

REPORT TO COUNCIL: 30 OCTOBER 2007
OFFICE OF THE EXECUTIVE MAYOR

STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2007/08 BUDGET FOR THE FIRST QUARTER ENDING 30 SEPTEMBER 2007

1. BACKGROUND

In terms of Section 52 (d) of the Municipal Finance Management Act No 56, 2003 Chapter 7, the Mayor must within 30 (thirty) days of the end of each quarter, submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.

Compliance

The September 2007 report was submitted to the Executive Mayor on 12 October 2007.

The current report approaches the Review in the following order:

- 2. Overview of Financial Performance**
- 3. Statement of Financial Performance**
- 4. Revenue Projected by Source**
- 5. Year-To-Date Summary of Projections of Revenue and Expenditure by Function**
- 6. Capital Expenditure**
- 7. Statement of Financial Position**
- 8. Financial Ratios and benchmarks**
- 9. Conclusion**

Annexure

- A Cash Flow statement**
- B Schedule of Investments**
- C Schedule of Borrowings**
- D List of Operating Projects**
- E List of Capital Projects**

2. OVERVIEW OF FINANCIAL PERFORMANCE

The period being assessed is for the Financial Period Ending 30 September 2007.

Table 1: Performance Summary

| | | | |
|--|---------------|--|---------------|
| <u>Financial</u> | | <u>Cash Management</u> | |
| Operating surplus for the period | R 79,383,449 | Cash Flow | R 396,134,011 |
| Debtors collection ratio % | 81.22% | Total value of investments | R 684,878,590 |
| YTD all grants and subsidies | R 334,969,382 | Total ceded investments | R 10,222,218 |
| Creditors days | 30.00 | Total investments - own funds | R 339,686,990 |
| Current ratio | 2.3 | Total conditional grants | R 334,969,382 |
| | | Loan repayments as a % of opex | 0.06% |
| | | Average interest rate on loans | 11.83% |
| <u>Revenue per Service</u> | | <u>Expenditure per Service</u> | |
| Water | R 83,102,657 | Water | R 76,164,760 |
| Electricity | R 173,038,330 | Electricity | R 156,649,740 |
| Rates | R 137,904,108 | Refuse | R 40,492,982 |
| Refuse | R 43,432,886 | Sewerage | R 36,271,778 |
| Sewerage | R 52,649,826 | Rates | R 10,762,583 |
| <u>Overall Operating results</u> | | <u>Surplus per Service</u> | |
| Income | R 491,839,613 | Water | R6,937,897 |
| Expenditure | R 412,456,164 | Electricity | R16,388,590 |
| Surplus | R 79,383,449 | Refuse | R2,939,904 |
| | | Sewerage | R16,378,048 |
| | | Rates | R127,141,525 |
| <u>Debtors</u> | | <u>Operating Expenditure</u> | |
| Total debtors book | R 344,334,608 | Operating Expenditure as a total of approved adjusted budget | 38% |
| Total debt written off | R 4,706 | | |
| Year to date collection | R 300,032,820 | | |
| <u>Capital Expenditure 07/08</u> | | <u>Capital Expenditure 06/07</u> | |
| Capital Expenditure as a % of total allocated budget | 30% | Capital Expenditure as a % of total allocated budget | 17% |
| Capital Expenditure as a % of total approved adjusted budget | 6% | Capital Expenditure as a % of total approved adjusted budget | 7% |
| <u>Human Resources</u> | | <u>Human Resources</u> | |
| Staff appointments-(July 07) | 143 | Cost of temps | R 2,405,784 |
| Staff terminations(July 07) | 90 | Number of funded vacant posts | 605 |
| Total staff complement(July 07) | 4,191 | Salary bill - Councillors | R 4,295,277 |
| Total overtime paid | R 2,569,494 | Salary bill - Officials | R 133,220,568 |
| | | Workforce costs as a % of income | 27.1% |
| Number of temps | 782 | | |

Comments on the Overall Performance

- The overall operating results as at 30 September 2007 indicate an operating surplus of R79.38 million on the accrual basis.
The factors that contributed to this surplus are the under spending on operational projects amounting to R28.36 million (**refer note 10**) and repairs and maintenance amounting to R9 million (**refer note 11**).
- The debtors collection ratio for the period ending 30 September 2007 is 81.22.%
- Actual personnel costs expressed, as a percentage of actual operating income for the period is 27.09%. The total staff complement is 4191. There were 143 new appointments made and 90 terminations.
- Creditor's payment days stands at 30 days. The current ratio is 2.3.
- As at 30 September 2007 the cash flow of the City reflects a favorable balance of R396.13 million (**refer annexure A**) and own investments of R339.69 million (**refer annexure B**).
- Total debtors outstanding as at 30 September 2007 amounts to R344.33 million. Debt written off during the period amounted to R4.706 million. This is debt older than 3 years that is irrecoverable.
- The total amount borrowed by Council as at 30 September 2007 amounts to R494.63 million (**refer annexure C**).

3. **STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 30 SEPTEMBER 2007.**

The Statement of Financial Performance is presented on the **accrual basis**, which identifies budgeted expenditure to actual expenditure and the corresponding surplus for the period.

Table 2: Statement of Financial Performance for the period ending 30 September 2007

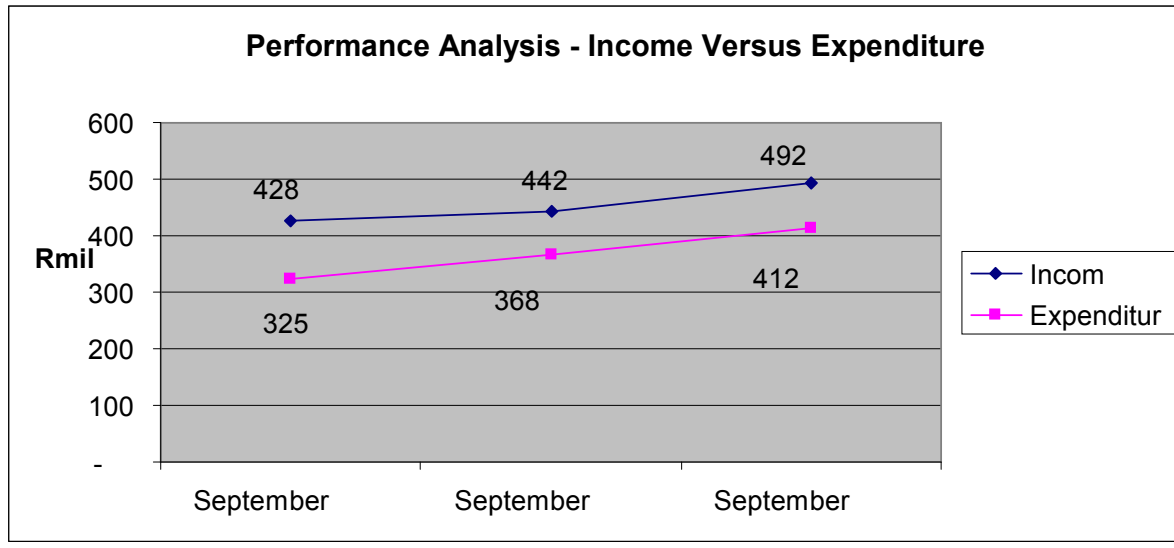
| | Note | 2007/2008 Annual Budget | 2007/2008 YTD Budget | 2007/2008 YTD Accrual Inc/Exp | YTD Variance % |
|--|------|-------------------------------|----------------------------|-------------------------------------|----------------------|
| <u>Income</u> | | <u>R</u> | <u>R</u> | <u>R</u> | <u>%</u> |
| Government Grants | 1 | 280,588,464 | 70,147,116 | 88,010,274 | 25.47 |
| Assessment Rates | 2 | 320,829,172 | 115,635,021 | 114,605,869 | (0.89) |
| Electricity | 3 | 450,515,881 | 115,246,500 | 118,090,412 | 2.47 |
| Water | 4 | 153,188,787 | 39,491,034 | 40,269,018 | 1.97 |
| Refuse | 5 | 102,235,457 | 25,595,699 | 27,558,075 | 7.67 |
| Sewerage | 6 | 114,466,194 | 35,644,734 | 36,902,993 | 3.53 |
| Operating Projects | | 182,940,512 | 45,735,128 | 17,377,285 | (62.00) |
| Other Income | 7 | 189,426,664 | 47,356,666 | 49,025,687 | 3.52 |
| <u>Direct Operating Income</u> | | 1,794,191,131 | 494,851,898 | 491,839,613 | (0.61) |
| <u>Total Operating Income</u> | | 1,794,191,131 | 494,851,898 | 491,839,613 | |
| <u>Expenditure</u> | - | | | | |
| Salaries, Wages & Allowances | 8 | 589,588,497 | 147,397,124 | 133,220,568 | (9.62) |
| General Expenses | 9 | 412,630,963 | 103,157,741 | 92,023,514 | (10.79) |
| Operating Projects | 10 | 182,940,512 | 45,735,128 | 17,377,285 | (62.00) |
| Electricity Bulk Purchases | | 265,578,820 | 84,488,426 | 85,647,720 | 1.37 |
| Water Bulk Purchases | | 72,358,943 | 17,287,087 | 19,960,187 | 15.46 |
| Repairs & Maintenance | 11 | 91,218,031 | 22,804,508 | 13,804,946 | (39.46) |
| Capital Charges | | 166,178,181 | 41,544,545 | 50,421,944 | 21.37 |
| <u>Direct Operating Expenditure</u> | | 1,780,493,947 | 462,414,559 | 412,456,164 | (10.80) |
| <u>Total Operating Expenditure</u> | | 1,780,493,947 | 462,414,559 | 412,456,164 | |
| <u>Operating Surplus</u> | | 13,697,184 | 32,437,339 | 79,383,449 | |

The method of estimating the Year-to-Date (YTD) Budgets is:

- Grants, rates and service charges – historical income trends
- Other Income – one quarter of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – one quarter of the Annual Budget.

Figure 1 shows operating income and expenditure pattern for the period ending 30 September 2007 and compared to the same in the previous two periods.

Figure 1 : Performance analysis for the first quarter ending 30 September 2007



The above graph depicts the expenditure pattern against the income generated for the period ending 30 September 2005 through to 30 September 2007.

Notes to the Statement of Financial Performance 30 September 2007

Note 1: Grants

Grant Income received for the period ending 30 September 2007 includes the equitable share grant allocation of R84.03 million. The subsidy allocation that was received for Health services amounted to R3.97 million.

Note 2: Assessment Rates

| Assessmnt Rates | 2006/2007 | 2006/2007 | YTD | 2007/2008 | 2007/2008 | 2007/2008 | YTD |
|----------------------|--------------------|--------------------|---------------|--------------------|--------------------|--------------------|---------------|
| | YTD | YTD | % | Annual | YTD | YTD | Variance |
| | Budget | Accrual | Variance | Budget | Budget | Accrual | Variance |
| | R | R | | R | R | R | % |
| Billing Income | 105,285,014 | 102,800,288 | (2.36) | 320,829,172 | 115,635,021 | 114,605,869 | (0.89) |
| Equitable Share | 9,107,924 | 9,109,892 | 0.02 | 26,667,606 | 8,889,202 | 8,889,202 | 0.00 |
| Other Income | 35,181,781 | 33,970,876 | (3.44) | 58,757,311 | 14,689,328 | 14,409,037 | (1.91) |
| Total Revenue | 149,574,719 | 145,881,056 | (2.47) | 406,254,089 | 139,213,551 | 137,904,108 | (0.94) |

The year-to-date assessment rates accrual reflects a negative variance of 0.89% (R1.03 million) when compared to the year-to-date budget.

Note 3: Electricity

| Electricity Service | 2006/2007 | 2006/2007 | YTD | 2007/2008 | 2007/2008 | 2007/2008 | YTD |
|----------------------------|--------------|-----------------------|------------|-----------------|--------------|-----------------------|------------|
| | YTD Budget R | YTD Accrual Inc/Exp R | % Variance | Annual Budget R | YTD Budget R | YTD Accrual Inc/Exp R | Variance % |
| Billing Income | 113,576,799 | 109,425,694 | (3.65) | 450,515,881 | 115,246,500 | 118,090,412 | 2.47 |
| Equitable Share | 5,095,227 | 5,096,328 | 0.02 | 17,354,420 | 5,784,807 | 5,784,807 | 0.00 |
| Other Income | 47,491,140 | 43,566,041 | (8.26) | 202,504,514 | 50,626,129 | 49,163,111 | (2.89) |
| Expenditure | 166,163,166 | 158,088,063 | (4.86) | 670,374,815 | 171,657,435 | 173,038,330 | 0.80 |
| | 132,289,244 | 136,383,997 | (3.10) | 617,361,061 | 154,340,265 | 156,649,740 | 1.50 |
| Surplus / (Deficit) | 33,873,922 | 21,704,066 | | 53,013,754 | 17,317,170 | 16,388,590 | |

Electricity billing reflects a positive variance of 2.47% (R2.85million) as against the year-to-date budget. The year-to-date performance reflects a surplus of R16.39 million.

Other income includes availability charges, cable connections, new connections, meter test fees, private jobbing, reconnections, sundry income & internal recoveries.

Note 4: Water

| Water Service | 2006/2007 | 2006/2007 | YTD | 2007/2008 | 2007/2008 | 2007/2008 | YTD |
|----------------------------|--------------|-----------------------|------------|-----------------|--------------|-----------------------|------------|
| | YTD Budget R | YTD Accrual Inc/Exp R | % Variance | Annual Budget R | YTD Budget R | YTD Accrual Inc/Exp R | Variance % |
| Billing Income | 35,404,448 | 36,953,870 | 4.38 | 153,188,787 | 39,491,034 | 40,269,018 | 1.97 |
| Equitable Share | 10,068,538 | 10,070,714 | 0.02 | 29,397,071 | 9,799,024 | 9,799,024 | 0.00 |
| Other Income | 20,503,640 | 14,709,230 | (28.26) | 138,919,352 | 34,729,838 | 33,034,615 | (4.88) |
| Expenditure | 65,976,626 | 61,733,814 | (6.43) | 321,505,210 | 84,019,896 | 83,102,657 | (1.09) |
| | 59,086,813 | 46,274,550 | 21.68 | 329,817,277 | 82,454,319 | 76,164,760 | (7.63) |
| Surplus / (Deficit) | 6,889,813 | 15,459,264 | | (8,312,067) | 1,565,576 | 6,937,896 | |

The Water billing Income indicates that there is a positive variance of 1.97% (R0.78 million). The year-to-date performance reflects a surplus of R6.94 million.

Other income includes availability charges, new water connections, meter test fees, PSW accounts profit, reconnection fees and sundry income.

Note 5: Refuse

| Refuse Service | 2006/2007 | 2006/2007 | YTD | 2007/2008 | 2007/2008 | 2007/2008 | YTD |
|----------------------------|--------------------|--------------------------------|---------------|-----------------------|--------------------|--------------------------------|---------------|
| | YTD Budget R | YTD Accrual Inc/Exp R | % Variance | Annual Budget R | YTD Budget R | YTD Accrual Inc/Exp R | Variance % |
| Billing Income | 24,130,989 | 24,325,972 | 0.81 | 102,235,457 | 25,595,699 | 27,558,075 | 7.67 |
| Equitable Share | 11,083,542 | 11,085,936 | 0.02 | 38,318,520 | 12,772,840 | 12,772,840 | 0.00 |
| Other Income | 5,277,306 | 37,958,890 | 619.29 | 13,146,323 | 3,286,581 | 3,101,971 | (5.62) |
| | 40,491,837 | 73,370,798 | 81.20 | 153,700,300 | 41,655,120 | 43,432,886 | 4.27 |
| Expenditure | 38,855,038 | 39,224,836 | 0.95 | 170,966,880 | 42,741,720 | 40,492,982 | (5.26) |
| Surplus / (Deficit) | 1,636,799 | 34,145,962 | | (17,266,580) | (1,086,600) | 2,939,904 | |

Refuse billing indicates a positive variance of 7.67% (R1.96 million).The year-to-date performance reflects a surplus of R2.94 million.

Note 6: Sewerage

| Sewerage Service | 2006/2007 | 2006/2007 | YTD | 2007/2008 | 2007/2008 | 2007/2008 | YTD |
|----------------------------|--------------------|--------------------------------|---------------|-----------------------|--------------------|--------------------------------|---------------|
| | YTD Budget R | YTD Accrual Inc/Exp R | % Variance | Annual Budget R | YTD Budget R | YTD Accrual Inc/Exp R | Variance % |
| | | | | | 3 | | |
| Billing Income | 37,063,999 | 35,555,494 | (4.07) | 114,466,194 | 35,644,734 | 36,902,993 | 3.53 |
| Equitable Share | 11,365,300 | 11,367,756 | 0.02 | 31,139,720 | 10,379,907 | 10,379,907 | 0.00 |
| Other Income | 13,144,766 | 11,147,627 | (15.19) | 28,450,821 | 7,112,705 | 5,366,926 | (24.54) |
| | 61,574,065 | 58,070,877 | (5.69) | 174,056,735 | 53,137,346 | 52,649,826 | (0.92) |
| Expenditure | 33,167,612 | 27,680,219 | (16.54) | 152,645,846 | 38,161,462 | 36,271,778 | (4.95) |
| Surplus / (Deficit) | 28,406,453 | 30,390,658 | | 21,410,889 | 14,975,884 | 16,378,047 | |

The Sewerage billing income indicates a positive variance of 3.53% (R1.3 million).

The year-to-date performance reflects a surplus of R16.38 million

Other income includes sundry income, new connections, availability charges, and septic tank drainage, trade effluent and internal recoveries.

Note 7: Other Income

Other income for this period indicates a positive variance 3.52% (R1.66 million).

Note 8: Salaries, Wages and Allowances

The salaries, wages and allowance expenditure is within the year-to-date budget.

Staff Salaries and Benefits

| <u>Staff Salaries and Benefits</u> | 2007/2008 Annual Budget R | 2007/2008 YTD Budget R | 2007/2008 YTD Expenditure R | 2007/2008 Variance R | 2007/2008 Variance % |
|---|--|---|--|-------------------------------------|-------------------------------------|
| Staff Salaries and Benefits | 487,173,278 | 121,793,320 | 110,553,061 | 11,240,259 | 9.23 |
| Company Contributions | 102,415,219 | 25,603,805 | 22,667,507 | 2,936,297 | 11.47 |
| Total | 589,588,497 | 147,397,124 | 133,220,568 | 14,176,556 | 9.62 |

Councillors' Allowances and Benefits

| Councillors Allowances And Benefits | 2007/2008 Annual Budget R | 2007/2008 YTD Budget R | 2007/2008 YTD Expenditure R | 2007/2008 Variance R | 2007/2008 Variance % |
|--|--|---|--|-------------------------------------|-------------------------------------|
| Total | 18,154,471 | 4,538,618 | 4,295,277 | 243,341 | 5.36 |

Analysis of Overtime

| Overtime | 2007/2008 Annual Budget R | 2007/2008 YTD Budget R | 2007/2008 YTD Expenditure R | 2007/2008 Variance R | 2007/2008 Variance % |
|---|--|---|--|-------------------------------------|-------------------------------------|
| Directorate of Executive Support | 103,430 | 65,858 | 60,248 | 5,609 | 8.52 |
| Directorate of The Municipal Manager | 14,178 | 5,545 | 5,051 | 494 | 8.91 |
| Directorate of Finance | 602,824 | 150,706 | 105,634 | 45,073 | 29.91 |
| Directorate of Corporate Services | 301,386 | 75,347 | 45,268 | 30,079 | 39.92 |
| Directorate of Engineering Services | 5,398,356 | 1,349,589 | 1,344,476 | 5,113 | 0.38 |
| Directorate of Development Planning | 503,210 | 125,803 | 71,795 | 54,008 | 42.93 |
| Directorate of Community Services | 4,188,450 | 1,058,113 | 1,057,151 | 961 | 0.09 |
| Dir of Pub Safety, Health & Disaster Mangnt | 10,402,520 | 2,600,630 | 2,257,680 | 342,950 | 13.19 |
| Total | 21,514,354 | 5,431,589 | 4,947,302 | 484,287 | 8.92 |

Note 9: General Expenses

| General Expenses | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 |
|---|---------------------|--------------------|--------------------|-------------------|---------------------|
| | Annual Budget R | YTD Budget R | YTD Inc\Exp R | Variance R | % of the YTD budget |
| Directorate of Mayoral Support | 34,041,209 | 9,810,302 | 9,091,607 | 718,695 | 92.67 |
| Directorate of The Municipal Manager | 10,843,960 | 2,710,990 | 855,141 | 1,855,849 | 31.54 |
| Directorate of Finance | 69,340,611 | 17,335,153 | 13,687,338 | 3,647,815 | 78.96 |
| Directorate of Corporate Services | 20,810,213 | 5,202,553 | 3,568,825 | 1,633,728 | 68.60 |
| Directorate of Engineering Services | 131,070,036 | 33,067,509 | 32,939,569 | 127,940 | 99.61 |
| Directorate of Development Planning | 23,496,656 | 5,874,164 | 4,855,171 | 1,018,993 | 82.65 |
| Directorate of Community Services | 94,395,161 | 23,598,790 | 21,708,535 | 1,890,255 | 91.99 |
| Dir of Pub Safety, Health & Disaster Mangnt | 28,633,117 | 7,158,279 | 5,317,327 | 1,840,952 | 74.28 |
| TOTAL | 412,630,963 | 104,757,741 | 92,023,514 | 12,734,227 | 87.84 |
| <u>Less non-cash item</u> | | | | | |
| Provision for Bad Debts | (32,102,569) | (8,025,642) | (8,025,642) | 0 | 0.00 |
| TOTAL | 380,528,394 | 96,732,099 | 83,997,872 | 12,734,227 | 86.84 |

General expenses in total reflect an under expenditure of R 12.73 million.

Note 10: Operational Projects

| PROJECTS | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 | 2007/2008 |
|---|--------------------|-------------------|-------------------|-------------------|---------------------|
| | Annual Budget R | YTD Budget R | YTD Exp R | Variance R | % of the YTD budget |
| Directorate of Executive Support | 36,534,861 | 9,133,715 | 75,791 | 9,057,925 | 0.83 |
| Directorate of The Municipal Manager | 9,583,433 | 2,395,858 | 502,307 | 1,893,551 | 20.97 |
| Directorate of Finance | 10,451,993 | 2,612,998 | 609,882 | 2,003,116 | 23.34 |
| Directorate of Corporate Services | 6,060,532 | 1,515,133 | 815,073 | 700,060 | 53.80 |
| Directorate of Engineering Services | 14,343,323 | 3,585,831 | 1,121,424 | 2,464,406 | 31.27 |
| Directorate of Development Planning | 21,327,619 | 5,331,905 | 1,917,903 | 3,414,002 | 35.97 |
| Housing Projects | 81,187,866 | 20,296,967 | 12,306,314 | 7,990,653 | 60.63 |
| Directorate of Community Services | 1,215,001 | 303,750 | 0 | 303,750 | 0.00 |
| Dir of Pub Safety, Health & Disaster Mangnt | 2,235,884 | 558,971 | 28,591 | 530,380 | 5.11 |
| TOTAL | 182,940,512 | 45,735,128 | 17,377,285 | 28,357,843 | 38.00 |

The operational projects budget amounts to R182.94 million, to date an amount of R17.38 million has been spent. The amount represents 38% of the year-to-date budget. The comments for the under expenditure are reflected in the attached annexure (refer annexure D).

Note 11: Repairs and Maintenance

| Repairs & Maintenance | 2007/2008 Annual Budget R | 2007/2008 YTD Budget R | 2007/2008 YTD Expenditure R | 2007/2008 Variance R | 2007/2008 % of the YTD Budget |
|--|--|---|--|-------------------------------------|--|
| Directorate of Executive Support | 79,560 | 19,890 | 0 | 19,890 | 0.00 |
| Directorate of The Municipal Manager | 35,185 | 8,796 | 0 | 8,796 | 0.01 |
| Directorate of Finance | 1,002,375 | 250,594 | 81,863 | 168,731 | 32.67 |
| Directorate of Corporate Services | 3,288,251 | 1,222,063 | 1,123,438 | 98,625 | 91.93 |
| Directorate of Engineering Services | 68,812,431 | 16,803,108 | 10,601,747 | 6,201,361 | 63.09 |
| Directorate of Development Planning | 7,977,868 | 1,994,467 | 760,497 | 1,233,970 | 38.13 |
| Directorate of Community Services | 7,126,142 | 1,781,536 | 1,117,882 | 663,654 | 62.75 |
| Dir of Pub Safety, Health & Disaster Mangnt | 2,896,219 | 724,055 | 119,520 | 604,535 | 16.51 |
| TOTAL | 91,218,031 | 22,804,508 | 13,804,946 | 8,999,561 | 60.54 |

Comments from Directorates on over/under expenditure on Repairs and Maintenance

(a) Directorate of Finance

Road Maintenance

The department is in the process of obtaining quotations to fix access roads to the satellite offices in Mdantsane.

Fire Extinguishers

The maintenance of the fire extinguishers will take place in June 2008.

Minor Improvements & Alterations

Awaiting for authorisation to the improvements of the satellite offices.

Furniture; Tools & Equipment

In the process of obtaining quotations for repairs and purchase of tools

Pre-Paid Meters

Prepaid Meter boxes were installed during the month of August 2007.

Pre-Paid Meters Vending System

Maintenance work has being carried out on the Contour Prepayment System.

(b) Directorate of Corporate Services

Office Machines & Equipment:

It is anticipated that the current trend of expenditure will not result in over expenditure of the budget at the end of the financial year.

(c) **Directorate of Development Planning**

Building; Electrical equipment; Plant Equipment

The expenditure compares favourably with the year to date budget. There are maintenance projects that are on schedule.

Bus Refurbishment; Lift Maintenance and Traffic Signs etc.

The under expenditure is due to the low level of breakages and repairs.

(d) **Directorate of Engineering Services**

Electrical Operations

Consumer Services

Installations, Services and Meter Testing – Orders have been placed as required for repair to meters, kiosks, ground maintenance, cable testing, load control, etc. Rate of expenditure will escalate in the months to come.

Electrical Equipment

Expenditure is unpredictable as to the electrical equipment being damaged.

Electrical Repairs

Temporary supply, banners, moving of electrical equipment on request of consumer, etc are driven by consumer demand

Equipment & Small Plant

Orders have been placed and budgets are committed.

Network

Storm Damage

Expenditure unpredictable due to emergency repair work being carried out.

Overhead Mains ;Street Lighting ;Substations; Underground Mains

Orders committed for Maintenance of Overhead Mains, Street Lighting, Substations and Underground Mains. This is a continuous process.

Wastewater

Buildings

Building maintenance section is currently completing projects. All funds are expected to be utilised.

Deferred Maintenance

Projects are undertaken by annual contractors. Components for the various pump stations are on order.

Clear Sewer Tracks

The clearing of sewer tracks is ongoing and expenditure compares favourably to the pro-rated budget.

Electrical Repairs

Expenditure is determined by operational requirements. i.e. emergency repairs to pumps and electrical panels. Current expenditure is ahead of pro-rated budget.

Major Equipment

Expenditure is determined by operational requirements. Awaiting quotations to repair CCTV camera.

Manhole Replacement

Awaiting invoices to process payments.

Sewer Network

Projects are undertaken by annual contractors. Repairs of sewers have been undertaken in Mdantsane, Breidbach and King Williams Town with the expenditure ahead of the pro-rated budget.

Sludge Dams

A contractor has been appointed and expenditure ahead of pro-rated budget.

Telemetry Maintenance

Projects are underway with repairs to out stations on an ongoing basis.

Treatment Works

Projects are ongoing and expenditure are incurred in order to meet operational requirements.

Waterworks**Mains and Leadings**

The over expenditure is due to ongoing maintenance of the water infrastructure. Should expenditure continue at the present rate this vote will be over spent by R7 million.

Water Network

The current level of expenditure exceeds the year to date budget. It is anticipated that this budget has to be increased to R5 million in order to service the Water Management Information System and the Telemetry Network.

Water Meters

The expenditure is depending on the number of new buildings being erected. Should the current expenditure trend continue this vote will be over spent by R1,2 million.

Road Maintenance: General

Repairs undertaken to access roads to dams and pump stations as and when required.

Electrical Equipment

Routine maintenance and repairs to plant are on going .

Sludge Dams

Clearing of sludge dams to comply with National Regulations is ongoing.

New Leadings

The expenditure for new leadings to developments is demand driven.

Service Reservoir

The maintenance of reservoirs, grass cutting and grounds is on going.

Construction, Roads & Projects Department**Bridges**

This budget is used to subsidise the maintenance of the Buffalo River Bridge, a contract that is led annually by Portnet.

Deferred Maintenance

Road overlays will be done to address the backlog in road maintenance.

Footpaths Improved

Work will commence soon.

Gutterbridges and Stormwater Connections

The Roads Branch has no control as to when gutterbridges are required, or when stormwater connections are to be made.

Roads Maintenance – General and Rural

Work has commenced and will accelerate through the year.

Sidings

Work has commenced on a contract.

Stormwater Control

Work has commenced on the maintenance of the City's stormwater systems, with increased work planned for the coming weeks

Street Name Signs

Missing street names signs are currently being identified.

(e) Directorate of Community services**Environmental Services****Buildings/Extinguishers/Fences/Notice Boards and Seats/
Radio equipment/Playground Equipment/Road Maintenance/Mains and
Leading/Plant repairs/Tools and Equipment/Cemeteries:**

The expenditure is due to repairs being done during the year when the need arises. Expenditure is unpredictable. Some movements will only reflect later when jobs are completed.

Buildings Depot

Over-expenditure as occurred due to upgrade of Inland Depot.

Buildings

Over expenditure is due to the repairs to the cremators at the Cambridge Cemetery

Arts & Cultural Services

Buildings; Electrical Equipment; Equipment; Furniture

The over expenditure is due to critical purchases being carried out for the work to be done.

Grounds; Tools; Extinguishers and Equipment

The under expenditure is due to the funds being utilised later in the financial year.

Amenities

Minor Improvements & Alterations

The over expenditure is as a result of the winter maintenance programme at Joan Harrison Swimming Pool in preparation of Summer Aquatic Season that has started 1 August 2007.

(f) Directorate of Public Safety , Health and Disaster Management

Health Services

Buildings

The under expenditure is due to repairs and maintenance carried out as and when required. Invoices for repairs carried out have not been processed.

Environmental Pollution Control

Expenditure incurs as and when necessary. Monitoring Stations are still new.

Extinguishers

The under expenditure is due to Extinguishers which are being serviced annually, this is done in the second half of the financial year.

Public Safety

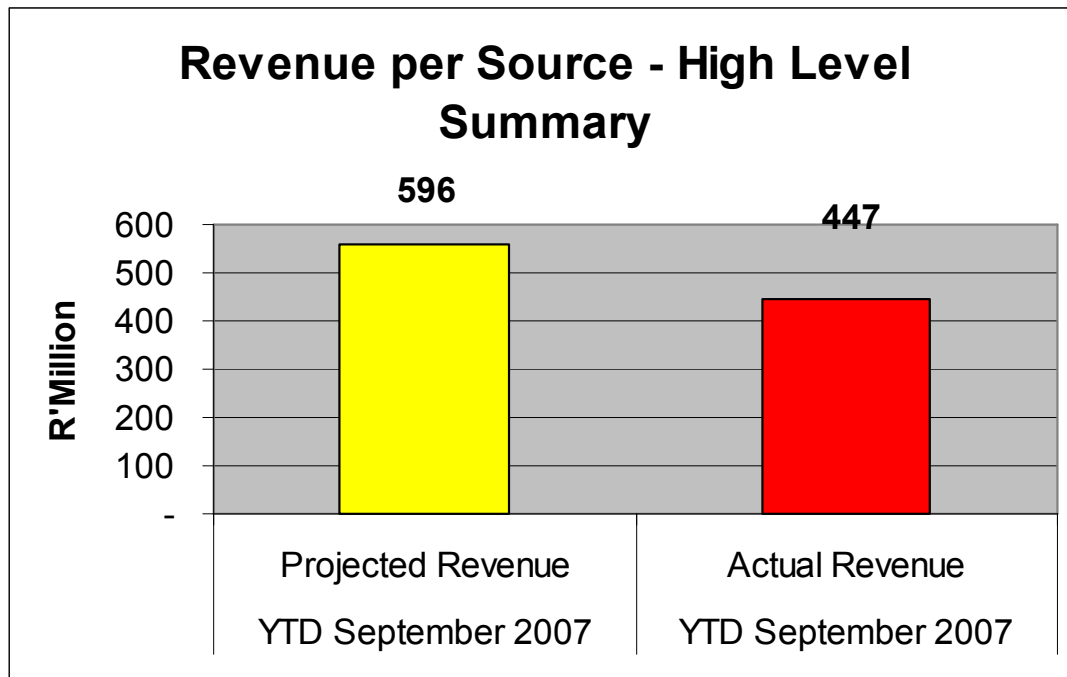
The under expenditure on these votes depends entirely on the functionality of the equipment and it is not possible to pro-rata the actual expenditure to align it with the year to date budget. Expenditure can thus only occur when there is a failure or breakdown of equipment.

4. REVENUE PROJECTED BY SOURCE

Table 3 : Revenue Projected by Source for the period ending 30 September 2007

| Source | YTD September 2007 Projected Revenue R'million | YTD September 2007 Actual Revenue R'million |
|----------------------|---|--|
| Assessment rates | 117 | 95 |
| Electricity | 117 | 104 |
| Sanitation | 36 | 27 |
| Water | 39 | 29 |
| Refuse removal | 26 | 16 |
| Grants & subsidies | 122 | 88 |
| Fines | 2 | 2 |
| Capital grants | 52 | 11 |
| Other | 46 | 75 |
| Total Revenue | 557 | 447 |

Figure 2 : Revenue per Source



5. SUMMARY OF PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION FOR THE PERIOD ENDING 30 SEPTEMBER 2007

Table 4 : Projections of Revenue and Expenditure per Function-30 September 2007

| Vote / Function | YTD 'Sept - 07 Projected | | | YTD'Sept - 07 Actuals | | | Oct '07 - June '08 | | |
|---|--------------------------|----------------|----------------|-----------------------|---------------|----------------|--------------------|----------------|------------------|
| | Opex R'000 | Capex R'000 | Rev R'000 | Opex R'000 | Capex R'000 | Rev R'000 | Opex R'000 | Capex R'000 | Rev R'000 |
| Executive Mayor | | | | | | | | | |
| Vote : Executive & Council | 6,549 | 2,262 | | 8,215 | | | 19,647 | 6,588 | |
| Vote : Finance & Admin - IT | 247 | 12 | | 168 | | | 741 | 38 | |
| Vote : Finance & Admin - Other | 12,951 | | 9,132 | 3,495 | 1,254 | 51 | 38,854 | | 22,810 |
| Vote : Planning & Development | 1,510 | 1,156 | 566 | 1,120 | | 22 | 4,529 | 3,468 | 1,413 |
| TOTAL | 21,257 | 3,431 | 9,697 | 12,998 | 1,254 | 73 | 63,771 | 10,093 | 24,223 |
| Municipal Manager | | | | | | | | | |
| Vote : Finance & Admin - Internal Audit | 824 | | 18 | 575 | | | 2,472 | | 44 |
| Vote : Finance & Admin (Other) | 3,651 | | 1,601 | 2,216 | | 502 | 10,953 | | 3,998 |
| Vote : Planning & Development | 1,932 | 11,720 | 2,066 | 547 | | | 5,797 | 35,160 | 5,158 |
| TOTAL | 6,407 | 11,720 | 3,684 | 3,338 | | 502 | 19,222 | 35,160 | 9,200 |
| Chief Operations Officer | | | | | | | | | |
| Vote : Finance & Admin (Other) | 201 | | | | | | 603 | | |
| TOTAL | 201 | | | | | | 603 | | |
| Financial Services | | | | | | | | | |
| Vote : Finance & Admin (finance) | 23,532 | 14,986 | 141,244 | 28,585 | 80 | 183,202 | 70,595 | 45,008 | 352,468 |
| TOTAL | 23,532 | 14,986 | 141,244 | 28,585 | 80 | 183,202 | 70,595 | 45,008 | 352,468 |
| Corporate Services | | | | | | | | | |
| Vote : Finance & Admin (HR) | 8,088 | 206 | 2,434 | 4,737 | | 57 | 24,265 | | 6,079 |
| Vote : Finance & Admin (IT) | 4,175 | 490 | 417 | 4,555 | | 258 | 12,524 | 1,266 | 1,041 |
| Vote : Finance & Admin (Other) | 5,691 | 175 | 95 | 4,361 | | 308 | 17,074 | 525 | 238 |
| TOTAL | 17,954 | 871 | 2,946 | 13,653 | | 623 | 53,863 | 1,791 | 7,357 |
| Engineering Services | | | | | | | | | |
| Vote : Finance & Admin (Other) | 6,149 | | 847 | 6,268 | 3,163 | 653 | 18,446 | | 2,113 |
| Vote : Waste Water Management | 32,350 | 13,785 | 44,384 | 31,246 | 4,124 | 52,650 | 97,049 | 63,356 | 110,829 |
| Vote : Road Transport | 24,801 | 4,610 | 851 | 24,290 | 2,125 | 3,297 | 74,403 | 7,505 | 2,125 |
| Vote : Water | 42,785 | 7,729 | 55,545 | 43,070 | 2,998 | 44,282 | 132,276 | 21,778 | 138,629 |
| Vote : Electricity | 149,393 | 15,416 | 142,134 | 117,913 | 1,297 | 119,231 | 316,005 | 28,161 | 354,713 |
| TOTAL | 255,477 | 41,541 | 243,760 | 222,787 | 13,707 | 220,113 | 638,179 | 120,800 | 608,408 |
| Planning & Development | | | | | | | | | |
| Vote : Finance & Admin (Other) | 4,497 | | 221 | 3,468 | | 193 | 13,490 | | 551 |
| Vote : Planning & Development | 17,761 | 18,867 | 7,947 | 14,520 | 580 | 6,517 | 53,283 | 24,791 | 19,815 |
| Vote : Housing | 16,713 | 5,023 | 17,216 | 15,261 | 8 | 12,423 | 50,139 | 16,580 | 42,997 |
| Vote : Other (Bus & BCMET) | 3,695 | 568 | 4,252 | 1,170 | 5 | 883 | 11,086 | 1,646 | 10,619 |
| TOTAL | 42,666 | 24,459 | 29,636 | 34,419 | 593 | 20,016 | 127,998 | 43,016 | 73,982 |
| Public Safety and Health | | | | | | | | | |
| Vote : Finance & Admin (Other) | 833 | | | 716 | | | 2,498 | | |
| Vote : Health | 11,069 | 244 | 8,716 | 8,646 | 2 | 3,969 | 33,208 | 2,456 | 21,730 |
| Vote : Public Safety | 25,372 | 8,986 | 18,181 | 25,919 | 836 | 19,818 | 76,116 | 10,851 | 45,388 |
| Vote : Other (Dog Tax) | 177 | | 134 | 66 | | | 531 | | 335 |
| TOTAL | 37,451 | 9,230 | 27,031 | 35,347 | 838 | 23,787 | 112,353 | 13,307 | 67,453 |
| Community Services | | | | | | | | | |
| Vote : Finance & Admin (Other) | 569 | | | 546 | | 2 | 1,708 | | |
| Vote : Community Services | 13,041 | 489 | 2,756 | 12,352 | 2,213 | 1,930 | 39,122 | 1,467 | 6,883 |
| Vote : Sports & Recreation | 8,998 | 3,320 | 932 | 8,572 | 1,932 | 485 | 26,993 | 3,900 | 2,330 |
| Vote : Environmental Protection | 12,659 | 1,350 | 271 | 10,555 | | 247 | 37,978 | 619 | 677 |
| Vote : Waste Management | 31,123 | 2,600 | 40,987 | 29,304 | 1,731 | 40,860 | 93,368 | 9,600 | 102,525 |
| TOTAL | 66,390 | 7,759 | 44,946 | 61,329 | 5,876 | 43,524 | 199,169 | 15,586 | 112,415 |
| Total by Function | 471,335 | 113,997 | 502,945 | 412,456 | 22,348 | 491,840 | 1,285,752 | 284,761 | 1,255,506 |

Note: The table above indicates the comparative of the projected and the actual expenditure incurred and revenue earned for the period ending 30 September 2007.

6. CAPITAL EXPENDITURE

Total Capital Expenditure as at 30 September 2007 amounts to R22,3 million which is 27% of the Allocated Capital Budget and 30% of the expenditure including commitments for the 2007/08 Financial year. **The total Capital Expenditure to date is 6% of the Adjusted Budget.**

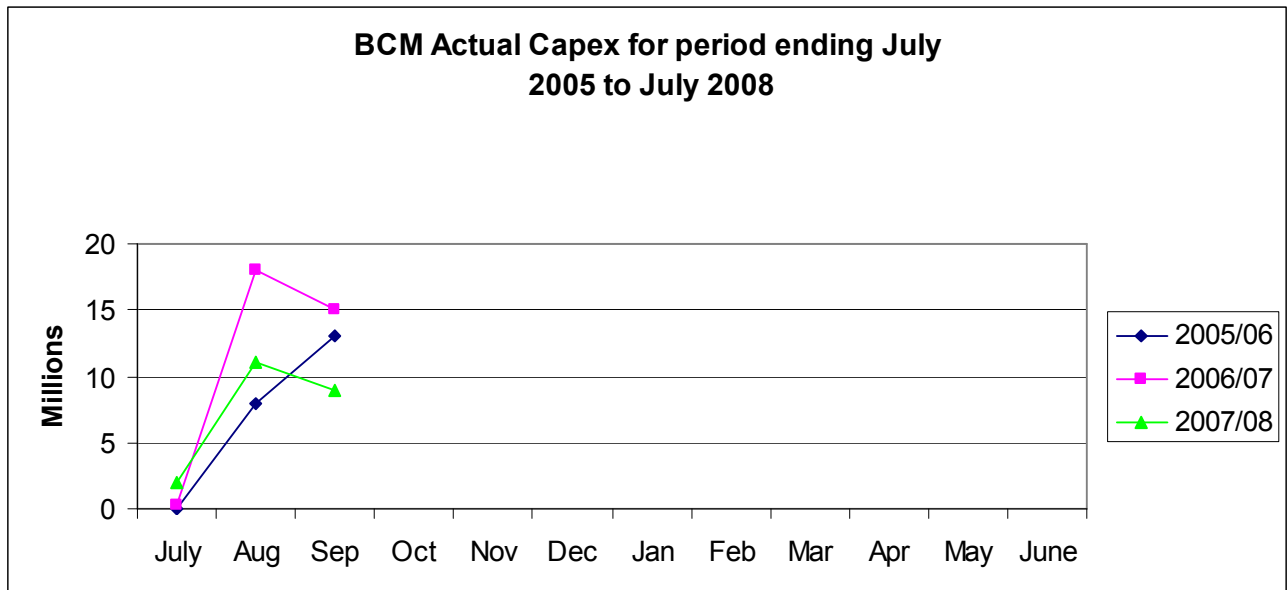
The year to date expenditure per funding source is reflected in table 5 below.

Table 5 : Capital Expenditure per Funding Source

| Funding Source | 2007/2008 1st Adjusted Budget | 2007/2008 Allocated Budget | 2007/2008 YTD Actual Expend. | 2007/2008 Expend incl Commitments | YTD Exp / Alloc Budgt % | YTD Exp / Exp incl Commt % |
|---|-------------------------------------|----------------------------------|------------------------------------|---|-------------------------------------|---|
| | R | R | R | R | | |
| Accumulated Surplus | 27,437,077 | 6,859,269 | 70,878 | 83,566 | 1% | 1% |
| Capital Replacement Reserve | 40,295,895 | 9,702,788 | 997,745 | 2,305,788 | 10% | 24% |
| External Financing Fund | 143,716,973 | 24,364,968 | 9,204,596 | 10,438,050 | 38% | 43% |
| Buffalo City Metropolitan Transport Board | 6,077,178 | 2,023,500 | 52,645 | 109,358 | 3% | 5% |
| Creditors | 246,104 | 30,000 | 0 | 0 | 0% | 0% |
| Development Bank of SA | 219,892 | 68,377 | 0 | 0 | 0% | 0% |
| Department of Environmental Affairs and Tourism | 500,000 | 100,000 | 0 | 0 | 0% | 0% |
| Dept of Science & Technology | 4,530,920 | 1,155,999 | 147,732 | 147,732 | 13% | 13% |
| Dept of Local Govt. & Housing | 24,518,961 | 3,693,276 | 19,070 | 19,070 | 0% | 0% |
| Disaster Management Fund | 1,837,953 | 100,000 | 0 | 0 | 0% | 0% |
| Department of Transport | 533,703 | 0 | 0 | 0 | 0% | 0% |
| Dept of Water Affairs & Forestry | 1,600,043 | 5,000 | 0 | 0 | 0% | 0% |
| Eastern Cape Development Co-Operation | 600,000 | 0 | 0 | 0 | 0% | 0% |
| Equitable Share | 158,425 | 0 | 0 | 0 | 0% | 0% |
| European Commission | 4,450,000 | 2,994,998 | 0 | 0 | 0% | 0% |
| National Electricity Provider | 22,659,841 | 4,700,000 | 1,243,286 | 1,243,286 | 26% | 26% |
| Leiden Platform | 640,000 | 0 | 0 | 0 | 0% | 0% |
| Municipal Infrastructure Grants | 131,622,350 | 18,122,862 | 9,378,199 | 9,433,088 | 52% | 52% |
| Municipal Systems Improvement Grant | 267,137 | 150,000 | 0 | 0 | 0% | 0% |
| Other | 490,100 | 0 | 0 | 0 | 0% | 0% |
| Public | 10,300,206 | 266,666 | 0 | 0 | 0% | 0% |
| Restructuring Grant | 29,167,704 | 7,116,841 | 9,520 | 56,918 | 0% | 1% |
| Swedish Internal. Develop agency | 2,057,213 | 1,292,051 | 1,223,979 | 1,253,159 | 95% | 97% |
| TOTAL | 453,927,675 | 82,746,595 | 22,347,650 | 25,090,015 | 27% | 30% |

Figure 3 below compares the Actual Capital Expenditure for the current period ending 30 September 2007 against the same period in 2005/2006 and 2006/2007 financial years.

Figure 3



The actual capital expenditure for the period ending September 2007 has decreased when compared to the same period in the previous financial years.

Table 6 identifies the actual Capital Expenditure per Directorate against budget.

Table 6: Actual Expenditure per Directorate against Budget

| Directorate | 2007/2008 1st Adjusted Budget | 2007/2008 Allocated Budget | 2007/2008 YTD Actual Expend. | 2007/2008 Expend incl Commitments | YTD Exp / Alloc Budget % | YTD Exp / Exp incl Commt % |
|---|-------------------------------------|----------------------------------|------------------------------------|---|--------------------------------------|---|
| | R | R | R | R | | |
| Directorate of Executive Support | 10,719,462 | 3,274,996 | 1,254,413 | 1,285,261 | 38% | 39% |
| Directorate of the Municipal Manager | 19,450,000 | 6,744,998 | 0 | 0 | 0% | 0% |
| Directorate of Finance | 65,623,875 | 14,985,998 | 80,398 | 140,484 | 1% | 1% |
| Directorate of Corporate Services | 3,707,657 | 870,986 | 0 | 0 | 0% | 0% |
| Directorate of Engineering | 220,126,776 | 28,180,553 | 13,706,288 | 14,637,008 | 49% | 52% |
| Directorate of Development Planning | 77,278,118 | 11,287,180 | 592,407 | 693,548 | 5% | 6% |
| Directorate of Community Services | 32,876,173 | 10,966,000 | 5,875,877 | 6,586,175 | 54% | 60% |
| Directorate of Public Safety and Health | 24,145,614 | 6,435,884 | 838,267 | 1,747,539 | 13% | 27% |
| TOTAL | 453,927,675 | 82,746,595 | 22,347,650 | 25,090,015 | 27% | 30% |

Table 7 below gives a breakdown of the spending per Service.

Table 7 : Spending per Service

| Service | 2007/2008 1st Adjusted Budget | 2007/2008 Allocated Budget | 2007/2008 YTD Actual Expend. | 2007/2008 Expend incl Commitments | YTD Exp / Alloc Budgt % | YTD Exp / Exp incl Commt % |
|---------------------|-------------------------------------|----------------------------------|------------------------------------|---|-------------------------------------|---|
| | R | R | R | R | | |
| Amenities | 13,872,511 | 5,791,152 | 3,997,099 | 4,707,307 | 69% | 81% |
| Cleansing | 13,404,866 | 3,916,663 | 1,731,136 | 1,731,136 | 44% | 44% |
| Electricity | 44,913,441 | 7,056,230 | 1,296,696 | 2,073,456 | 18% | 29% |
| Environ Services | 2,267,876 | 402,186 | 0 | 0 | 0% | 0% |
| Health | 2,700,000 | 642,746 | 2,298 | 2,298 | 0% | 0% |
| Housing | 25,261,358 | 3,756,829 | 7,623 | 7,623 | 0% | 0% |
| Roads & Storm water | 33,970,604 | 4,449,999 | 2,125,108 | 2,125,108 | 48% | 48% |
| Sewerage | 56,477,220 | 5,969,954 | 4,123,647 | 4,123,647 | 69% | 69% |
| Transport Planning | 47,047,457 | 8,850,408 | 568,275 | 665,866 | 6% | 8% |
| Water | 36,572,634 | 5,546,868 | 2,316,231 | 2,201,520 | 42% | 42% |
| Public Safety | 21,445,614 | 5,793,138 | 835,969 | 1,745,241 | 14% | 30% |
| Support Services | 84,467,597 | 21,182,980 | 2,163,958 | 2,333,727 | 10% | 11% |
| Other | 71,526,497 | 9,387,442 | 3,179,700 | 3,258,375 | 34% | 35% |
| TOTAL | 453,927,675 | 82,746,595 | 22,347,650 | 25,090,015 | 27% | 30% |

7. **STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2007**

BUFFALO CITY MUNICIPALITY

ESTIMATED STATEMENT OF FINANCIAL POSITION

| | | SEPTEMBER 2007 | AUGUST 2007 |
|--|-------------|-----------------------------|-----------------------------|
| <u>NET ASSETS AND LIABILITIES</u> | | | |
| | Note | | |
| NET ASSETS | | 1,137,390,829 | 1,115,674,581 |
| COID Fund | | 7,830,569 | 7,706,963 |
| Capital Replacement Reserve | | 37,956,124 | 37,956,124 |
| Self-Insurance Reserve | | 23,232,701 | 22,557,828 |
| Revaluation Reserve | | 189,045,543 | 189,045,543 |
| Accumulated Surplus | 1 | 879,325,892 | 858,408,123 |
| NON-CURRENT LIABILITIES | | 948,167,263 | 943,075,167 |
| Long-Term Liabilities | | 477,100,417 | 477,100,417 |
| Provisions | | 63,417,468 | 63,417,468 |
| Deferred Income - Government grants | | 407,649,378 | 402,557,282 |
| CURRENT LIABILITIES | | 431,162,052 | 443,471,601 |
| Consumer Deposits | | 23,721,838 | 23,566,639 |
| Provisions | | 1,489,480 | 1,489,480 |
| Creditors | 2 | 122,748,915 | 142,090,224 |
| Unspent Conditional Grants and Receipts | | 265,661,195 | 258,784,634 |
| Current Portion of Long-Term Liabilities | | 17,540,624 | 17,540,624 |
| Total Net Assets and Liabilities | | <u>2,516,720,144</u> | <u>2,502,221,350</u> |
| <u>ASSETS</u> | | | |
| NON-CURRENT ASSETS | | 1,480,184,539 | 1,489,754,015 |
| Property, Plant and Equipment | | 1,454,452,990 | 1,463,980,205 |
| Intangible Assets | | 6,302,573 | 6,302,573 |
| Agricultural Assets | | 974,150 | 974,150 |
| Investments | | 18,324,536 | 18,315,775 |
| Long-Term Receivables | | 130,290 | 181,312 |
| CURRENT ASSETS | | 1,036,535,605 | 1,012,467,335 |
| Inventory | | 24,609,469 | 22,000,786 |
| Consumer Debtors | 3 | 263,586,497 | 232,967,292 |
| Other Debtors | 4 | 80,748,111 | 67,300,851 |
| Current Portion of Long-Term Receivables | | 584,004 | 584,004 |
| Call Investment Deposits | | 635,505,232 | 641,479,812 |
| Vat | | 3,589,828 | 17,338,831 |
| Cash | | 250,490 | 250,490 |
| Bank | | 27,661,974 | 30,545,269 |
| Total Assets | | <u>2,516,720,144</u> | <u>2,502,221,350</u> |

NOTE TO ESTIMATED STATEMENT OF FINANCIAL POSITION

| NOTE | SEPTEMBER 2007 | AUGUST 2007 |
|---|----------------------|----------------------|
| 1 Accumulated Surplus | (879,325,892) | (858,138,123) |
| Accumulated Surplus per gs660 | (1,173,809,161) | (1,233,130,333) |
| Less: Interest paid | 18,547,078 | 27,696,364 |
| Less: Electrical Purchases September 2007 | 18,167,125 | 33,527,354 |
| Less: Water Purchases September 2007 | 7,247,828 | 5,583,334 |
| Less: Provision For Bad Debts | 8,025,642 | 5,350,428 |
| Less: Poor Relief Allocations | 6,838,108 | 6,809,829 |
| Less: Annual Apportionment of Rates, Refuse & Sewerage Fees | 284,981,362 | 356,090,873 |
| Less: Salaries not expensed in September 2007 | 2,403,301 | - |
| Add: Operating Projects Income ex Conditional Grants | (12,858,108) | (4,931,242) |
| Add: Market Income Arrears | (1,060,625) | (1,172,054) |
| Less: Vehicle Registration Commission | 3,519,222 | 3,923,807 |
| Less/Add: Grants & subsidies | 3,968,586 | (4,425,596) |
| Add: Income i.r.o.electricity & water to be accrued | (38,919,846) | (38,919,846) |
| Add: Other Income | (6,376,404) | (14,541,041) |
| 2 Creditors | (122,748,915) | (142,090,224) |
| Creditors per gs660 | (85,601,084) | (79,360,467) |
| Add: Interest paid | (18,547,078) | (27,696,364) |
| Add: Electrical Purchases September 2007 | (18,167,125) | (33,257,354) |
| Add: Water Purchases September 2007 | (7,247,828) | (5,583,334) |
| Less: Market Income Arrears | 1,060,625 | 1,172,054 |
| Add: Vehicle Registration Commission | (3,519,222) | (3,923,807) |
| Less: Grants & Subsidies | 8,889,522 | 9,356,838 |
| Add: Vat | (3,589,828) | (17,338,831) |
| Add: Salaries not expensed in September 2007 | (2,403,301) | - |
| Less: Other Income | 6,376,404 | 14,541,041 |
| 3 Consumer Debtors | 263,586,497 | 232,967,292 |
| Consumer Debtors per gs660 | 517,673,655 | 555,488,747 |
| Less: Provision For Bad Debts | (8,025,642) | (5,350,428) |
| Less: Annual Apportionment of Rates, Refuse & Sewerage Fees | (284,981,362) | (356,090,873) |
| Add: Income i.r.o.electricity & water to be accrued | 38,919,846 | 38,919,846 |
| 4 Other Debtors | 80,748,111 | 67,300,851 |
| Other Debtors per gs660 | 87,586,219 | 74,110,680 |
| Less: Poor Relief Allocations | (6,838,108) | (6,809,829) |

8. FINANCIAL RATIOS AND BENCHMARKS

The Table below gives details of commonly used financial ratios and benchmarks. The information in the table is the actual position as at June 2006, as well as for the periods ending August 2007 and September 2007.

| Financial Benchmarks | Basis of Calculation | September 2007 | August 2007 | June 2007 |
|--|---|----------------|-------------|-----------|
| <u>Borrowing Management</u> | | | | |
| Debt to Asset ratio | Total debt / Total assets | 19.7% | 20.1% | 22.5% |
| Debt to revenue | Total debt / Annual income | 32.7% | 33.4% | 30.1% |
| Interest bearing debt to revenue | Int bearing debt / Annual income | 32.7% | 33.4% | 30.1% |
| Ave interest paid on debt | Based on loan amortisation schedule | 11.9% | 11.9% | 11.9% |
| Capital charges to operating expenditure | Capital Charges / Operating expenditure | 12.0% | 10.2% | 9.3% |
| Interest as a % of operating expenditure | Interest paid / Operating expenditure | 0.0% | 0.0% | 3.4% |

The debt to asset position has improved remarkably over the past 2 years. This is seen by the asset growth and debt reduction. The interest bearing debt is still within National Treasury target (35%), but the most recent R250 million loan from DBSA is expected to increase the rate and utilize the whole capacity for taking loans. However, the new Ratings for the City, which is performed by CA- Rating for 2006/2007 financial year remains the same as 2005/2006 , which implies stable financial capacity to repay liabilities (Long and Short term debts)

| | | | | |
|---------------------------------|-------------------------------------|-------|-------|-------|
| <u>Safety of Capital</u> | | | | |
| Debt to equity | Total debt / funds and reserves | 43.5% | 44.3% | 38.5% |
| Gearing | Funds and reserves / long term debt | 2.30 | 2.26 | 2.60 |

A pleasing trend is the financial gearing status of the City. The increase on this ratio is mainly due to the new loan taken from DBSA. However , there is still debt capacity available for BCM to take up a new credit line in the future.

| | | | | |
|-------------------------|--------------------------------------|------|------|------|
| <u>Liquidity</u> | | | | |
| Current ratio | Current assets / current liabilities | 2.28 | 2.41 | 2.26 |
| Liquid ratio | Cash assets / current liabilities | 1.54 | 1.66 | 1.50 |

This is the regular test of liquidity and shows a low level in the net liquidity of the City, although the hard cash resources have elevated significantly. Hard cash resources to cover these liabilities have increased from 1.50 to 1.54, which demonstrates the drive to fully cover all short-term liabilities with cash resources, at a minimum. The current ratio position is viewed in a positive light as far as credit rating go. In terms of liquidity, CA-ratings have strong capacity to repay short term liabilities.

| Revenue management | | | | |
|---|---|-------|-------|-------|
| Debtors collection rate [payment level] | Year to date receipts / Year to date billing | 81.2% | 70.5% | 93.5% |
| Outstanding debtors to revenue | Outstanding debtors [net] / total income [annual] | 19.2% | 14.8% | 17.5% |
| Days debtors outstanding | Outstanding debtors [net] / total income [annual] x 365 | 70.0 | 54.0 | 64.0 |

The collection ratio has improved compared from June 04 (92.97%) to June 06 (93.54) , but in this financial year there is no improvement. The end of 2006/07 financial year exhibits a net collection rate of 93.54% The evidence of good credit policy and debt management can be seen. Finance is exploring avenues to increase the collections in the City.

| Efficiency | | | | |
|-------------------------------------|------------------------------------|-------|-------|-------|
| Personnel costs to operating income | Personnel costs / operating income | 27.1% | 26.6% | 32.1% |

Personnel costs as a portion of the operating income has decreased. This continues to be an area of focus of the City to achieve the targets set out by National Treasury.

| Creditors management | | | | |
|-----------------------------|----------------------------------|------|------|------|
| Creditors system efficiency | % of creditors paid within terms | 100% | 100% | 100% |

A strong financial trait of the City is its commitment and the ability to pay its creditors within terms, and in full (Top ten creditors). The constant 100% payment levels to creditors highlights this.

| Other indicators | | | | |
|---|---|-------|-------|-------|
| Electricity distribution losses - % value | [Total units purchased less total sold] / total units purchased | 12.0% | 13.0% | 13.0% |
| Water distribution losses - % value | [Total units purchased less total sold] / total units purchased | 42.5% | 41.0% | 41.0% |
| Asset maintenance rate | Repairs expenditure / total value of fixed assets | 1.0% | 0.6% | 0.5% |

The Asset maintenance rate has increased over the past few years and will continue to do so. This is due to the electricity deferred maintenance budget tripling from R4.8 million in 2006/07 to R14.5 million 2007/08 financial year

It is pleasing to note that over the past 2 years, the electricity department has focused on reducing electricity distribution losses.

The water department has installed a water management system that includes telemetry to identify where system losses occur. which is meant to decrease net losses

9. **CONCLUSION**

The operating expenditure is well within the allocated budget for the period ending 30 September 2007.

Recommendation

It is recommended that -:

- The quarterly budget and performance statement report for the period ending 30 September 2007 be adopted in terms of the Municipal Finance Management Act.

FOR CONSIDERATION

N.C. PETER
EXECUTIVE MAYOR