

QUATERLY BUDGET STATEMENT FOR THE THIRD QUARTER ENDING 31 MARCH 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 Third Quarter ending 31 March 2009.

LEGAL REQUIREMENTS

The **Report for the Third Quarter (January 2009 – March 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 March 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) March 2009
2. Departmental Operating Income & Expenditure March 2009
3. Payroll Report March 2009
4. Overtime Report March 2009
5. Capital Expenditure Report March 2009
6. Cash/Bank March 2009
7. Investments: March 2009
8. Debt Report: March 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: March 2009
10. Statutory Compliance Report

DISCUSSION

The municipality's **Total Budget** amounts to R 342,730,338 (Operating Budget: R 266,017,000 and Capital Budgets: R 76,713,338).

Particulars	Original Budget
Operating Budget	R 266,017,000
Capital Budget	76,713,338
Total	R 342,730,338

OPERATING EXPENDITURE

Expenditure to date amounts to R 151,991,099 or 57% of the total budgeted amount of R 266,017,000.

- Capital charges amounting to R 14,851,000 per annum are 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 = R5,407,771)
- Journal entries for the Provision of Working Capital are processed monthly (YTD expenditure = R8,882,252)
- Journals entries for Transfers to other Reserves (R 12,993,000) will be processed with the compilation of the Annual Financial Statements in June 2009.
- The Operating Expenditure amounting to R 151,991,099 at the end of March 2009 includes Capital out of revenue amounting to R 16,871,652 which includes Housing, MIG and Inventory expenditure.

Particulars	2008/2009 Budget	YTD Expenditure 2009	Balance
Employee related costs	71,406,000	49,895,223	21,510,777
Councillors' Allowances	5,329,000	4,083,833	1,245,167
General Expenses	66,726,000	37,971,343	28,754,658
Provision for Working Capital	12,576,000	8,882,252	3,693,748
Bulk Purchases	21,969,000	14,466,852	7,502,148
Repairs & Maintenance	17,083,000	9,075,289	8,007,711
Contractor Services	12,347,000	5,336,884	7,010,116
Capital Charges	14,851,000	5,407,771	9,443,229
Contributions: Special Funds	12,993,000	-	12,993,000
Capital Out of Revenue	30,737,000	16,871,652	13,865,348
Net Expenditure	266,017,000	151,991,099	114,025,901

(complete details are shown on pages)

CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 March 2009 amounts to R 6,929,926. The capital expenditure to date amounts to R 33,415,457 or 44% of the approved budget of R 76,713,338.

PARTICULARS	2008/2009 BUDGET	EXPENDITURE TO DATE	% SPENT
Land and Buildings	9,017,300	4,483,620	49.7%
Roads	1,125,230	1,227,545	109.1%
Water	25,714,298	13,281,178	51.6%
Electricity	4,107,192	1,510,979	36.8%
Sewerage	10,063,432	4,380,879	43.5%
Housing	19,718,000	6,471,086	32.8%
Plant & Equipment	4,800,000	4,342,706	90.5%
Office Equipment	2,153,075	1,512,851	70.3%
Community Assets	14,811	-	0.0%
Grand Total Capital Expenditure	76,713,338	37,210,843	48.5%

(complete details are shown on pages)

OPERATING REVENUE

The **Operating Revenue** budget amounts to R 266,925,000. The revenue generated for the month March 2009 amounts to R 23,541,026. The income generated to date amounts to R193,555,126 or 73% of the approved budget.

Assessment (Property) Rates Income amounting to R 1,802,028 has been generated for the month of March 2009. It should be noted that R30,745,507 of the assessment rates income of R34,957,000 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 90,091,000; Charged = R67,577,996].

Rentals are under covered 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.

Breakdown of Operating Revenue:

Particulars	2008/2009 Budget	Revenue to date	Balance
Assessment Rates	34,957,000	30,745,507	4,211,493
Grants - Equitable Share	25,680,000	26,553,860	-873,860
Grants - Operating Purposes	3,449,000	3,448,191	809
Grants - Capital Expenditure	29,493,000	27,439,530	2,053,470
Electricity	31,007,000	23,774,500	7,232,500
Water Sales	29,599,000	22,305,110	7,293,890
Refuse Removal	14,908,000	11,203,871	3,704,129
Sewerage	14,577,000	10,294,515	4,282,485
Traffic fines	15,050,000	4,076,301	10,973,699
Investment Interest / Penalties	8,257,000	9,266,923	-1,009,923
Licenses & Permits	60,000	60,365	-365
Rentals	2,179,000	1,027,367	1,151,633
Sundry / Other income	57,709,000	23,359,087	34,349,913
Gross Revenue	266,925,000	193,555,126	73,369,874

(complete details are shown on page)

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 - March 2009	106,231,627
Less: Receipts: July 2008 - March 2009	84,103,055
Balance as at 31 March 2009	R 98,093,113

The total **Outstanding Debt** as at 31 March 2009 is R 98,093,113. The Collection Rate for the period July 2008 to March 2009 is 79,17% and compares unfavourable to 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, Genadendal and Botriver. Botriver is the fifth highest but in correlation to the size of the town the total debt outstanding is much higher than Caledon and Villiersdorp.

Major Debtors Per Section

Major Debtors Section	March	%
Residential	39,882,954	42
RDP and Indigent	32,702,617	34
Business	2,623,317	3
Industrial	3,571,425	4
Government	1,718,910	2
Golf Estate	1,169,422	1
Farms	7,468,740	8
Dormant Accounts	392,970	0
Return to Sender	753,854	1
Untraceable	16,556	0
Left Town	231,286	0
Deceased	45,003	0
Study Loans	186,660	0
Query Accounts	1,439,389	2
Other	3,574,805	4
Total	95,777,907	

Debt Book per Town

Debtors Per Town					
Town	Bal 01.07.2008	levied 2008/09	Payments 2008/09	Bal. 31.03.2009	% Collection
Caledon	9,400,619.39	35,915,311.65	32,333,477.89	12,982,453.15	90%
Grabouw	34,951,766.91	23,309,383.98	13,223,860.24	45,037,290.65	57%
Villiersdorp	5,348,263.08	13,754,431.78	12,460,850.42	6,641,844.44	91%
Riviersonderend	2,962,772.65	6,583,255.82	5,252,364.53	4,293,663.94	80%
Greyton	1,597,859.16	8,452,552.81	7,890,793.99	2,159,617.98	93%
Genadendal	9,282,526.59	4,816,607.70	1,928,667.33	12,170,466.96	40%
Botriver	4,821,211.19	3,865,771.76	2,130,421.32	6,556,561.63	55%
Tesselaarsdal	482,219.06	700,430.26	358,840.51	823,808.81	51%
Farms	7,117,304.30	8,833,880.75	8,523,779.12	7,427,405.93	96%
	75,964,542.33	106,231,626.51	84,103,055.35	98,093,113.49	79%

- 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 and are pending.
- 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
- 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.

- 84% 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

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. 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 process with an appropriate electronic interface to maintain the debt collection process and enable online reporting and access to different features.
- Supply access to an automated online debt management system which will manage and control various administrative functions including the following:
 - Cut-off and remedial action lists;
 - Pre-legal collections;
 - Soft and hard tracing;
 - Listing and de-listing of debtors;
 - Promise to pay arrangements;
 - Legal collections
 - Control of debt collecting process;
 - Success management and reporting;
 - Password control and access management;
 - Indigent registration and management; and
 - Query and maintenance management.
- To facilitate complete integration of the computer system with Abakus.

The online debt management system will also facilitate a debt recovery diary and workflow and Indigent Management. The tender has been adjudicated in October 2008.

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 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 9,465,608. The top 3 creditors are:

<u>CREDITOR</u>	<u>DETAILS</u>	<u>AMOUNT</u>
1. Ann Mitt Trading	Procurement of fleet	R 953,593.22
2. Electro Inductive Industries	Procurement of Miniature sub	R 876,948.42
3. ARB South Africa (PTY) LTD	Procurement of equipment	R 721,255.20

GRANTS

The following Grants were received to date:

GRANT	AMOUNT
Equitable Share	26,553,860
Municipal Infrastructure Grant (MIG)	18,316,095
Municipal Systems Improvement Grant (MSIG)	735,000
Finance Management Grant (FMG)	500,000
Housing	9,123,435
Conditional Library Grant	520,469
CDW	240,000
Proclaimed Main Roads	1,452,722
Total	57,441,581

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 are 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	231,090,007	66,356,070	297,446,078
Payments	236,517,584	22,951,007	259,468,591
Closing Balance (31/03/2009)	6,244,046	52,030,869	58,274,915
Increase / (Decrease)	(5,427,577)	43,405,064	37,977,486

On 31 March 2009, Council had a positive **Cashbook Balance** of R6,244 million, and the closing balance of the **Investment Portfolio** at 31 March 2009 is R43,405 million. 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. R11,427m 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.

TENDER STATUS REPORT

Tenders to the value of R 9,252,537 were awarded for the month ending 31 March 2009.

EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period March 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)

FINANCIAL IMPLICATION

As per attached report.

RECOMMENDATION

It is recommended that:

1. The Council notes the Financial Report as at 31 March 2009.
2. The Land sales processes will need to speed up in order to prevent the municipality experiencing cash flow problems.
3. The poor performance on Traffic Income need to be addressed urgently.

4. If number 2 & 3 above are not addressed urgently, expenditure will have to be reduced accordingly.
5. The rental of municipal buildings must be address urgently because of the low rental income.
6. Communication for and Installation of Prepaid Water Meters must be expedited by the Operations Directorate.

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