

QUATERLY BUDGET STATEMENT FOR THE THIRD QUARTER ENDING 30 MARCH 2008 (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 Third Quarter ending 31 March 2008

LEGAL REQUIREMENTS

The **Report for the Third Quarter (January 2008 – March 2008)**, 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 March 2008, 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) March 2008
2. Departmental Operating Income & Expenditure March 2008
3. Payroll Report March 2008
4. Overtime Report March 2008
5. Capital Expenditure Report March 2008
6. Cash/Bank March 2008
7. Investments: March 2008
8. Debt Report: March 2008
 - 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: March 2008
10. Statutory Compliance Report

DISCUSSION

The municipality's **Total Budget** amounts to R304, 573, 196 (Operating Budget: R234, 690, 397 and Capital Budgets: R 69, 882, 799).

OPERATING EXPENDITURE

Expenditure to date amounts to R 159, 912, 020 or 68% of the total budgeted amount of R 234, 690, 397.

- **Capital charges** amounting to R 10, 199, 007 per annum, are paid at the end of each quarter. The major payments are done in December and June. The total to date is R 3,279,258.
- Journal entries for the **Provision of Working Capital** (R 11, 189, 898) are processed monthly. The total to date is R 8,392,672.
- Journals entries for **Transfers to other Reserves** (R 5, 000, 000) are processed annually with the compilation of the Annual Financial Statements.
- Capital out of Revenue exceeds the original budget by 108%. This is mainly due to over performance on Housing and MIG projects. The Municipality was allocated R5, 000,000 secured additional funds on Housing and MIG (Bucket eradication) of R5, 538,359 which will be reflected in the adjustment budget at the end of May 2008.

OPERATING EXPENDITURE SUMMARY	ORIGINAL BUDGET	EXPENDITURE TO DATE	BALANCE
Employee-related Costs	63,917,186	40,956,436	22,960,750
Councillors' Allowances	5,002,568	3,656,478	1,346,090
General Expenses	51,426,637	32,258,458	19,168,179
Provision of Working Capital	11,189,898	8,392,672	2,797,226
Bulk Purchases	16,350,542	11,632,558	4,717,984
Repairs & Maintenance	13,854,970	7,747,971	6,106,999
Contractor Services	14,820,589	5,503,184	9,317,405
Capital Charges	10,199,007	3,279,258	6,919,749
Contribution: Special Funds	5,000,000	-	5,000,000
Capital Out of Revenue	42,929,000	46,485,005	-3,556,005
Total	R 234,690,397	R 159,912,020	R 74,778,377

(complete details are shown on pages 2-3)

CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 30 March 2008 amounts to R5, 641,886 against the approved budget of R69, 882,799.

An amount of R 933,160 has been spent on the upgrading of the sports fields. This expenditure has been incurred in relation to the R 1, 000, 000 budget allocation for the 2006/2007 Budget year.

The **Grand Total Capital Budget** thus amounts to R 70, 882, 799 of which an amount of R59, 149, 876 or 83% has been spent to date.

It should be noted that the Capital expenditure excludes retention allocated for specific projects.

An amount of R3, 018,731 representing commitments is excluded from the above figure. Retention is also excluded. If commitments are included, expenditure will increase to 88%.

Breakdown of Capital Expenditure:

PARTICULARS	ORIGINAL BUDGET	EXPENDITURE TO DATE	% SPENT
Land & Buildings	1,000,000	396,062	40%
Roads	3,670,009	1,525,440	42%
Water	10,083,248	6,456,760	64%
Electricity	1,960,050	968,302	49%
Sewerage	24,866,812	19,860,516	80%
Housing	23,426,000	26,761,641	114%
Other / Vehicles / Equipment	4,876,680	2,247,995	46.1%
Total Capital Expenditure	R 69,882,799	R 58,216,716	83%
BUDGET 2006/2007	R 1,000,000		
Sport fields	1,000,000	933,160	93%
Grand Total Capital Expend.	70,882,799	59,149,876	83%

(complete details are shown on pages 13-14)

OPERATING REVENUE

The **Operating Revenue** generated for the period to date amounts to R 188, 505, 768 or 80% of the approved budget of R 234, 690, 397.

R 25,142,024 of the **Assessment (Property) Rates Income** of R 34, 562, 392 budgeted, has been generated for the period July 2007 to March 2008. The bulk of the Annual Assessment Rates was levied in July 2007.

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 78,136, 821; Charged = R 54,165,557(69%)].

Sundry / Other income in the Operating Revenue budget will be understated by an amount of R5, 000,000 as a result of no income generated from land sales for the budget year.

Traffic fines' Budget is R15m and to date an amount of R4, 939,461 (33%) instead of R11,250m (75%) have been collected. The projected income for the year is R6, 6m (44%), i.e. 54% below the expected rate.

This also has an impact on the contracted services for Traffic fines which amounts for 50% of the Traffic fines income. R8, 4m under recovery will result in an amount of R4, 2m reflecting as under-spending on contractor services.

Traffic budget vs. Actual

Budget			Actual		
Income	Expense	*(Surplus)/ Deficit	Income	Expense	(Surplus)/ Deficit
(15,000,000)	11,511,812	(3,488,188)	(4,939,461)	5,635,303	695,842

*(Surplus)/Deficit Budgeted before Internal Charges.

Breakdown of Operating Revenue:

Particulars	Budgeted	Revenue to Date	Balance
Assessment Rates	34,562,392	25,142,024	9,420,368
Grants - Equitable Share	20,720,000	20,719,907	93
Grants - Other Operating	2,280,000	3,249,759	-969,759
Grants - Capital Expenditure	42,929,000	52,413,146	-9,484,146
Electricity	25,596,380	20,695,602	4,900,778
Water Sales	25,857,159	16,139,725	9,717,434
Refuse Removal	15,337,539	9,379,174	5,958,365
Sewerage	11,345,743	7,951,055	3,394,688
Traffic Fines	15,000,000	4,939,461	10,060,539
Investment Interest/ Penalties	5,528,794	7,057,637	-1,528,843
Licenses & Permits	50,000	43,875	6,125
Rentals	1,850,238	1,175,215	675,023
Sundry / Other income	33,633,152	19,599,188	14,033,964
Gross Revenue	234,690,397	188,505,768	46,184,629

(complete details are shown on page 2-3)

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

The total **Outstanding Debt** as at 31 March 2008 is R71, 254,694.

Debtors Movement:

Balance as at 01.07.2007	R	70,523,087
Add: Charges/Levied: July 2007 - March 2008		96,561,967
Less: Receipts: July 2007 - March 2008		95,830,360
Balance as at 31 March 2008	R	71,254,694

(complete details are shown on pages 30-33)

The Debt Collection Unit has been established and files have been withdrawn from the attorneys to ensure a more cost-effective and advantageous in-house collection. Debtors are paying directly at our offices. A sms system has been introduced to send debtor balances and arrangement reminders every month. Some positive results are already visible but the full impact cannot be seen immediately due to the ineffective debt collection methodology. Debtor Profiling and Data-cleansing is also in progress. Other Government, Business and Farmer Debts are also being seriously followed up. The Collection rate is 83% or 99% if write off is taken into account.

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 March 2008 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 4,109,820. The top 3 creditors are:

<u>CREDITOR</u>	<u>DETAILS</u>	<u>AMOUNT</u>
1. AAD Truck & Bus	Fleet Purchases	R1,799,397,05
2. Aberdare Cables	Cables Purchases	R430,181.00
3. Annev Construction	Rent of machinery	R306,956. 00

GRANTS

The following Grants were received to date:

Equitable Share	R 20,719,907.00
MIG	R 22,916,293.00
Housing	R 29,496,852.00
DBSA	R 449,357.00
Provincial Library Services	R 315,893.00
Finance Management Grant	R 500,000.00
Spatial Planning	R 250,000.00
MSIG	R 734,000.00
Maintenance of Proclaimed Main Roads	R 1,000,510.00
TOTAL:	R 76,382,812.00

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. 80% Expenditure incurred on Proclaimed Main Roads can be claimed back from Province. The Municipality was successful with the submission of its claim and this will be reflected in the Adjustment Budget due in March 2008. Expenditure in respect of the Low Cost Housing is done in accordance with claims submitted to Local Government and Housing.

CASH AND INVESTMENTS

PARTICULARS	BANK	INVESTMENTS	TOTAL
Open Balance (01/07/2007)	2,683,643	14,543,622	17,227,265
Receipts	211,677,465	78,000,000	289,677,465
Payments	207,594,220	66,000,000	273,594,220
Closing Balance (31/03/2008)	6,766,888	26,543,622	33,310,510
Increase / (Decrease)	4,083,245	12,000,000	16,083,245

(complete details are shown on pages 15-17)

TENDER STATUS REPORT

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 31 March 2008 is attached. 2 Tenders amounting to R 2,250,816 were awarded for the period ending 31 March 2008. The total to date is R 56,955,464

(complete details are shown on page 34)

EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period March 2008 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)

FINANCIAL IMPLICATION

As per attached report.

RECOMMENDATION

It is recommended that:

- 1. The Council notes the Financial Report as at 31 March 2008.**

Report compiled by Mr. SN Jacobs & Me. MS Cornett for presentation by the Director: Financial Services, Mr. SN Jacobs