

**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 31 AUGUST 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 31 August 2008.

**Table 1: Statement of Financial Performance for the period ending 31 August 2008**

	Note	2008/2009 Annual Budget	2008/2009 YTD Budget	2008/2009 YTD Accrual Inc/Exp	YTD Variance %
<b><u>Income</u></b>		<b><u>R</u></b>	<b><u>R</u></b>	<b><u>R</u></b>	<b><u>%</u></b>
Government Grants	1	347,932,886	112,198,221	110,830,988	(1.22)
Assessment Rates		358,523,317	81,727,860	82,283,609	0.68
Electricity		536,285,742	88,131,319	96,573,809	9.58
Water		196,809,224	30,638,447	28,799,834	(6.00)
Refuse		119,414,425	19,283,897	22,009,078	14.13
Sewerage		132,516,432	26,282,593	24,027,547	(8.58)
Operating Projects		237,304,097	39,550,683	14,600,854	(63.08)
Other Income	2	210,405,698	35,067,616	41,571,809	18.55
<b><u>Total Operating Income</u></b>		<b><u>2,139,191,821</u></b>	<b><u>432,880,637</u></b>	<b><u>420,697,529</u></b>	<b><u>(2.81)</u></b>
<b><u>Expenditure</u></b>					
Salaries, Wages & Allowances	3	659,247,385	109,874,564	100,732,079	(8.32)
General Expenses	4	492,855,234	82,142,539	64,948,727	(20.93)
Operating Projects	5	237,304,097	39,550,683	14,600,854	(63.08)
Electricity Bulk Purchases		310,422,464	79,186,865	93,342,389	17.88
Water Bulk Purchases		92,108,987	12,471,748	17,687,354	41.82
Repairs & Maintenance	6	140,401,372	23,400,229	10,407,583	(55.52)
Capital Charges		186,058,475	31,009,746	31,009,746	0.00
<b><u>Total Operating Expenditure</u></b>		<b><u>2,118,398,014</u></b>	<b><u>377,636,373</u></b>	<b><u>332,728,732</u></b>	<b><u>(11.89)</u></b>
<b><u>Transfer to Leave Reserves</u></b>		<b><u>(20,361,751)</u></b>	<b><u>(3,393,625)</u></b>	<b><u>24,056</u></b>	
<b><u>Operating Surplus</u></b>		<b><u>432,056</u></b>	<b><u>51,850,638</u></b>	<b><u>87,992,852</u></b>	

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

- Grants, rates and service charges – historical income trends
- Other Income – Two months of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – Two 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 31 August 2008 is 67.08%.

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

#### **Note 1: Government Grant income**

The Grant Income received as at 31 August 2008 includes the equitable share grant allocation of R 103.4 million.

#### **Note 2: Other income**

Other income which is made up of numerous miscellaneous items reflects a cash inflow of R41.6 million as against an estimated budget of R35.1 million.

#### **Note 3: Salaries, wages and allowances**

The Basic Salaries and Wages were under spent by 8.32%. 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 31 August 2008 is 79% (R64.95 million). The general expenses indicate a slight decrease in expenditure pattern when compared to the same period in the previous financial year (2007/2008: 86.12%).

#### **Note 5: Operating Projects**

Operating Projects expenditure efficiency ratio for the period ending 31 August 2008 is 36.92% (R14.6 million). The current year's expenditure has decreased 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.

#### **Note 6: Repairs and maintenance**

Repairs and maintenance expenditure efficiency ratio for the period ending 31 August 2008 is 44.48% (R10.41 million). The repairs and maintenance indicate a slight decrease in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 46.47%).

### **3. CAPITAL EXPENDITURE**

The total capital expenditure as at 31 August 2008 amounts to R13,2 million which is 1% 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: 3%). (Refer to annexure 3)

**Table 2: Capital Expenditure for the period ending 31 August 2008/09, 2007/08 and 2006/7**

<b>Financial Year</b>	<b>Approved Budget</b>	<b>YTD Actual Exp</b>	<b>YTD Exp/Appr Budget</b>
	<u>R'million</u>	<u>R'million</u>	<u>%</u>
2008/09	904.02	13.23	1%
2007/08	372.33	12.92	3%
2006/07	475.96	18.03	4%

**CONCLUSION**

- The actual operating expenditure is well within the allocated budget for the period ending 31 August 2008.

**Recommendation**

It is recommended that -:

- The monthly budget and performance statement report for the period ending 31 August 2008 be adopted in terms of the MFMA.

**G.G. SHARPLEY**  
**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 31 August 2008**

<b>Source</b>	<b>YTD August 2008 Projected Revenue R'million</b>	<b>YTD August 2008 Actual Revenue R'million</b>
Assessment rates	82	82
Electricity	88	97
Sanitation	26	24
Water	31	29
Refuse removal	19	22
Grants & subsidies	112	111
Conditional Grants	40	15
Fines	1	2
Other	34	40
<b>Total Revenue</b>	<b>433</b>	<b>421</b>

Table 1 above depicts the Actual Revenue collected as compared to the Projected Revenue for the two months ending 31 August 2008.

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

### Projections of Revenue and Expenditure per Function 31 August 2008

Vote / Function	YTD 'Aug - 08 Projected			YTD'Aug - 08 Actuals			Aug '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	6,077		1,052	4858		3,460	30,386		4,089
Vote : Finance & Admin - IT	453	42	346	419			2,263	208	1,343
Vote : Finance & Admin - Other	7,825	14,412	3,692	3,608	44	805	39,126	72,061	14,364
Vote : Planning & Development	1,337		430	524		438	6,686		1,673
<b>TOTAL</b>	<b>15,692</b>	<b>14,454</b>	<b>5,519</b>	<b>9,410</b>	<b>44</b>	<b>4,703</b>	<b>78,461</b>	<b>72,270</b>	<b>21,469</b>
<b>Municipal Manager</b>									
Vote : Finance & Admin - Internal Aud	567		21	344		523	2,835		81
Vote : Finance & Admin ( Other )	2,300			4,496		2,454	11,500		
Vote : Other				8,703		1,418			
Vote : Planning & Development									
<b>TOTAL</b>	<b>2,867</b>		<b>21</b>	<b>13,543</b>		<b>4,394</b>	<b>14,335</b>		<b>81</b>
<b>Chief Operations Officer</b>									
Vote : Finance & Admin ( Other )	750	45	583				3,749	225	2,917
Vote : Planning & Development	2,482		2,482				12,409		12,409
Vote : Housing	14,601	4,650	13,343				73,005	23,249	66,714
<b>TOTAL</b>	<b>17,833</b>	<b>4,695</b>	<b>16,408</b>				<b>89,163</b>	<b>23,474</b>	<b>82,040</b>
<b>Financial Services</b>									
Vote : Finance & Admin ( finance )	38,363	1,125	128,242	28,813	578	104,679	191,816	5,626	498,578
<b>TOTAL</b>	<b>38,363</b>	<b>1,125</b>	<b>128,242</b>	<b>28,813</b>	<b>578</b>	<b>104,679</b>	<b>191,816</b>	<b>5,626</b>	<b>498,578</b>
<b>Corporate Services</b>									
Vote : Executive & Council									
Vote : Finance & Admin ( HR )	2,874	48		5,264		4,954	14,369	238	3,959
Vote : Finance & Admin ( IT )	3,408	677	1,017	1,113		2,633	17,038	3,383	398
Vote : Finance & Admin ( Other )	5,344	595	102	2,775		2,768	26,721	2,975	
<b>TOTAL</b>	<b>11,626</b>	<b>1,319</b>	<b>1,120</b>	<b>9,153</b>		<b>10,355</b>	<b>58,128</b>	<b>6,596</b>	<b>4,357</b>
<b>Engineering Services</b>									
Vote : Finance & Admin ( Other )	4,363	13,333	592	3,391	7	6,663	21,813	66,667	2,299
Vote : Waste Water Management	22,407	20,018	37,565	18,816	2,811	40,768	112,033	100,088	146,090
Vote : Road Transport	18,704	25,527	1,791	18,637	2,771	7,756	93,522	127,637	6,965
Vote : Water	36,729	11,509	49,601	40,581	2,175	53,783	183,074	57,546	192,945
Vote : Electricity	123,839	18,215	118,848	94,743	125	112,710	369,347	91,077	462,089
Vote : Other ( Vehicles )									
<b>TOTAL</b>	<b>206,042</b>	<b>88,603</b>	<b>208,397</b>	<b>176,168</b>	<b>7,889</b>	<b>221,679</b>	<b>779,790</b>	<b>443,015</b>	<b>810,388</b>
<b>Planning &amp; Development</b>									
Vote : Finance & Admin ( Other )	3,240	604	156	2,190	30	2,898	16,201	3,022	606
Vote : Planning & Development	13,536	15,615	5,654	9,790	3,601	3,395	67,681	78,073	21,993
Vote : Housing	113		121	82		103	563		471
Vote : Other ( Bus & BCMET )	2,968	317	3,420	3,365		1,830	14,842	1,583	13,305
<b>TOTAL</b>	<b>19,857</b>	<b>16,536</b>	<b>9,351</b>	<b>15,427</b>	<b>3,631</b>	<b>8,226</b>	<b>99,287</b>	<b>82,679</b>	<b>36,376</b>
<b>Public Health and Public Safety</b>									
Vote : Finance & Admin ( Other )	594			478		578	2,970		
Vote : Health	8,380	523	7,527	8,940	27	4,030	41,899	2,615	29,263
Vote : Public Safety	18,863	4,747	15,737	16,016		16,500	94,313	23,733	61,178
Vote : Other ( Dog Tax )	120		208	84			600		807
<b>TOTAL</b>	<b>27,956</b>	<b>5,270</b>	<b>23,472</b>	<b>25,517</b>	<b>27</b>	<b>21,107</b>	<b>139,781</b>	<b>26,349</b>	<b>91,248</b>
<b>Community Services</b>									
Vote : Finance & Admin ( Other )	946		266	782		10	4,731		1,033
Vote : Community Services	9,897	2,778	2,558	11,013	744	5,812	49,484	13,888	9,952
Vote : Sports & Recreation	6,957	1,548	614	7,138	169	(160)	34,784	7,738	2,387
Vote : Environmental Protection	10,236	1,690	658	12,417		822	51,179	8,450	2,561
Vote : Waste Management	29,925	12,331	37,239	23,348	144	39,069	149,623	61,656	144,857
<b>TOTAL</b>	<b>57,960</b>	<b>18,347</b>	<b>41,335</b>	<b>54,698</b>	<b>1,057</b>	<b>45,553</b>	<b>289,802</b>	<b>91,733</b>	<b>160,791</b>
<b>Total by Function</b>	<b>398,197</b>	<b>150,348</b>	<b>433,864</b>	<b>332,729</b>	<b>13,226</b>	<b>420,697</b>	<b>1,740,563</b>	<b>751,741</b>	<b>1,705,328</b>

**Note:** The table above indicates the comparative of the projected and actual expenditure incurred and revenue earned for the period ending 31 August 2008.

**CAPITAL EXPENDITURE**

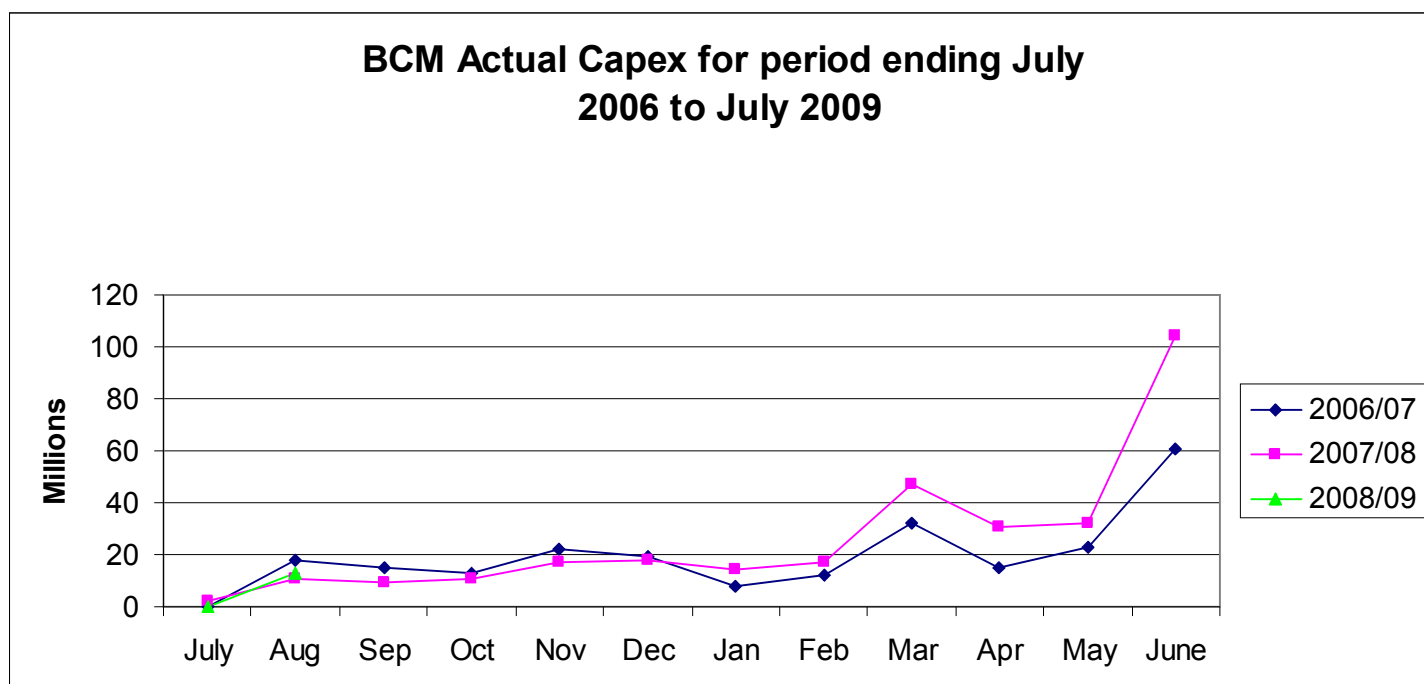
The total capital expenditure as at 31 August 2008 amounts to R13,2 m which is 1% of the approved budget for the 2008/09 financial year. The capital expenditure indicates a decrease in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 3%).

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

Funding Source	2008/2009 Approved Budget	2008/2009 YTD Actual Expend.	YTD Exp /Approved Budget
	R	R	%
Capital Replacement Reserve	59,101,900	760,246	1%
External Financing Fund	137,368,732	3,137,068	2%
Buffalo City Metropolitan Transport Board	14,659,997	0	0%
Creditors	140,244	0	0%
Own Funding	650,000	0	0%
Development Bank of SA (Loan)	250,000,000	0	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	0	0%
Dept of Local Govt. & Housing	27,968,398	0	0%
Disaster Management Fund	227,926	0	0%
Dept of Land Affairs	2,953,025	780,364	26%
Dept of Water Affairs & Forestry	281,394	0	0%
Eastern Cape Development Co-Operation	344,272	0	0%
European Commission	53,261,212	585	0%
National Electricity Provider	35,453,971	67,500	0%
Leiden Platform	18,822	0	0%
Municipal Infrastructure Grants	202,150,279	8,399,895	4%
Municipal Systems Improvement Grant	100,161	0	0%
Neighbourhood 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>13,225,872</b>	<b>1%</b>

Figure 1 below compares the Actual Capital Expenditure per month for the period ending 31 August 2008 against the same period in 2006/2007 and 2007/2008 financial years.

**Figure 1**



The actual capital expenditure for the period ending 31 August 2008 has increased when compared to the same month in 2007/08, and decreased when compared to the same month in 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	43,500	0%
Chief Operations Officer	28,336,398	0	0%
Directorate of Finance	7,656,547	578,254	8%
Directorate of Corporate Services	8,022,961	0	0%
Directorate of Engineering	531,766,842	7,888,759	1%
Directorate of Development Planning	99,251,083	3,631,360	4%
Directorate of Community Services	110,229,455	1,057,421	1%
Directorate of Public Safety and Health	31,853,274	26,578	0%
<b>TOTAL</b>	<b>904,023,839</b>	<b>13,225,872</b>	<b>1%</b>

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

**Table 3: Spending per Service**

Service	2008/2009 Approved Budget	2008/2009 YTD Actual Expend.	YTD Exp /Approved Budget
	R	R	%
Amenities	25,951,645	913,114	4%
Waste Management	73,987,213	144,307	0%
Electricity	109,292,609	124,839	0%
Environmental Services	5,874,589	0	0%
Health	3,138,371	26,578	1%
Housing	27,968,398	0	0%
Roads and Storm water	153,164,683	2,770,531	2%
Sewerage	120,105,414	2,811,000	2%
Transport Planning	85,342,000	3,600,985	4%
Water	68,555,136	2,174,933	3%
Public Safety	28,479,903	0	0%
Support Services	104,790,699	621,754	1%
Other	97,373,179	37,831	0%
<b>TOTAL</b>	<b>904,023,839</b>	<b>13,225,872</b>	<b>1%</b>

**SCHEDULE OF BORROWINGS AS AT 31 AUGUST 2008**

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/08/2008	during the	or written off	31/08/2008
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%	5/90	AA/256/12/14/5/90	30/06/2010	VULCAN COMMODITIES	160,000			160,000
						<b>18,160,000</b>	<b>0</b>	<b>0</b>	<b>18,160,000</b>
EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Annuity Loans						01/08/2008	during the	or written off	31/08/2008
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	year	R
Brought forward						<b>18,160,000</b>			<b>18,160,000</b>
Annuity Loans									
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
01/09/1977	13.00%	SAN 1	GNB107U-S	30/09/2007	INCA	-			-
01/12/1978	13.00%	CJPF 4	GNB108M-S	30/06/2008	INCA	-			-
01/12/1979	9.50%	CJPF 5	GNB109M-S	30/06/2009	INCA	17,004			17,004
30/03/2007	9.80%	102531		VARIOUS	DBSA	150,213,808			150,213,808
* DBSA facility available R 250,000,000									
Sub Total Annuity Loans						516,653,804	0	0	516,653,804
Sub Total Annuity & Stock Loans									
Financial Leases									
Various		Various		Various		2,614,286	0	0	2,614,286
Sub Total Annuity, Stock Loans & Financial Leases						<b>537,428,090</b>	<b>0</b>	<b>0</b>	<b>537,428,090</b>
GRAND TOTALS						<b>537,428,090</b>	<b>0</b>	<b>0</b>	<b>537,428,090</b>