

REPORT TO THE EXECUTIVE MAYOR
OFFICE OF THE ACCOUNTING OFFICER

STATEMENT OF FINANCIAL PERFORMANCE AND THE IMPLEMENTATION OF THE
2007/2008 BUDGET FOR THE PERIOD ENDING 30 APRIL 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 April 2008.

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

	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	290,349,627	282,312,193	267,201,066	(5.35)
Assessment Rates		320,829,172	277,901,213	281,652,879	1.35
Electricity		442,515,881	364,253,704	385,114,801	5.73
Water		153,188,787	126,434,215	141,817,091	12.17
Refuse		102,235,457	84,857,291	91,114,561	7.37
Sewerage		117,966,194	98,062,162	99,072,202	1.03
Operating Projects		182,513,782	152,094,818	62,430,303	(58.95)
Other Income	2	194,758,938	162,299,115	191,536,464	18.01
<u>Total Operating Income</u>		1,804,357,838	1,548,214,711	1,519,939,368	(1.83)
<u>Expenditure</u>					
Salaries, Wages & Allowances	3	573,144,489	477,620,408	469,653,374	(1.67)
General Expenses	4	440,123,218	366,769,348	345,117,174	(5.90)
Operating Projects	5	182,513,782	152,094,818	62,430,303	(58.95)
Electricity Bulk Purchases		265,578,820	212,642,308	216,121,909	1.64
Water Bulk Purchases		72,358,943	59,708,688	74,710,567	25.13
Repairs & Maintenance	6	90,763,220	75,636,017	59,120,989	(21.83)
Capital Charges		166,178,181	138,481,818	138,481,818	0.00
<u>Total Operating Expenditure</u>		1,790,660,653	1,482,953,404	1,365,636,134	
<u>Transfer to Leave Reserves</u>		(12,336,392)	(10,280,327)	(5,500,945)	
<u>Operating Surplus</u>		1,360,793	54,980,980	148,802,289	

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 month ending 30 April 2008 is 93.47%.

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

Note 1: Government Grant income

The Grant Income received as at 30 April 2008 includes the equitable share grant allocation of R 237.13 million. The grants that are still outstanding are DWAF R7 million and Health Subsidy R8 million.

Note 2: Other income

Other income indicates a positive variance of 18.01% (R29.2 million), of which Interest on investments is a foremost contributor.

Note 3: Salaries, wages and allowances

The Basic Salaries and Wages were under spent by 1.67%. This is due to vacant funded posts that are not yet filled by the various Directorates and is well within the norm.

Note 4: General expenses

General expenditure efficiency ratio for the period ending 30 April 2008 is 94.1% (R345.12 million). The general expenses indicate an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 89.31%).

Note 5: Operating Projects

Operating Projects expenditure efficiency ratio for the period ending 30 April 2008 is 34.21% (R62.43 million). The current year's expenditure compares favourably to the same period in the previous financial year (2006/2007: 31.75%). Comments on the under expenditure will be disclosed in the detailed report to the Finance Standing Committee.

Note 6: Repairs and maintenance

Repairs and maintenance expenditure efficiency ratio for the period ending 30 April 2008 is 78.17% (R59.12 million). The repairs and maintenance indicate an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 73.30%).

3. CAPITAL EXPENDITURE

The total capital expenditure as at 30 April 2008 amounts to R176,8 million which is 43% of the approved 2nd adjustment budget for the 2007/08 financial year. The capital Expenditure has increased from 35% as at 30 March to 43% as at 30 April 2008. The capital expenditure indicates an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 40%).

Table 2: Capital Expenditure for the period ending 30 April 2007/08, 2006/7 and 2005/6

Financial Year	Approved Budget	Adjusted Budget	YTD Actual Exp	YTD Exp/Adj Budget
	<u>R'million</u>	<u>R'million</u>	<u>R'million</u>	<u>%</u>
2007/08	372.33	413.27	176.85	43%
2006/07	475.96	382.55	154.6	40%
2005/06	456.16	520.77	139.94	27%

CONCLUSION

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

Recommendation

It is recommended that -:

- The monthly budget and performance statement report for the period ending 30 April 2008 be adopted in terms of the MFMA.

G.G.SHARPLEY
ACCOUNTING OFFICER

E.L.L.MNQONYWA
ACTING 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 April 2008**

Source	YTD April 2008 Projected Revenue R'million	YTD April 2008 Actual Revenue R'million
Assessment rates	280	282
Electricity	369	385
Sanitation	99	99
Water	126	142
Refuse removal	85	91
Grants & subsidies	281	267
Fines	6	7
Other	153	185
Total Revenue	1,399	1,458

Table 1 above depicts the Actual Revenue collected as compared to the Projected Revenue for the ten months ending 30 April 2008. The variance between the Actual and the Projected for the Services is due to Debtors being incurred.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 30 April 2008

Vote / Function	YTD 'Apr - 08 Projected			YTD'Apr - 08 Actuals			May'08- 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	21,830	7,408	-	24,629			4,366	1,442	-
Vote : Finance & Admin - IT	823	42	-	769			165	8	-
Vote : Finance & Admin - Other	43,171	-	28,050	20,589	3,813	3,992	8,634	-	3,892
Vote : Planning & Development	5,033	3,853	1,738	5,314		439	1,007	771	241
TOTAL	70,857	11,303	29,787	51,301	3,813	4,431	14,171	2,221	4,133
Municipal Manager									
Vote : Finance & Admin - Internal Aud	2,747	-	54	1,693			549	-	8
Vote : Finance & Admin (Other)	12,170	-	4,917	10,519		1,160	2,434	-	682
Vote: Other				5					
Vote : Planning & Development	6,441	39,067	6,344	2,850			1,288	7,813	880
TOTAL	21,358	39,067	11,315	15,067	-	1,160	4,272	7,813	1,570
Chief Operations Officer									
Vote : Finance & Admin (Other)	670	-	-		812		134	-	-
TOTAL	670	-	-	-	812	-	134	-	-
Financial Services									
Vote : Finance & Admin (finance)	78,438	50,162	433,577	122,286	12,036	465,328	15,688	9,832	60,135
TOTAL	78,438	50,162	433,577	122,286	12,036	465,328	15,688	9,832	60,135
Corporate Services									
Vote: Executive & Council									
Vote : Finance & Admin (HR)	26,961	206	7,475	28,433	50	3,463	5,392	-	1,037
Vote : Finance & Admin (IT)	13,916	1,475	1,280	15,765	33	1,386	2,783	281	178
Vote : Finance & Admin (Other)	18,971	583	292	13,620	497	907	3,794	117	41
TOTAL	59,848	2,264	9,048	57,818	580	5,756	11,970	398	1,255
Engineering Services									
Vote : Finance & Admin (Other)	20,495	-	2,598	21,119		4,010	4,099	-	361
Vote : Waste Water Management	107,833	56,617	136,320	94,444	32,373	149,267	21,567	20,523	18,893
Vote : Road Transport	82,670	11,142	2,614	63,965	13,241	10,048	16,534	973	363
Vote : Water	147,226	26,313	170,545	154,367	27,896	177,503	27,835	3,194	23,629
Vote : Electricity	375,530	39,279	436,337	336,819	36,794	417,161	89,868	4,297	60,510
Vote: Other (Vehicles)					14,820				
TOTAL	733,753	133,352	748,413	670,714	125,124	757,989	159,903	28,988	103,755
Planning & Development									
Vote : Finance & Admin (Other)	14,989	-	678	12,748		708	2,998	-	94
Vote : Planning & Development	59,203	36,844	24,377	44,335	10,910	12,944	11,841	6,814	3,386
Vote : Housing	55,710	17,635	52,876	34,886		28,940	11,142	3,969	7,337
Vote : Other (Bus & BCMET)	12,318	2,002	13,059	12,054	222	12,627	2,464	212	1,812
TOTAL	142,220	56,480	90,990	104,023	11,132	55,219	28,444	10,995	12,628
Public Health and Public Safety									
Vote : Finance & Admin (Other)	2,776	-	-	2,527		1	555	-	-
Vote : Health	36,898	2,542	26,732	31,231	341	21,715	7,380	158	3,713
Vote : Public Safety	84,573	18,301	55,827	74,210	3,135	60,400	16,915	1,537	7,743
Vote : Other (Dog Tax)	590	-	412	391		563	118	-	57
TOTAL	124,837	20,843	82,971	108,359	3,476	82,679	24,967	1,695	11,513
Community Services									
Vote : Finance & Admin (Other)	1,898	-	-	2,521		4	380	-	-
Vote : Community Services	43,469	1,630	8,465	45,510	3,729	10,406	8,694	326	1,174
Vote : Sports & Recreation	29,993	6,354	2,865	31,254	4,773	2,373	5,999	867	397
Vote : Environmental Protection	42,198	1,869	832	40,374	208	794	8,440	100	115
Vote : Waste Management	103,743	9,733	126,057	116,409	11,163	133,800	20,749	2,467	17,454
TOTAL	221,299	19,586	138,220	236,068	19,873	147,377	44,260	3,759	19,141
Total by Function	1,453,279	333,056	1,544,320	1,365,636	176,846	1,519,939	303,808	65,702	214,131

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

CAPITAL EXPENDITURE

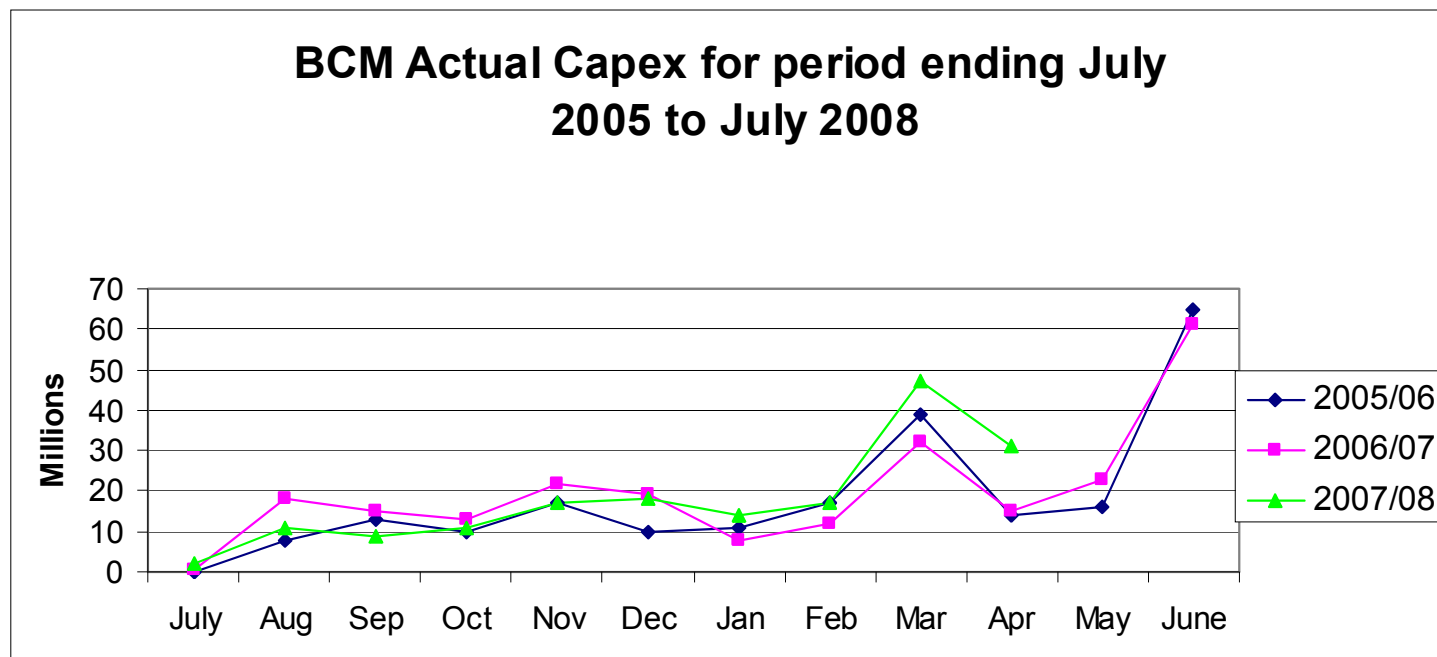
The year to date expenditure per funding source is reflected in table 1 below.

Table 1: Capital Expenditure per Funding Source

Funding Source	2007/2008 Approved Budget	2007/2008 2nd Adjusted Budget	2007/2008 YTD Actual Expend.	YTD Exp /2nd Adj. Budget
	R	R	R	%
Capital Replacement Reserve	32,824,408	42,295,895	9,962,898	24%
External Financing Fund	102,157,536	134,116,973	41,381,043	30%
Amatole District Municipality	0	60,655	60,550	100%
Buffalo City Metropolitan Transport Board	4,956,000	7,127,178	1,469,086	21%
Creditors	120,000	246,104	27,190	11%
Own Funding	27,437,077	13,537,077	4,966,317	35%
Development Bank of SA	68,377	219,892	0	0%
Department of Recreation, Sports, Arts and Culture	500,000	448,215	683,621	21%
Dept of Science & Technology	4,624,000	4,530,920	264,913	6%
Dept of Local Govt. & Housing	21,503,316	6,281,738	780,481	12%
Disaster Management Fund	400,000	2,007,953	37,088	2%
Department of Transport	0	533,703	433,641	81%
Dept of Water Affairs & Forestry	590,704	1,600,043	455,790	28%
Eastern Cape Development Co-Operation	0	600,000	255,728	43%
Equitable Share	0	158,425	22,892	14%
European Commission	4,450,000	29,948,435	5,904,168	20%
Finance Management Grant	0	25,000	0	0%
National Electricity Provider	21,323,000	22,659,841	20,898,752	92%
Leiden Platform	640,000	344,687	325,865	95%
Municipal Infrastructure Grants	113,633,549	123,499,841	75,336,545	60%
Municipal Systems Improvement Grant	600,000	2,961,817	2,861,656	97%
Other	0	490,100	0	0%
Public	8,000,000	5,300,206	307,499	6%
Restructuring Grant	28,450,528	12,215,355	8,528,005	70%
Swedish Internal. Develop agency	50,000	2,057,213	1,883,400	92%
TOTAL	372,328,495	413,267,266	176,847,128	43%

Figure 1 below compares the Actual Capital Expenditure for the current period ending 30 April 2008 against the same period in 2005/2006 and 2006/2007 financial years.

Figure 1



The actual capital expenditure for the period ending April 2008 has increased when compared to the same period in the previous financial years

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

Table 2: Actual Expenditure per Directorate against Budget

Directorate	2007/2008 Approved Budget	2007/2008 2nd Adjusted Budget	2007/2008 YTD Actual Expend.	YTD Exp /2nd Adj. Budget
	R	R	R	%
Directorate of Executive Support	10,868,750	8,152,325	3,813,314	47%
Municipal Manager's Office	19,450,000	0	0	0%
Chief Operations Officer	0	12,663,482	812,332	6%
Directorate of Finance	59,994,005	30,002,913	12,035,570	40%
Directorate of Corporate Services	2,661,977	3,741,184	580,223	16%
Directorate of Engineering	163,340,298	238,470,281	125,124,498	52%
Directorate of Development Planning	67,475,316	48,271,438	11,131,987	23%
Directorate of Community Services	26,000,729	51,495,305	19,872,898	39%
Directorate of Public Safety and Health	22,537,420	20,478,338	3,476,306	17%
TOTAL	372,328,495	413,267,266	176,847,128	43%

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

Table 3: Spending per Service

Service	2007/2008 Approved Budget	2007/2008 2nd Adjusted Budget	2007/2008 YTD Actual Expend.	YTD Exp /2nd Adj. 3udget
	R	R	R	%
Amenities	10,376,729	16,040,950	8,242,612	51%
Waste Management	12,200,000	30,421,565	11,163,252	37%
Electricity	43,576,600	55,258,618	36,794,363	67%
Environmental Services	1,968,750	2,401,870	207,868	9%
Health	2,700,000	2,062,198	341,314	17%
Housing	21,603,316	9,191,955	1,032,033	11%
Roads and Storm water	12,115,148	50,315,798	13,240,587	26%
Sewerage	47,510,825	53,157,683	33,174,289	62%
Transport Planning	43,568,000	42,884,046	9,224,751	22%
Water	29,507,725	52,981,807	27,095,117	51%
Public Safety	19,837,420	18,408,140	3,134,992	17%
Support Services	76,729,982	45,551,717	16,210,373	36%
Other	50,544,000	34,590,919	16,985,577	49%
TOTAL	372,328,495	419,567,266	176,847,128	43%

SCHEDULE OF BORROWINGS AS AT 30 APRIL 2008

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2007	during the	or written off	30/04/2008
Issued	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	during the	R
								year	
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%	5/90	AA/256/12/14/5/90	30/06/2010	VULCAN COMMODITIES	160,000	-		160,000
						18,160,000	-	-	18,160,000
EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Annuity Loans						01/07/2007	during the	or written off	30/04/2008
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	during the	R
								year	
Brought forward						18,160,000	-	-	18,160,000
Annuity Loans									
09/02/2006	13.95%	INCA	BFF-00-0001	31/12/2020	INCA	119,193,993	-	11,405,227	107,788,766
01/06/2001	10.83%	13717	13717	30/06/2021	DBSA	64,655,315	-	7,813,210	56,842,105
01/06/2002	11.40%	100124	100124	30/06/2023	DBSA	150,906,776	-	11,283,505	139,623,271
09/06/2004	10.15%	100783	100783	30/09/2009	DBSA	6,164,421	-	164,421	6,000,000
29/06/2004	12.56%	101058	101058	31/12/2023	DBSA	58,558,867	-	4,466,034	54,092,833
01/09/1977	13.00%	SAN 1	GNB107U-S	30/09/2007	INCA	10,306	-	10,306	(0)
01/12/1978	13.00%	CJPF 4	GNB108M-S	30/06/2008	INCA	30,883	-	24,068	6,815
01/12/1979	9.50%	CJPF 5	GNB109M-S	30/06/2009	INCA	32,503	-	24,532	7,971
30/03/2007	9.80%	102531		VARIOUS	DBSA	99,974,340	47,752,418	4,031,946	143,694,812
* DBSA facility available R 250,000,000									
Sub Total Annuity Loans						499,527,404	47,752,418	39,223,249	508,056,572
Sub Total Annuity & Stock Loans						517,687,404	47,752,418	39,223,249	526,216,572
GRAND TOTALS						517,687,404	47,752,418	39,223,249	526,216,572