

**FINANCIAL REPORT FOR THE MONTH ENDING 31 AUGUST 2009  
(5/16/R)**

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**INTRODUCTION / AIM**

The purpose of this report is to inform the Council on the current financial state as at 31 August 2009.

**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 August 2009 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 August 2009, 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) August 2009
2. Departmental Operating Income & Expenditure August 2009
3. Payroll Report August 2009
4. Overtime Report August 2009
5. Capital Expenditure Report August 2009
6. Cash/Bank August 2009
7. Investments: August 2009
8. Debt Report: August 2009
  - 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: August 2009
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 33,892,277 or 12% 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.
- Journal entries for the **Provision of Working Capital** (R 11,905,503) are processed monthly. R1,984,273 (17%) 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 33,892,277 includes R 4,525,012 in respect of Grant Capital Expenditure and Capital Out of Revenue (Housing, MIG and Inventory).

<b>Operating Expenditure Summary</b>	<b>2009/2010 Budget</b>	<b>Expenditure Year to date</b>	<b>Balance</b>
Employee Related Costs	81,550,000	12,041,729	69,508,271
Councillor's Allowances	5,915,000	930,678	4,984,322
General Expenses	66,630,496	9,156,250	57,474,246
Provision for Working Capital	11,905,503	1,984,273	9,921,230
Bulk Purchases	28,577,898	3,513,626	25,064,272
Repairs & Maintenance	19,048,622	906,185	18,142,437
Contractor Services	13,440,500	834,524	12,605,976
Capital Charges	17,075,800	-	17,075,800
Contributions: Special Funds	3,912,000	-	3,912,000
Capital out of Revenue	45,766,000	4,525,012	41,240,988
<b>Total</b>	<b>293,821,819</b>	<b>33,892,276</b>	<b>259,929,543</b>

*(complete details are shown on pages 2-3)*

## CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 August 2009 amounts to R 5,923,152 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 2009	% SPENT
Land and Buildings	3,330,000	24,856	0.75%
Roads	15,272,364	22,910	0%
Water	21,304,536	2,843,760	13.35%
Electricity	5,952,000	399,214	6.71%
Sewerage	16,245,190	1,350,374	8.31%
Housing	24,668,000	1,277,073	5.18%
Plant & Equipment	1,000,000	-	0%
Office Equipment	1,331,000	4,965	0.37%
<b>Grand Total Capital Expenditure</b>	<b>89,103,090</b>	<b>5,923,152</b>	<b>6.65%</b>

*(complete details are shown on pages 15-17)*

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 74,888,735 or 25% of the approved budget.

It should be noted that R 987,328 of the **Assessment (Property) Rates Income** of R 44, 071,000 budgeted, has been generated for the month of August 2009. The Annual Rates charges had also been levied in July 2009.

**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 = R18,161,713] (17%).*

Traffic Revenue budget is R7,628,000 and R592,490 has been received. At this rate, income of only R3,5m is projected, i.e. 47% of the Budget, which is 50% of last year's.

### Breakdown of Operating Revenue:

Particulars	2009/2010 Budget	Revenue Year To Date	Balance
Assessment Rates	44,071,000	19,279,120	24,791,880
Grants - Equitable Share	34,242,000	14,267,548	19,974,452
Grants - Operating Purposes	3,033,000	2,422,750	610,250
Grants - Capital Expenditure	44,435,000	13,951,528	30,483,472
Electricity	39,730,020	7,506,589	32,223,431
Water Sales	33,977,000	5,551,503	28,425,497
Refuse Removal	16,656,000	2,807,989	13,848,011
Sewerage	16,360,000	2,295,632	14,064,368
Traffic fines	7,628,000	592,490	7,035,510
Investment Interest / Penalties	8,800,000	516,641	8,283,359
Licenses & Permits	14,000	12,278	1,722
Rentals	2,312,000	254,130	2,057,870
Sundry / Other income	42,563,799	5,430,537	37,133,262
<b>Gross Revenue</b>	<b>293,821,819</b>	<b>74,888,735</b>	<b>218,933,084</b>

*(complete details are shown on page 2-3 )*

### **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 August 2009 is R 99,330,867

#### Debtors Movement:

<b>Balance as at 01.07.2009</b>	R 85,467,191
Add: Charges/Levied: July- August 2009	37,610,310
Less: Receipts: July- August 2009	23,746,634
<b>Balance as at 31 August 2009</b>	<b>R 99,330,867</b>

*(complete details are shown on pages 32-38 )*

The total **Outstanding Debt** as at 31 August 2009 is R 99,330,867. The Collection Rate at August 2009 is 63% (31% in July 2009) against the budget forecasting of 90% for the financial year. There is a noticeable higher outstanding debt in the towns where the municipality is not providing Electricity: Grabouw [R 40,958,768,79 (41%)], Genadendal [R11,554,719,72 (12%)] and Botriver [R 6,464,209,41 (7%)]

## Major Debtors Per Section

<u>Major Debtors Section</u>	<u>Aug-09</u>	<u>%</u>
Residential	41,973,396	42
RDP and Indigent	27,050,969	27
Business	4,522,448	5
Industrial	2,936,960	3
Government	8,440,509	8
Golf Estate	1,455,458	1
Farms	5,738,781	6
Dormant Accounts	206,311	0
Return to Sender	1,809,177	2
Untraceable	7,798	0
Left Town	53,420	0
Deceased	45,737	0
Study Loans	214,722	0
Query Accounts	71,873	0
Other	4,803,307	5
<b>Total</b>	<b>99,330,867</b>	<b>100</b>

## Debt Book per Town

<u>Debtors Per Town</u>					
<u>Town</u>	<u>Bal 01.07.2009</u>	<u>levied 2009/10</u>	<u>Payments 2009/10</u>	<u>Bal. 31.08.2009</u>	<u>% Collection</u>
Caledon	10,190,518.25	13,361,510.83	10,137,381.33	13,414,647.75	76%
Grabouw	37,918,929.70	7,260,795.48	4,220,956.39	40,958,768.79	58%
Villiersdorp	5,954,111.48	5,078,304.22	3,106,859.54	7,925,556.16	61%
Riviersonderend	3,615,757.00	2,275,972.76	1,388,250.68	4,503,479.08	61%
Greyton	1,794,418.52	4,471,367.01	2,330,596.51	3,935,189.02	52%
Genadendal	10,880,444.25	1,246,013.31	581,737.84	11,544,719.72	47%
Botriver	6,022,714.41	1,066,063.12	624,568.12	6,464,209.41	59%
Tesselaarsdal	749,485.34	216,868.00	113,213.44	853,139.90	52%
Farms	8,340,811.95	2,633,415.36	1,243,069.67	9,731,157.64	47%
	<b>85,467,190.90</b>	<b>37,610,310.09</b>	<b>23,746,633.52</b>	<b>99,330,867.47</b>	<b>63%</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.

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 is being planned along with a communication plan.

## **Automated Online Debt Management System**

The Electronic Online Debt Management system (Debtpack) will also facilitate a debt recovery diary and workflow and Indigent Management. The system is now fully implemented and training is at approximately 99% of completion. Affordability of indigents has been seriously reviewed for the 2009/2010 Budget and 100% subsidy will apply as well as free water leak repairs which is costing the council a fortune as wasted water is not being paid for by the indigents. Some interface problems between Debtpack and Abakus financial system, is currently addressed.

### **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 August 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 1,600,614.54 The top 3 creditors are:

<b><u>CREDITOR</u></b>	<b><u>DETAILS</u></b>	<b><u>AMOUNT</u></b>
1. Merlin Gerin t/a Conlog	Purchase: Prepaid Meter	197,089.80
2. HSM	Purchase: Pumps	124,587.18
3. Siyakhana Gardening Primary Co-op	Services required for IDP	100,500,00

### **GRANTS**

The following Grants were received to date:

<b>GRANT</b>	<b>AMOUNT</b>
Equitable Share	14,267,548
Finance Management Grant	1,000,000
Library Grant	122,750
Municipal Infrastructure Grant (MIG)	8,850,000
Municipal Systems Improvement Grant (MSIG)	1,300,000
Provincial Housing	5,101,528
<b>Total</b>	<b>30,641,826</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 (01/08/2009)	3,108,448	25,468,257.14	28,576,705
Receipts	71,147,776	15,251,890	86,399,666
Payments	61,943,204		61,943,204
Closing Balance (31/07/2009)	12,313,020	40,720,147	53,033,166
Increase / (Decrease)	9,204,572	15,251,890	24,456,461

*(complete details are shown on pages 18-31)*

## TENDER STATUS REPORT

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 31 August 2009 is attached. 3 Tenders amounting to R2,445,708 was awarded for the month ending 31 August 2009. Departments need to expedite procurement process.

*(complete details are shown on page 39)*

## EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period July 2009 is hereto attached as required in terms of section 66 of the MFMA.

Overtime remains a matter of concern as 18% of the approved budget was spent in July 2009.

Overtime Budget is R1,775,821 and R327,656 has been spent. If Overtime is not urgently managed, expenditure for the year is projected at R1,965,936 i.e. R190,115 (11%) more than the budgeted amount.

*(complete details are shown on page 4-14)*

## FINANCIAL IMPLICATION

As per attached report.

## RECOMMENDATION

It is recommended that:

1. The Council notes the Financial Report as at 31 August 2009.
2. That a sustainable solution be found in respect of Overtime.
3. That a sustainable solution be found in respect of Traffic Income which will amount to R3,5m instead of R7,6m (Budgeted) which is less than 50% of last years Income.
4. That the Departments expedite procurement process to ensure that the budget is fully implemented.
5. Grant funding will be forfeited if unspent at year end and needs to be expedited.

*Report compiled by Ms. J. Colyn, assisted by Budget Office & Interns and reviewed by Mr. SN Jacobs for presentation by the Director: Financial Services, Mr. SN Jacobs*