

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 MAY 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 May 2008.

Table 1: Statement of Financial Performance for the period ending 31 May 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	290,289,627	286,275,910	275,455,074	(3.78)
Assessment Rates		321,682,707	299,777,642	303,824,640	1.35
Electricity		442,515,881	403,985,415	426,068,623	5.47
Water	2	153,188,787	140,364,763	158,975,366	13.26
Refuse		102,235,457	93,852,024	100,350,751	6.92
Sewerage		117,966,194	106,554,152	107,704,937	1.08
Operating Projects		181,461,735	166,339,924	77,535,520	(53.39)
Other Income	3	197,101,081	180,675,991	233,573,185	29.28
<u>Total Operating Income</u>		1,806,441,469	1,677,825,821	1,683,488,096	0.34
<u>Expenditure</u>					
Salaries, Wages & Allowances	4	572,844,489	525,107,448	517,662,691	(1.42)
General Expenses	5	443,588,125	406,622,448	391,319,685	(3.76)
Operating Projects	6	181,461,735	166,339,924	77,535,520	(53.39)
Electricity Bulk Purchases		265,578,820	232,650,401	235,403,315	1.18
Water Bulk Purchases	2	72,358,943	66,334,747	83,370,004	25.68
Repairs & Maintenance	7	90,733,991	83,172,825	65,942,766	(20.72)
Capital Charges		166,178,181	152,329,999	152,329,999	(0.00)
<u>Total Operating Expenditure</u>		1,792,744,284	1,632,557,793	1,523,563,981	
Transfer to Leave Reserves		(12,336,390)	(11,308,358)	(6,026,949)	
<u>Operating Surplus</u>		1,360,795	33,959,670	153,897,166	

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 May 2008 is 94.26%.

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

Note 1: Government Grant income

The Grant Income received as at 31 May 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 R3 million.

Note 2: Water Revenue and Bulk Water Purchases

Water Revenue and Bulk Water Purchases will be aligned in the 3rd adjustment budget.

Note 3: Other income

Other income indicates a positive variance of 29.28% (R52.9 million), of which Interest on investments (R71 million against the budget of R16 million) is a foremost contributor

Note 4: Salaries, wages and allowances

The Basic Salaries and Wages were under spent by 1.42%. This is due to vacant funded posts that are not yet filled by the various Directorates and is well within the norm.

Note 5: General expenses

General expenditure efficiency ratio for the period ending 31 May 2008 is 96.24% (R391.32 million). The general expenses indicate an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 87.82%).

Note 6: Operating Projects

Operating Projects expenditure efficiency ratio for the period ending 31 May 2008 is 42.73% (R77.54 million). The current year's expenditure has increased when compared to the same period in the previous financial year (2006/2007: 40.11%). Comments on the under expenditure will be disclosed in the detailed report to the Council.

Note 7: Repairs and maintenance

Repairs and maintenance expenditure efficiency ratio for the period ending 31 May 2008 is 79.28% (R65.94 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: 73.75%).

3. CAPITAL EXPENDITURE

The total capital expenditure as at 31 May 2008 amounts to R208,7 million which is 51% of the approved 2nd adjustment budget for the 2007/08 financial year. The capital Expenditure has increased from 43% as at 30 April to 51% as at 31 May 2008. The capital expenditure indicates an increase in the expenditure pattern when compared to the same period in the previous financial year (2006/2007: 46%).

The capital adjusted budget will be decreased by 26% to R306.1 million in the 3rd adjustment budget.

Table 2: Capital Expenditure for the period ending 31 May 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	208.73	51%
2006/07	475.96	382.55	176.96	46%
2005/06	456.16	305.64	155.09	51%

CONCLUSION

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

Recommendation

It is recommended that -:

- The monthly budget and performance statement report for the period ending 31 May 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 May 2008**

Source	YTD May 2008 Projected Revenue R'million	YTD May 2008 Actual Revenue R'million
Assessment rates	302	304
Electricity	407	426
Sanitation	107	108
Water	141	159
Refuse removal	94	100
Grants & subsidies	281	275
Fines	6	7
Other	176	227
Total Revenue	1,514	1,606

Table 1 above depicts the Actual Revenue collected as compared to the Projected Revenue for the eleven months ending 31 May 2008. The variance between the Actual and the Projected for the Services is due to Other Income (Debtors) being incurred.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 31 May 2008

Vote / Function	YTD 'May - 08 Projected			YTD'May - 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	24,013	8,129		30,603		11	2,183	721	
Vote : Finance & Admin - IT	906	46		869		91	82	4	
Vote : Finance & Admin - Other	47,488		30,187	23,481	3,980	4,350	4,317		1,754
Vote : Planning & Development	5,536	4,239	1,870	5,973		704	503	385	109
TOTAL	77,942	12,414	32,057	60,926	3,980	5,156	7,086	1,110	1,863
Municipal Manager									
Vote : Finance & Admin - Internal Aud	3,021		59	1,868			275		3
Vote : Finance & Admin (Other)	13,387		5,291	11,623		1,160	1,217		307
Vote: Other				5					
Vote : Planning & Development	7,085	42,973	6,827	3,406		94	644	3,907	397
TOTAL	23,493	42,973	12,177	16,901		1,254	2,136	3,907	707
Chief Operations Officer									
Vote : Finance & Admin (Other)	737				850		67		
TOTAL	737				850		67		
Financial Services									
Vote : Finance & Admin (finance)	86,282	55,015	466,607	129,508	14,446	478,094	7,844	4,979	27,105
TOTAL	86,282	55,015	466,607	129,508	14,446	478,094	7,844	4,979	27,105
Corporate Services									
Vote: Executive & Council									
Vote : Finance & Admin (HR)	29,657	206	8,045	27,820	57	4,037	2,696		468
Vote : Finance & Admin (IT)	15,307	1,616	1,378	18,137	41	1,386	1,392	141	80
Vote : Finance & Admin (Other)	20,868	642	315	13,759	661	1,084	1,897	58	18
TOTAL	65,832	2,463	9,737	59,716	759	6,508	5,985	199	566
Engineering Services									
Vote : Finance & Admin (Other)	22,545		2,797	23,309		4,422	2,050		163
Vote : Waste Water Management	118,616	66,879	146,690	109,098	39,585	158,677	10,783	10,262	8,523
Vote : Road Transport	90,937	11,628	2,813	72,875	18,879	13,797	8,267	487	163
Vote : Water	161,791	27,756	183,514	175,373	33,310	207,736	13,270	1,752	10,659
Vote : Electricity	411,458	42,428	469,573	373,074	39,739	495,526	53,940	1,149	27,274
Vote: Other (Vehicles)					17,829				
TOTAL	805,347	148,691	805,386	753,729	149,342	880,158	88,309	13,649	46,782
Planning & Development									
Vote : Finance & Admin (Other)	16,488		729	14,150		830	1,499		42
Vote : Planning & Development	65,124	39,651	26,234	50,219	13,876	14,110	5,920	4,007	1,529
Vote : Housing	61,281	19,619	56,906	38,507		32,324	5,571	1,984	3,307
Vote : Other (Bus & BCMET)	13,549	2,108	14,054	13,587	274	14,030	1,232	106	817
TOTAL	156,442	61,378	97,923	116,463	14,150	61,294	14,222	6,098	5,695
Public Health and Public Safety									
Vote : Finance & Admin (Other)	3,053			2,787		1	278		
Vote : Health	40,587	2,621	28,772	34,578	619	29,967	3,690	79	1,674
Vote : Public Safety	93,031	18,944	60,079	82,032	3,236	61,611	8,457	893	3,490
Vote : Other (Dog Tax)	649		443	438		688	59		26
TOTAL	137,320	21,565	89,294	119,835	3,855	92,268	12,484	972	5,189
Community Services									
Vote : Finance & Admin (Other)	2,087			2,799		4	190		
Vote : Community Services	47,816	1,793	9,110	49,771	3,862	10,929	4,347	163	529
Vote : Sports & Recreation	32,992	6,787	3,083	34,489	4,883	2,671	2,999	433	179
Vote : Environmental Protection	46,417	1,919	896	44,954	236	814	4,220	50	52
Vote : Wwaste Management	114,117	10,767	135,638	134,473.55	12,363	144,339	10,374	1,433	7,873
TOTAL	243,429	21,266	148,727	266,486	21,345	158,757	22,130	2,080	8,633
Total by Function	1,596,825	365,765	1,661,909	1,523,564	208,726	1,683,488	160,262	32,994	96,542

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

CAPITAL EXPENDITURE

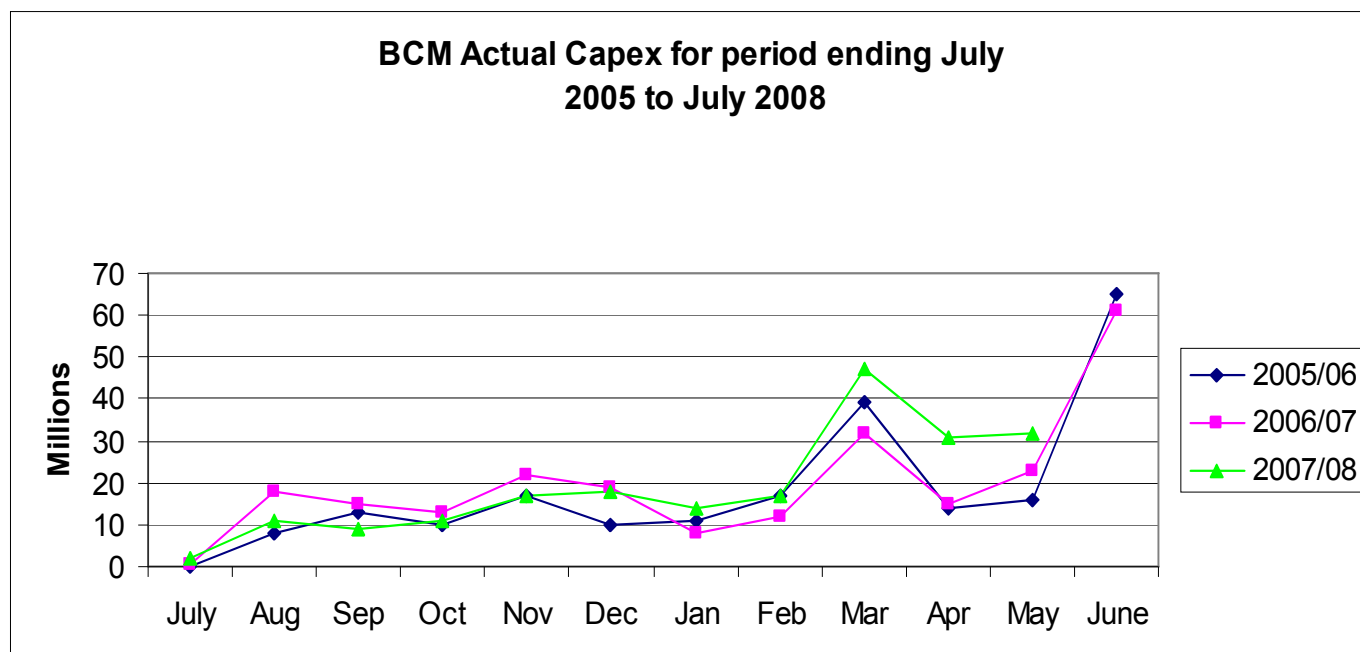
The year to date expenditure per funding source is reflected in table 1 below.

Table 1: Capital Expenditure per Funding Source

Funding Source	2007/2008 Approved Budget R	2007/2008 2nd Adjusted Budget R	2007/2008 YTD Actual Expenditure R	YTD Exp/2nd Adj. Budget %
Capital Replacement Reserve	32,824,408	42,295,895	12,251,890	29%
External Financing Fund	102,157,536	134,116,973	50,038,209	37%
Amatole District Municipality	0	60,655	60,550	100%
Buffalo City Metropolitan Transport Board	4,956,000	7,127,178	1,923,512	27%
Creditors	120,000	246,104	27,190	11%
Own Funding	27,437,077	13,537,077	7,476,408	55%
Development Bank of SA	68,377	219,892		0%
Department of Recreation, Sports, Arts and Culture	500,000	448,215	683,621	153%
Dept of Science & Technology	4,624,000	4,530,920	264,913	6%
Dept of Local Govt. & Housing	21,503,316	6,281,738	817,596	13%
Disaster Management Fund	400,000	2,007,953	41,787	2%
Department of Transport	0	533,703	433,641	81%
Department of Land Affairs c/o	0	678,473	225,448	33%
Dept of Water Affairs & Forestry	590,704	921,570	230,342	25%
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	6,964,122	23%
Finance Management Grant	0	25,000	18,545	74%
National Electricity Provider	21,323,000	22,659,841	20,950,036	92%
Leiden Platform	640,000	344,687	325,865	95%
Municipal Infrastructure Grants	113,633,549	123,499,841	91,460,313	74%
Municipal Systems Improvement Grants	600,000	2,961,817	2,949,043	100%
Other	0	490,100	168	0%
Public	8,000,000	5,300,206	317,477	6%
Restructuring Grant	28,450,528	12,215,355	9,103,464	75%
Swedish Internal. Develop agency	50,000	2,057,213	1,883,400	92%
TOTAL	372,328,495	413,267,266	208,726,160	51%

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

Figure 1



The actual capital expenditure for the period ending 31 May 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	Approved Budget R	2nd Adjusted Budget R	YTD Actual Expenditure R	Exp/2nd Adj. Budget %
Directorate of Executive Support Services	10,868,750	8,152,325	3,979,708	49%
Directorate of The Municipal Manager	19,450,000	0	0	0%
Directorate of Chief Operations Officer	0	13,663,482	850,000	6%
Directorate of Finance	59,994,005	29,681,597	14,446,021	49%
Directorate of Corporate Services	2,661,977	3,741,184	759,090	20%
Directorate of Engineering Services	163,340,298	238,677,299	149,341,761	63%
Directorate of Development Planning	67,475,316	47,286,438	14,149,602	30%
Directorate of Community Services	26,000,729	51,591,003	21,344,987	41%
Directorate of Health and Public Safety	22,537,420	20,473,938	3,854,991	19%
TOTAL	372,328,495	413,267,266	208,726,160	51%

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

Table 3: Spending per Service

Services	2007/2008 Approved Budget R	2007/2008 2nd Adjusted Budget R	2007/2008 YTD Actual Expenditure R	YTD Exp/2nd Adj. Budget %
Amenities	10,376,729	16,040,950	8,486,530	53%
Water Management	12,200,000	30,421,565	12,363,422	41%
Electricity	43,576,600	55,258,618	39,739,015	72%
Environmental Services	1,968,750	2,401,870	236,422	10%
Health	2,700,000	2,062,198	619,068	30%
Housing	21,603,316	9,191,955	1,069,148	12%
Roads and Storm water	12,115,148	50,315,798	18,878,727	38%
Sewerage	47,510,825	53,157,683	40,574,309	76%
Transport Planning	43,658,000	42,884,046	12,101,620	28%
Water	29,507,725	52,981,807	32,549,839	61%
Public Safety	19,837,420	18,408,140	3,235,923	18%
Support Services	76,729,982	45,551,717	18,804,769	41%
Other	50,544,000	34,590,919	20,067,368	58%
TOTAL	372,328,495	413,267,266	208,726,160	51%

SCHEDULE OF BORROWINGS AS AT 31 MAY 2008

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/07/2007	during the	or written off	31/05/2008
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
						18,160,000	-	-	18,160,000
EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Annuity Loans						01/07/2007	during the	or written off	31/05/2008
Received	Int Rate	Loan No.	Ref No.	Redeemable	Source	R	year	year	R
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