

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 30 NOVEMBER 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 November 2008.

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

BUFFALO CITY MUNICIPALITY					
STATEMENT OF FINANCIAL PERFORMANCE					
		2008/09 ANNUAL BUDGET	2008/09 YTD BUDGET	2008/09 YTD ACCRUED INC / EXP	2008/09 VARIANCE
STATEMENT OF FINANCIAL PERFORMANCE	Note	R	R	R	%
OPERATING INCOME					
Property Rates		359,453,670	193,625,052	193,992,940	0.19
Service Charges	1	1,052,913,454	440,738,099	439,223,181	(0.34)
Rental of Facilities and Equipment		9,604,292	4,001,788	2,800,397	(30.02)
Interest Earned - External Investments		18,318,834	7,632,848	28,702,106	276.03
Interest Earned - Outstanding Debtors		33,878,313	14,115,964	14,732,102	4.36
Dividends Received		49,867	20,778	33,328	60.40
Fines		8,021,879	3,342,450	2,973,224	(11.05)
Licences and Permits		11,585,596	4,827,332	5,014,478	3.88
Government Grants and Subsidies	2	348,165,556	125,464,139	116,421,614	(7.21)
Other Income	3	128,016,564	53,340,235	47,690,769	(10.59)
Operating Project Grants		204,221,121	85,092,134	38,810,555	(54.39)
Total Operating Revenue		2,174,229,146	932,200,817	890,394,693	(4.48)
OPERATING EXPENDITURE					
Employee Related Costs	4	679,114,422	282,964,343	266,576,234	(5.79)
Bad Debts		42,283,339	17,618,058	17,618,058	0.00
Collection Costs		10,164,294	4,235,123	2,423,695	(42.77)
Depreciation		186,058,475	77,524,365	77,524,365	0.00
Repairs and Maintenance	5	140,334,210	58,472,588	37,882,228	(35.21)
Bulk Purchases	6	458,883,573	207,497,535	215,244,303	3.73
Contracted Services		6,846,154	2,852,564	1,357,503	(52.41)
Grants and Subsidies Paid		4,857,652	2,024,022	0	(100.00)
General Expenses - Other	7	420,671,829	175,279,929	138,589,437	(20.93)
Operating Projects	8	204,221,121	85,092,134	38,810,555	(54.39)
Total Operating Expenditure		2,153,435,069	913,560,658	796,026,378	(12.87)
Transfer to/from Leave Reserves		(20,361,751)	(8,484,063)	(2,927,868)	
OPERATING SURPLUS/(DEFICIT)		432,326	10,156,096	91,440,448	

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

- Grants, rates and service charges – historical income trends
- Other Income – five months of the Annual Budget
- Electricity and Water bulk purchase – seasonal trends
- Expenditure (excluding Electricity and Water Bulk purchases) – five 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 four months ending 30 November 2008 is 90.96%.

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

Note 1: Service Charges

Service Charges	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Electricity Service	604,173,373	249,965,649	248,697,728	1,267,921	(0.51)
Water Service	196,809,224	78,524,925	75,216,101	3,308,824	(4.21)
Refuse Service	119,414,425	47,961,725	52,675,696	(4,713,971)	9.83
Sewerage Service	132,516,432	64,285,800	62,633,655	1,652,145	(2.57)
TOTAL	1,052,913,454	440,738,099	439,223,181	1,514,918	(0.34)

The total service charges billing income indicates a negative variance of 0.34% (R1.51 million) for the period ending 30 November 2008.

Note 2: Government Grant income

The Grant Income received as at 30 November 2008 includes the equitable share grant allocation of R 103.4 million.

Note 3: Other income

Other income which is made up of numerous miscellaneous items reflects a cash inflow of R47.69 million as against an estimated budget of R53.34 million.

Note 4: Employee Related Costs

Employee Related Costs	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Officials Remuneration	659,247,385	274,686,410	258,853,335	15,833,075	(5.76)
Councillors Remuneration	19,867,037	8,277,932	7,722,899	555,033	(6.70)
TOTAL	679,114,422	282,964,343	266,576,234	16,388,108	(5.79)

The Basic Salaries and Wages were under spent by 5.79%. This is due to vacant funded posts that are not yet filled by the various Directorates and is well within the norm.

Note 5: Repairs and maintenance

Repairs and maintenance expenditure efficiency ratio for the period ending 30 November 2008 is 64.79% (R37.88 million). The repairs and maintenance indicate a decrease in the expenditure pattern when compared to the same period in the previous financial year (2007/2008: 74.58%).

Note 6: Bulk Purchases

Bulk Purchases	2008/2009 Annual Budget R	2008/2009 YTD Budget R	2008/2009 YTD Expenditure R	2008/2009 Variance R	YTD Variance %
Electricity Bulk Purchases	366,774,586	172,862,784	171,024,507	1,838,277	(1.06)
Water Bulk Purchases	92,108,987	34,634,751	44,219,796	(9,585,045)	27.67
TOTAL	458,883,573	207,497,535	215,244,303	(7,746,768)	3.73

The bulk purchases indicate an over expenditure of 3.73% (R7.75 million) but expected to be within the budget at the end of the financial year.

Note 7: General expenses

General expenditure efficiency ratio for the period ending 30 November 2008 is 79.07% (R138.59 million). The general expenses indicate a decrease in expenditure pattern when compared to the same period in the previous financial year (2007/2008: 81.94%).

Note 8: Operating Projects

Operating Projects expenditure efficiency ratio for the period ending 30 November 2008 is 45.61% (R38.81 million). The current year's expenditure has increased when compared to the same period in the previous financial year (2007/2008: 35.51%). Comments on the under expenditure will be disclosed in the detailed report to the Council.

3. CAPITAL EXPENDITURE

The total capital expenditure as at 30 November 2008 amounts to R67.93 million which is 8% of the approved budget and the 1st adjustment 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: 11%). (Refer to annexure 3)

Table 2: Capital Expenditure for the period ending 30 November 2008/09, 2007/08 and 2006/7

Financial Year	Approved Budget	Adjusted Budget	YTD Actual Exp	YTD Exp/Approved Budget	YTD Exp/Adjusted Budget
	<u>R'million</u>	<u>R'million</u>	<u>R'million</u>	<u>%</u>	<u>%</u>
2008/09	902.09	862.09	67.93	8%	8%
2007/08	372.33	453.93	50.32	14%	11%
2006/07	475.96	384.63	68.45	14%	18%

CONCLUSION

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

Recommendation

It is recommended that -:

- The statement of financial performance and the implementation of the 2008/2009 budget for the period ending 30 November 2008 be adopted in terms of the MFMA.

V.R. LWANA
ACTING 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
- 4 Schedule of Borrowings

REVENUE PROJECTIONS BY SOURCE**Table 1: Revenue projections by source for the period ending 30 November 2008**

	YTD November 2008 Projected Revenue	YTD November 2008 Accrued Revenue
Source	R'million	R'million
Assessment rates	194	194
Electricity	250	249
Sanitation	64	63
Water	79	75
Refuse removal	48	53
Grants & subsidies	125	116
Conditional Grants	85	39
Fines	3	3
Other	84	99
Total Revenue	932	890

Table 1 above depicts the Accrued Revenue collected as compared to the Projected Revenue for the five months ending 30 November 2008.

YEAR TO DATE SUMMARY PROJECTIONS OF REVENUE AND EXPENDITURE BY FUNCTION

Projections of Revenue and Expenditure per Function 30 November 2008

Vote / Function	YTD 'Nov - 08 Projected			YTD'Nov - 08 Actuals			Dec '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	15,193		2,480	12,618		8,868	21,270		2,660
Vote : Finance & Admin - IT	1,131	104	815	503		361	1,584	146	874
Vote : Finance & Admin - Other	19,563	36,031	8,709	8,186	300	2,278	27,389	50,443	9,346
Vote : Planning & Development	3,343		1,015	1,549		1,050	4,680		1,089
TOTAL	39,231	36,135	13,019	22,855	300	12,557	54,923	50,589	13,969
Municipal Manager									
Vote : Finance & Admin - Internal Aud	1,417		49	873		1,308	1,984		53
Vote : Finance & Admin (Other)	5,750			6,985		6,134	8,050		
Vote : Other				22,015		15,673			
Vote : Planning & Development									
TOTAL	7,168		49	29,873	-	23,115	10,035		53
Chief Operations Officer									
Vote : Finance & Admin (Other)	1,874	113	1,458		92		2,624	158	2,042
Vote : Planning & Development	6,205		6,205				8,687		8,687
Vote : Housing	36,503	11,625	33,357		737		51,104	16,274	46,700
TOTAL	44,582	11,737	41,020		829		62,414	16,432	57,428
Financial Services									
Vote : Finance & Admin (finance)	95,908	2,813	302,437	75,698	2,008	241,548	134,271	3,938	324,383
TOTAL	95,908	2,813	302,437	75,698	2,008	241,548	134,271	3,938	324,383
Corporate Services									
Vote : Executive & Council									
Vote : Finance & Admin (HR)	7,185	119		14,129	12	8,865	10,059	167	2,576
Vote : Finance & Admin (IT)	8,519	1,691	2,400	5,175		4,582	11,927	2,368	259
Vote : Finance & Admin (Other)	13,360	1,488	241	7,672	161	4,908	18,704	2,083	
TOTAL	29,064	3,298	2,641	26,976	173	18,355	40,690	4,617	2,835
Engineering Services									
Vote : Finance & Admin (Other)	10,907	33,333	1,395	9,147	2,868	15,407	15,269	46,667	1,496
Vote : Waste Water Management	56,017	50,044	88,613	53,337	10,715	77,004	78,423	70,061	95,042
Vote : Road Transport	46,761	63,819	4,224	48,496	15,201	16,449	65,465	89,346	4,532
Vote : Water	89,174	28,773	117,027	75,717	15,526	95,209	130,629	40,282	125,519
Vote : Electricity	229,233	45,539	280,332	218,333	3,659	255,365	263,953	63,754	300,605
Vote : Other (Vehicles)									
TOTAL	432,091	221,507	491,592	405,029	47,970	459,434	553,740	310,110	527,193
Planning & Development									
Vote : Finance & Admin (Other)	8,100	1,511	368	6,215	700	6,282	11,340	2,115	395
Vote : Planning & Development	33,841	39,037	13,337	25,017	8,988	6,643	47,377	54,651	14,310
Vote : Housing	282		285	252		265	394		306
Vote : Other (Bus & BC MET)	7,421	792	8,067	9,127	26	5,086	10,389	1,108	8,659
TOTAL	49,643	41,339	22,057	40,611	9,714	18,275	69,501	57,875	23,670
Public Health and Public Safety									
Vote : Finance & Admin (Other)	1,485			1,276	37	1,444	2,079		
Vote : Health	20,949	1,308	17,751	22,986	420	8,916	29,329	1,831	19,039
Vote : Public Safety	47,156	11,867	37,111	43,033	89	28,892	66,019	16,613	39,804
Vote : Other (Dog Tax)	300		490	217		2	420		525
TOTAL	69,891	13,174	55,352	67,512	545	39,254	97,847	18,444	59,367
Community Services									
Vote : Finance & Admin (Other)	2,366		627	1,462	28	200	3,312		672
Vote : Community Services	24,742	6,944	6,035	23,298	1,538	9,003	34,639	9,722	6,475
Vote : Sports & Recreation	17,392	3,869	1,448	18,908	1,221	961	24,349	5,417	1,553
Vote : Environmental Protection	25,590	4,225	1,553	23,446	637	2,080	35,825	5,915	1,666
Vote : Waste Management	74,812	30,828	87,843	60,358	2,968	65,613	104,736	43,159	94,253
TOTAL	144,901	45,866	97,505	127,473	6,393	77,857	202,861	64,213	104,620
Total by Function	912,478	375,870	1,025,673	796,027	67,933	890,395	1,226,282	526,219	1,113,519

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

CAPITAL EXPENDITURE

The total capital expenditure as at 30 November 2008 amounts to R67.93 million which is 8% of the approved budget and the 1st adjustment 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: 11%).

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

Table 1: Capital Expenditure per Funding Source

Funding	Approved 2008/2009 R	Adjusted Budget 2008/2009 R	Expend. 2008/2009 R	YTD Exp/ Approved Budget %	YTD Exp/ Adjusted Budget %
Contribution to Accumulated Surpluses	650,000	2,150,000	751,941	116%	35%
Capital Replacement Reserve	110,829,779	116,609,779	8,795,224	8%	8%
Capital Replacement Reserve c/o	17,803,273	22,441,947	2,128,423	12%	9%
DBSA (Loan)	250,000,000	250,000,000	2,164,248	1%	1%
External Financing Fund / DBSA	54,700,000	54,920,000	9,310,094	17%	17%
External Financing Fund / DBSA c/o	11,202,688	11,202,688	762,920	7%	7%
Total Own Funding	445,185,740	457,324,414	23,912,851	5%	5%
Buffalo City Metropolitan Transport	14,220,000	14,220,000	193,706	1%	1%
Buffalo City Metropolitan Transport c/o	439,997	430,240	161,456	37%	38%
Department of Sports Recreation Arts & Culture	50,000,000	50,000,000	0	0%	0%
Department of Land Affairs	2,500,000	2,500,000	743,164	30%	30%
Department of Land Affairs c/o	453,025	394,882	0	0%	0%
Department of Local Government & Housing	23,800,000	22,800,000	0	0%	0%
Department of Local Government & Housing c/o	4,168,398	3,705,359	531,858	13%	14%
Department of Water Affairs & Forestry	230,870	230,870	0	0%	0%
Department of Water Affairs & Forestry c/o	50,524	29,224	0	0%	0%
Development Bank of South Africa Grant	51,078	51,078	0	0%	0%
Department of Science & Technology c/o	4,266,008	4,266,008	385,474	9%	9%
Disaster Management Fund c/o	368,170	340,914	19,868	5%	6%
Eastern Cape Development Corporation c/o	344,272	344,272	0	0%	0%
European Commission	39,740,000	43,548,435	3,550,033	9%	8%
European Commission c/o	13,521,212	10,505,942	163,843	1%	2%
Integrated National Electricity Provider	32,712,000	32,712,000	3,041,327	9%	9%
Integrated National Electricity Provider c/o	2,741,971	1,633,725	0	0%	0%
Leiden Platform		500,000	358,984	0%	72%
Leiden Platform c/o	18,822	1,000,000	319,796	1699%	32%
MSIG c/o	100,161	12,774	0	0%	0%
Municipal Infrastructure Grant	175,553,723	173,726,882	26,647,605	15%	15%
Municipal Infrastructure Grant c/o	26,596,556	14,150,598	7,185,758	27%	51%
Neighborhood Development Partnership Grant	41,100,000	9,300,000	0	0%	0%
Other (Lotto) c/o	432,549	432,549	87,994	20%	20%
PUBLIC	8,000,000	8,000,000	0	0%	0%
Public Transport Infrastructure & Systems Grant	8,592,000	8,592,000	617,451	7%	7%
Restructuring Grant c/o	6,728,170	1,166,726	11,933	0%	1%
Swedish International Development Agency c/o	173,701	173,701	0	0%	0%
Total Grant Funding	456,903,207	404,768,179	44,020,250	10%	11%
Total Capital Budget - All Funding Sources	902,088,947	862,092,593	67,933,101	8%	8%

The actual capital expenditure for the period ending 30 November 2008 is the same as that of 30 November 2007 and both these periods' expenditure have decreased when compared to 30 November 2006.

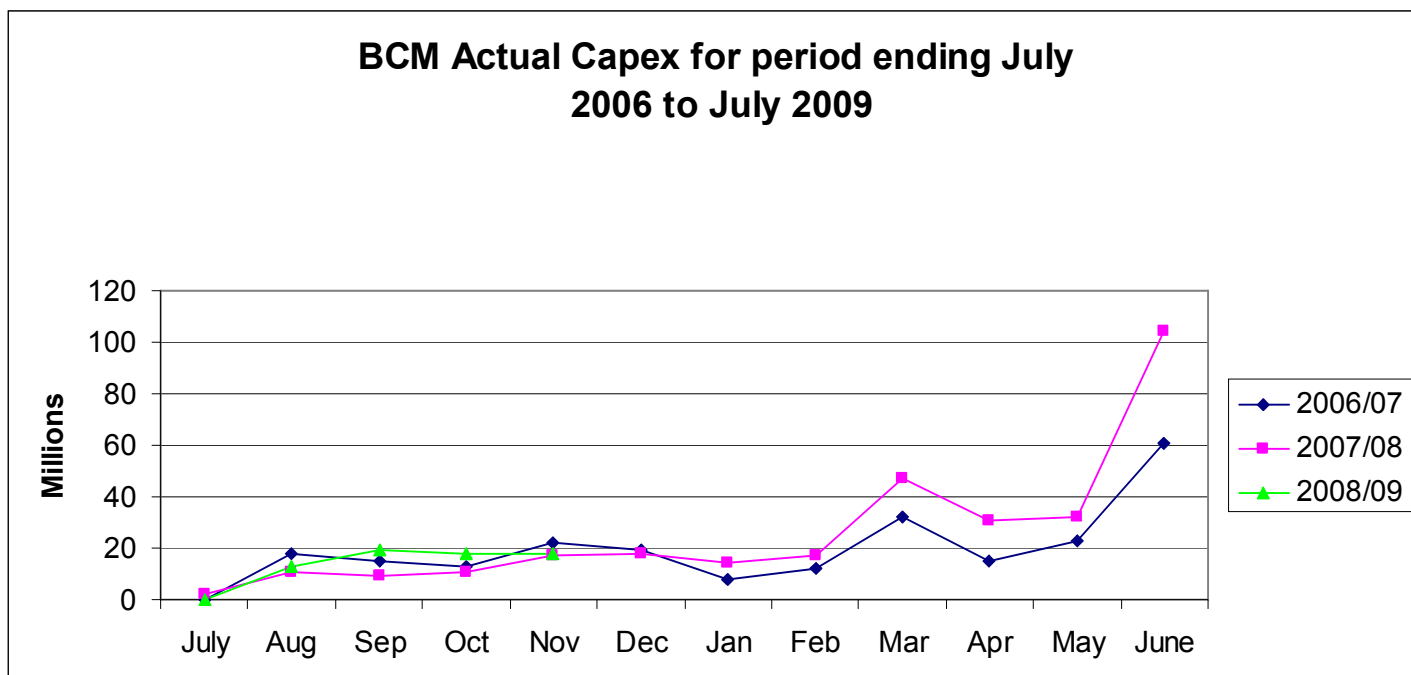


Table 2 identifies the actual Capital Expenditure per Directorate against budget.

Table 2: Actual Expenditure per Directorate against Budget

Directorate	Approved 2008/2009 R	Adjusted Budget 2008/2009 R	Expend. 2008/2009 R	YTD Exp/ Approved Budget %	YTD Exp/ Adjusted Budget %
Executive Support Services	86,907,279	86,921,279	300,304	0%	0%
Chief Operations Officer	28,336,398	28,257,554	829,387	3%	3%
Directorate of Finance	5,721,655	14,221,421	2,008,405	35%	14%
Directorate of Corporate Services	8,022,961	7,366,733	173,389	2%	2%
Directorate of Engineering Services	531,766,842	488,732,768	47,969,568	9%	10%
Directorate of Development Planning	99,251,083	89,632,882	9,713,782	10%	11%
Directorate of Health & Public Safety	31,853,274	33,764,554	545,469	2%	2%
Directorate of Community Services	110,229,455	113,195,402	6,392,796	6%	6%
Total Capital Budget - All Directorates	902,088,947	862,092,593	67,933,101	8%	8%

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

Table 3: Spending per Service

Service	Approved 2008/2009 R	Adjusted Budget 2008/2009 R	Expend. 2008/2009 R	YTD Exp/ Approved Budget %	YTD Exp/ Adjusted Budget %
Water	68,555,136	65,403,529	15,526,208	23%	24%
Waste Water	120,105,414	114,441,651	10,714,546	9%	9%
Electricity	109,292,609	101,384,569	3,677,969	3%	4%
Roads and Stormwater	153,164,683	141,854,019	15,515,943	10%	11%
Housing	27,968,398	26,739,554	737,292	3%	3%
Transport Planning	85,342,000	62,936,479	8,957,902	10%	14%
Cleansing	73,987,213	73,174,658	2,968,260	4%	4%
Amenities	25,951,645	25,642,676	2,759,510	11%	11%
Environmental Services	5,874,589	4,962,060	251,067	4%	5%
Health Services	3,138,371	3,288,371	419,656	13%	13%
Public Safety	28,479,903	30,241,183	89,283	0%	0%
Support Services	102,855,807	111,473,910	2,895,135	3%	3%
Other	97,373,179	100,549,934	3,420,331	4%	3%
Total Capital Budget - All Services	902,088,947	862,092,593	67,933,101	8%	8%

SCHEDULE OF BORROWINGS AS AT 30 NOVEMBER 2008

EXTERNAL LOANS						Balance at	Received	Redeemed	Balance at
Local Registered Stock						01/11/2008	during the	or written off	30/11/2008
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									
Annuity Loans						Balance at	Received	Redeemed	Balance at
						01/11/2008	during the	or written off	30/11/2008
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	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
01/12/1979	9.50%	CJPF 5	GNB109M-S	30/06/2009	INCA	17,004			17,004
30/03/2007	9.80%	102531	1 - 5	VARIOUS	DBSA	150,213,808	9,802,421	5,013,736	155,002,493
* DBSA facility available R 250,000,000									
Sub Total Annuity Loans						516,653,804	9,802,421.37	5,013,736	521,442,489
Sub Total Annuity & Stock Loans						534,813,804	9,802,421	5,013,736	539,602,489
Financial Leases									
Various		Various		Various		2,614,286			2,614,286
Sub Total Annuity, Stock Loans & Financial Leases						537,428,090	9,802,421.37	5,013,736	542,216,775
GRAND TOTALS						537,428,090	9,802,421	5,013,736	542,216,775