

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

### **INTRODUCTION / AIM**

The purpose of this report is to inform the Council on the current financial state as at 31 May 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 May 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 May 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) May 2010
2. Departmental Operating Income & Expenditure May 2010
3. Payroll Report May 2010
4. Overtime Report May 2010
5. Capital Expenditure Report May 2010
6. Cash/Bank May 2010
7. Investments: May 2010
8. Debt Report: May 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: May 2010
10. Statutory Compliance Report

## **DISCUSSION**

The municipality's **Total Budget** amounts to R 382,924,909 (R379,699,811).

| <b>Particulars</b> | <b>Original Budget</b> | <b>Adjustment Budget</b> |
|--------------------|------------------------|--------------------------|
| Operating Budget   | R293,821,819           | R293,315,630             |
| Capital Budget     | 89,103,090             | 86,384,181               |
| <b>Total</b>       | <b>R382,924,909</b>    | <b>R379,699,811</b>      |

### **OPERATING EXPENDITURE**

Expenditure to date amounts to R 240,948,418 or 82% of the total budgeted amount of R 293,821,819 (R293,315,630).

- **Capital charges** amounting to R17,075,800 (R15,192,970) per annum are paid at the end of each quarter. The month ending May 2010 amounts to R 11,261,273.
- Journal entries for the **Provision of Working Capital** R11,905,503 (R 7,724,006) are processed monthly. R 7,080,335 (92%) 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 240,948,418 includes R45,648,860 in respect of grant Capital Expenditure and Capital out of Revenue of R1,215,108.

| EXPENDITURE SUMMARY                  | BUDGET             | ADJUSTMENT<br>BUDGET | EXPENDITURE<br>TO DATE | BALANCE           |
|--------------------------------------|--------------------|----------------------|------------------------|-------------------|
| Employee related costs               | 81,550,000         | 79,864,467           | 72,038,616             | 7,825,851         |
| Councillors' Allowances              | 5,915,000          | 5,915,000            | 5,171,280              | 743,720           |
| <b>General Expenses:</b>             |                    |                      |                        | -                 |
| Other                                | 56,737,596         | 57,002,407           | 47,769,984             | 9,232,423         |
| Fuel & Oil                           | 3,804,500          | 2,495,480            | 1,952,375              | 543,105           |
| Municipal Services & Assesment Rates | 4,515,900          | 5,003,357            | 4,221,448              | 781,909           |
| Telephone                            | 1,572,500          | 1,820,000            | 1,733,127              | 86,873            |
|                                      |                    |                      |                        | -                 |
| Provision for Working Capital        | 11,905,503         | 7,724,006            | 7,080,335              | 643,671           |
| Bulk Purchases                       | 28,577,898         | 28,577,898           | 21,375,811             | 7,202,087         |
| <b>Repair &amp; Maintenance:</b>     |                    |                      |                        | -                 |
| Other                                | 7,163,122          | 6,432,000            | 5,397,117              | 1,034,883         |
| Grounds & Buildings                  | 5,184,000          | 5,027,513            | 3,232,039              | 1,795,474         |
| Networks                             | 4,047,000          | 4,191,837            | 3,243,366              | 948,471           |
| Repair: Vehicles                     | 2,654,500          | 2,954,582            | 2,201,660              | 752,922           |
|                                      |                    |                      |                        | -                 |
| Contractor Services                  | 13,440,500         | 11,582,444           | 7,406,018              | 4,176,426         |
| Capital Charges                      | 17,075,800         | 15,192,970           | 11,261,273             | 3,931,697         |
| Contributions: Special Funds         | 3,912,000          | 3,912,000            | -                      | 3,912,000         |
| <b>Net Operating Expenditure</b>     | <b>248,055,819</b> | <b>237,695,961</b>   | <b>194,084,450</b>     | <b>43,611,511</b> |
| Capital Out of Revenue               | 1,331,000          | -                    | 1,215,108              | -1,215,108        |
| Grants - Capital Expenditure         | 44,435,000         | 55,619,669           | 45,648,860             | 9,970,809         |
| <b>Net Expenditure</b>               | <b>293,821,819</b> | <b>293,315,630</b>   | <b>240,948,418</b>     | <b>52,367,212</b> |

## CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31May 2010 amounts to R61,001,301 (includes commitments of R1,576,796) against the approved budget of R89,103,090 (R86,384,181)

Capital spending is slow.

| PARTICULARS                            | 2009/2010<br>BUDGET | ADJUSTMENT<br>BUDGET | EXPENDITURE<br>TO DATE | %<br>SPENT |
|--|---------------------|----------------------|------------------------|------------|
| Land and Buildings                     | 3,330,000           | 1,847,797            | 1,249,860              | 68%        |
| Roads                                  | 15,272,364          | 18,309,167           | 5,046,043              | 28%        |
| Water                                  | 21,304,536          | 26,735,538           | 19,866,101             | 74%        |
| Electricity                            | 5,952,000           | 5,391,577            | 3,472,866              | 64%        |
| Sewerage                               | 16,245,190          | 4,300,617            | 3,588,336              | 83%        |
| Housing                                | 24,668,000          | 24,673,268           | 23,658,262             | 96%        |
| Plant & Equipment                      | 1,000,000           | 2,497,672            | 2,270,659              | 91%        |
| Office Equipment                       | 1,331,000           | 1,604,014            | 1,546,229              | 96%        |
| Sports fields                          | 0                   | 1,024,531            | 302,944                | 30%        |
| <b>Grant Total Capital Expenditure</b> | <b>89,103,090</b>   | <b>86,384,181</b>    | <b>61,001,301</b>      | <b>71%</b> |

- Only R61,001m (71%) of the capital budget of R89,103M (R86,384m) has been spent to date.
- Only R23,658m (96%) of R24, 668m (R24,673m) housing budget has been spent.
- R8,205 (R7,085m) MIG was rolled over and only R3,598m (51%) has been spent to date.

- R12,300m (R11,638m) unspent loans from 2008/2009 were rolled over and only R4,754m (41%) 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 (R295, 228,626). The revenue generated to date amounts to R 264,254,576 or 90% of the approved budget.

It should be noted that R 1,738,380 of the **Assessment (Property) Rates Income** has been generated for the month of May 2010. The Annual Rates charges had also been levied in July 2009. Assessment Rates levied to date is R36,636,471 (94%) of the Budgeted amount of R44, 071,000 (R39,111,000).

**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 (R108, 036,400); Charged = R97,271,210 (90%).*

### Breakdown of Operating Revenue:

| REVENUE SUMMARY                   | BUDGET             | ADJUSTMENT BUDGET  | REVENUE TO DATE    | BALANCE           |
|-----------------------------------|--------------------|--------------------|--------------------|-------------------|
| Assessment Rates                  | 44,071,000         | 39,111,000         | 36,636,471         | 2,474,529         |
| <b>Services:</b>                  |                    |                    |                    | -                 |
| Electricity                       | 39,730,020         | 40,914,000         | 36,619,595         | 4,294,405         |
| Water Sales                       | 33,977,000         | 34,460,400         | 32,659,943         | 1,800,457         |
| Refuse Removal                    | 16,656,000         | 16,844,000         | 15,262,261         | 1,581,739         |
| Sewerage                          | 16,360,000         | 15,818,000         | 12,729,410         | 3,088,590         |
| <b>Sub Total</b>                  | <b>106,723,020</b> | <b>108,036,400</b> | <b>97,271,210</b>  | <b>57,871,337</b> |
|                                   |                    |                    |                    | -                 |
| Traffic Fines                     | 7,628,000          | 3,800,000          | 3,479,702          | 320,298           |
| Investment Interest / Penalties   | 8,800,000          | 8,550,000          | 8,211,565          | 338,435           |
| Licences & Permits                | 14,000             | 60,000             | 59,790             | 210               |
| Rentals                           | 2,312,000          | 2,349,000          | 1,883,739          | 465,261           |
| Sundry/ Other Income              | 41,723,799         | 39,025,342         | 30,665,751         | 8,359,591         |
| <b>Grand in Aid:</b>              |                    |                    |                    | -                 |
| Grants - Equitable Share          | 34,242,000         | 34,884,000         | 37,423,969         | -2,539,969        |
| Grants - Other Operating Purposes | 3,873,000          | 3,793,215          | 3,259,000          | 534,215           |
| <b>Sub Total</b>                  | <b>38,115,000</b>  | <b>38,677,215</b>  | <b>40,682,969</b>  | <b>534,246</b>    |
|                                   |                    |                    |                    | -                 |
| <b>Net Operating Revenue</b>      | <b>249,386,819</b> | <b>239,608,957</b> | <b>218,891,197</b> | <b>37,312,025</b> |
| Grants - Capital Income           | 44,435,000         | 55,619,669         | 45,363,379         | 10,256,290        |
| <b>Gross Revenue</b>              | <b>293,821,819</b> | <b>295,228,626</b> | <b>264,254,576</b> | <b>30,974,050</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 May 2010 is R99,692,164.

### Debtors Movement:

|                                     |                     |
|-------------------------------------|---------------------|
| <b>Balance as at 01.07.2009</b>     | R 85,467,191        |
| Add: Charges/Levied: July- May 2010 | 140,023,912         |
| Less: Receipts: July- May 2010      | 125,798,939         |
| <b>Balance as at 31 May 2010</b>    | <b>R 99,692,164</b> |

The total **Outstanding Debt** as at 31 May 2010 is R 99,692,164. Collection improved from 31% to 90% in the months of July 2009 to May 2010. Our target is at least R12m per month. 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 44,833,039 (45%)], Genadendal [R13,162,486 (13%)] and Botriver [R 6,941,506 (7%)].

### Major Debtors Per Section

| <u>Major Debtors Section</u> | <u>May-10</u>     | <u>%</u>   |
|------------------------------|-------------------|------------|
| Residential                  | 40,385,753        | 41%        |
| RDP and Indigent             | 32,305,764        | 32%        |
| Business                     | 3,560,036         | 4%         |
| Industrial                   | 3,186,919         | 3%         |
| Government                   | 4,092,699         | 4%         |
| Golf Estate                  | 1,491,438         | 1%         |
| Farms                        | 5,830,609         | 6%         |
| Dormant Accounts             | 236,619           | 0%         |
| Return to Sender             | 750,155           | 1%         |
| Untraceable                  | 7,581             | 0%         |
| Left Town                    | 53,026            | 0%         |
| Deceased                     | 50,110            | 0%         |
| Study Loans                  | 265,351           | 0%         |
| Query Accounts               | 162,504           | 0%         |
| Other                        | 7,313,600         | 7%         |
| <b>Total</b>                 | <b>99,692,164</b> | <b>100</b> |

Debt Book per Town

| Debtors Per Town |                        |                    |                    |                       |                     |
|------------------|------------------------|--------------------|--------------------|-----------------------|---------------------|
| <u>TOWN</u>      | <u>Bal. 01.07.2009</u> | <u>Levied</u>      | <u>Payment</u>     | <u>Bal 31.05.2010</u> | <u>% Collection</u> |
| CALEDON          | 10,190,518             | 50,691,630         | 47,866,658         | 13,015,491            | 94%                 |
| GRABOUW          | 37,918,930             | 30,050,334         | 23,136,225         | 44,833,039            | 77%                 |
| VILLIERSDORP     | 5,954,111              | 19,574,107         | 17,861,249         | 7,666,970             | 91%                 |
| RIVIERSONDERENI  | 3,615,757              | 9,084,487          | 8,666,701          | 4,033,543             | 95%                 |
| GREYTON          | 1,794,419              | 12,268,741         | 11,902,449         | 2,160,710             | 97%                 |
| GENADENDAL       | 10,880,444             | 5,903,946          | 3,621,904          | 13,162,487            | 61%                 |
| BOTRIVIER        | 6,022,714              | 4,716,175          | 3,797,383          | 6,941,506             | 81%                 |
| TESSELAARSDAL    | 749,485                | 908,158            | 697,096            | 960,548               | 77%                 |
| PLASE            | 8,340,812              | 6,826,333          | 8,249,275          | 6,917,870             | 121%                |
| <b>TOTAL</b>     | <b>85,467,191</b>      | <b>140,023,912</b> | <b>125,798,939</b> | <b>99,692,164</b>     | <b>90%</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.

Up to date 456 Prepaid Water Meters have been installed and the role out is continuing more rapidly and another 1500 has been ordered. +/- 40 prepaid meters are being installed in Genadendal per day. The quotations process will soon start to appoint contractors to install prepaid water meters in Grabouw and Villiersdorp. The targeted number for installations till end of June 2010 is 2000.

**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 May 2010 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 6,743,929. The top 3 creditors are:

| <u>CREDITOR</u>   | <u>DETAILS</u>    | <u>AMOUNT</u> |
|-------------------|-------------------|---------------|
| 1. Uitkyk Diggers | Construction Work | R 248,781.36  |
| 2. CFTS           | Construction Work | R 272,180.97  |
| 3. MD Contractors | Construction Work | R 259,259.40  |

## GRANTS

The following Grants were received to date:

| GRANT                                      | INCOME            | EXPENDITURE       |
|--|-------------------|-------------------|
| Equitable Share                            | 34,883,969        | 12,418,732        |
| Finance Management Grant                   | 1,000,000         | 755,536           |
| Library Grant                              | 491,000           | 322,061           |
| Municipal Systems Improvement Grant (MSIG) | 1,300,000         | 493,474           |
| Community Development Worker               | 216,000           | 350,565           |
| Maintenance of Proclaimed Roads            | 252,000           |                   |
| <b>SUB TOTAL OPERATIONAL</b>               | <b>38,142,969</b> | <b>14,340,368</b> |
| National Electrification Program           | 2,337,000         | 2,337,000         |
| Municipal Infrastructure Grant             | 20,512,000        | 18,190,801        |
| Provincial Housing                         | 23,627,804        | 23,658,262        |
| Development of Recreational Facilities     | 1,002,275         | 158,358           |
| Expanded Public Works Programmes           | 424,300           | 1,326,000         |
| <b>SUB TOTAL CAPITAL</b>                   | <b>47,903,379</b> | <b>45,670,421</b> |
| <b>Total</b>                               | <b>86,046,348</b> | <b>60,010,789</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              |
|-------------------------------------|------------------|--------------------|--------------------|
| <b>Open Balance (01/07/2009)</b>    | <b>3,108,448</b> | <b>25,468,257</b>  | <b>28,576,705</b>  |
| Receipts                            | 297,580,777      | 54,878,475         | 352,459,252        |
| Payments                            | 296,542,483      | 59,493,399         | 356,035,882        |
| <b>Closing Balance (31/01/2010)</b> | <b>4,146,742</b> | <b>20,853,333</b>  | <b>25,000,075</b>  |
| <b>Increase / (Decrease)</b>        | <b>1,038,294</b> | <b>(4,614,924)</b> | <b>(3,576,630)</b> |

## TENDER STATUS REPORT

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 31 May 2010 is attached. One tender was awarded to the value of R681,950 for the month ending 31 May 2010. Departments need to expenditure procurement process.

### **EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS**

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

R1,915,427 of the approved overtime budget of R1,775,821 was spent as at 31 May 2010.

Overtime is projected at R2,089,557 i.e. R313,735 (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 May 2010.**

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