 000	100%

No	Strategic Objective	Performance Indicator	Budget 2021/22	Actual Expenditure	Variance	Variance %
18.	Job Creation & Economic Development	Implementation of an Inner-City Safety Programme	3 120 000	1 262 518	1 857 482	60%
19.		Implementation of a Corporate Social Investment Programme/Community Development Projects	200 350	38 600	161 750	81%
20.		Number of rural development initiatives supported under Industrial Cluster Development Programme (ICDP)	800 000	69 565	730 435	91%
21.		Implementation of Smart City Initiatives	200 000	0	200 000	100%
22.		Implementation of a Corporate Social Investment (CSI) Programme	100 000	0	100 000	100%
23.		Implementation of Duncan Village Buy Back Centre and Integrated Waste Management Systems	7 708 125	1 070 854	6 637	86%

No	Strategic Objective	Performance Indicator	Budget 2021/22	Actual Expenditure	Variance	Variance %
24.		HR Consulting(Job Grading,OD& Benchmarking)	350 000	375 000	-25 000	-7%
25.	Facilitation and promotion of investment activities within BCMM	BCMM Investment conferences held	500 000	65 573	434 427	87%
26.		Property Finance Advisory Services	2 500 000	1 238 400	1 261 600	50%
27.	Transport and Logistics Industrial network that supports economic growth	Number of Market Research Indices Developed	300 000	0	300 000	100%