

MID –YEAR BUDGET AND PERFORMANCE ASSESSMENT REVIEW 31 DECEMBER 2008

1. INTRODUCTION

The main objectives of the Mid-year Budget and Performance Assessments Review are to:

- Give effect to Section 72 of the MFMA that require the Accounting Officer of a municipality to assess the performance of the municipality during the first half of the financial year
- Submit a report on such assessment to the –
 - a) Mayor of the municipality
 - b) National Treasury
 - c) Relevant Provincial Treasury
- Make recommendations as to whether an Adjustments Budget is necessary and recommend revised projections for Revenue and Expenditure to the extent that this may be necessary.

2. ASSESSMENT FRAMEWORK

The format of the Mid-year Assessment Review Report is not prescribed within the Local Government: Municipal Financial Management Act, Act 56 of 2003, it is however done to provide useful and relevant information, to look back, to plan ahead and to be able to take appropriate decisions.

In an endeavour to provide useful analysis and interpretation of the financial health, the Directorate: Financial Services made use of certain comparative industry norms throughout this document to formulate its observations and comments. It is acknowledged that these norms may differ across municipalities given the dynamics and environment within which each operates. This is further influenced by how municipalities report and prepare their budgets (i.e. IMFO, GAMAP and GRAP). The Municipality would appreciate and welcome any comment on these norms used as this will enhance the quality and appropriateness of this assessment report.

3. FINANCIAL HEALTH ASSESSMENT

3.1 Assessments on the 2006/07 & 2007/08 Annual Financial Statements

The purpose of this section is to analyse and interpret financial information of the municipality in order to assess the financial position, performance and cash flow position of the municipality.

The ratios utilised will be classified to determine the municipality's performance in four areas namely **Revenue Management, Expenditure Management, Asset Management and Liability Management (REAL)**. Theewaterskloof is classified as medium capacity municipality. The municipality prepared its financial statements on IMFO principles.

3.1.1 REVENUE MANAGEMENT

- **Level of Reliance on Government Grants**

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Formula: Grants & Subsidies/Total Revenue

These figures are found on the face of the Statement of Financial Performance & Appendix D

YEAR 07/08			YEAR 06/07		
GOVT GRANTS & SUBSIDIES	TOTAL REVENUE	%	GOVT GRANTS & SUBSIDIES	TOTAL REVENUE	%
90,782,412	238,630,542	38.04	59,032,012	191,674,568	30.8

Analysis and Interpretation

- The general norm for Grants and Subsidies is 4% of Total Revenue.
- A percentage of more than 10% implies that the municipality is dependent on Grants and Subsidies.
- Grant-in-Aid funding in respect of Low Cost Housing and other Government Grants amount of R 33, 104, 549 is included in the amount of R 90, 782, 412. If the Grant-in-aid funding is not included, Government Grants amounts to R 57, 677, 863 or 24.17% of Total Revenue.
- Government Grants and Subsidies increased by 53.79%.
- Total Revenue increased by 24.5%.
- The Municipality's reliance on Government Grants increased by 7.24% in 2007/2008.
- **Actual Revenue vs. Budgeted Revenue**

Purpose: The purpose of this ratio seeks to determine deviations between actual and budgeted revenue and to ascertain reasons for the deviations.

Formula: Actual Revenue/Budgeted Revenue

These figures are found in Appendix D of the Financial Statements

Actual Revenue 2007/2008	Budgeted Revenue 2007/2008	Variance R	Variance %
R238,630,542	R260,394,346	R21,763,804	8.36

Analysis and Interpretation

- The acceptable standard is that the actual revenue for a financial year must equal or exceed the approved budget for the financial year.
- The municipality is within the norm when comparing total actual revenue and total budgeted revenue.
- Variance in excess of 10 per cent was found in the following line items:
 - *Interest Earned: Outstanding Debtors more than budgeted*

The variance of R2,692,474 or 59% was due to conservative income figure budgeted for Interest Earned. *Fines less than budget*

The variance is R 8,729,963 or 58.01% resulted from inter alia low Traffic Fines Income. Contractor Services expenses, on the other hand computed at 50% of income to the service provider was reduced as a result of the lower income.

- *Other Income less than budget*

The variance of R 6,903,997 or 19.7% was due to transfers to the Asset Financing Reserve. Lower Land Sales and Traffic Fines income were recorded.

3.1.2 EXPENDITURE MANAGEMENT

- **Personnel Cost to Total Expenditure**

Purpose: The purpose of this ratio is to indicate Personnel Cost as a percentage of Total Expenditure.

Formula: Salaries, Wages and Allowances/Total Expenditure

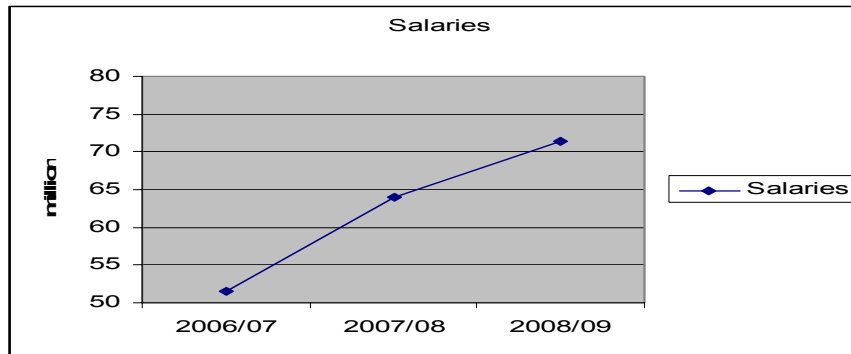
These figures are found in Appendix D of the Financial Statements.

YEAR 07/08			YEAR 06/07		
PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%	PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%
57,455,870	232,324,365	24.73%	44,839,063	183,193,943	24.48%

Analysis and Interpretation

- The norm for this ratio is 30% of total expenditure.
- While the personnel costs have increased by R 12,616,807 or 28.14% as compared to the 2006/2007 financial year, the ratio increased by 0.25% due to the Total Operating Expenditure which increased by 26.82%.
- The Personnel Budget increased drastically from R51,578m in 2006/07 to R63,917m in 2007/08 (by R12,339 or 24%) and increased further to R71,406 in 2008/09 (by R7,489m or 12%).
- Personnel Cost has increased more than any other cost and we need to take stock and determine whether or what the level of increased/improved services (output and outcomes) has been. We need to seriously consider our level of efficiency , effectiveness and productivity

Financial Year	2006/07	2007/08	2008/09
Salaries (R,000)	R51,578m	R63,917m	R71,406m



- A new organisational structure was implemented in 2006 / 2007 to address, inter alia improved customer service through a decentralised Town Management model, the establishment of a Budget Office, Supply Chain Management Unit, several positions for Housing, Town Planning, technical staff in Operational Services, etc

- **Actual Expenditure vs. Budgeted Expenditure**

Purpose: The purpose of this ratio is to identify deviations between actual and budgeted expenditure and to ascertain reasons for the deviations.

Formula:
$$\frac{\text{Actual Expenditure less Budgeted Expenditure}}{\text{Budgeted Expenditure}}$$

These figures are found in Appendix D of the Financial Statements

Actual Expenditure 2007/2008	Budgeted Expenditure 2007/2008	Variance in R	Variance in %
232,324,365	260,394,346	28,069,981	10.78%

Analysis and interpretation

- The acceptable norm for this ratio is that actual expenditure should not be less than 90% of budgeted expenditure and furthermore actual expenditure may not exceed the expenditure budget.
- The municipality is slightly outside the expenditure norm and the following significant deviations (in excess of 10%) were found:
 - Depreciation
The variance of R2,510,626 or 50.98%.
 - Repairs and Maintenance
The variance of R 2,614,569 or 17.49% indicates property, plant and equipment are not being adequately maintained.
 - Interest on External Borrowings - less than budget
The variance of 24,6% or R1,297,645 was due to the delay in raising an External Loan to finance capital expenditure incurred in 2006 / 2007. The loan was only raised during 2008 / 2009. We however saved on unnecessary interest charges payable which would have exceeded interest earned if the loans were taken up earlier and invested and withdrawn as we incurred the capital cost.
 - Contractor Services - less than budget

The variance of R10,024,391 or 54.56% resulted mainly from our failure to spend the entire budget for Contractor Services, especially Traffic Services which yielded a very low income compared to the amount budgeted.

- Contributions to Funds and Reserves

The variance is R2,750,760 or 55.02%.

- **Interest as a Percentage of Total Expenditure**

Purpose: This ratio indicates Interest as a percentage of Total Expenditure.

Formula: Total External Interest Paid/Total Expenditure

These figures were found in Appendix D and the Cash Flow Statement in the Financial Statements

YEAR 07/08			YEAR 06/07		
INTEREST	OPERATING EXPENDITURE	%	INTEREST	OPERATING EXPENDITURE	%
3,976,790	232,324,365	1.71	2,997,700	183,193,943	1.64

Analysis and Interpretation

- The norm for this ratio is that interest costs should not exceed 5% of operating expenditure.
- The ratio is within the norm.

- **Repairs and Maintenance/Total Operating Expenditure**

Purpose: The purpose of this ratio is to determine whether municipalities are spending adequate amounts on Repairs and Maintenance of PPE.

Formula: Repairs and Maintenance/Total Operating Expenditure

These figures are found in Appendix D to the AFS.

YEAR 07/08			YEAR 06/07		
Repairs and Maintenance	Total operating expenditure	%	Repairs and Maintenance	Total Operating Expenditure	%
12,338,401	232,324,365	5.31	8,679,520	183,193,943	4.74

Analysis and Interpretation

- The norm for this ratio is that Repairs and Maintenance should equal at least 10% of Total Operating Expenditure.
- The ratio has increased by 0.57% from the previous financial year.
- The low ratio could indicate that Property, Plant and Equipment are not being maintained adequately, which could impact on the useful life of the assets as well as escalating cost on deferred maintenance.
- Repairs and Maintenance increased from R9,607m in 2006/07 to R14,953m (by R5,346 or 56%) in 2007/08 and to R17,083m (by

R2,130m or 14%) in 2008/09. Actual expenditure in 2007/08 amounted to R12,338 (R2,615m or 17.5% less than the budgeted amount). This is not good as we are way below the required level of at least 10%.

Recommendation

- It is recommended that management take steps to ensure that Property Plant and Equipment are properly maintained to yield optimal economic benefit and a maintenance schedule is implemented.

3.1.3 ASSET MANAGEMENT

- **Acquisition of Property, Plant & Equipment – Actual vs. Budget**

Purpose: The purpose of this ratio is to identify per class of asset whether a municipality has a variance of more than 5% when actual and budgeted PPE acquisitions are compared.

Formula: (Actual Acquisition of PPE – Budget Acquisition of PPE)/ Budgeted PPE Acquisition

These figures are found in Appendix C.

YEAR 07/08			
Actual	Budget	Variance	Variance
82,250,679	87,733,191	5,482,512	6.25%

Analysis and interpretation

- The acquisition of Property Plant and Equipment by this municipality is 6.25% below budget.
- The acquisition of assets was in excess of 90% of the approved budget.
- The improvement of spending is an indication of better planning, improved capacity and Supply Chain Management.
- Management should strive to spend the entire capital or at least ensure that the variance between the budget and actual expenditure is less than 5 per cent because infrastructure investment is crucial for social and economic development.

- **Debtors Collection Period**

Purpose: The purpose of this ratio is to calculate the debtors' collection period of the municipality by comparing the year-end balance of certain debtors with the revenue earned from those debtors during the financial year.

Formula: Consumer Debtors before provision for Bad Debts/Total Revenue * 365

These figures found on Appendix D and notes to the Financial Statements and Section 4.5 below provides a detailed explanation on the current status and challenges faced in debt collection.

YEAR 07/08			YEAR 06/07		
CONSUMER DEBTORS	Operating Income	COLLECTION PERIOD (DAYS)	CONSUMER DEBTORS	Operating Income	COLLECTION PERIOD (DAYS)
77,582,685	105,296,912	269	67,246,756	89,312,701	275

Analysis and interpretation

- The norm is 42 days and will be used as basis of interpretation.
- The ratio has improved by 6 days compared to the 2006/07 financial year.
- The municipality is not within the norm and improved debt collection is required to ensure the debt collection period is brought within the norm.

3.1.4 LIABILITY (DEBT) MANAGEMENT

- **Acid Test Ratio**

Purpose: A municipality with a higher ratio than other municipalities or with an exceptional increase in the ratio from one year to the next may indicate too high levels of stockholding.

Formula: Current Assets less Inventory/Current Liabilities

These figures are found on the Balance Sheet of the Financial Statements

YEAR 07/08			YEAR 06/07		
CURRENT ASSETS LESS INVENTORY	CURRENT LIABILITIES	RATIO	CURRENT ASSETS LESS INVENTORY	CURRENT LIABILITIES	RATIO
54,066,158	31,736,241	1.70 : 1	37,136,278	23,966,763	1.55 : 1

Analysis and Interpretation

- The norm for this ratio is 1.5:1, i.e. the Current Assets less Inventory must exceed the Current Liabilities by 150%.
- The municipality is within the norm for 2007/2008 year.
- The ratio has increased, compared to the results of the 2006/2007 financial year.
- The municipality is solvent and should be able to meet its short-term obligations.

- **Total Liability/Total Assets**

Purpose: This ratio gives an indication of the level to which the assets of the municipality have already been utilised in the past, to take or incur debt.

Formula: Total Liabilities/Total Assets.

YEAR 07/08			YEAR 06/07		
TOTAL LIABILITY	TOTAL ASSETS	%	TOTAL LIABILITY	TOTAL ASSETS	%
86,854,363	106,690,468	81.41	56,436,367	78,025,807	72.33

Analysis and Interpretation

- The norm for this ratio is for Total Liabilities not to exceed 57% of Total Assets.
- The net asset position strengthened by 36.74%, as compared to the 2006/07 financial year.

- Total Liabilities increased by 53.90% primarily due to inter alia the raising of a loan of R16,107 million and R2,559million decrease in unspent grants as compared to 2006/2007 financial years.
- The ratio has thus improved
- **Net Cash Flow from Operations compared to Total Debt of the municipality**

Purpose: The purpose of this ratio is to measure the ability of a municipality to generate cash flow from operations that is then available to pay off debt of the municipality.

Formula: (Net cash inflow from operating activities less investing activities)/Total liabilities

These figures are found on the Cash Flow Statement and Statement of Financial Position.

YEAR 07/08			YEAR 06/07		
CASH INFLOW	TOTAL LIABILITIES	%	CASH INFLOW	TOTAL LIABILITIES	%
R	R		R	R	
(20,092,349)	86,854,363	-23.13	(171,247)	56,436,367	-0.3

Analysis and interpretation

- The provincial average of 5% was established for 2006/2007 financial years.
- The ratio has weakened by 22.83% from the previous year.
- The municipality was within the provincial norm for 2006/2007 and below the norm for 2007/2008.

Recommendation

- That the municipality continues to improve its cash flow management.

[End of Financial Health Assessment]

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**4. HALF-YEAR BUDGET STATEMENT: 31 DECEMBER 2008
(JULY 2008 – DECEMBER 2008 YEAR TO DATE PERFORMANCE)**

The municipality's **Total Budget** amounts to R342,730,338 (Operating Budget: R266,017,000 and Capital Budgets: R76,713,338). No adjustments were made to the approved budget for the 2007/2008 financial year during the period July 2008 to December 2008.

4.1. OPERATING EXPENDITURE

Expenditure for December 2008 amounts to R18,505,834 and to date the Total Expenditure is R99,146,095 or 37% of the Total Operating Budget of R266,017,000. Expenditure, lower than the pro-rata 50% is registered on and is attributed to the following factors:

1. **Capital Charges** amounting to R 14,851,000 per annum, are only paid at the end of each quarter. The major payments are done in December and June as indicated in the Cash Flow Forecast and SDBIP of the municipality. (*YTD Expenditure = R 3,762,515*). R3, 663m less than the 50% pro-rata spending. Expected Capital Charges for the year is R10,8m and a saving of R4m.
2. Journal entries for the **Provision of Working Capital** (R12,576,000 per annum) are processed monthly. (*YTD Expenditure = R 5,921,402*)
3. Journal entries for Transfers to other **Reserves** (R12,993,000) are processed annually, with the compilation of the Annual Financial Statements.
4. Journal entries for the Contributions **from Operating to Capital** (R30,737,000) is processed monthly as spend on projects. The year to date spending is R10,558m which is R4,810m less than pro-rata spending.
5. **Salaries and Allowances** Budget amounts to R71,406,000 and R33,714,511 (47%) has been spent, R1,988m less than the pro-rata spending. Based on the current status savings of R2.5m is expected.
6. **Repairs and Maintenance** Budget amounts to R17,083,000 and R4,388,194 (26%) has been spent, R4,153m less than the pro-rata spending.
7. **Contractor Services** Budget amounts to R12,347,000 and R3,188,622 (26%) has been spent, R2, 985m less than the pro-rata spending.
8. **Overtime:** Budget amounts to R1,739,000 and R1,014,622 (58%) has been spent. The overtime spending for December 2008 is R218,654, compared to R138,985 in November 2008 (an increase of R79,699 or 57%). Overtime in December 2007 amounts to R166,601 (increased R52,053. or 31% when compared to December 2008).

At the current rate it is expected that the actual overtime for the year will be R2,029m, R290,000 (17%) more than the budgeted amount. Some officials work more than 40 hours overtime per month. This remains an area of serious concern.

9. **General Expenses** Budget amounts to R66,726,000 and R25,380,230 (38%) has been spent, R7,983m less than the pro-rata spending.

4.2. CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 December 2008 amounts to R 19,905,015 or 26 % and commitments of 7,601,116 or 10% against the approved budget of R76,713,338.

It is however anticipated that over 90% of the Capital Budget will be spent by 30 June 2009.

Breakdown of Capital Expenditure:

PARTICULARS	2008/2009 BUDGET	EXPENDITURE TO DATE	% SPENT
Land and Buildings	9,017,300	3,506,750	39%
Roads	1,125,230	389,510	35%
Water	25,714,298	8,049,857	31%
Electricity	4,107,192	801,174	20%
Sewerage	10,063,432	3,283,861	33%
Housing	19,718,000	5,741,837	29%
Plant & Equipment	4,800,000	4,696,834	98%
Office Equipment	2,153,075	1,036,308	48%
Culemborg Playpark	12,852	-	0.0%
Botriver Library	1,959	-	0.0%
Grand Total Capital Expenditure	76,713,338	27,506,131	35.9%

**Total Capital Expenditure incl. Commitments*

4.3. OPERATING REVENUE

2008/2008 Budget	Revenue to date	Balance
34,957,000	25,290,590	9,666,410
25,680,000	14,980,333	10,699,667
3,449,000	1,495,235	1,953,765
29,493,000	13,069,740	16,423,260
31,007,000	16,201,883	14,805,117
29,599,000	13,652,538	15,946,462
14,908,000	7,476,352	7,431,648
14,577,000	5,956,941	8,620,059
15,050,000	2,535,506	12,514,494
8,257,000	5,993,522	2,263,478
60,000	37,127	22,873
2,179,000	681,868	1,497,132
57,709,000	15,903,176	41,805,824
266,925,000	123,274,811	143,650,189

The **Operating Revenue** generated for the period to date amounts to R 123,274,811 or 46% of the approved budget of R 266,925,000.

It should be noted that R25,210m or 72% of the **Assessment (Property) Rates Income** of R34,957m budgeted, has been generated to date.

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 90,091m; Actual = R43,288m: 48%].

The major variance is registered under Sewer.

Other Revenue represents all revenue generated which is not specified on the prescribed MFMA Section 71 Report. This includes, inter alia Grant-in-Aid funding (R58,622m / Actual: R29,545: 50%), Interest on Investments & Interest on Arrear Accounts (R8,257m / Actual: R5,994: 73%), Traffic Fines (R15,050m / Actual: R2,536: 17%), Rental Fees (R2,179m / Actual: R682: 31%), Sundry Income (R57,709m / Actual: R15,903: 28%), Licence and Permits (R0,060m / Actual: R0,037m: 62%)

[Other Income excluding GIA: Budgeted = R83,255, Earned = R25,152: 30%]

Traffic Fines Income to date is R2,535,506 (17% instead of R7,500,000 or 50%). This has a very serious impact on the budget as only R5,5m income is anticipated for the year instead of R15m (R9.5m shortfall). Despite interventions recommended by Finance Directorate, after a great deal of research and the drafting of a business plan, little commitment has been forthcoming to turn around the situation.

Land Sales income budgeted amount to R16,241m of which 20% (R3.248m) is allocated to the Operating Budget. Land Sales and Bulk Infrastructure Levies Income allocated to Operating Budget to date is R74,565 (i.e. 20% of Total Sales of R372,826).

Additional Grant Allocations: In terms of Government Notice additional allocations of R873,000 and R8,905,000 has been gazetted in respect of Equitable Share and MIG, respectively.

4.4. SOURCES OF FINANCE - CAPITAL REVENUE

It should be noted that **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.

4.5. DEBTORS

The total **Outstanding Debt** as at 31 December 2008 is R94,056, 772. The Collection Rate for the period July 2008 to December 2009 is 75,13% and compares unfavourable to the budget forecasting of 90% for the financial year. The Debt Collection Rate of 75.13% (R54.6m) is recorded for the first 6 months of the 2008 / 2009 Financial Year. The municipality must improve the collection rate to reach the target of 90% by the end of the year.

Major Debtors Per Section

Major Debtors Section	December	%
Residential	39,554,797	42.1%
RDP and Indigent	29,721,020	31.6%
Business	2,933,408	3.1%
Industrial	2,247,300	2.4%
Government	3,586,094	3.8%
Golf Estate	1,132,499	1.2%
Farms	7,667,457	8.2%
Dormant Accounts	361,813	0.4%
Return to Sender	734,674	0.8%
Untraceable	8,199	0.0%
Left Town	241,327	0.3%
Deceased	46,676	0.0%
Study Loans	181,450	0.2%
Query Accounts	1,965,738	2.1%
Other	3,674,320	3.9%
Total	94,056,772	100.0%

Debt book per Town:

Town	Balance at 01.07.2008	Levied 2008/2009	Payments 2008/2009	Balance at 31.12.2008	% Collection
Caledon	9,400,619.39	23,560,091.60	21,395,801.61	11,564,909.38	91%
Grabouw	34,951,766.91	15,636,640.61	8,270,090.37	42,313,317.15	53%
Villiersdorp	5,348,263.08	9,628,040.41	8,288,098.61	6,688,204.88	86%
Riviersonderend	2,962,772.65	4,600,309.67	3,283,422.18	4,279,660.14	71%
Greyton	1,597,859.16	6,403,682.55	5,468,902.33	2,532,639.38	85%
Genadendal	9,282,526.59	3,238,935.08	1,219,809.65	11,301,652.02	38%
Botriver	4,821,211.19	2,539,382.53	1,269,729.93	6,090,863.79	50%
Tesselaarsdal	482,219.06	467,422.63	180,221.42	769,420.27	39%
Farms	7,117,304.30	6,665,642.49	5,271,841.62	8,511,105.17	79%
	75,964,542.33	72,740,147.57	54,647,917.72	94,056,772.18	75%

Observations:

There is a noticeable lower collection rate in the towns where the municipality is not providing electricity: Tesselaarsdal, Grabouw, Genadendal and Botriver.

The high Query Account is due to a dispute between the municipality and the TWK Golf Estate. The amount is material and delays by the appointed attorneys needs to be expedited.

Farmers Debt Accounts are being dealt with by specialist attorneys who have been briefed a few months ago. This matter also needs to be expedited.

Several legal proceeds have been executed up the judgement stage but the properties in Genadendal cannot be executed due to the ownership issue. This is town where Eskom supplies electricity.

A considerable amount of the "Returned to Sender" accounts are in respect of RDP Household. Over a year ago a request was issued to the Development Department to do a reconciliation between our Debtors Data Base, the Approved/Registered Beneficiaries Register and the Physical Occupants. It is suggested that the Community Development Workers be utilised in respect of the latter.

Delays in the installation of Prepaid Meters have added to the increased debt. 28b% of the outstanding debt is recorded at RDP and Indigent Households where water in excess of 6kl is consumed and unpaid.

The current economic conditions has certainly impacted on the ability to pay due to rising cost of fuel, transport, household commodities, interest rates, vehicle and home loan instalments, etc.

The slow economic growth in Theewaterskloof has contributed to the high unemployment rate.

Staff appointments in the Debt Collection must be expedited as the 2 Clerks and one Temporary Clerk is insufficient, bearing in mind the huge backlogs. The appointment of the Head: Debt Collection and other senior officials to beef up the unit to ensure monitoring and addressing variance reports and quality control are critical.

83.70% of the Outstanding Debtors is over 90 days in comparison to 86.34% last year the same period. According to the Municipal Systems Act, Act 32 of 2000, Section 96 (a), Municipalities must collect all outstanding debt.

It is important for the municipality to be financially sound to meet its challenges of increased repairs and maintenance of existing assets/infrastructure and further investment in municipal assets/infrastructure.

The following are some challenges, interventions implemented and in progress:

- We have identified the Installation of **Prepaid Water Meters** as the solution. Provision of R4 million has been made on the 2008/2009 Capital Budget for this project and work has commenced as the first tender for the first 1000 prepaid meters was adjudicated during October 2008. Unfortunately the public awareness and communication and installation by operational Services has not materialised.

This is one of the single most important Financial Viability interventions along with a Credit Control and Debt Collection System. The delay in prepaid meter installation is causing unnecessary water expenditure.

- Automated Online Debt Management System
 - A sophisticated Computer System to manage the debt collections collection process and enable online reporting and access to different features.
 - Debt Collection System which inter-faces into our Abakus Financial System
 - Sorting Facility into the Abakus System all delinquent Debt
 - Performance Management in Debt Collection: Allocation of Work, Targets, Monitoring and Evaluation of Collections.
 - Provide all processes for the entire Debt Collection Value Chain

The tender has been adjudicated and we are meeting the successful supplier on 21 January 2009.

4.6. CREDITOR 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 December 2008 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 10,630,889. The top 10 creditors are:

CREDITOR	DETAILS	AMOUNT
AAD Truck & Bus	Acquisition Nissan UD 40 3 ton tip truck	611,019.77
Ann Mitt Trading	Acquisition of fleet	2,406,620.12
DTM Helderberg	Acquisition of fleet	824,373.01
Elser Kent Metering	Acquisition of prepaid Water Meters	1,582,330.26
Flotron Instrument Service	Borehole: Equipment	126,626.83
Isixa Minerals & Chemicals	Supply and delivery of Liquid Aluminium	132,696.00
Kwezi V3 Engineers	Electrifying: Low Cost Housing	180,348.00
Last Samurai Property	Purchase of Water	149,691.02
PJ Technologies	Supply and installation of bulk water meters	169,067.62
ZonartLabour Distribution	Complete stayrod with assembly, intermediate frames	482,754.39

4.7. TENDER STATUS REPORT

Tenders to the value of R 3,740,423 were awarded for the month ending 31 December 2008.

4.8. GRANTS

The following Grants were received to date:

Grant	Budget	Actual
Equitable Share	25,680,000.00	14,980,333.00
MSIG	735,000.00	735,000.00
MIG	9,775,000.00	6,731,000.00
Housing	19,718,000.00	6,338,740.00
Provincial Library Services	521,000.00	260,235.00
Finance Management Grant	500,000.00	500,000.00
TOTAL:	56,929,000.00	29,545,308.00

An amount of R 29,545 million or 50% of the budgeted expenditure on **Grants** has realised up to the end of December 2008. It should be noted 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.

4.9. Unspent Grants

Progresses on the Unspent Grants as shown in the Financial Statements for 30 June 2008 are as follow:

Other Unspent Grant Monies	Opening Balance 01 July 2008	Expenditure 31 Dec 2008	Balance 31 Dec 2008
GIS	117,552	85,355	32,197
MSIG	228,919	228,919	-
FMG	386,902	145,319	241,583
NEP	309,906	64,025	245,881
Sportfields Villiersdorp	40,422	-	40,422
Housing	1,220,940	1,220,940	-
LGSETA	56,030	56,030	-
Masibambani DWAF	78,398	78,398	-
Culemborg Play Parks	12,852		12,852
Toilets Grabouw	21,076		21,076
Genadendal Water Upgrade	8,615		8,615
Dennekruin Town Establishment	49,968	32,171	17,797
CDW	322,977	14,003	308,974
Spatial Planning	545,495	-	545,495
Project Preperation Grant	69,400	-	69,400
Multi-purpose Bus	257,444	-	257,444
Total	3,726,896	1,925,160	1,801,736

4.10. CASH AND INVESTMENTS

The **cash flow** reflects positive opening and closing balances of R 20,297m and R 14,940m, respectively.

PARTICULARS	BANK	INVESTMENTS	TOTAL
Open Balance (01/07/2008)	11,671,623	8,625,805	20,297,429
Receipts	126,431,363	15,722,431	142,153,794
Payments	130,999,833	16,511,544	147,511,377
Closing Balance (31/12/2008)	7,103,153	7,836,693	14,939,846
Increase / (Decrease)	(4,568,470)	(789,113)	(5,357,583)

On 31 December 2008, Council had a positive **Cashbook Balance** of R7,103m million, and the closing balance of the **Investment Portfolio** at 31 December 2008 is R7,837m. On 01 July 2008, Council had a positive **Cashbook Balance** of R11,672m and the opening balance of the **Investment portfolio** was R 8,626m. R11.300m of the capital expenditure must be funded out of the budgeted loan of R33 million that will be paid out in February 2008 upon the finalization of the contract between the municipality and the bank.

4.11 LOANS

The value of the loans at 31 December 2008 amounts to **R 55,716,643.07**

RECOMMENDATIONS

1. That Council take note of the Mid-year Assessment and Financial Health and Performance Indicators in the report.
2. The Land Sales processes will need to be expedited in order to prevent the municipality from experiencing cash flow problems.
3. The poor performance on Traffic Income needs to be addressed urgently.
4. Communication for and Installation of Prepaid Water Meters must be expedited by the Operations Directorate.
5. Town Managers' commitment in terms of Debt Collections role must improve.
6. Overtime, Telephone and other Overheads must be reduced.
7. Due to substantial income not realised, in particular Traffic and Land Sales Income, expenditure must be closely monitored and reduce accordingly.
8. That Council take note that an Adjustments Budget is necessary as there are no indications that the anticipated shortfall of R12m in Land Sales and Traffic Income will realise.

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