

**FINANCIAL REPORT FOR THE MONTH ENDING 31 JANUARY 2010  
(5/16/R)**

---

**INTRODUCTION / AIM**

The purpose of this report is to inform the Council on the current financial state as at 31 January 2010.

**LEGAL REQUIREMENTS**

In terms of Section 71 of the Municipal Finance Management Act, Act 56 of 2003, the monthly Financial Report for the period ended 31 January 2010 is submitted to Council which reflects the implementation of the budget and the financial state / position of the municipality.

**BACKGROUND**

Attached is the **Financial Report** for the month of January 2010, which reflects the implementation of the budget, and the state of the municipality's financial affairs.

The Financial Report consists of the following financial reports:

1. Operating Income & Expenditure (per category) January 2010
2. Departmental Operating Income & Expenditure January 2010
3. Payroll Report January 2010
4. Overtime Report January 2010
5. Capital Expenditure Report January 2010
6. Cash/Bank January 2010
7. Investments: January 2010
8. Debt Report: January 2010
  - 8.1. Monthly Levies, Receipts and Debt Balance
  - 8.2. Debtors Movement per Service
  - 8.3. Debtors Age Analysis per Month
9. Tender Status Report: January 2010
10. Statutory Compliance Report

## **DISCUSSION**

The municipality's **Total Budget** amounts to R 382,924,909 (Operating Budget: R 293,821,819 and Capital Budgets: R 89,103,090).

<b>Particulars</b>	<b>Original Budget</b>
Operating Budget	R293,821,819
Capital Budget	89,103,090
<b>Total</b>	<b>R382,924,909</b>

### **OPERATING EXPENDITURE**

Expenditure to date amounts to R 151,861,612 or 52% of the total budgeted amount of R 293,821,819.

- **Capital charges** amounting to R 17,075,800 per annum are paid at the end of each quarter. The month ending January 2010 amounts to R 7,546,485.
- Journal entries for the **Provision of Working Capital** (R 11,905,503) are processed monthly. R 6,951,746 (58%) has already been allocated
- Journals entries for **Transfers to other Reserves** (R 3,912,000) will be processed with the compilation of the Annual Financial Statements in June 2010.
- The Operating Expenditure of R 151,861,612 includes R 25,635,872 in respect of grant Capital Expenditure and Capital out of Revenue (Housing, MIG and Inventory expenditure).

Operating Expenditure Summary	2009/2010 Budget	Expenditure Year to date	Balance
Employee related costs	81,550,000	45,835,614	35,714,386
Councillors' Allowances	5,915,000	3,372,191	2,542,809
<b>General Expenses:</b>			
Other	56,737,596	30,556,987	26,180,609
Fuel & Oil	3,804,500	1,181,222	2,623,278
Municipal Services & Assessment F	4,515,900	2,964,063	1,551,837
Telephone	1,572,500	1,000,572	571,928
Provision for Working Capital	11,905,503	6,951,746	4,953,757
Bulk Purchases	28,577,898	14,198,223	14,379,675
<b>Repair &amp; Maintenance:</b>			
Other	7,163,122	3,199,288	3,963,834
Grounds & Buildings	5,184,000	1,859,270	3,324,730
Networks	4,047,000	1,627,167	2,419,833
Repair: Vehicles	2,654,500	1,462,752	1,191,748
Contractor Services	13,440,500	4,470,162	8,970,338
Capital Charges	17,075,800	7,546,485	9,529,315
Contributions: Special Funds	3,912,000	-	3,912,000
<b>Net Operating Expenditure</b>	<b>248,055,819</b>	<b>126,225,740</b>	<b>121,830,079</b>
Capital Out of Revenue	1,331,000	955,772	375,228
Grants - Capital Expenditure	44,435,000	24,680,100	19,754,900
<b>Total</b>	<b>293,821,819</b>	<b>151,861,612</b>	<b>141,960,207</b>

## CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 January 2010 amounts to R 33,761,501 (includes commitments of R1,820,444) against the approved budget of R89,103,090.

A number of 2009/2010 capital projects are subjected to the municipality's Supply Chain Management regulations. Expenditure scheduled for these projects will commence and escalate after the various tenders have been adjudicated.

Capital spending is slow.

PARTICULARS	2009/2010 BUDGET	EXPENDITURE TO DATE	% SPENT
Land and Buildings	3,330,000	958,203	29%
Roads	15,272,364	1,351,758	9%
Water	21,304,536	12,722,549	60%
Electricity	5,952,000	3,172,506	53%
Sewerage	16,245,190	2,322,838	14%
Housing	24,668,000	10,320,969	42%
Plant & Equipment	1,000,000	1,892,291	189%
Office Equipment	1,331,000	1,020,387	77%
<b>Grand Total Capital Expenditure</b>	<b>89,103,090</b>	<b>33,761,501</b>	<b>38%</b>

- Only R33, 761m (38%) of the capital budget of R89, 103m has been spent to date.
- Only R10, 320,969 (42%) of R24, 668,000 housing budget has been spent and we therefore project a total spending of R18m (73%).
- R8, 205m MIG was rolled over and only R1, 258m (15%) has been spent to date.
- R12, 300m unspent loans from 2008/2009 were rolled over and only R2, 881m (23%) has been spent to date.

It is important to note that unspent Grant funding will be forfeited at the end of the financial year, in terms of the Division of Revenue Act (DORA) and the MFMA Circular 48.

## **OPERATING REVENUE**

The **Operating Revenue** amounts to R 293,821,819. The revenue generated to date amounts to R 173,731,964 or 59% of the approved budget.

It should be noted that R 1,803,319 of the **Assessment (Property) Rates Income** has been generated for the month of January 2010. The Annual Rates charges had also been levied in July 2009. Assessment Rates levied to date is R29, 624,081 (67%) of the Budgeted amount of R44,071,000.

**Service Charges** include revenue related to Consumption Charges (Water and Electricity), Refuse Removal, Sewerage, Availability Fees, New Connection Fees, Reconnection Fees, Sundry Income, etc.  
*[Budgeted Amount = R 106,723,020; Charged = R60, 516,884 (57%).]*

An amount of R7, 628m was budgeted for traffic fines and to date the actual income is R2, 150m (28%). Projected R3,700m (49%) for the year and a short fall of R3, 628m.

**Breakdown of Operating Revenue:**

Particulars	2009/2010 Budget	Revenue Year To Date	Balance
Assessment Rates	44,071,000	29,624,081	14,446,919
<b>Services:</b>			
Electricity	39,730,020	23,730,948	15,999,072
Water Sales	33,977,000	18,924,381	15,052,619
Refuse Removal	16,656,000	9,721,000	6,935,000
Sewerage	16,360,000	8,140,555	8,219,445
<b>Sub Total</b>	<b>106,723,020</b>	<b>60,516,884</b>	<b>46,206,136</b>
Traffic Fines	7,628,000	2,150,772	5,477,228
Investment Interest / Penalties	8,800,000	4,954,075	3,845,925
Licences & Permits	14,000	36,161	-22,161
Rentals	2,312,000	1,366,698	945,302
Sundry/ Other Income	42,563,799	18,453,144	24,110,655
<b>Grand in Aid:</b>			
Grants - Equitable Share	34,242,000	26,323,440	7,918,560
Grants - Other Operating Purposes	3,033,000	2,668,250	364,750
<b>Sub Total</b>	<b>37,275,000</b>	<b>28,991,690</b>	<b>8,283,310</b>
<b>Net Operating Revenue</b>	<b>249,386,819</b>	<b>146,093,505</b>	<b>103,293,314</b>
Grants - Capital Income	44,435,000	27,638,459	16,796,541
<b>Total</b>	<b>293,821,819</b>	<b>173,731,964</b>	<b>120,089,855</b>

**SOURCES OF FINANCE - CAPITAL REVENUE**

**Capital Revenue** represents the sources of finances of Capital expenditure and not actual capital receipts as indicated on the prescribed Section 71 Report in terms of the MFMA. Actual receipts could exceed the expenditure.

**DEBTOR INFORMATION**

The total **Outstanding Debt** as at 31 January 2010 is R99,323,861.

**Debtors Movement:**

<b>Balance as at 01.07.2009</b>	R 85,467,191
Add: Charges/Levied: July- January 2010	98,324,136
Less: Receipts: July- January 2010	84,467,466
<b>Balance as at 31 January 2010</b>	<b>R 99,323,861</b>

The total **Outstanding Debt** as at 31 January 2010 is R 99,323,861. Collection improved from 31% to 63% to 72% to 80% to 86% to 87% and 86% in the months of July 2009, August 2009, September 2009, October

2009, November 2009, December 2009, and January 2010 respectively. Our target is at least R12m per month i.e. R48m for the first quarter has been achieved (R48, 382m). Our target for the year is R140m. There is a noticeable higher outstanding debt in the towns where the municipality is not providing Electricity: Grabouw [R 44,763,017.52 (43%)], Genadendal [R12, 452,276.56 (12%)] and Botriver [R 6,752,089.06 (7%)]. Residential Debt is 74% and includes RDP Houses (25.1%) and Indigent Debts (7.5%).

### Major Debtors Per Section

<u>Major Debtors Section</u>	<u>Jan-10</u>	<u>%</u>
Residential	40,758,871	41
RDP and Indigent	32,381,567	33
Business	3,414,495	3
Industrial	1,815,634	2
Government	6,015,774	6
Golf Estate	1,413,402	1
Farms	4,954,817	5
Dormant Accounts	184,308	0
Return to Sender	1,856,080	2
Untraceable	6,209	0
Left Town	67,102	0
Deceased	47,199	0
Study Loans	217,536	0
Query Accounts	75,909	0
Other	6,114,958	6
<b>Total</b>	<b>99,323,861</b>	<b>100</b>

### Debt Book per Town

<u>Debtors Per Town</u>					
<u>TOWN</u>	<u>Bal. 01.07.2009</u>	<u>Levied</u>	<u>Payment</u>	<u>Bal 31.01.2010</u>	<u>% Collection</u>
CALEDON	10,190,518.25	34,225,414.17	32,038,449.55	12,377,482.87	94%
GRABOUW	37,918,929.70	21,795,340.91	14,951,253.09	44,763,017.52	69%
VILLIERSDORP	5,954,111.48	13,436,913.63	11,712,613.12	7,678,411.99	87%
RIVIERSONDERENI	3,615,757.00	6,613,150.19	5,735,647.69	4,493,259.50	87%
GREYTON	1,794,418.52	8,992,535.73	7,983,154.87	2,803,799.38	89%
GENADENDAL	10,880,444.25	3,947,498.02	2,375,665.71	12,452,276.56	60%
BOTRIVIER	6,022,714.41	3,155,264.47	2,425,889.82	6,752,089.06	77%
TESSELAARSDAL	749,485.34	660,863.65	460,324.95	950,024.04	70%
PLASE	8,340,811.95	5,497,155.37	6,784,467.16	7,053,500.16	123%
	<b>85,467,190.90</b>	<b>98,324,136.14</b>	<b>84,467,465.96</b>	<b>99,323,861.08</b>	<b>86%</b>

- Several legal proceedings have been instituted up the judgement stage but the properties in Genadendal cannot be executed due to the trust ownership issue. This is a town where Eskom supplies electricity.
- Staff appointments in the Debt Collection Department have almost been concluded.

Over 200 Prepaid Water Meters have been installed and the role out is continuing.

### **CREDITORS AGE ANALYSIS**

All creditors were paid within 30 days of receiving the relevant invoice or statement as prescribed in terms of Section 65(e) of the MFMA. As at end of October 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 5,148,995. The top 3 creditors are:

<b><u>CREDITOR</u></b>	<b><u>DETAILS</u></b>	<b><u>AMOUNT</u></b>
1. MN Cloete Enterprises	Purchase of Mitsubishi Fuso	R912, 965.26
2. Ann Mitt Trading	Nissan UD 70	R 340,228.44
3. Flotron Instrumentation	Data Loggers	R 306,632.64

### **GRANTS**

The following Grants were received to date:

	<b>GRANT</b>	<b>AMOUNT</b>	<b>EXPENDITURE</b>
1	Equitable Share	26,323,440	8,546,969
2	Finance Management Grant	1,000,000	431,164
3	Library Grant	368,250	215,605
4	Municipal Systems Improvement Grant (MSIG)	1,300,000	118,942
5	Community Development Worker		34,498
	<b>SUB TOTAL OPERATIONAL</b>	<b>28,991,690</b>	<b>9,347,178</b>
6	National Electrification Program	2,337,000	2,337,000
7	Municipal Infrastructure Grant	13,380,000	9,487,439
8	Provincial Housing	10,919,183	10,320,969
9	Development of Recreational Facilities	1,002,275	21,563
10	Expanded Public Works Programmes		783,148
	<b>SUB TOTAL CAPITAL</b>	<b>27,638,458</b>	<b>22,950,119</b>
	<b>Total</b>	<b>56,630,148</b>	<b>32,297,297</b>

Expenditure for the provision of free basic services from the Equitable Share Grant is incurred on a monthly basis. Expenditure in respect of the Finance Management Grant, Municipal Systems Improvement Grant and MIG, are incurred in accordance with business plans. Expenditure in respect of the Low Cost Housing is once off payments and are done in accordance with claims submitted to either Provincial or National Government.

## CASH AND INVESTMENTS

PARTICULARS	BANK	INVESTMENTS	TOTAL
Open Balance (01/07/2009)	3,108,448	25,468,257	28,576,705
Receipts	197,209,804	46,358,335	243,568,139
Payments	193,953,170	44,220,015	238,173,185
Closing Balance (31/01/2010)	6,365,082	27,606,577	33,971,659
Increase / (Decrease)	3,256,634	2,138,320	5,394,954

### TENDER STATUS REPORT

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 31 January 2010 is attached. No Tender was awarded for the month ending 31 January 2010. Departments need to expenditure procurement process.

### EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period January 2010 is hereto attached as required in terms of section 66 of the MFMA.

R1,220,643 of the approved budget of R1,775,821 was spent as at 31 January 2010.

Overtime is projected at R2, 092,531 i.e. R316,710 (18%) more than the budgeted amount.

### FINANCIAL IMPLICATION

As per attached report.

### RECOMMENDATION

It is recommended that:

1. The Council notes the Financial Report as at 31 January 2010.
2. That the Departments expedite procurement process to ensure that the budget is fully implemented.
3. Grant funding will be forfeited if unspent at year end and needs to be expedited.

*Report compiled by Budget Office and reviewed by Mr. SN Jacobs for presentation by the Director: Financial Services, Mr. SN Jacobs*