

FINANCIAL REPORT FOR THE QUARTER ENDING 30 JUNE 2009 (5/16/R)

INTRODUCTION / AIM

The purpose of this report is to inform the Council on the **implementation of the budget and the financial state of affairs** of the municipality for the Fourth Quarter ending 30 June 2009.

LEGAL REQUIREMENTS

The **Report for the Fourth Quarter (April 2009 – June 2009)**, prepared in terms of **Section 71 of the Municipal Finance Management Act, Act 56 of 2003**, and the requirements of the Service Delivery Budget Implementation Plan (SDBIP), is submitted to Council in terms of **Section 52 (d) of the Municipal Finance Management Act, Act 56 of 2003** which **reflects the implementation of the budget and the financial state of affairs** of the municipality.

BACKGROUND

Attached is the **Financial Report** for the month of June 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) June 2009
2. Payrol Report June 2009
3. Departemental Operating Income & Expenditure June 2009
4. Overtime Report June 2009
5. Capital Expenditure Report June 2009
6. Cash/Bank June 2009
7. Investments: June 2009
8. Debt Report: June 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: June 2009
10. Statutory Compliance Report

DISCUSSION

All amounts in brackets represent the 2008/2009 Adjustment Budget.

The municipality's **Total Budget** amounts to R 340,730,338 (R344,925,969)

Particulars	Original Budget	Adjustment Budget
Operating Budget	R 266,017,000	R 258,867,234
Capital Budget	74,713,338	R 86,058,735
Total	R 340,730,338	R 344,925,969

OPERATING EXPENDITURE

Expenditure to date amounts to R 210,412,092 or 81% of the total adjusted budgeted amount of R 258,867,234.

- Capital charges amounting to R 14,851,000 (R 10,010,067) per annum are paid at the end of each quarter. Expenditure to date amounts to R 8,129,143 (81%)
- Journal entries for the Provision of Working Capital amount to R 12,576,000 (R11,843,000). Expenditure to date amounts to R 11,843,000.
- Journals entries for Transfers to other Reserves R 12,993,000 (R 4,280,000) will be processed with the compilation of the Annual Financial Statements in June 2009.
- The Operating Expenditure of R 210,412,092 till end of June 2009 includes Capital out of Revenue amounting to R 23,909,818 which includes Housing, MIG and Inventory expenditure.

Particulars	2008/2009 Budget	Adjustment Budget	YTD Expenditure 2009	Balance
Employee related costs	71,406,000	67,164,064	66,170,883	993,181
Councillors' Allowances	5,329,000	5,441,000	5,436,872	4,128
General Expenses	66,726,000	69,540,797	52,818,505	16,722,292
Provision for Working Capital	12,576,000	11,843,000	11,843,000	-
Bulk Purchases	21,969,000	21,150,000	20,346,334	803,666
Repairs & Maintenance	17,083,000	16,573,326	13,198,193	3,375,133
Contractor Services	12,347,000	12,782,583	8,559,343	4,223,240
Capital Charges	14,851,000	10,010,067	8,129,143	1,880,924
Contributions: Special Funds	12,993,000	4,280,000	-	4,280,000
Capital Out of Revenue	30,737,000	40,082,397	23,909,818	16,172,579
Net Expenditure	266,017,000	258,867,234	210,412,091	48,455,144

(complete details are shown on pages 3&5)

CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 30 June 2009 amounts to R 9,591,073. The capital expenditure to date amounts to R 57,243,473 or 67% of the Adjustment Budget of R 86,058,735.

PARTICULARS	2008/2009 BUDGET	ADJUSTMENT BUDGET	EXPENDITURE TO DATE	% SPENT
Land and Buildings	7,017,300	7,171,044	5,771,802	80.5%
Roads	1,125,230	2,475,230	2,112,518	85.3%
Water	25,714,298	32,420,948	21,005,989	64.8%
Electricity	4,107,192	4,009,906	3,005,234	74.9%
Sewerage	10,063,432	12,035,397	6,147,286	51.1%
Housing	19,718,000	20,938,940	12,641,619	60.4%
Plant & Equipment	4,800,000	5,092,444	4,833,392	94.9%
Office Equipment	2,153,075	1,861,552	1,723,674	92.6%
Community Assets	14,811	53,274	1,959	3.7%
Grand Total Capital Expenditure	74,713,338	86,058,735	57,243,473	66.5%

(complete details are shown on pages 16-19)

OPERATING REVENUE

The **Operating Revenue** budget amounts to R 266,925,000 (R258,867,234). The revenue generated for the month June 2009 amounts to R 13,172,952. The income generated to date amounts to R239,983,548 or 93% of the Adjustment Budget.

Assessment (Property) Rates Income amounting to R 1,782,524 has been generated for the month of June 2009. The Annual Rates had been levied in July 2008. The Assessment Rates income generated to date amounts to R37,030,421 against the budgeted amount of R 34,957,000 (R35,798,856)

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 90,091,000 (R 88,013,000); Charged = R90, 342,224, i. e. 103%].

Rentals are under recovered because many previous municipal employees are not paying any rentals and most of the rental is not market related. Instead of being an asset to the council, the houses are more of a liability. This area is currently being addressed. Rental Budget is R 2,179,000 (R 1,416,000) and the actual amount received in respect of rentals amounts to R 1,460,251.

Breakdown of Operating Revenue:

Particulars	2008/2008 Budget	ADJUSTMENT BUDGET	Revenue to date	Balance
Assessment Rates	34,957,000	35,798,856	37,030,421	-1,231,565
Grants - Equitable Share	25,680,000	26,553,000	26,553,860	-860
Grants - Operating Purposes	3,449,000	5,137,121	3,448,191	1,688,930
Grants - Capital Expenditure	29,493,000	38,838,397	30,354,130	8,484,267
Electricity	31,007,000	29,594,000	31,990,519	-2,396,519
Water Sales	29,599,000	29,862,000	30,053,845	-191,845
Refuse Removal	14,908,000	15,021,000	14,936,280	84,720
Sewerage	14,577,000	13,536,000	13,361,579	174,421
Traffic fines	15,050,000	4,501,000	5,451,411	-950,411
Investment Interest / Penalties	8,257,000	11,300,000	11,812,772	-512,772
Licenses & Permits	60,000	80,000	75,780	4,220
Rentals	2,179,000	1,416,000	1,460,251	-44,251
Sundry / Other income	57,709,000	47,229,860	33,454,509	13,775,351
Gross Revenue	266,925,000	258,867,234	239,983,548	18,883,686

(complete details are shown on page 3&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.

DEBTOR INFORMATION

Debtors Movement:

Balance as at 01.07.2008	R 75,964,542
Add: Charges/Levied: July 2008 - May 2009	122,052,934
Less: Receipts: July 2008 - May 2009	112,550,285
Balance as at 30 June 2009	R 85,467,191

The total **Outstanding Debt** as at 30 June 2009 is R 85,467,191. The Collection Rate for the period July 2008 to June 2009 is 90,21% and compares favourable to the budget forecasting of 85% for the financial year. There is a noticeable higher outstanding debt in the towns where the municipality is not providing Electricity: Grabouw [R 2,967,162 (44%)], Genadendal [R 1,597,918 (17%)] and Botriver [R 1,201,503 (7%)]

Major Debtors Per Section

Major Debtors Section	June	%
Residential	37,612,233	44
RDP and Indigent	24,858,339	29
Business	2,747,342	3
Industrial	2,183,716	3
Government	6,174,166	7
Golf Estate	1,235,130	1
Farms	4,603,739	5
Dormant Accounts	138,431	0
Return to Sender	1,757,226	2
Untraceable	3,607	0
Left Town	64,418	0
Deceased	44,767	0
Study Loans	220,416	0
Query Accounts	113,343	0
Other	3,710,318	4
Total	85,467,191	

Debt Book per Town

Debtors Per Town					
Town	Bal 01.07.2008	levied 2008/09	Payments 2008/09	Bal. 31.05.2009	% Collection
Caledon	11,910,559.52	1,611,433.18	3,331,474.45	10,190,518.25	207%
Grabouw	46,406,814.23	-6,544,995.18	1,942,889.35	37,918,929.70	-30%
Villiersdorp	7,755,064.90	-400,634.41	1,400,319.01	5,954,111.48	-350%
Riviersonderend	4,586,884.06	-363,186.76	607,940.30	3,615,757.00	-167%
Greyton	2,155,386.69	359,716.36	720,684.53	1,794,418.52	200%
Genadendal	12,521,053.89	-1,394,900.64	245,709.00	10,880,444.25	-18%
Botriver	6,868,850.40	-603,876.87	242,259.12	6,022,714.41	-40%
Tesselaarsdal	885,081.12	-89,570.54	46,025.24	749,485.34	-51%
Farms	8,090,623.23	694,936.96	444,748.24	8,340,811.95	64%
	101,180,318.04	-6,731,077.90	8,982,049.24	85,467,190.90	-133%

- The high Query Account is due to a dispute between the municipality and the TWK Golf Estate. The amount is material and is handled by attorneys.
- Farmers Debt Accounts are being dealt with by specialist attorneys who have been briefed a few months ago.
- 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 a town where Eskom supplies electricity
- Staff appointments in the Debt Collection Department have commenced and further appointments will be made in the near future. The 2 Clerks and one Temporary Clerk were 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.
- 88% of the Outstanding Debtors is over 90 days in comparison to 83.47% last year the same period. According to the Municipal Systems Act, Act 32 of 2000, Section 96 (a), Municipalities must collect all outstanding debt

We have identified the Installation of **Prepaid Water Meters** as a solution. Provision of R4 million has been made on the 2008/2009 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.

The delay in prepaid meter installation is causing unnecessary water expenditure. The first town where the meters will be installed is Botrivier. Roll-out is being planned along with a communication plan. Implementation was delayed pending the **Phiri** case outcome.

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 98% 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.

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 30 June 2009 there were no outstanding creditors.

GRANTS

The following Grants were received to date:

GRANT	AMOUNT
Equitable Share	26,553,860.00
Municipal Infrastructure Grant (MIG)	18,933,095.00
Municipal Systems Improvement Grant (MSIG)	735,000.00
Finance Management Grant (FMG)	500,000.00
Housing	11,421,035.00
Conditional Library Grant	520,468.50
CDW	240,000.00
Proclaimed Main Roads	1,452,721.50
Total	60,356,180.00

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.

CASH AND INVESTMENTS

PARTICULARS	BANK	INVESTMENTS	TOTAL
Open Balance (01/07/2008)	11,671,623	8,625,805	20,297,429
Receipts	337,907,287	99,460,850	437,368,136
Payments	346,470,462	82,618,398	429,088,860
Closing Balance (31/05/2009)	3,108,448	25,468,257	28,576,704
Increase / (Decrease)	(8,563,175)	16,842,452	8,279,276

On 31 June 2009, Council had a positive **Cashbook Balance** of R3,108,448 and the closing balance of the **Investment Portfolio** at 30 June 2009 is R25,468m. 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. R21,802m of the Capital Expenditure is funded out of the budgeted loan of R33 million that was paid out in February 2009 upon the finalization of the contract between the municipality and the bank

TENDER STATUS REPORT

Tenders to the value of R 2,561,791 were awarded for the month ending 31 June 2009 and R 129,119,937 to date.

EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period June 2009 is hereto attached as required in terms of section 66 of the MFMA. The breakdown of overtime payments paid per department and payment to officials is also included.

(complete details are shown on page 4; 6-15)

FINANCIAL IMPLICATION

As per attached report.

RECOMMENDATION

It is recommended that:

1. The Council notes the Financial Report as at 30 June 2009.
2. That a sustainable solution be found in respect of Overtime.

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