



Ref: BCMDA-SUB-009-22

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## **REPORT TO THE CITY MANAGER ON THE HALF YEAR FINANCIAL PERFORMANCE AND POSITION OF THE AGENCY**

### **1. PURPOSE**

To report to the Parent Municipality on the financial performance and position of the Agency for the period 01 July 2022 to 31 December 2022.

### **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	Approved Budget (2022/23)	Budget year-to date	Year to date Actual	Variance year to date	% Variance
BCMM Grant - Operational	50 891 941	25 445 971	44 253 862	-18 807 891	-74%
BCMM Grant – Capital Projects	47 100 074	23 550 037	19 309 212	4 240 825	18%
Neighbourhood Development Grant	33 136 668	16 568 334	4 913 936	11 654 398	70%
Public Employment Programme	4 000 000	2 000 000	4 894 823	-2 894 823	-145%
LGSETA Grant	37 152	18 576	25 750	-7 174	-39%
Project Management Fees	3 768 006	1 884 003	1 544 737	339 266	18%
Development Levy	14 635 062	7 317 531	0	7 317 531	100%
Interest Received	636 785	318 393	381 861	-63 469	-20%
Other income	25 642	12 821	20 867	-8 046	-63%
<b>Total Revenue</b>	<b>154 231 330</b>	<b>77 115 665</b>	<b>75 345 048</b>	<b>1 770 617</b>	<b>2%</b>

- a) To date the Agency has achieved a -74% variance on BCMM Operational Grant, this is a result of the 2<sup>nd</sup> tranche of the Operational Grant allocation being disbursed in December 2022 which is early than expected due to cashflow challenges experienced because of using the operational grant for capital projects. The actual amount invoiced for the operating grant during the period under review amounted to R 50 891 941 due to an agreement reached of invoicing two tranches in a financial year. The two tranche allocations of the BCMM operational grant got reduced by the output VAT of R 6 638 079 as the municipal entity is a registered VAT vendor.
- b) BCMM Operational Grant for Capital projects has a 18% 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 70% variance as there the expenditure is moving slow than planned as a result in October 2022, an amount of R 2 617 685 had to revert to the funder.
- 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 because the development agreements have not been concluded to enable the financial close.
- f) Interest received variance is -20% of the budgeted amount. This is because of interest earned on the money market account where more funds were receivable than anticipated.

- g) The Agency fees (Project management fees) are less than anticipated due to contractors and consultants' fees based on the work done.
- h) Based on the year-to-date comparison, there is over recovery of other income. It is as a result of recoveries from staff and Board members mainly relating to travel arrangements.

**Table 2: Expenditure**

(Refer to F2 of the F schedule)

Source	Approved Budget (2022/23)	Budget year-to date	Year to date Actual	Variance year to date	% Variance
<b>Operational Expenditure</b>	<b>153 091 330</b>	<b>76 545 665</b>	<b>52 564 885</b>	<b>23 980 780</b>	<b>31%</b>
Board Remuneration	2 497 473	1 248 737	1 236 059	12 678	1%
Depreciation	984 123	492 062	414 101	77 960	16%
Finance Charges	4 456	2 228	168	2 060	92%
Other Expenditure	35 512 438	17 756 219	9 146 643	8 609 576	48%
NDP Grant Expenditure	33 136 668	16 568 334	4 913 936	11 654 398	70%
PEP Grant Expenditure	4 000 000	2 000 000	4 945 279	-2 945 279	-147%
BCMM Operational Grant Expenditure – Capital Projects	47 100 074	23 550 037	19 309 212	4 240 825	18%
Employee Related Costs	29 856 098	14 928 049	12 599 487	2 328 562	16%
<b>Capital Expenditure</b>	<b>1 140 000</b>	<b>570 000</b>	<b>128 380</b>	<b>441 620</b>	<b>77%</b>
Intangible Asset - Computer software and Application	800 000	400 000	19 163	380 838	95%
Computer Equipment	180 000	90 000	91 718	-1 718	-2%
Furniture and Office Equipment	160 000	80 000	17 500	62 500	78%
<b>Total Expenditure</b>	<b>154 231 330</b>	<b>77 115 665</b>	<b>52 693 265</b>	<b>24 422 400</b>	<b>30%</b>
<b>Surplus/(Deficit)</b>		<b>0</b>	<b>21 503 833</b>	<b>-22 651 783</b>	

- a) Operational expenditure has a 30% variance due to the following:
- PEP Integrated Waste Management, Greening and Beautification Programme overall expenditure for this financial year amounts to R 4.9 million, which exceeds the allocation of R4 million, the City has since increased the allocation to R 9.4 million which will be accounted for during the adjustments budget.
  - Other expenditure is less than anticipated due to procurement processes being underway or less spending than anticipated which is anticipated to improve in both quarters two and three; see **Annexure A1**.

- 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 leave provision, bonus provision and vacancies which are yet to be filled. There are also costs incurred for remunerating officials who are on an acting capacity as a result of suspensions effective from November 2022.
- **Table 3: Performance Summary**

OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	75 345 048	Cash and Bank Balance	3 569 344
Expenditure	(52 564 717)	Call investments	16 939 698
<b>Operating Surplus</b>	<b>22 780 331</b>	Cash and cash equivalents	20 509 042
Capital Expenditure	(128 380)	Account Payables	<b>(1 402 902)</b>
<b>Surplus after capital expenditure</b>	<b>22 651 951</b>	Unspent conditional grants	<b>(1 807 045)</b>
FINANCIAL		HUMAN RESOURCES	
Operating surplus for the period	<b>22 651 951</b>	Total Staff Compliment (excluding interns)	26
YTD Grants and subsidies	<b>73 397 583</b>	Staff Appointments	0
% Creditors paid within term	100%	Staff Terminations	1
Liquidity	2.80:1	Number of funded vacant posts	4
		Salary bill – Officials	(10 301 376)
		Workforce costs as a % of expenditure (incl. capex)	30%
		Workforce costs as a % of expenditure (excl. capex)	29%

### **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, intangible assets and office equipment. **(Annexure A2- 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.
- 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, leave provision, provident fund, retention costs for capital projects and lease liabilities.

## Working Capital

a) Below is the detail of cash position of the agency as at 31 December 2022:

### **BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY SOC LTD**

### **SUMMARY CASH AND CASH EQUIVALENTS**

### **MID YEAR ASSESSMENT - AS AT DECEMBER 2022**

**2022/23**

### **Working Capital**

<b>Description</b>	<b>Amount</b>
Cash and Investments Available	<b>20 509 042.44</b>
Cash and cash equivalents at beginning of the year (All Accounts)	<b>20 433 335.89</b>
<b>Total receipts</b>	<b>88 939 792.24</b>
Interest	695 691.90
BCMM Contractor's Fees	29 682 085.96
Project Management Fees	1 630 075.15
PEP Grant	2 960 260.82
BCMM Operational Grant Allocation	50 891 941.00
Gauflora Refund	1 717 741.45
Orneb pension refund	11 429.62
SARS VAT Refund	1 266 636.33
NDP Refund	47 617.57
LGSETA Mandatory Grant	25 750.26
PEP UIF Refund	1 877.62
PEP Returned Salaries	2 607.32
NDP Returned Salaries	6 077.24
<b>Payments made</b>	<b>88 864 085.69</b>
Bank Charges (All Accounts)	30 153.73
Suppliers and Recruitment Costs	61 202 114.01
Board and Audit Committee Claims	1 531 548.50
Salaries,Wages,Allowances and Benefits	19 644 504.23
SARS VAT Payable	6 227 157.39
Staff Claims	228 607.83
<b>Total cash and investments available</b>	<b>20 509 042.44</b>

### **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 A3.**

#### 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 20<sup>th</sup> 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 municipality notes and accepts the first half year financial performance report for the 2022/23 financial year.

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

- 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.

**PREPARED BY:** .....

**MRS V NTSODO-BOYCE**

**CHIEF FINANCIAL OFFICER**

**DATE: 19 JANUARY 2023**

**APPROVED BY:** .....

**MR N VAN WYK**

**INTERIM CHIEF EXECUTIVE OFFICER**

**DATE: 19 JANUARY 2023**

**Enclosed:** Annexure A1: Other General Expenditure

Annexure A2: Asset Management Report

Annexure A3: BCMDA Supply Chain Management Report

**ANNEXURE A – DETAIL OF OTHER GENERAL EXPENDITURE**

<b>Strategic Objective</b>	<b>Performance Indicator</b>	<b>Approved Budget 2022/23</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance %</b>
Dynamic Tourism attraction	Number of Market Research Indices developed	400 000	30 000	400 000	93%
	Number of world class tourism products developed. Number of opportunities created for tourism product development.	1 312 000	439 307	872 693	67%
	Number of events calendars developed	100 000	0	100 000	100%
	Public Art Installation Programme	1 000 000	0	1 000 000	100%
	Marketing Strategy - Signage	520 000	476 826	43 174	8%
Attractive home for global investments	Number of investment research reports.	150 000	0	150 000	100%
	Number of technical reports on property developed (Water World Racetrack)	150 000	0	150 000	100%
	Number of technical reports on property developed	750 000	0	750 000	100%

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
	(BCMM & BCMDA office space needs)				
A robust property market	Number of spaces revitalized [rural and urban]	1 040 000	681 928	358 072	34%
	Number of beach sites Renovated (Winterstrand)	1 000 000	0	1 000 000	100%
	Number of beach sites Renovated (Esplanade)	10 717 335	0	10 717 335	100%
	Number of property development projects Completed	1 200 000	0	1 200 000	100%
	Operationalisation and Marketing of Court Crescent Recreational Park				
	Number of property development projects Completed	1 200 000	0	1 200 000	100%
	Operationalisation and Marketing of Water-world Recreational Park				

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
	Upgrading environmental cleaning services at Marina Glen B) – (Virement effected) and	650 000	288 200	361 800	56%
	Number of private property investments that get all the necessary approvals from both local and provincial government.	1 000 000	0	1 000 000	100%
	Number of private property investments that get all the necessary approvals from both local and provincial government. East London Race Track	1 300 000	0	1 300 000	100%
Delivered programs	Socio-Economic development programs	33 136 668	4 913 936	28 222 732	85%
	Number of projects with direct impact and improvement to marginalised groups (direct impact e.g. jobs creation, improvement in poverty levels, number of people positively impacted by				

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
	interventions)				
	Number of Community Development projects supported by CSI	104 000	150 000	-46 000	-44%
	Number of Community Development projects supported by CSI	113 096	24 651	88 445	78%
	Number of areas where safety and security interventions implemented as part of BIDS	3 244 800	1 403 018	1 841 782	57%
	Number of Rural Development Programmes supported	600 000	0	600 000	100%
	Number of SMME strategies developed and implemented	600 000	0	600 000	100%
	Project 2 (Integrated Waste Management, Beautification programme ) - (PEP Public Employment Program) short term project 6 months	4 000 000	4 945 279	-945 279	-24%
	Township Economic Revitalisation in Duncan Village	300 000	130 523	300 000	56%
A well governed and sustainable agency	Improved Audit Outcome	997 360	759 076	238 284	24%
	Level of wellness of the	400 000	29 115	370 885	93%

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
	employees				
	Skills Development and Highly Skilled Staff	300 000	57 136	242 864	81%
	Level of global connectedness [Number of systems/solutions deployed]	400 000	0	400 000	100%
	Governance maturity level	2 497 473	1 236 059	1 261 414	51%
	Amount of contribution to Smart City programme [Number of smart city initiatives implemented]	300 000	0	300 000	100%
	Number of annual performance reports developed	30 000	0	30 000	100%
	Number of communication strategies developed	800 000	519 158	280 842	35%