

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY

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QUALITY CERTIFICATE

I, A Gqoboka, Chief Executive Officer of Buffalo City Metropolitan Development Agency, hereby certify that:

-Mid-year assessment report

for the period ended 31 December 2023 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: Mr. A Gqoboka

Chief Executive Officer of Buffalo City Metropolitan Development Agency.

Signature

A handwritten signature in black ink, appearing to be "A Gqoboka", is written over a horizontal line. The signature is enclosed within a circular stamp or seal.

Date

17 JANUARY 2023



Ref: BCMDA-SUB-007-24
Enquires: B Lubelwana
Tel: 043 492 2088

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

1. PURPOSE

To report to the City on the financial performance and position of the Agency for the period 01 July 2023 to 31 December 2023.

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	53 182 078	26 591 039	23 122 643	3 468 396	13%
BCMM Grant – Capital Projects- Esplanade	5 000 000	2 500 000	0	2 500 000	100%
BCMM Grant – Capital Projects – Water-world & Court Crescent	0	0	0	-4 396 579	-100%
Neighbourhood Development Grant	0	0	59 306	-59 306	100%
Public Employment Programme	9 404 139	4 702 070	10 388 735	-5 686 666	-121%
LGSETA Grant	56 304	28 152	32 373	-4 221	-15%
Project Management Fees	400 000	200 000	351 726	-151 726	-76%
Interest Received	1 027 113	513 557	915 715	-402 159	-78%
Other income	0	0	300	-300	100%
Total Revenue	69 069 634	34 534 817	39 267 378	-4 732 561	-14%

- a) To date the Agency has achieved a 13% variance on BCMM Operational Grant. The actual amount invoiced for the operational grant during the period under review amounted to R 26 591 039 due to an agreement reached of invoicing two tranches in a financial year. The 1st tranche allocations of the BCMM operational grant is reduced by the output VAT of R 3 468 396 as the municipal entity is a registered VAT vendor, as a result the only amount recognised as revenue is net of VAT.
- b) BCMM Grant Capital Projects variance (Water-world & Court Crescent) is as a result of expenses paid for the Court Crescent consulting and construction work done and its related claim to the City. The confirmation of a roll over approval for the Court Crescent project was only received in the first quarter, subsequent to the approval of the Budget.
- c) BCMM Grant Capital Projects variance (Esplanade) is as a result of processing any revenue claims as there was no expenditure incurred as yet.
- d) NDP Waste Management Grant has a 100% variance as the project was not budgeted for due non consideration of the project extension by National Treasury at the time of original budget approval. An amount of R59 306 was recognised as revenue for the period under review as a result of an accrual from the 2022/2023 financial year.
- NDP Waste Management Grant has since been approved by National Treasury during the first quarter, subsequent to the approval of the final budget.

- e) LGSETA Grant is received based on trainings attended and paid for and there is a need to roll out skills development initiatives in line with the workplace skills plan and performance agreements and/or workplans.
- f) Interest received variance is -78% of the budgeted amount. This is because of the interest earned on the money market account where more funds were received than anticipated which resulted in an increased interest income.
- g) The Agency fees (Project management fees) are less than anticipated due to contractors and consultants' fees based on the work done.
- h) Other income comprises of tender documents fees, resulting in a small over recovery.

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
Operational Expenditure	67 961 491	33 980 746	37 372 105	-3 391 360	-10%
Board Remuneration	2 446 000	1 223 000	1 057 643	165 357	14%
Depreciation	874 957	437 479	538 298	-100 819	-23%
Finance Charges	2 228	1 114	17	1 097	98%
Other Expenditure	17 536 043	8 768 021	8 089 838	678 183	8%
NDP Grant Expenditure	0	0	1 706 913	-1 706 913	100%
PEP Grant Expenditure	9 404 139	4 702 070	10 651 843	-5 949 774	-127%
BCMM Operational Grant Expenditure – Capital Projects	5 000 000	2 500 000	0	2 500 000	100%
BCMM Operational Grant Expenditure – Capital Projects	0	0	4 396 579	-4 396 579	-100%
Employee Related Costs	32 698 124	16 349 062	10 930 974	5 418 088	33%
Capital Expenditure	1 108 144	554 072	211 963	342 109	62%
Intangible Asset - Computer software and Application	616 333	308 167	197 463	110 704	36%
Computer Equipment	300 000	150 000	0	150 000	100%
Furniture and Office Equipment	191 810	95 905	14 500	81 405	85%
Total Expenditure	69 069 635	34 534 817	37 584 068	-3 049 251	-9%
Surplus/(Deficit)		0	1 683 309	-1 683 310	

- a) Operational expenditure has a -10% variance due to the following:

- PEP Integrated Waste Management, Greening and Beautification Programme overall expenditure for this financial year amounts to R 10.6 million, which exceeds the allocation of R9.4 million, the City has since increased the allocation through an approval of a roll over of R4.9million to R 14.3 million which will be accounted for during the adjustment budget.
 - PEP participants were increased to 500 instead of 250 participants in the first and second quarter, which contributed significantly to the increase in expenditure.
 - NDP grant also reflects a 100% variance, as the budget was approved subsequent to the approval of the final budget, in the first quarter. Management elected to proceed with expenditure to improve on service delivery and correct allocation would be made during Adjustments Budget period in January.
 - BCMM Grant Capital Projects variance (Water-world & Court Crescent) is as a result of expenses paid for the Court Crescent consulting and construction work done. Correction and Allocation will be done during the budgets Adjustments stage In January.
 - BCMM Grant Capital Projects variance (Esplanade) is as a result of not incurring expenditure as at 31 December 2023.
 - Employee related costs with a 33% variance which is due to leave provision, bonus provision which as not yet been accounted for, and vacancies which are yet to be filled.
- **Table 3: Performance Summary**

OVERALL OPERATING RESULTS		CASH MANAGEMENT	
Income	39 267 378	Cash and Bank Balance	1 255 776
Expenditure	(37 372 105)	Call investments	12 449 165
Operating Surplus	1 895 272	Cash and cash equivalents	13 704 941
Capital Expenditure	(211 963)	Account Payables	(7 604 826)
Surplus after capital expenditure	1 683 309	Unspent conditional grants	(1 309 614)
FINANCIAL		HUMAN RESOURCES	
Operating surplus for the period	1 683 309	Total Staff Compliment (excluding interns)	35
YTD Grants and subsidies	37 999 636	Staff Appointments	1

% Creditors paid within term	100%	Staff Terminations	0
Liquidity	1.2:1	Number of funded vacant posts	7
		Salary bill – Officials	(10 930 974)
		Workforce costs as a % of expenditure (incl. capex)	43%
		Workforce costs as a % of expenditure (excl. capex)	44%

3.2 Financial position

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

BUFFALO CITY METRO DEV. AGENCY - Table F4 Monthly Budget Statement - Financial Position - M06 December

Vote Description	Ref	2022/23	Current Year 2023/24			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands						
ASSETS						
Current assets						
Cash and cash equivalents		-	9 995	-	13 705	9 995
Trade and other receivables from exchange transactions		-	-	-	-	-
Receivables from non-exchange transactions		-	1 470	-	10 375	1 470
Current portion of non-current receivables		-	-	-	-	-
Inventory		-	64	-	40	64
VAT		-	181	-	539	181
Other current assets		-	-	-	-	-
Total current assets		-	11 710	-	24 659	11 710
Non current assets						
Investments		-	-	-	-	-
Investment property		-	-	-	-	-
Property, plant and equipment		-	1 025	-	921	1 025
Biological assets		-	-	-	-	-
Living and non-living resources		-	-	-	-	-
Heritage assets		-	-	-	-	-
Intangible assets		-	929	-	693	929
Trade and other receivables from exchange transactions		-	-	-	-	-
Non-current receivables from non-exchange transactions		-	-	-	-	-
Other non-current assets		-	-	-	-	-
Total non current assets		-	1 025	-	921	1 025
TOTAL ASSETS		-	12 735	-	25 580	12 735
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Financial liabilities		-	-	-	-	-
Consumer deposits		-	-	-	-	-
Trade and other payables from exchange transactions		-	1 542	-	8 914	-
Trade and other payables from non-exchange transactions		-	-	-	-	-
Provision		-	1 952	-	10 035	-
VAT		-	-	-	-	-
Other current liabilities		-	-	-	2 102	-
Total current liabilities		-	1 542	-	8 914	-
Non current liabilities						
Financial liabilities		-	-	-	-	-
Provision		-	-	-	4 871	-
Long term portion of trade payables		-	-	-	-	-
Other non-current liabilities		-	-	-	-	-
Total non current liabilities		-	-	-	4 871	-
TOTAL LIABILITIES		-	1 542	-	13 785	-
NET ASSETS	1	-	11 193	-	11 794	12 735
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		-	11 193	-	11 794	12 735
Reserves		-	-	-	-	-
Other		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	1	-	11 193	-	11 794	12 735

Assets

- a) The Agency's current assets comprise mainly of cash and cash equivalents, receivables from BCMM in relation to the capital projects and Public Employment Programme and receivable from SARS.
- b) The agency has further incurred expenditure on procurement of intangible assets and office equipment.

Liabilities

- a) The Municipal Finance Management 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 for Mvusuludzo as there is a pending court case.
- 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, retention costs for capital projects and lease liabilities.

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 City notes and accepts the first half year financial performance report for the 2023/24 financial year.

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

- Extension of the NDP project as received by National Treasury
- Roll over approval for PEP project of R4.9million
- Correction of Misallocation in the BCMM – Capital Projects Grant.
- 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 in relation to Public Employment Programme and Recreational Projects.

PREPARED BY:.....

MRS B LUBELWANA

CHIEF FINANCIAL OFFICER

DATE: 15 JANUARY 2024

APPROVED BY:.....

MR A GQOBOKA

CHIEF EXECUTIVE OFFICER

DATE: 15 JANUARY 2024

Enclosed: Annexure A1: Other General Expenditure

Working Capital

a) Below is the detail of cash position of the agency as at 31 December 2023:

BUFFALO CITY METROPOLITAN DEVELOPMENT AGENCY SOC LTD

SUMMARY CASH AND CASH EQUIVALENTS

MID-YEAR- DECEMBER 2023

2023/24 FINANCIAL YEAR

Working Capital

Description	Amount
Cash and Investments Available	13 704 940.94
Cash and cash equivalents at beginning of the month (All Accounts)	19 986 574.21
Total receipts	37 583 526.99
Interest	930 832.82
PEP Grant	8 800 096.40
BCMM 1st Tranche Budget Allocation	26 591 039.00
SARS VAT Refund	1 137 323.95
Returned salaries	9 066.84
LGSETA Mandatory Grant	32 373.31
Tender Document fees	300.00
Supplier refund	82 494.67
Payments made	43 865 160.26
Bank Charges (All Accounts)	13 094.40
Suppliers and Recruitment Costs	16 410 637.20
Board and Audit Committee Claims	1 213 468.06
Salaries,Wages,Allowances and Benefits	26 064 247.57
Staff Claims	163 696.17
Finance costs	16.86
Total cash and investments available	13 704 940.94

Cash surplus

13 704 940.94

3.3 Compliance with procurement laws, regulations and policies

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

ANNEXURE A – DETAIL OF OTHER GENERAL EXPENDITURE

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
Dynamic Tourism attraction	Number of tourism routes supported with storyline development and interpretive board development	700 000	0	700 000	100%
Inclusive and resilient economy	Number of public art features installed	700 000	0	700 000	100%
	Number of CSI projects initiated	50 000	28 500	21 500	43%
	Number of jobs created through Public Employment programme	9 404 139	10 651 843	-1 247 704	-13%
	Number of socio-economic projects implemented and under management	200 000	0	200 000	100%
Vibrant and attractive local spaces	Number of spaces revitalized [rural and urban].	500 000	0	500 000	100%
	Number of properties under design	5 000 000	0	5 000 000	100%
	Number of beach sites renovated	1 000 000	79 280	920 720	92%
	Number of property development projects completed and handed over.	1 200 000	444 380	755 620	63%
An efficient, well governed and viable agency	Improved Audit Outcome	997 360	818 109	179 251	18%
	Improved percentage implementation of recommendations from External and Internal Audit Reports	400 000	0	400 000	100%

Strategic Objective	Performance Indicator	Approved Budget 2022/23	Actual Expenditure	Variance	Variance %
An efficient, well governed and viable agency	Submission of legislated reports to the Department of Labour	200 000	0	200 000	100%
	Submission of all staff performance related documents	314 686	0	314 686	100%
	Annual training budget	250 000	69 340	180 660	72%
	Board secretariat and legal support services provided in adherence to agreed service levels	257 120	83 678	173 442	67%
	Number of communication strategies developed and approved	720 000	54 222	665 778	92%