

**REPORT TO THE EXECUTIVE MAYOR**  
**OFFICE OF THE ACCOUNTING OFFICER**

**STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE**  
**2008/2009 BUDGET FOR THE PERIOD ENDING 30 SEPTEMBER 2008**

**1. BACKGROUND**

In terms of Section 71(1), (2) and (3) of the MFMA No 56, 2003 Chapter 8, the Accounting Officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement on the financial performance of that municipality.

**2. STATEMENT OF FINANCIAL PERFORMANCE**

The Statement of Financial Performance presented below, compares the expenditure and revenue on accrual basis against budget for the period ending 30 September 2008.

**Table 1: Statement of Financial Performance for the period ending 30 September 2008**

<b>BUFFALO CITY MUNICIPALITY</b>					
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>TOTAL COUNCIL</b>					
<b>SEPTEMBER 2008</b>					
		<b>2008/09 ANNUAL BUDGET</b>	<b>2008/09 YTD BUDGET</b>	<b>2008/09 YTD ACCRUED INC / EXP</b>	<b>2008/09 VARIANCE</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>Note</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
<b>OPERATING INCOME</b>					
Property Rates		358,523,317	119,817,825	120,524,750	0.59
Service Charges	1	985,025,885	246,577,503	263,944,828	7.04
Rental of Facilities and Equipment		9,604,292	2,401,073	1,830,991	(23.74)
Interest Earned - External Investments		18,318,834	4,579,709	14,718,178	221.38
Interest Earned - Outstanding Debtors		33,878,313	8,469,578	8,672,773	2.40
Dividends Received		49,867	12,467	0	(100.00)
Fines		8,021,879	2,005,470	1,551,375	(22.64)
Licences and Permits		11,585,596	2,896,399	2,664,795	(8.00)
Government Grants and Subsidies	2	347,932,886	86,983,222	110,995,361	27.61
Other Income	3	128,946,855	32,236,714	32,362,230	0.39
Operating Project Grants		237,610,094	59,402,524	23,320,076	(60.74)
<b>Total Operating Revenue</b>		<b>2,139,497,818</b>	<b>565,382,482</b>	<b>580,585,357</b>	<b>2.69</b>
<b>OPERATING EXPENDITURE</b>					
Employee Related Costs	4	679,114,422	169,778,606	149,583,564	(11.89)
Bad Debts		42,283,339	10,570,835	10,546,311	(0.23)
Collection Costs		10,164,294	2,541,074	1,190,000	(53.17)
Depreciation		186,058,475	46,514,619	46,514,619	0.00
Repairs and Maintenance	5	140,337,210	35,084,303	18,143,281	(48.29)
Bulk Purchases	6	402,531,451	120,395,938	145,815,220	21.11
Contracted Services		6,846,154	1,711,539	1,130,916	(33.92)
Grants and Subsidies Paid		4,857,652	1,214,413	0	(100.00)
General Expenses - Other	7	408,876,650	102,219,163	74,331,095	(27.28)
Operating Projects	8	237,610,094	59,402,524	23,320,076	(60.74)
<b>Total Operating Expenditure</b>		<b>2,118,679,741</b>	<b>549,433,010</b>	<b>470,575,081</b>	<b>(14.35)</b>
<b>Transfer to/from Leave Reserves</b>		<b>(20,361,751)</b>	<b>(5,090,438)</b>	<b>171,805</b>	
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>456,326</b>	<b>10,859,034</b>	<b>110,182,080</b>	

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

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

The Year-to-Date (YTD) percentage Variance is calculated by comparing the Year-to-Date (YTD) Accrual Income/Expenditure with the Year-to-Date (YTD) Budget.

The debtor's collection ratio for the two months ending 30 September 2008 is 80.19%.

### **Comments on Revenue and Expenditure with reference to "Table 1"**

#### **Note 1: Service Charges**

Service Charges	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Electricity Service	536,285,742	133,987,124	148,815,082	(14,827,958)	11.07
Water Service	196,809,224	44,784,286	43,657,559	1,126,727	(2.52)
Refuse Service	119,414,425	28,175,153	32,332,671	(4,157,518)	14.76
Sewerage Service	132,516,432	39,630,940	39,139,516	491,424	(1.24)
<b>TOTAL</b>	<b>985,025,823</b>	<b>246,577,503</b>	<b>263,944,829</b>	<b>(17,367,326)</b>	<b>7.04</b>

The total service charges billing income indicates a positive variance of 7.04% (R17.37 million) for the period ending 30 September 2008.

#### **Note 2: Government Grant income**

The Grant Income received as at 30 September 2008 includes the equitable share grant allocation of R 103.4 million.

#### **Note 3: Other income**

Other income which is made up of numerous miscellaneous items reflects a cash inflow of R32.27 million as against an estimated budget of R32.24 million.

#### **Note 4: Employee Related Costs**

Employee Related Costs	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Officials Remuneration	659,247,385	164,811,846	144,980,065	19,831,782	(12.03)
Councillors Remuneration	19,867,037	4,966,759	4,603,499	363,260	(7.31)
<b>TOTAL</b>	<b>679,114,422</b>	<b>169,778,606</b>	<b>149,583,564</b>	<b>20,195,041</b>	<b>(11.89)</b>

The Basic Salaries and Wages were under spent by 11.89%. This is due to vacant funded posts that are not yet filled by the various Directorates and is well within the norm.

### **Note 5: Repairs and maintenance**

Repairs and maintenance expenditure efficiency ratio for the period ending 30 September 2008 is 51.71% (R18.14 million). The repairs and maintenance indicate a decrease in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 60.54%).

### **Note 6: Bulk Purchases**

Bulk Purchases	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Electricity Bulk Purchases	310,422,464	100,677,804	119,488,155	(18,810,351)	18.68
Water Bulk Purchases	92,108,987	19,718,134	26,327,064	(6,608,930)	33.52
<b>TOTAL</b>	<b>402,531,451</b>	<b>120,395,938</b>	<b>145,815,219</b>	<b>(25,419,281)</b>	<b>21.11</b>

The bulk purchases indicate an over expenditure of 21.11% (R25.42 million) but expected to be within the budget at the end of the financial year.

### **Note 7: General expenses**

General expenditure efficiency ratio for the period ending 30 September 2008 is 72.72% (R64.95 million). The general expenses indicate a decrease in expenditure pattern when compared to the same period in the previous financial year (2007/2008: 87.84%).

### **Note 8: Operating Projects**

Operating Projects expenditure efficiency ratio for the period ending 30 September 2008 is 39.26% (R23.32 million). The current year's expenditure has increased slightly when compared to the same period in the previous financial year (2007/2008: 38%). Comments on the under expenditure will be disclosed in the detailed report to the Council.

## **3. CAPITAL EXPENDITURE**

The total capital expenditure as at 30 September 2008 amounts to R31,5 million which is 3% of the approved budget for the 2008/09 financial year. The capital expenditure indicates a decrease in expenditure pattern when compared to the same period in the previous financial year (2007/2008: 6%). (Refer to annexure 3)

**Table 2: Capital Expenditure for the period ending 30 September 2008/09, 2007/08 and 2006/7**

Financial Year	Approved Budget	YTD Actual Exp	YTD Exp/Appr Budget
	<u>R'million</u>	<u>R'million</u>	<u>%</u>
2008/09	904.02	31.53	3%
2007/08	372.33	22.35	6%
2006/07	475.96	33.34	7%

## **CONCLUSION**

- The actual operating expenditure is well within the allocated budget for the period ending 30 September 2008.

## **Recommendation**

It is recommended that -:

- The statement of financial performance and the implementation of the 2008/2009 budget for the period ending 30 September 2008 be adopted in terms of the MFMA.

**V.R. LWANA**  
**ACTING ACCOUNTING OFFICER**

**B.W. SHEPHERD**  
**CHIEF FINANCIAL OFFICER**

## **ANNEXURE:**

- 1 Revenue Projections by Source
- 2 Year to date Summary Projection of Revenue and Expenditure by Function
- 3 Capital Expenditure per Funding Source
- 4 Schedule of Borrowings

**REVENUE PROJECTIONS BY SOURCE****Table 1: Revenue projections by source for the period ending 30 September 2008**

<b>Source</b>	<b>YTD September 2008</b>	<b>YTD September 2008</b>
	<b>Projected Revenue</b>	<b>Accrued Revenue</b>
	<b>R'million</b>	<b>R'million</b>
Assessment rates	120	121
Electricity	134	149
Sanitation	40	39
Water	45	44
Refuse removal	28	32
Grants & subsidies	117	111
Conditional Grants	59	23
Fines	2	2
Other	51	60
<b>Total Revenue</b>	<b>595</b>	<b>581</b>

Table 1 above depicts the Accrued Revenue collected as compared to the Projected Revenue for the three months ending 30 September 2008.

## YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

### Projections of Revenue and Expenditure per Function 30 September 2008

Vote / Function	YTD 'Sept - 08 Projected			YTD'Sept - 08 Actuals			Sept '08 - 'June '09		
	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
<b>Executive Mayor</b>									
Vote : Executive & Council	9,116		1,471	7,495		3,990	27,347		3,670
Vote : Finance & Admin - IT	679	63	483	453			2,036	188	1,206
Vote : Finance & Admin - Other	11,738	21,618	5,162	5,034	80	1,454	35,214	64,855	12,894
Vote : Planning & Development	2,006		601	880		657	6,018		1,502
<b>TOTAL</b>	<b>23,538</b>	<b>21,681</b>	<b>7,717</b>	<b>13,862</b>	<b>80</b>	<b>6,101</b>	<b>70,615</b>	<b>65,043</b>	<b>19,271</b>
<b>Municipal Manager</b>									
Vote : Finance & Admin - Internal Aud	850		29	543		785	2,551		73
Vote : Finance & Admin ( Other )	3,450			5,252		2,680	10,350		
Vote : Other				8,261		2,089			
Vote : Planning & Development									
<b>TOTAL</b>	<b>4,301</b>		<b>29</b>	<b>14,057</b>		<b>5,554</b>	<b>12,902</b>		<b>73</b>
<b>Chief Operations Officer</b>									
Vote : Finance & Admin ( Other )	1,125	68	875		19		3,374	203	2,625
Vote : Planning & Development	3,723		3,723				11,168		11,168
Vote : Housing	21,902	6,975	20,014				65,705	20,924	60,043
<b>TOTAL</b>	<b>26,749</b>	<b>7,042</b>	<b>24,612</b>		<b>19</b>		<b>80,247</b>	<b>21,127</b>	<b>73,836</b>
<b>Financial Services</b>									
Vote : Finance & Admin ( finance )	57,545	1,688	179,329	44,590	761	181,552	172,634	5,063	447,491
<b>TOTAL</b>	<b>57,545</b>	<b>1,688</b>	<b>179,329</b>	<b>44,590</b>	<b>761</b>	<b>181,552</b>	<b>172,634</b>	<b>5,063</b>	<b>447,491</b>
<b>Corporate Services</b>									
Vote : Executive & Council									
Vote : Finance & Admin ( HR )	4,311	71		7,424		5,436	12,932	214	3,554
Vote : Finance & Admin ( IT )	5,111	1,015	1,422	2,950		2,949	15,334	3,045	357
Vote : Finance & Admin ( Other )	8,016	893	143	4,194		3,066	24,049	2,678	
<b>TOTAL</b>	<b>17,438</b>	<b>1,979</b>	<b>1,565</b>	<b>14,568</b>		<b>11,452</b>	<b>52,315</b>	<b>5,936</b>	<b>3,911</b>
<b>Engineering Services</b>									
Vote : Finance & Admin ( Other )	6,544	20,000	827	5,199	1,849	7,208	19,632	60,000	2,064
Vote : Waste Water Management	33,610	30,026	52,518	27,060	5,383	49,460	100,830	90,079	131,138
Vote : Road Transport	28,056	38,291	2,504	28,387	8,465	8,781	84,169	114,874	6,252
Vote : Water	53,720	17,264	69,366	66,716	5,959	69,838	166,084	51,791	173,180
Vote : Electricity	158,313	27,323	166,189	113,541	174	151,410	334,874	81,969	414,747
Vote : Other ( Vehicles )									
<b>TOTAL</b>	<b>280,243</b>	<b>132,904</b>	<b>291,404</b>	<b>240,903</b>	<b>21,830</b>	<b>286,697</b>	<b>705,588</b>	<b>398,713</b>	<b>727,380</b>
<b>Planning &amp; Development</b>									
Vote : Finance & Admin ( Other )	4,860	907	218	3,364	174	4,359	14,581	2,720	544
Vote : Planning & Development	20,304	23,422	7,907	14,765	6,062	4,256	60,913	70,266	19,740
Vote : Housing	169		169	90		154	507		423
Vote : Other ( Bus & BCMET )	4,453	475	4,782	4,914	26	3,171	13,358	1,425	11,944
<b>TOTAL</b>	<b>29,786</b>	<b>24,804</b>	<b>13,076</b>	<b>23,134</b>	<b>6,262</b>	<b>11,941</b>	<b>89,358</b>	<b>74,411</b>	<b>32,651</b>
<b>Public Health and Public Safety</b>									
Vote : Finance & Admin ( Other )	891			745	24	867	2,673		
Vote : Health	12,570	785	10,526	13,373	27	4,731	37,709	2,354	26,264
Vote : Public Safety	28,294	7,120	22,005	24,246	8	18,009	84,882	21,360	54,910
Vote : Other ( Dog Tax )	180		290	128		1	540		725
<b>TOTAL</b>	<b>41,934</b>	<b>7,905</b>	<b>32,821</b>	<b>38,492</b>	<b>59</b>	<b>23,608</b>	<b>125,803</b>	<b>23,714</b>	<b>81,898</b>
<b>Community Services</b>									
Vote : Finance & Admin ( Other )	1,419		371	1,059		190	4,258		928
Vote : Community Services	14,845	4,166	3,577	16,671	1,294	6,143	44,536	12,499	8,934
Vote : Sports & Recreation	10,435	2,321	858	11,035	840	314	31,306	6,964	2,143
Vote : Environmental Protection	15,354	2,535	920	18,013	113	1,236	46,061	7,605	2,299
Vote : Waste Management	44,887	18,497	52,061	34,192	268	45,797	134,661	55,490	130,035
<b>TOTAL</b>	<b>86,940</b>	<b>27,520</b>	<b>57,788</b>	<b>80,969</b>	<b>2,515</b>	<b>53,680</b>	<b>260,821</b>	<b>82,560</b>	<b>144,338</b>
<b>Total by Function</b>	<b>568,475</b>	<b>225,522</b>	<b>608,342</b>	<b>470,575</b>	<b>31,526</b>	<b>580,585</b>	<b>1,570,284</b>	<b>676,567</b>	<b>1,530,850</b>

**Note:** The table above indicates the comparative of the projected and actual expenditure incurred and revenue earned for the period ending 30 September 2008.

**CAPITAL EXPENDITURE**

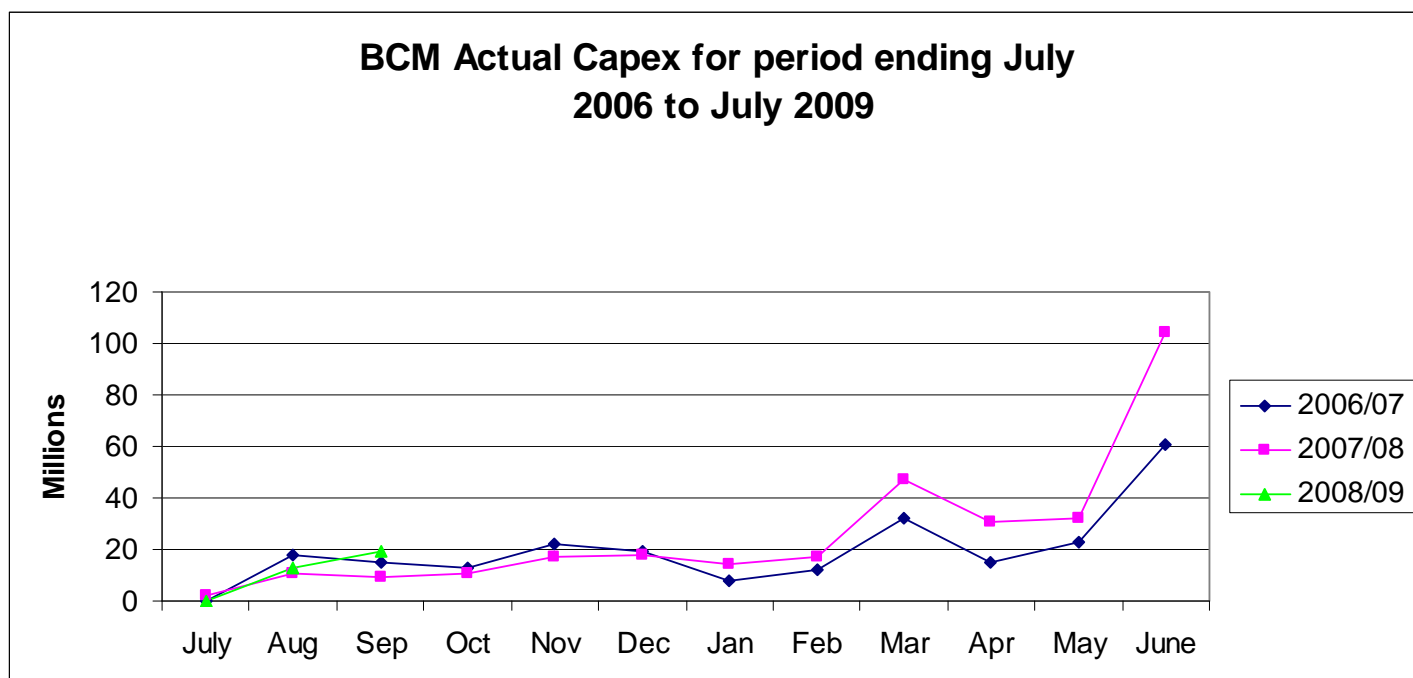
The total capital expenditure as at 30 September 2008 amounts to R31,5 m which is 3% of the approved budget for the 2008/09 financial year. The capital expenditure indicates a decrease in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 6%).

**Table 1: Capital Expenditure per Funding Source**

	2008/2009 Approved Budget	2008/2009 YTD Actual Expend.	YTD Exp /Approved Budget
Funding Source	R	R	%
Capital Replacement Reserve	59,101,900	1,738,522	3%
External Financing Fund	82,668,732	3,947,475	5%
External Financing Fund / DBSA	54,700,000	4,321,468	8%
Buffalo City Metropolitan Transport Board	14,659,997	0	0%
Creditors	140,244	8,000	6%
Own Funding	650,000	0	0%
Development Bank of SA (Loan)	250,000,000	209,819	0%
Development Bank of SA (Grant)	51,078	0	0%
Department of Recreation, Sports, Arts and Culture	50,000,000	0	0%
Dept of Science & Technology	4,266,008	9,000	0%
Dept of Local Govt. & Housing	27,968,398	0	0%
Disaster Management Fund	227,926	250	0%
Dept of Land Affairs	2,953,025	838,998	28%
Dept of Water Affairs & Forestry	281,394	0	0%
Eastern Cape Development Co-Operation	344,272	0	0%
European Commission	53,261,212	3,444,423	6%
National Electricity Provider	35,453,971	116,661	0%
Leiden Platform	18,822	11,224	60%
Municipal Infrastructure Grants	202,150,279	16,799,567	8%
Municipal Systems Improvement Grant	100,161	0	0%
Neighborhood Development Partnership Grant	41,100,000	0	0%
Other	432,549	80,214	19%
Public	8,000,000	0	0%
Public Transport Infrastructure & Systems Grant	8,592,000	0	0%
Restructuring Grant	6,728,170	0	0%
Swedish Internal. Develop agency	173,701	0	0%
<b>TOTAL</b>	<b>904,023,839</b>	<b>31,525,621</b>	<b>3%</b>

Figure 1 below compares the Actual Capital Expenditure per month for the period ending 30 September 2008 against the same period in 2006/2007 and 2007/2008 financial years.

**Figure 1**



The actual capital expenditure for the period ending 30 September 2008 has increased when compared to the same periods in 2007/08 and 2006/07.

Table 2 identifies the actual Capital Expenditure per Directorate against budget.

**Table 2: Actual Expenditure per Directorate against Budget**

Directorate	2008/2009 Approved Budget	2008/2009 YTD Actual Expend.	YTD Exp /Approved Budget
	R	R	%
Directorate of Executive Support	86,907,279	79,661	0%
Chief Operations Officer	28,336,398	18,950	0%
Directorate of Finance	7,656,547	760,674	10%
Directorate of Corporate Services	8,022,961	0	0%
Directorate of Engineering	531,766,842	21,829,581	4%
Directorate of Development Planning	99,251,083	6,262,252	6%
Directorate of Community Services	110,229,455	2,515,881	0%
Directorate of Public Safety and Health	31,853,274	58,622	8%
<b>TOTAL</b>	<b>904,023,839</b>	<b>31,525,621</b>	<b>3%</b>

Table 3 below gives a breakdown of the spending per Service.

**Table 3: Spending per Service**

	<b>2008/2009 Approved Budget</b>	<b>2008/2009 YTD Actual Expend.</b>	<b>YTD Exp /Approved Budget</b>
<b>Service</b>	<b>R</b>	<b>R</b>	<b>%</b>
Amenities	25,951,645	2,134,640	8%
Waste Management	73,987,213	267,985	0%
Electricity	109,292,609	174,000	0%
Environmental Services	5,874,589	104,256	2%
Health	3,138,371	26,578	1%
Housing	27,968,398	0	0%
Roads and Storm water	153,164,683	8,464,996	6%
Sewerage	120,105,414	5,383,134	4%
Transport Planning	85,342,000	6,054,020	7%
Water	68,555,136	5,958,878	9%
Public Safety	28,479,903	8,250	0%
Support Services	104,790,699	892,080	1%
Other	97,373,179	2,056,804	2%
<b>TOTAL</b>	<b>904,023,839</b>	<b>31,525,621</b>	<b>3%</b>

## SCHEDULE OF BORROWINGS AS AT 30 SEPTEMBER 2008

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/09/2008	during the	or written off	30/09/2008
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	year	R
09/02/1990	16.50%	72	SC 13121/ELL110M-S	30/06/2010	CMB & OLD MUTUAL	8,000,000			8,000,000
19/12/1990	17.05%	73	AC 27451/ELL110M-S	31/12/2011	OLD MUTUAL	10,000,000			10,000,000
14/06/1990	17.90%	590	AA/256/12/14/5/90	30/06/2010	VULCAN COMMODITIES	160,000			160,000
						<b>18,160,000</b>			<b>18,160,000</b>
<b>EXTERNAL LOANS</b>									
Annuity Loans						Balance at	Received	Redeemed	Balance at
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	during the	or written off	30/09/2008
							year	year	R
Brought forward						<b>18,160,000</b>			<b>18,160,000</b>
<b>Annuity Loans</b>									
09/02/2006	13.95%	INCA	BFF-00-0001	31/12/2020	INCA	114,311,179			114,311,179
01/06/2001	10.83%	13717	13717	30/06/2021	DBSA	54,736,842			54,736,842
01/06/2002	11.40%	100124	100124	30/06/2023	DBSA	137,857,803			137,857,803
09/06/2004	10.15%	100783	100783	30/09/2009	DBSA	6,000,000			6,000,000
29/06/2004	12.56%	101058	101058	31/12/2023	DBSA	53,517,168			53,517,168
01/12/1979	9.50%	CJPF 5	GNB109M-S	30/06/2009	INCA	17,004			17,004
30/03/2007	9.80%	102531	1 - 5	VARIOUS	DBSA	150,213,808		5,013,736	145,200,072
* DBSA facility available R 250,000,000									
Sub Total Annuity Loans						<b>516,653,804</b>		<b>5,013,736</b>	<b>511,640,068</b>
Sub Total Annuity & Stock Loans						<b>534,813,804</b>		<b>5,013,736</b>	<b>529,800,068</b>
<b>Financial Leases</b>									
Various		Various		Various		<b>2,614,286</b>			<b>2,614,286</b>
Sub Total Annuity, Stock Loans & Financial Leases						<b>537,428,090</b>		<b>5,013,736</b>	<b>532,414,354</b>
<b>GRAND TOTALS</b>						<b>537,428,090</b>		<b>5,013,736</b>	<b>532,414,354</b>