

**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 31 MARCH 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 March 2008.

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

	NOTE	2007/2008 Annual Budget	2007/2008 YTD Budget	2007/2008 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	290,349,627	278,293,476	284,455,984	2.21
Assessment Rates		320,829,172	259,105,405	256,825,277	(0.88)
Electricity		442,515,881	328,741,920	345,417,468	5.07
Water		153,188,787	114,091,128	127,488,013	11.74
Refuse		102,235,457	76,763,473	81,960,347	6.77
Sewerage		117,966,194	90,651,295	91,222,398	0.63
Operating Projects		182,513,782	136,885,337	52,444,692	(61.69)
Other Income	2	190,426,664	142,819,998	178,288,121	24.83
<b><u>Total Operating Income</u></b>		<b><u>1,800,025,564</u></b>	<b><u>1,427,352,031</u></b>	<b><u>1,418,102,300</u></b>	<b><u>(0.65)</u></b>
<b><u>Expenditure</u></b>					
Salaries, Wages & Allowances	3	573,144,489	429,858,367	421,637,091	(1.91)
General Expenses	4	435,730,456	331,797,842	297,909,476	(10.21)
Operating Projects	5	182,513,782	136,885,337	52,444,692	(61.69)
Electricity Bulk Purchases		265,578,820	194,878,319	197,470,202	1.33
Water Bulk Purchases		72,358,943	54,179,084	56,556,841	4.39
Repairs & Maintenance	6	90,823,708	68,117,781	52,451,382	(23.00)
Capital Charges		166,178,181	124,633,636	124,633,636	0.00
<b><u>Total Operating Expenditure</u></b>		<b><u>1,786,328,379</u></b>	<b><u>1,340,350,365</u></b>	<b><u>1,203,103,320</u></b>	
<b><u>Transfer to Leave Reserves</u></b>		<b><u>(12,336,392)</u></b>	<b><u>(9,252,294)</u></b>	<b><u>(5,850,200)</u></b>	
<b><u>Operating Surplus</u></b>		<b><u>1,360,793</u></b>	<b><u>77,749,372</u></b>	<b><u>209,148,780</u></b>	

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 March 2008 is 93.25%.

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

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

The Grant Income received as at 31 March 2008 includes the equitable share grant allocation of R 242.13 million.

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

Other income indicates a positive variance of 24.83% (R38.3 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 0.64%. 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 March 2008 is 89.79% (R297.91 million). The general expenses indicate an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 91.94%).

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

Operating Projects expenditure efficiency ratio for the period ending 31 March 2008 is 38.31% (R52.44 million). The current year's expenditure compares favourably to the same period in the previous financial year (2006/2007: 38.31%). 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 31 March 2008 is 77% (R52.45 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: 74.85%).

### **3. REVENUE PROJECTIONS BY SOURCE**

**Table 2: Revenue projections by source for the period ending 31 March 2008**

<b>Source</b>	<b>YTD March 2008 Projected Revenue R'million</b>	<b>YTD March 2008 Actual Revenue R'million</b>
Assessment rates	261	256
Electricity	333	345
Sanitation	91	91
Water	114	127
Refuse removal	77	82
Grants & subsidies	272	284
Fines	5	6
Other	140	178
<b>Total Revenue</b>	<b>1,293</b>	<b>1,369</b>

**Table 2 above depicts the Actual Revenue collected as compared to the Projected Revenue for the nine months ending 31 March 2008. The variance between the Actual and the Projected for the Services is due to Debtors being incurred.**

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

**Table 3: Projections of Revenue and Expenditure per Function 31 March 2008**

Vote / Function	YTD 'Mar - 08 Projected			YTD'Mar - 08 Actuals			April'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
<b>Executive Mayor</b>									
Vote : Executive & Council	19,647	6,677		21,861			6,549	2,173	
Vote : Finance & Admin - IT	741	37		729			247	13	
Vote : Finance & Admin - Other	38,854		26,050	18,855	3,731	1,437	12,951	-	5,892
Vote : Planning & Development	4,529	3,468	1,614	4,834		401	1,510	1,156	365
<b>TOTAL</b>	<b>63,771</b>	<b>10,183</b>	<b>27,663</b>	<b>46,279</b>	<b>3,731</b>	<b>1,838</b>	<b>21,257</b>	<b>3,341</b>	<b>6,257</b>
<b>Municipal Manager</b>									
Vote : Finance & Admin - Internal Aud	2,472		51	1,511			824		11
Vote : Finance & Admin ( Other )	10,953		4,566	9,865		1,039	3,651		1,033
Vote: Other				32					
Vote : Planning & Development	5,797	35,160	5,891	2,439			1,932	11,720	1,332
<b>TOTAL</b>	<b>19,222</b>	<b>35,160</b>	<b>10,508</b>	<b>13,847</b>	<b>-</b>	<b>1,039</b>	<b>6,407</b>	<b>11,720</b>	<b>2,376</b>
<b>Chief Operations Officer</b>									
Vote : Finance & Admin ( Other )	603				768		201		
<b>TOTAL</b>	<b>603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>768</b>	<b>-</b>	<b>201</b>	<b>-</b>	<b>-</b>
<b>Financial Services</b>									
Vote : Finance & Admin ( finance )	70,595	45,308	402,670	103,592	8,390	435,356	23,532	14,686	91,042
<b>TOTAL</b>	<b>70,595</b>	<b>45,308</b>	<b>402,670</b>	<b>103,592</b>	<b>8,390</b>	<b>435,356</b>	<b>23,532</b>	<b>14,686</b>	<b>91,042</b>
<b>Corporate Services</b>									
Vote: Executive & Council				137					
Vote : Finance & Admin ( HR )	24,265	206	6,942	24,649	50	2,750	8,088		1,570
Vote : Finance & Admin ( IT )	12,524	1,334	1,189	13,724		1,104	4,175	422	269
Vote : Finance & Admin ( Other )	17,074	525	272	12,178	404	905	5,691	175	61
<b>TOTAL</b>	<b>53,863</b>	<b>2,065</b>	<b>8,402</b>	<b>50,688</b>	<b>454</b>	<b>4,759</b>	<b>17,954</b>	<b>597</b>	<b>1,901</b>
<b>Engineering Services</b>									
Vote : Finance & Admin ( Other )	18,446		2,413	18,960		3,657	6,149		546
Vote : Waste Water Management	97,049	46,356	126,586	87,412	27,985	139,866	32,350	30,785	28,627
Vote : Road Transport	74,403	10,655	2,427	56,873	11,476	9,366	24,801	1,460	549
Vote : Water	131,768	23,938	158,371	129,069	19,702	172,817	43,293	5,569	35,803
Vote : Electricity	344,069	38,131	405,237	292,619	30,759	395,282	121,329	5,446	91,609
Vote: Other (Vehicles)					14,615				
<b>TOTAL</b>	<b>665,735</b>	<b>119,080</b>	<b>695,034</b>	<b>584,933</b>	<b>104,537</b>	<b>720,988</b>	<b>227,921</b>	<b>43,260</b>	<b>157,134</b>
<b>Planning &amp; Development</b>									
Vote : Finance & Admin ( Other )	13,490		629	11,161		583	4,497		142
Vote : Planning & Development	53,283	34,537	22,636	39,722	7,579	10,543	17,761	9,121	5,126
Vote : Housing	50,139	15,501	49,105	30,336		24,015	16,713	6,103	11,108
Vote : Other ( Bus & BCMET )	11,086	1,645	12,128	10,724	52	11,445	3,695	569	2,743
<b>TOTAL</b>	<b>127,998</b>	<b>51,683</b>	<b>84,499</b>	<b>91,943</b>	<b>7,631</b>	<b>46,586</b>	<b>42,666</b>	<b>15,793</b>	<b>19,119</b>
<b>Public Safety and Health</b>									
Vote : Finance & Admin ( Other )	2,498			2,265		1	833		
Vote : Health	33,208	2,463	24,824	27,955	137	16,400	11,069	237	5,621
Vote : Public Safety	76,116	17,057	51,841	66,875	1,298	55,220	25,372	2,780	11,729
Vote : Other ( Dog Tax )	531		382	256		564	177		86
<b>TOTAL</b>	<b>112,353</b>	<b>19,520</b>	<b>77,047</b>	<b>97,351</b>	<b>1,435</b>	<b>72,185</b>	<b>37,451</b>	<b>3,017</b>	<b>17,437</b>
<b>Community Services</b>									
Vote : Finance & Admin ( Other )	1,708			2,250		4	569		
Vote : Community Services	39,122	1,467	7,861	43,167	3,579	9,813	13,041	489	1,778
Vote : Sports & Recreation	26,993	5,920	2,661	28,049	4,540	2,305	8,998	1,300	601
Vote : Environmental Protection	37,978	1,819	773	36,019	199	768	12,659	150	175
Vote : Waste Management	93,368	8,550	117,080	104,985	11,173	122,461	31,123	3,650	26,431
<b>TOTAL</b>	<b>199,169</b>	<b>17,756</b>	<b>128,375</b>	<b>214,470</b>	<b>19,491</b>	<b>135,351</b>	<b>66,390</b>	<b>5,589</b>	<b>28,985</b>
<b>Total by Function</b>	<b>1,313,308</b>	<b>300,755</b>	<b>1,434,200</b>	<b>1,203,103</b>	<b>146,437</b>	<b>1,418,102</b>	<b>443,779</b>	<b>98,004</b>	<b>324,251</b>

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

## 5. CAPITAL EXPENDITURE

Total Capital Expenditure as at 31 March 2008 amounts to R168,8 million which is 40% of the expenditure including commitments for the 2007/08 Financial year.

**The total Capital Expenditure to date is 35% of the Adjusted Budget.**

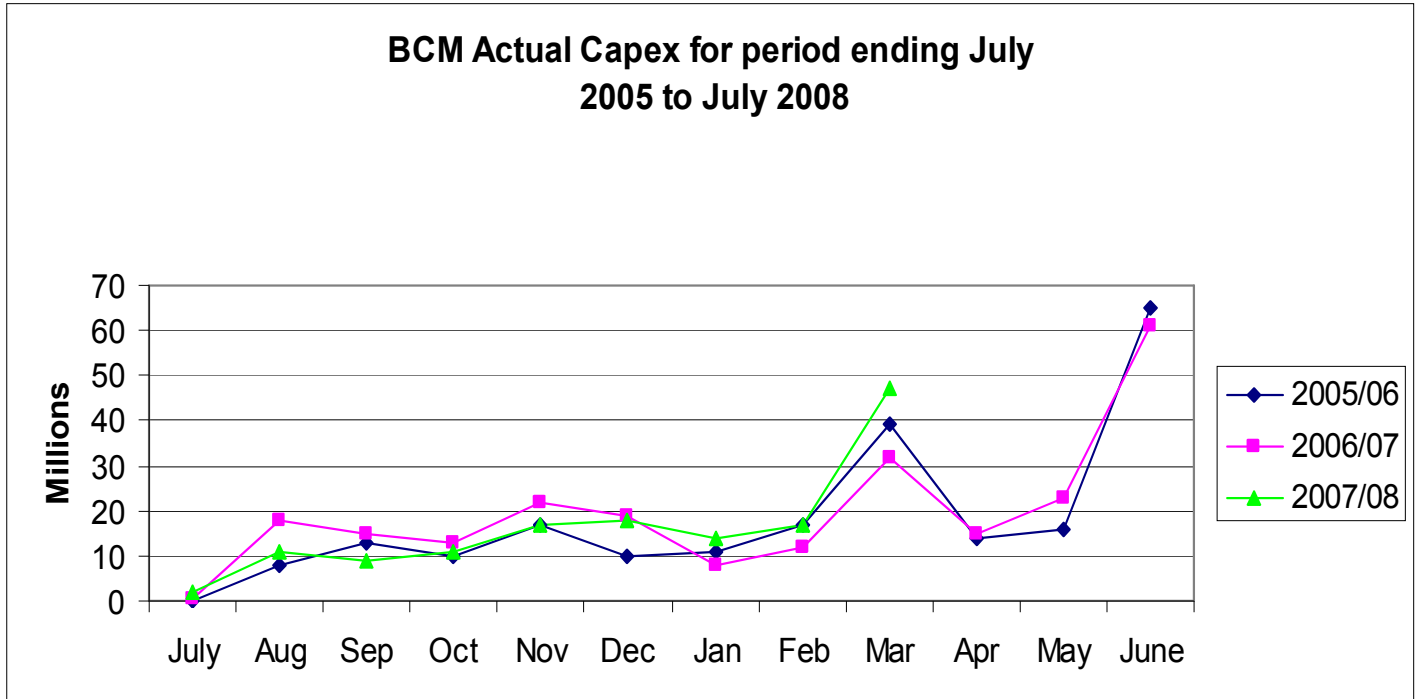
The year to date expenditure per funding source is reflected in table 4 below.

**Table 4 : Capital Expenditure per Funding Source**

Funding Source	2007/2008 2nd Adjusted Budget	2007/2008 YTD Actual Expend.	2007/2008 Expend incl Commitments	YTD Exp /2nd Adj. Budget	YTD Exp Plus Commitment / 2 <sup>nd</sup> Adj. Budget. %
	R	R	R	%	%
Accumulated Surplus	20,337,077	1,702,742	3,654,002	8%	18%
Capital Replacement Reserve	41,795,895	7,123,279	9,710,468	17%	22%
External Financing Fund	134,116,973	37,067,060	50,746,549	28%	33%
Amatole District Municipality	60,655	60,550	60,550	100%	100%
Buffalo City Metropolitan Transport Board	7,127,178	1,231,589	1,777,914	17%	15%
Creditors	246,104	27,190	27,190	11%	11%
Development Bank of SA	219,892	0	0	0%	0%
Department of Recreation, Sports, Arts and Culture	448,215	93,302	111,302	21%	19%
Dept of Science & Technology	4,530,920	194,913	194,913	4%	4%
Dept of Local Govt. & Housing	6,281,738	736,217	753,761	12%	12%
Disaster Management Fund	2,007,953	37,090	45,685	2%	2%
Department of Transport	533,703	0	0	0%	0%
Dept of Water Affairs & Forestry	1,600,043	381,630	381,630	24%	24%
Eastern Cape Development Co-Operation	600,000	255,728	255,728	43%	43%
Equitable Share	158,425	13,900	22,892	9%	14%
European Commission	29,948,435	5,003,610	5,289,769	17%	18%
Finance Management Grant	25,000	0	0	0%	0%
National Electricity Provider	22,659,841	17,533,403	17,533,403	77%	77%
Leiden Platform	344,687	0	0	0%	0%
Municipal Infrastructure Grants	123,499,841	62,094,347	63,902,110	50%	52%
Municipal Systems Improvement Grant	2,961,817	2,448,347	2,448,347	83%	83%
Other	490,100	0	310,825	0%	63%
Public	5,300,206	302,836	0	6%	0%
Restructuring Grant	12,215,355	8,263,185	9,674,826	68%	79%
Swedish Internal. Develop agency	2,057,213	1,867,050	1,867,050	91%	91%
<b>TOTAL</b>	<b>419,567,266</b>	<b>146,438,058</b>	<b>168,768,914</b>	<b>35%</b>	<b>40%</b>

Figure 1 below compares the Actual Capital Expenditure for the current period ending 31 March 2008 against the same period in 2005/2006 and 2006/2007 financial years.

**Figure 1**



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

Table 5 identifies the actual Capital Expenditure per Directorate against budget.

**Table 5: Actual Expenditure per Directorate against Budget**

Directorate	2007/2008 2nd Adjusted Budget R	2007/2008 YTD Actual Expend. R	2007/2008 Expend incl Commitments R	YTD Exp /2nd Adj. Budgt %	YTD Exp Plus Commnt/ 2 <sup>nd</sup> Adj. Budgt. %
Directorate of Executive Support	8,152,325	3,730,635	4,603,828	46%	56%
Chief Operations Officer	12,663,482	768,068	785,612	6%	6%
Directorate of Finance	30,002,913	8,389,857	10,825,245	28%	36%
Directorate of Corporate Services	3,741,184	453,656	631,738	12%	17%
Directorate of Engineering	238,470,281	104,537,786	118,007,892	44%	49%
Directorate of Development Planning	48,271,438	7,631,641	11,461,481	16%	24%
Directorate of Community Services	57,795,305	19,490,920	20,485,035	34%	35%
Directorate of Public Safety and Health	20,478,338	1,435,495	1,968,083	7%	10%
<b>TOTAL</b>	<b>419,567,266</b>	<b>146,438,058</b>	<b>168,768,914</b>	<b>35%</b>	<b>40%</b>

Table 6 below gives a breakdown of the spending per Service.

**Table 6 : Spending per Service**

Service	2007/2008 2nd Adjusted Budget	2007/2008 YTD Actual Expend.	2007/2008 Expend incl Commitments	YTD Exp /2nd Adj. Budgt	YTD Exp Plus Commnt / 2 <sup>nd</sup> Adj. Budgt.
	R	R	R	%	%
Amenities	16,040,950	7,930,262	8,787,080	49%	55%
Cleansing	36,721,565	11,172,526	11,300,921	30%	31%
Electricity	55,258,618	30,759,287	31,331,202	56%	57%
Environ Services	2,401,870	198,966	207,868	8%	9%
Health	2,062,198	137,164	335,205	7%	16%
Housing	9,191,955	913,609	931,153	10%	10%
Roads & Storm water	50,315,798	11,476,378	12,805,851	23%	25%
Sewerage	53,157,683	28,752,175	28,797,378	54%	54%
Transport Planning	42,884,046	6,592,528	9,380,225	15%	22%
Water	52,981,807	18,934,871	19,267,161	36%	36%
Public Safety	18,408,140	1,298,331	1,632,878	7%	9%
Support Services	45,551,717	12,378,980	15,724,618	27%	35%
Other	34,590,919	15,892,981	28,267,374	46%	82%
<b>TOTAL</b>	<b>419,567,266</b>	<b>146,438,058</b>	<b>168,768,914</b>	<b>35%</b>	<b>40%</b>



## 6. SCHEDULE OF CASH FLOW FOR THE YEAR ENDING 30 JUNE 2008

	Jul 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08
DETAIL	R	R	R	R	R	R	R	R	R	R	R	R
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Projection	Projection	Projection
<b>Opening Cash Balance</b>	540,916,665	336,444,979	387,235,926	396,134,011	422,852,167	413,767,779	383,864,917	428,949,025	386,983,579	293,393,140	284,642,711	257,335,049
<b>Add : Receipts</b>												
- Revenue receipts (incl consumer debtors)	95,299,071	132,565,569	111,833,171	129,740,395	94,294,750	100,673,650	87,291,196	89,839,102	97,108,352	83,902,275	85,482,547	107,315,861
- External loans and capital grants					42,521,495			5,230,923		20,778,500		20,778,500
- Operating Grants and Subsidies	7,920,467	25,691,349	15,160,838	12,560,121	37,407,495	4,413,652	22,746,512	17,914,531	3,477,092	54,441,654	54,441,654	54,441,654
- Public Donations												
- Investments redeemed	52,260,573	49,406,265	170,676,845	158,665,687	126,813,543	149,041,688	109,649,220	101,001,602	165,716,456	165,213,537	165,213,537	165,213,537
- Consumer deposits												
- Receipts from long term debtors												
- Insurance claims												
- Statutory Receipts (incl VAT)												
- Other	21,102,686	24,897,116	26,435,161	32,891,459	21,931,324	21,222,819	21,300,115	29,565,095	23,137,739	10,189,163	10,189,163	10,189,163
<b>Sub-Total ( Receipts )</b>	<b>176,582,797</b>	<b>232,560,299</b>	<b>324,106,015</b>	<b>333,857,662</b>	<b>322,968,607</b>	<b>275,351,809</b>	<b>240,987,043</b>	<b>243,551,253</b>	<b>289,439,639</b>	<b>334,525,129</b>	<b>315,326,901</b>	<b>357,938,715</b>
<b>Less : Payments</b>												
- Salaries, wages and allowances	42,713,725	42,614,788	43,419,370	42,923,568	42,985,691	44,883,919	42,660,961	43,159,217	50,058,693	46,115,558	46,115,558	46,115,558
- Cash and creditor payments	22,918,610	38,311,895	51,986,127	27,664,935	29,281,924	29,756,399	28,565,177	31,172,783	30,881,637	32,826,479	32,185,484	45,696,094
- Capital payments	1,918,836	12,924,980	12,074,431	16,496,895	25,900,597	34,856,731	13,928,289	16,937,286	47,480,392	26,177,488	26,177,488	26,177,488
- Investments made	273,351,609	52,657,162	164,691,553	176,999,746	152,012,733	147,396,015	68,210,814	151,709,719	196,343,877	188,769,441	188,769,441	188,769,441
- External loans repaid			10,306	1,319,230	29,357,085	5,823,913			8,383,870	9,234,889	9,234,889	26,142,956
- Statutory Payments (incl VAT)												
- Consumer deposits repaid												
- Other Payments	40,151,703	35,260,527	43,026,143	41,735,132	52,514,965	42,537,694	42,537,694	42,537,694	49,881,609	40,151,703	40,151,703	40,701,703
<b>Sub-Total ( Payments )</b>	<b>381,054,483</b>	<b>181,769,352</b>	<b>315,207,930</b>	<b>307,139,506</b>	<b>332,052,995</b>	<b>305,254,671</b>	<b>195,902,935</b>	<b>285,516,699</b>	<b>383,030,078</b>	<b>343,275,558</b>	<b>342,634,563</b>	<b>373,603,240</b>
<b>Closing Balance</b>	<b>336,444,979</b>	<b>387,235,926</b>	<b>396,134,011</b>	<b>422,852,167</b>	<b>413,767,779</b>	<b>383,864,917</b>	<b>428,949,025</b>	<b>386,983,579</b>	<b>293,393,140</b>	<b>284,642,711</b>	<b>257,335,049</b>	<b>241,670,524</b>

## **CONCLUSION**

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

## **Recommendation**

It is recommended that -:

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

**G.G.SHARPLEY**  
**ACCOUNTING OFFICER**

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