

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 JULY 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 July 2008.

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

	Note	2008/2009 Annual Budget	2008/2009 YTD Budget	2008/2009 YTD Accrual Inc/Exp	YTD Variance %
<u>Income</u>		<u>R</u>	<u>R</u>	<u>R</u>	<u>%</u>
Government Grants	1	347,932,886	107,808,564	106,170,243	(1.52)
Assessment Rates		358,523,317	22,740,178	22,924,373	0.81
Electricity		536,285,742	43,258,911	43,675,438	0.96
Water		196,809,224	14,377,434	12,727,319	(11.48)
Refuse		119,414,425	9,224,935	11,752,268	27.40
Sewerage		132,516,432	7,189,995	6,600,415	(8.20)
Operating Projects		237,304,097	19,775,341	1,680,406	(91.50)
Other Income	2	210,405,698	17,533,808	20,732,841	18.24
<u>Total Operating Income</u>		<u>2,139,191,821</u>	<u>241,909,167</u>	<u>226,263,303</u>	<u>(6.47)</u>
<u>Expenditure</u>					
Salaries, Wages & Allowances	3	659,247,385	54,937,282	49,441,411	(10.00)
General Expenses	4	492,854,964	41,071,247	29,444,542	(28.31)
Operating Projects	5	237,304,097	19,775,341	1,680,406	(91.50)
Electricity Bulk Purchases		310,422,464	38,140,818	48,052,603	25.99
Water Bulk Purchases		92,108,987	8,002,827	9,222,089	15.24
Repairs & Maintenance	6	140,401,372	11,700,114	3,832,659	(67.24)
Capital Charges		186,058,475	15,504,873	15,504,873	0.00
<u>Total Operating Expenditure</u>		<u>2,118,397,744</u>	<u>189,132,503</u>	<u>157,178,583</u>	<u>(16.89)</u>
<u>Transfer to Leave Reserves</u>		<u>(20,361,751)</u>	<u>(1,696,813)</u>	<u>0</u>	
<u>Operating Surplus</u>		<u>432,326</u>	<u>51,079,851</u>	<u>69,084,719</u>	

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

- Grants, rates and service charges – historical income trends
- Other Income – One month of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – one month 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 month ending 31 July 2008 is 94.83%.

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

Note 1: Government Grant income

The Grant Income received as at 31 July 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 R20.7 million as against an estimated budget of R17.5 million.

Note 3: Salaries, wages and allowances

The Basic Salaries and Wages were under spent by 10%. 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 July 2008 is 71.69% (R29.44 million). The general expenses indicate an increase in expenditure pattern when compared to the same period in the previous financial year (2007/2008: 60.04%).

Note 5: Operating Projects

Operating Projects expenditure efficiency ratio for the period ending 31 July 2008 is 8.5% (R1.68 million). The low expenditure is the normal trend as the Directorates are currently engaged in a procurement phase of their projects. 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 July 2008 is 32.76% (R3.83 million). The repairs and maintenance indicate an increase in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 24%).

3. CAPITAL EXPENDITURE

The total capital expenditure as at 31 July 2008 amounts to R17 811. The low expenditure is the normal trend as the Directorates are currently engaged in a procurement phase of their projects.

Table 2: Capital Expenditure for the period ending 31 July 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	902.09	0.02	0%
2007/08	372.33	1.92	1%
2006/07	475.96	0.30	0%

CONCLUSION

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

Recommendation

It is recommended that -:

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

W. MAQEKEZA-GALADA
ACTING 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 31 July 2008**

Source	YTD July 2008 Projected Revenue R'million	YTD July 2008 Actual Revenue R'million
Assessment rates	23	23
Electricity	43	44
Sanitation	7	7
Water	14	13
Refuse removal	9	12
Grants & subsidies	108	106
Conditional Grants	20	2
Fines	1	0
Other	17	20
Total Revenue	242	226

Table 1 above depicts the Actual Revenue collected as compared to the Projected Revenue for the one month ending 31 July 2008.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 31 July 2008

Vote / Function	YTD *July - 08 Projected			YTD*July - 08 Actuals			August '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
Executive Mayor									
Vote : Executive & Council	3,039		633	2,182			33,424		4,508
Vote : Finance & Admin - IT	226	21	208	32			2,489	229	1,481
Vote : Finance & Admin - Other	3,913	7,206	2,221	2,229			43,039	79,268	15,834
Vote : Planning & Development	669		259	247			7,355		1,844
TOTAL	7,846	7,227	3,321	4,691			86,307	79,497	23,667
Municipal Manager									
Vote : Finance & Admin - Internal Aud	283		13	2,584			3,118		90
Vote : Finance & Admin (Other)	1,150			162			12,650		
Vote: Other				3,425					
Vote : Planning & Development									
TOTAL	1,434		13	6,171			15,769		90
Chief Operations Officer									
Vote : Finance & Admin (Other)	375	23	292				4,123	248	3,208
Vote : Planning & Development	1,241		1,241				13,650		13,650
Vote : Housing	7,301	2,325	6,671				80,306	25,574	73,386
TOTAL	8,916	2,347	8,204				98,080	25,822	90,244
Financial Services									
Vote : Finance & Admin (finance)	19,182	563	77,162	13,573	15	81,574	210,998	6,189	549,658
TOTAL	19,182	563	77,162	13,573	15	81,574	210,998	6,189	549,658
Corporate Services									
Vote: Executive & Council									
Vote : Finance & Admin (HR)	1,437	24		2,449			15,806	262	4,364
Vote : Finance & Admin (IT)	1,704	338	612	439			18,742	3,721	438
Vote : Finance & Admin (Other)	2,672	298	62	1,260		80	29,393	3,273	
TOTAL	5,813	660	674	4,149		80	63,941	7,255	4,802
Engineering Services									
Vote : Finance & Admin (Other)	2,181	6,667	356	1,569		11	23,994	73,333	2,535
Vote : Waste Water Management	11,203	10,009	22,613	4,997		21,594	123,237	110,097	161,043
Vote : Road Transport	9,352	12,764	1,078	3,578		838	102,874	140,401	7,678
Vote : Water	17,848	5,755	29,858	15,999		28,504	201,955	63,301	212,688
Vote : Electricity	61,204	9,108	71,506	60,049		51,533	431,982	100,185	509,430
Vote: Other (Vehicles)									
TOTAL	101,789	44,301	125,411	86,193		102,481	884,042	487,316	893,374
Planning & Development									
Vote : Finance & Admin (Other)	1,620	302	94	801		33	17,821	3,324	668
Vote : Planning & Development	6,768	7,807	3,403	2,939		2,664	74,449	85,881	24,244
Vote : Housing	56		73	53		52	620	-	519
Vote : Other (Bus & BCMET)	1,484	158	2,059	962		307	16,326	1,742	14,667
TOTAL	9,929	8,268	5,629	4,756		3,056	109,216	90,947	40,098
Public Health and Public Safety									
Vote : Finance & Admin (Other)	297			233			3,267	-	-
Vote : Health	4,190	262	4,529	3,159		2,751	46,088	2,877	32,261
Vote : Public Safety	9,431	2,373	9,468	9,402		9,740	103,744	26,107	67,447
Vote : Other (Dog Tax)	60	-	125	23		2	660	-	890
TOTAL	13,978	2,635	14,122	12,817		12,493	153,759	28,983	100,598
Community Services									
Vote : Finance & Admin (Other)	473		160	282			5,205	-	1,139
Vote : Community Services	4,948	1,389	1,540	3,611		554	54,432	15,277	10,970
Vote : Sports & Recreation	3,478	774	369	2,521	3	(550)	38,262	8,512	2,632
Vote : Environmental Protection	5,118	845	396	3,540		9	56,297	9,296	2,823
Vote : Waste Management	14,962	6,166	22,416	14,876		26,565	164,586	67,822	159,680
TOTAL	28,980	9,173	24,882	24,830	3	26,579	318,782	100,906	177,244
Total by Function	197,867	75,174	259,417	157,178	18	226,263	1,940,893	826,915	1,879,775

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

The projected budget in the table above includes inter departmental recoveries and charges.

CAPITAL EXPENDITURE

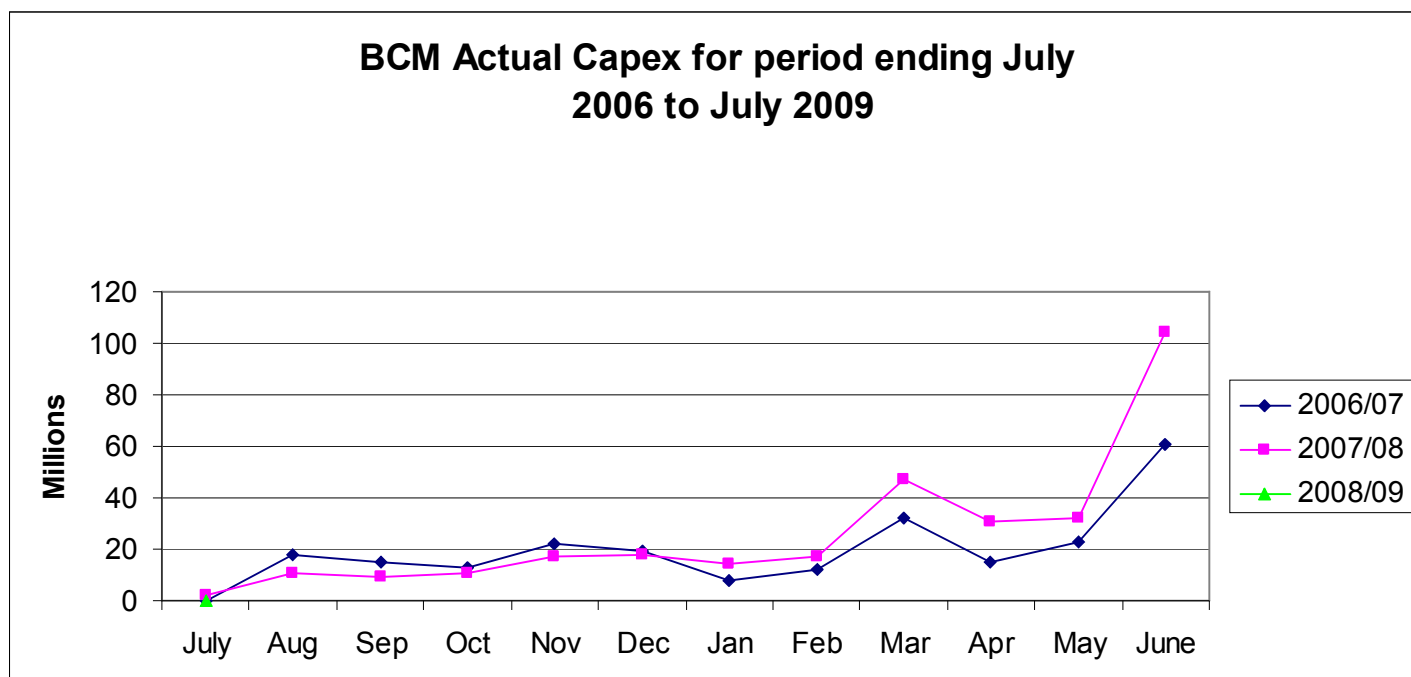
The total capital expenditure as at 31 July 2008 amounts to R17 811. The low expenditure is the normal trend as the Directorates are currently engaged in a procurement phase of their projects. The year to date expenditure per funding source is reflected in table 1 below.

Table 1: Capital Expenditure per Funding Source

Funding Source	2008/2009 Approved Budget	2008/2009 YTD Actual Expenditure	YTD Exp/Appr. Budget
	R	R	%
Capital Replacement Reserve	57,167,008	14,570	0%
External Financing Fund	82,668,732	3,241	0%
External Financing Fund / DBSA	54,700,000	0	0%
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	0	0%
Dept of Water Affairs & Forestry	281,394	0	0%
Eastern Cape Development Co-Operation	344,272	0	0%
European Commission	53,261,212	0	0%
National Electricity Provider	35,453,971	0	0%
Leiden Platform	18,822	0	0%
Municipal Infrastructure Grants	202,150,279	0	0%
Municipal Systems Improvement Grant	100,161	0	0%
Neighborhood Development Partnership Grant	41,100,000	0	0%
Other	432,549	0	0%
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%
TOTAL	902,088,947	17,811	0%

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

Figure 1



The actual capital expenditure for July 2008 indicates a decrease when compared to the same month 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	2008/2009 Approved Budget	2008/2009 YTD Actual Expenditure	YTD Exp/Appr. Budget
	R	R	%
Directorate of Executive Support	86,907,279	0	0%
Chief Operations Officer	28,336,398	0	0%
Directorate of Finance	5,721,655	14,570	0%
Directorate of Corporate Services	8,022,961	0	0%
Directorate of Engineering	531,766,842	0	0%
Directorate of Development Planning	99,251,083	0	0%
Directorate of Community Services	110,229,455	3,241	0%
Directorate of Public Safety and Health	31,853,274	0	0%
TOTAL	902,088,947	17,811	0%

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

Table 3: Spending per Service

Services	2008/2009 Approved	2008/2009 YTD Actual	YTD Exp/Appr.
	Budget	Expenditure	Budget
	R	R	%
Amenities	25,951,645	3,241	0%
Waste Management	73,987,213	0	0%
Electricity	109,292,609	0	0%
Environmental Services	5,874,589	0	0%
Health	3,138,371	0	0%
Housing	27,968,398	0	0%
Roads and Storm water	153,164,683	0	0%
Sewerage	120,105,414	0	0%
Transport Planning	85,342,000	0	0%
Water	68,555,136	0	0%
Public Safety	28,479,903	0	0%
Support Services	102,855,807	14,570	0%
Other	97,373,179	0	0%
TOTAL	902,088,947	17,811	0%

SCHEDULE OF BORROWINGS AS AT 31 JULY 2008

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2008	during the	or written off	31/07/2008
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			
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
						18,160,000	0	0	18,160,000
EXTERNAL LOANS									
Annuity Loans						Balance at	Received	Redeemed	Balance at
						01/07/2008	during the	or written off	31/07/2008
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	R	R	R
Brought forward						18,160,000			18,160,000
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						534,813,804	0	0	534,813,804
GRAND TOTALS						534,813,804	0	0	534,813,804