



## THEEWATERSKLOOF MUNICIPALITY

### MID –YEAR BUDGET AND PERFORMANCE ASSESSMENT REVIEW 31 DECEMBER 2009

#### 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 it 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 2007/08 & 2008/09 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 GRAP 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 08/09			YEAR 07/08		
Govt Grants & Subsidies	Total Revenue	%	Govt Grants & Subsidies	Total Revenue	%
59,558,295	218,778,779	27.22	90,352,347	220,345,554	41.0

*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 12,636,707 is included in the amount of R 59,558,295. If the Grant-in-aid funding is not included, Government Grants amounts to R 46,921,588 or 21.45% of Total Revenue.
- Government Grants and Subsidies decreased by 34.08%.
- Total Revenue decreased by 0.71%.
- The Municipality's reliance on Government Grants decreased by 13.78% in 2008/2009.
- Included in the government grants and subsidies are grants like housing and library which are funding of government mandates.

- **Actual Revenue vs. Budgeted Revenue**

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

Formula: Actual Revenue/Budgeted Revenue

These figures are found in Appendix E of the Financial Statements

YEAR 08/09			
Actual Revenue	Budgeted Revenue	Variance R	Variance %
218,778,779	235,916,329	(17,137,550)	-7.26

*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:
  - *Government Grants and Subsidies less than budgeted*  
The variance of R22,554,178 or 27.47% was due to the budgeting for income and not expense on Grants.
  - *Agency Services less than budgeted*  
The variance of R235,181 or 14.25% was due to a decrease in motor registration transactions.

**3.1.2 EXPENDITURE MANAGEMENT**

- **Personnel Cost to Total Expenditure**

Purpose: The purpose of this ratio is to indicate what percentage of total expenditure is attributable to personnel costs.

Formula: Salaries, wages and allowances/Total Expenditure

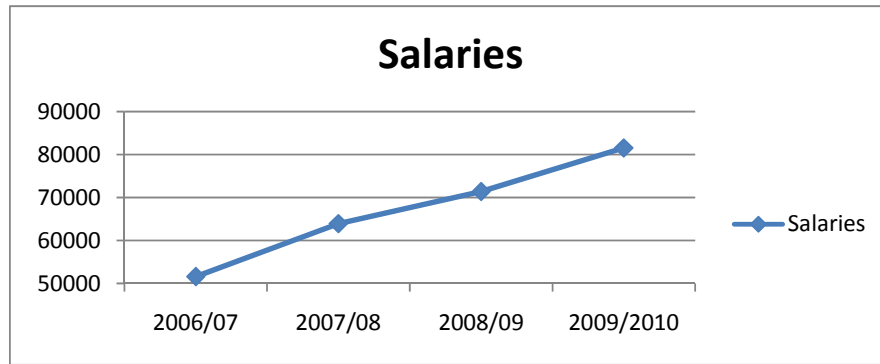
These figures are found in the Statement of Financial Performance of the Financial Statements.

YEAR 08/09			YEAR 07/08		
Personnel Costs	Total Operating Expenditure	%	Personnel Costs	Total Operating Expenditure	%
71,982,514	208,656,535	34.5	58,047,696	165,736,983	35.02

*Analysis and Interpretation*

- The norm for this ratio is 30% of total expenditure.
- While the personnel costs have increased by R13,934,818 or 24.01% as compared to the 2007/2008 financial year, the ratio decreased by 0.52% due to the Total Operating Expenditure having increased by 25.9%.
- The Personnel Budget increased from R63,917m in 2007/2008 to R71,406m in 2008/2009 (by R7,489m or 12%) and increased further to R81,550m in 2009/2010 (by R10,144m or 14%).
- 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 Actual	2007/08 Actual	2008/09 Actual	2009/2010 Budget
Salaries (R,000)	R51,578m	R63,917m	R71,406m	R81,550m



- 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 and Supply Chain Management Unit which were implemented successfully. The appointment of staff to capacitate the Debt Collection Unit has commenced and has almost reached completion stage.

- **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: (Actual expenditure less Budgeted expenditure)/ Budgeted expenditure

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

YEAR 08/09			
Actual expenditure	Budgeted expenditure	Variance R	Variance %
208,656,535	230,374,328	21,717,793	9.43%

*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 within the expenditure norm.

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

Purpose: This ratio indicates the percentage of total expenditure that is attributable to interest cost.

Formula: Total external interest paid/Total expenditure

These figures were found in Statement of Financial Performance in the Financial Statements.

YEAR 08/09			YEAR 07/08		
Interest	Operating Expenditure	%	Interest	Operating Expenditure	%
7,235,480	208,656,535	3.47	4,098,252	165,736,983	2.47

*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

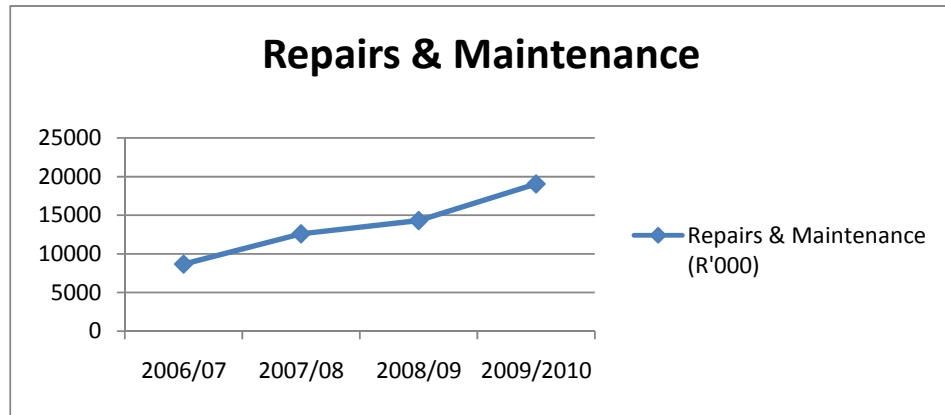
These figures are found in Statement of Financial Performance in the Financial Statements.

YEAR 08/09			YEAR 07/08		
Repairs and Maintenance	Total operating expenditure	%	Repairs and Maintenance	Total operating expenditure	%
14,316,897	208,656,535	6.86	12,600,600	165,736,983	7.6

*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 decreased by 0.74% 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 budget increased from R14,953m in 2007/2008 to R17,083m (by R2,130m or 14%) in 2008/2009 and to R19,049m (by R1,966m or 12%) in 2009/2010. Actual expenditure in 2008/2009 amounted to R14,317m (R2,766m or 16% less than the budgeted amount). This is not good as we are way below the required level of at least 10%.

Financial Year	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/2010 Budget
Repairs & Maintenance (R'000)	R8,680	R12,601	R14,317	R19,049



*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 are 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 E.

YEAR 08/09			
Actual	Budget	Variance R	Variance %
60,724,336	86,058,735	25,334,399	29.44

*Analysis and interpretation*

- The acquisition of Property Plant and Equipment by this municipality is 29.44% below budget.
- The acquisition of assets was 70.56% of the approved budget.
- 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 Statement of Financial Position and notes to the Financial Statements.

YEAR 08/09			YEAR 07/08		
Consumer Debtors	Operating Income	Collection Period (Days)	Consumer Debtors	Operating Income	Collection Period (Days)
59,199,737	218,778,779	99	52,874,544	220,345,554	88

*Analysis and interpretation*

- The norm is 42 days and will be used as basis of interpretation.
- The ratio has decreased by 11 days compared to the 2007/08 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. This is hampered by the economic recession on the other hand, capacity of the unit has been increased.

**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 Statement of Financial Position of the Financial Statements.

YEAR 08/09			YEAR 07/08		
Current Assets Less Inventory	Current Liabilities	Ratio	Current Assets Less Inventory	Current Liabilities	Ratio
51,248,397	46,519,854	1.10 : 1	38,041,980	35,392,079	1.07 : 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 below the norm for 2008/2009 year.
- The ratio has increased, compared to the results of the 2007/2008 financial year.

- **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 08/09			YEAR 07/08		
Total Liability	Total Assets	%	Total Liability	Total Assets	%
148,824,464	527,559,994	28.21	104,146,970	462,638,022	22.51

*Analysis and Interpretation*

- The norm for this ratio is for Total Liabilities not to exceed 57% of Total Assets.
- The Total Asset position strengthened by 14% (R64,921,972), as compared to the 2007/08 financial year.
- Total Liabilities increased by 43% (R44,677,494) primarily due to the raising of a loan of R33,177 million and R4,701million increase in unspent grants as compared to 2007/2008 financial years.

- **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 08/09			YEAR 07/08		
Cash Inflow	Total Liabilities	%	Cash Inflow	Total Liabilities	%
R	R		R	R	
(20,498,902 )	148,824,464	-0.14	(20,187,677)	104,146,970	-0.19

*Analysis and interpretation*

- The ratio has improved by 0.05% from the previous year.

*Recommendation*

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

#### 4. HALF-YEAR BUDGET STATEMENT: 31 DECEMBER 2009 (JULY 2009 – DECEMBER 2009 YEAR TO DATE PERFORMANCE)

The municipality's **Total Budget** amounts to R 382,924,909 (Operating Budget: R 293,821,819 and Capital Budgets: R 89,103,090). No adjustments were made to the approved budget for the 2009/2010 financial year during the period July 2009 to December 2009.

##### 4.1. OPERATING EXPENDITURE

Expenditure for December 2009 amounts to R 28,210,461 and to date the Total Expenditure is R 133,604,416 or 45% of the Total Operating Budget of R 293,821,819. Expenditure, lower than the pro-rata 50% is registered on and is attributed to the following factors:

1. **Capital charges** amounting to R 17,075,800 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 7,415,722*). R1,122m less than the 50% pro-rata spending.
2. Journal entries for the **Provision of Working Capital** (R 11,905,503) are processed monthly. (*YTD Expenditure = R 5,959,623*)
3. Journal entries for Transfers to other **Reserves** (R3,912,000) are processed annually, with the compilation of the Annual Financial Statements.
4. Journal entries for the Contributions **from Operating to Capital** (R44,435,000) is processed monthly as spend on projects. Actual spending is R23,176,719, R959,215 more than pro-rata spending.
5. **Salaries and Allowances** Budget amounts to R81,550,000 and R39,372,891 (48%) has been spent, R1, 402m less than the pro-rata spending. Funds have been provided for the implementation of TASK results which has not yet materialised and savings on vacancies.
6. **Repairs and Maintenance** Budget amounts to R19,048,622 and R6,840,739 (36%) has been spent, R2,684m less than the pro-rata spending.
7. **Contractor Services** Budget amounts to R13,440,500 and R4,053,268 (30%) has been spent, R2, 667m less than the pro-rata spending.
8. **Overtime:** Budget amounts to R1,775,821 and R1,008,967 (57%) has been spent, R121,057 more than the pro-rata spending. This area is being addressed and the monthly expenditure is showing a reducing trend.
9. **General Expenses** Budget amounts to R66,630,496 and R30,452,983 (46%) has been spent, R2,682m less than the pro-rata spending.

PARTICULARS	2009/2010 BUDGET	EXPENDITURE YEAR TO DATE	%	BALANCE
Employee related costs	81,550,000	39,372,891	48%	42,177,109
Councillors' Allowances	5,915,000	2,692,821	46%	3,222,179
<b>General Expenses:</b>				
Other	56,737,596	25,904,321	46%	30,833,275
Fuel & Oil	3,804,500	1,011,038	27%	2,793,462
Municipal Services & Assesment Rates	4,515,900	2,620,487	58%	1,895,413
Telephone	1,572,500	917,137	58%	655,363
Provision for Working Capital	11,905,503	5,959,623	50%	5,945,880
Bulk Purchases	28,577,898	12,696,082	44%	15,881,816
<b>Repair &amp; Maintenance:</b>				
Other	7,163,122	2,659,110	37%	4,504,012
Grounds & Buildings	5,184,000	1,784,821	34%	3,399,179
Networks	4,047,000	1,131,935	28%	2,915,065
Repair: Vehicles	2,654,500	1,264,873	48%	1,389,627
Contractor Services	13,440,500	4,053,268	30%	9,387,232
Capital Charges	17,075,800	7,415,722	43%	9,660,078
Contributions: Special Funds	3,912,000	-	0%	3,912,000
<b>Net Operating Expenditure</b>	<b>248,055,819</b>	<b>109,484,130</b>	<b>44%</b>	<b>138,571,689</b>
Capital Out of Revenue	1,331,000	943,567	71%	387,433
Grants - Capital Expenditure	44,435,000	23,176,719	52%	21,258,281
<b>Net Expenditure</b>	<b>293,821,819</b>	<b>133,604,416</b>	<b>45%</b>	<b>160,217,403</b>

#### 4.2. OPERATING REVENUE

Particulars	2009/2010 Budget	Revenue Year To Date	%	Balance
Assessment Rates	44,071,000	27,820,761	63%	16,250,239
<b>Services:</b>				
Electricity	39,730,020	20,255,494	51%	19,474,526
Water Sales	33,977,000	15,901,022	47%	18,075,978
Refuse Removal	16,656,000	8,334,229	50%	8,321,771
Sewerage	16,360,000	6,994,214	43%	9,365,786
<b>Sub Total</b>	<b>106,723,020</b>	<b>51,484,959</b>	<b>48%</b>	<b>55,238,061</b>
Traffic Fines	7,628,000	1,835,287	24%	5,792,713
Investment Interest / Penalties	8,800,000	3,887,061	44%	4,912,939
Licences & Permits	14,000	30,958	221%	-16,958
Rentals	2,312,000	1,058,071	46%	1,253,929
Sundry/ Other Income	42,563,799	15,723,076	37%	26,840,723
<b>Grand in Aid:</b>				
Grants - Equitable Share	34,242,000	25,681,586	75%	8,560,414
Grants - Other Operating Purposes	3,033,000	2,545,500	84%	487,500
<b>Sub Total</b>	<b>37,275,000</b>	<b>28,227,086</b>	<b>76%</b>	<b>9,047,914</b>
<b>Net Operating Revenue</b>	<b>249,386,819</b>	<b>130,067,260</b>	<b>52%</b>	<b>119,319,559</b>
Grants - Capital Income	44,435,000	27,438,496	62%	16,996,504
<b>Total</b>	<b>293,821,819</b>	<b>157,505,755</b>	<b>54%</b>	<b>136,316,064</b>

The **Operating Revenue** generated for the period to date amounts to R 157,505,755 or 54% of the approved budget of R 293,821,819

It should be noted that R27,820,761 or 63% of the **Assessment (Property) Rates Income** of R44,071,000 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 106,723,020; Charged = R51,484,959 (48%)].*

**Other Revenue** represents all revenue generated which is not specified on the prescribed Section 71 Report in terms of the MFMA. This includes, inter alia Grant-in-Aid funding (R81,710m), Interest on Investments & Interest on Arrear Accounts (R8,800m), Traffic Fines (R7,628m), Rental Fees (R2,312m), Sundry Income (R42,564m), Licence and Permits (R0, 014m)  
*[Other Income Budgeted = R143,0283m, Earned = R 78,200m\* (55%)]*

**Traffic Fines** generated for the period to date amounts to R1,835,287 or 24% of the budget of R7,628,000. Traffic Fines are R1, 979m less than the pro-rata income and are an area of great concern and may result in cash flow problems. Projected revenue for the year is R3,670m representing a shortfall of R3,958m.

#### 4.3. GRANTS – OPERATING

The following Operating Grants were received to date:

Grant	Budget	Actual
Equitable Share	34,242,000.00	25,681,586.00
Finance Management Grant	750,000.00	1,000,000.00
MSIG	1,300,000.00	1,300,000.00
CDW	240,000.00	
Proclaimed Main Roads	252,000.00	
Provincial Library Services	491,000.00	245,500.00
<b>Subtotal</b>	<b>37,275,000.00</b>	<b>28,227,086.00</b>
Capital Grants	44,435,000.00	27,438,495.00
<b>TOTAL:</b>	<b>81,710,000.00</b>	<b>55,665,581.00</b>

#### Unspent Grants

Progresses on the Unspent Grants as shown in the Financial Statements for 30 June 2009 are as follow:

Other Unspent Grant Monies	Opening Balance 01 July 2009	Expenditure 31 Dec 2009	Balance 31 Dec 2009
FMG	297,943	297,943	-
Botrivier Development Policy	61,689		61,689
CDW	533,946		533,946
Spatial Planning	42,553		42,553
Project Preparation Grant	69,400		69,400
<b>Subtotal</b>	<b>1,005,531</b>	<b>297,943</b>	<b>707,588</b>
Capital Grants	7,422,680	1,050,917	6,371,763
<b>Total</b>	<b>8,428,211</b>	<b>1,348,860</b>	<b>7,079,351</b>

#### 4.4. CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 December 2009 amounts to R31,983,079 (**R 28,852,814 expenditure to date or 32 % and commitments of R3,130,265**) or 4% against the approved budget of R89,103,090.

Projects tenders amounting to R19, 334m were awarded up and until December 2009. Capital work tenders in the amount of R11,610,303 has been awarded in December 2009 i.r.o the following:

- The upgrading of roads and storm water in the Theewaters Municipal jurisdiction in Grabouw, Botrivier & Villiersdorp.- R4,732,680.
- The upgrading of roads and storm water in the Theewaters Municipal jurisdiction in Caledon, Genadendal, Greyton & Riviersonderend. – R4,877,652.
- Provision of Professional Services: Upgrading of Villiersdorp Waste Water Treatment Plant. –R1,999,970.

It is however anticipated that over 90% of the Capital Budget will be spent by 30 June 2010.

#### **Breakdown of Capital Expenditure:**

<b>PARTICULARS</b>	<b>2009/2010 BUDGET</b>	<b>EXPENDITURE TO DATE</b>	<b>% SPENT</b>
Land and Buildings	3,330,000	921,340	27.67%
Roads	15,272,364	1,183,789	8%
Water	21,304,536	12,385,354	58.13%
Electricity	5,952,000	3,203,031	53.81%
Sewerage	16,245,190	2,322,838	14.30%
Housing	24,668,000	8,963,388	36.34%
Plant & Equipment	1,000,000	2,015,317	202%
Office Equipment	1,331,000	988,022	74.23%
<b>Grand Total Capital Expenditure</b>	<b>89,103,090</b>	<b>31,983,079</b>	<b>35.89%</b>

*\*Total Capital Expenditure incl. Commitments*

#### **4.5. 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.

<b>Sources of Finance:</b>	<b>Budget</b>	<b>Expenditure</b>	<b>% Spent</b>
Grant-in-Aid: National (MIG)(NEP)(EPWP)	19,767,000	14,230,114	71.99%
Grant-in-Aid: Provincial	24,668,000	8,963,388	36.34%
Capital Development Fund	7,545,000	729,734	9.67%
Loans	15,286,900	3,168,751	20.73%
Roll-over (Loans)	12,300,190	2,878,984	23.41%
Roll-over (MIG)	8,205,000	1,024,086	12.48%
Capital Out of Income	1,331,000	988,022	74.23%
<b>Grand Total</b>	<b>R 89,103,090</b>	<b>R 31,983,079</b>	<b>35.89%</b>

#### **4.6. GRANTS – OPERATING**

The following Operating Grants were received to date:

<b>Grant</b>	<b>Budget</b>	<b>Actual</b>
MIG	16,104,000.00	13,380,000.00
NEP	2,337,000.00	2,337,000.00
EPWP	1,326,000.00	
HOUSING	24,668,000.00	10,719,220.00
Sportsfields Grabouw & Caledon	-	1,002,275.00
<b>Subtotal</b>	<b>44,435,000.00</b>	<b>27,438,495.00</b>
Operating Grants	37,275,000.00	28,227,086.00
<b>TOTAL:</b>	<b>81,710,000.00</b>	<b>55,665,581.00</b>

## Unspent Grants

Progresses on the Unspent Grants as shown in the Financial Statements for 30 June 2009 are as follow:

Other Unspent Grant Monies	Opening Balance 01 July 2009	Expenditure 31 Dec 2009	Balance 31 Dec 2009
GIS	31,241		31,241
Sportfields Villiersdorp	22,256	21,563	693
MIG	7,085,394	1,024,086	6,061,308
Housing	5,268	5,268	-
Genadendal Water Upgrade	3,280		3,280
Dennekruin Town Establishment	17,797		17,797
Multi-purpose Bus	257,444		257,444
<b>Subtotal</b>	<b>7,422,680</b>	<b>1,050,917</b>	<b>6,371,763</b>
<b>Operating Grants</b>	<b>1,005,531</b>	<b>297,943</b>	<b>707,588</b>
<b>Total</b>	<b>8,428,211</b>	<b>1,348,860</b>	<b>7,079,351</b>

## 4.7. DEBTORS

The total **Outstanding Debt** as at 31 December 2009 is R96,483, 443.

The Collection Rate for the period July 2009 to December 2009 is 87,22% and compares unfavourable to the budget forecasting of 90% for the financial year. The Debt Collection Rate of 87.22% (R75.2m) is recorded for the first 6 months of the 2009/2010 Financial Year, compared to 75.13% (R54.6m) in 2008/ 2009. This is a significant decline and the municipality must improve the collection rate to reach the target of 90% by the end of the year.

### Debt Book per Town

Debtors Per Town					
Town	Bal 01.07.2009	levied 2009/10	Payments 2009/10	Bal. 31.10.2009	% Collection
Caledon	10,190,518.25	30,079,330.33	28,514,718.46	11,755,130.12	95%
Grabouw	37,918,929.70	19,058,454.72	13,266,341.98	43,711,042.44	70%
Villiersdorp	5,954,111.48	11,726,260.69	10,157,455.09	7,522,917.08	87%
Riviersonderend	3,615,757.00	5,725,837.50	5,061,236.34	4,280,358.16	88%
Greyton	1,794,418.52	7,891,911.63	7,190,390.80	2,495,939.35	91%
Genadendal	10,880,444.25	3,359,444.83	2,068,444.19	12,171,444.89	62%
Botriver	6,022,714.41	2,658,034.41	2,107,518.60	6,573,230.22	79%
Tesselaarsdal	749,485.34	570,129.80	397,728.38	921,886.76	70%
Farms	8,340,811.95	5,102,188.89	6,391,506.92	7,051,493.92	125%
	<b>85,467,190.90</b>	<b>86,171,592.80</b>	<b>75,155,340.76</b>	<b>96,483,442.94</b>	<b>87%</b>

## Major Debtors Per Section

<u>Major Debtors Section</u>	<u>Dec 09</u>	<u>%</u>
Residential	39,501,137	41
RDP and Indigent	31,203,371	32
Business	3,252,545	3
Industrial	2,129,887	2
Government	5,809,527	6
Golf Estate	1,404,547	1
Farms	4,976,661	5
Dormant Accounts	156,047	0
Return to Sender	1,798,580	2
Untraceable	8,176	0
Left Town	60,683	0
Deceased	46,352	0
Study Loans	217,808	0
Query Accounts	74,936	0
Other	5,843,186	6
<b>Total</b>	<b>96,483,443</b>	<b>100</b>

There is a noticeable higher outstanding debt in the towns where the municipality is not providing Electricity: Grabouw [R 43,711,042 (45%)], Genadendal [R12,171,445 (13%)] and Botriver [R 6,573,230 (7%)]

- 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.
- 85% of staff in debt collection have been appointed.

We have to consider when analysing the total outstanding debt:

Macro economy having a direct effect on our municipality and households. High inflation, food prices and interest rates have negative effect on our collection rates as more households are experience difficulty financially. The slow economic growth hit the local market in Theewaterskloof who are already experiencing high unemployment rate.

The importance of the immediate and strict implementation of all processes in the Debt Collection Strategy cannot be over emphasized to ensure that the outstanding debtors which are over 90 days do not increase dramatically. The above-mentioned statistics is testimony of the positive actions already taken.

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.

We have identified the Installation of **Water Management System** as a solution. Provision of R4 million and R3 million has been made on the 2008/2009 and 2009/2010 Capital Budget for this project. This is one of the single most important Financial Viability interventions along with a Credit Control and Debt Collection System. Roll-out has commenced at the end of October 2009 and some communities have volunteered to have meters installed. Meters are also rolled out at all new residential properties, including RDP houses.

Debt-pack will be fully operational from 01 January 2010. Debt Collection training at the various towns is scheduled for January 2010 to improve ability to collect.

#### 4.8. 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 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 6,765,038. The top 10 creditors are:

CREDITOR	DETAILS	AMOUNT
Advanced Vehicle Engineering	Conversion of Panel Van	192,039.84
BUR Maintenance	Upgrading of watermain	135,586.74
DTM Helderberg	Nissan 1ton NP300 Hardbody 2.5TDI	1,001,784.00
Florton Instrumentation	Dataloggers	306,632.64
Jocastro	Miniature Station	497,129.14
MH Cloete Enterprises	Mitsubishi Fuso	912,965.26
CQS Technologies Holdings	Software Internal Audit & Risk Management	163,510.20
Motown Centre	Purchase of Equipment	192,228.78
PJ Technologies	Bulk Enemax Metres	159,104.00
Uitkyk Diggers	Hire of digger Loaders	150,591.66

#### 4.9. CASH AND INVESTMENTS

The **cash flow** reflects positive opening and closing balances of R 28,577m and R 14,940 million, respectively.

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	183,274,049	31,021,122	<b>214,295,171</b>
Payments	175,641,779	28,950,256	<b>204,592,035</b>
<b>Closing Balance (31/12/2009)</b>	<b>10,740,718</b>	<b>27,539,123</b>	<b>38,279,841</b>
<b>Increase / (Decrease)</b>	<b>7,632,270</b>	<b>2,070,866</b>	<b>9,703,136</b>

- Council Cashbook balance increased from R3,108,448 to R10,740,718. An increase of R7,632,270.
- Council Investment balance increased from R25,468,257 to R27,539,123. An increase of R2,070,866.

#### 4.10 TENDER STATUS REPORT

Tenders to the value of R 11,610,303 were awarded for the month ending 31 December 2009 and R19,334,277 to date.

#### **4.11 LOANS**

The value of the loans at 31 December 2009 amounts to R 84,686m.

---

#### **RECOMMENDATIONS**

- 1. That Council take note of the Mid-year Assessment and Financial Health and Performance Indicators in the report.**
- 2. That Council take note that an Adjustments Budget will be tabled.**
- 3. Expected Shortfalls and Revenue, additional allocations and adjustment on expenditure will be reflected in the Adjustment Budget.**

*Report compiled by the Budget Office for presentation by the Director: Financial Services, Mr. SN Jacobs (original report in English)*