

**FINANCIAL REPORT FOR THE MONTH ENDING 31 OCTOBER 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 October 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 October 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 October 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) October 2009
2. Departmental Operating Income & Expenditure October 2009
3. Payroll Report October 2009
4. Overtime Report October 2009
5. Capital Expenditure Report October 2009
6. Cash/Bank October 2009
7. Investments: October 2009
8. Debt Report: October 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: October 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 83,965,641 or 29% 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. The quarter ending October 2009 amounts to R 2,817,282.
- Journal entries for the **Provision of Working Capital** (R 11,905,503) are processed monthly. R 3,968,519 (33%) 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 83,965,641 includes R 15,984,229 in respect of grant Capital Expenditure and Capital out of Revenue (Housing, MIG and Inventory expenditure).

Operating Expenditure Summary	2009/2010 Budget	Expenditure Year to date	Balance
Employee related costs	81,550,000	25,114,783	56,435,217
Councillors' Allowances	5,915,000	1,828,288	4,086,712
<b>General Expenses:</b>			
Other	56,737,596	16,889,677	39,847,919
Fuel & Oil	3,804,500	625,899	3,178,601
Municipal Services & Assesme	4,515,900	1,724,048	2,791,852
Telephone	1,572,500	545,967	1,026,533
Provision for Working Capital	11,905,503	3,968,519	7,936,984
Bulk Purchases	28,577,898	8,745,552	19,832,346
<b>Repair &amp; Maintenance:</b>			
Other	7,163,122	1,121,748	6,041,374
Grounds & Buildings	5,184,000	837,084	4,346,916
Networks	4,047,000	714,141	3,332,859
Repair: Vehicles	2,654,500	676,263	1,978,237
Contractor Services	13,440,500	2,372,161	11,068,339
Capital Charges	17,075,800	2,817,282	14,258,518
Contributions: Special Funds	3,912,000	-	3,912,000
<b>Net Operating Expenditure</b>	<b>248,055,819</b>	<b>67,981,411</b>	<b>180,074,408</b>
Capital Out of Revenue	1,331,000	79,519	1,251,481
Grants - Capital Expenditure	44,435,000	15,904,710	28,530,290
<b>Total</b>	<b>293,821,819</b>	<b>83,965,641</b>	<b>209,856,178</b>

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

## CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 31 October 2009 amounts to R 20,899,959 (includes commitments of R2,261,906) 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	% SPENT
Land and Buildings	3,330,000	564,663	16.96%
Roads	15,272,364	271,176	2%
Water	21,304,536	9,117,690	42.80%
Electricity	5,952,000	2,891,993	48.59%
Sewerage	16,245,190	1,821,239	11.21%
Housing	24,668,000	5,071,611	20.56%
Plant & Equipment	1,000,000	100,568	10%
Office Equipment	1,331,000	1,061,020	79.72%
<b>Grand Total Capital Expenditure</b>	<b>89,103,090</b>	<b>20,899,959</b>	<b>23.46%</b>

*(complete details are shown on pages 22-25 )*

- Only R20,900m (23%) of the capital budget of R89,103m has been spent to date.
- Only R5,071,611 (21%) of R24,668,000 housing budget has been spent and we therefore project a total spending of R20m (81%).
- R8,205m MIG was rolled over and only R0,257m (3%) has been spent to date.
- R12,300m unspent loans from 2008/2009 was rolled over and only R2,082m (17%) has been spent to date.

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 109,324,013 or 37% of the approved budget.

It should be noted that R 1,434,671 of the **Assessment (Property) Rates Income** of R 44, 071,000 budgeted, has been generated for the month of October 2009. The Annual Rates charges had also been levied in July 2009. Assessment Rates levied to date is R23,589,581(54%).

**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 = R34,993,909 (33%).*

An amount of R7,628m was budgeted for traffic fines and to date the actual income is R1,246,845 (16%). Projected R4m (52%) for the year and a short fall of R3,628m.

**Breakdown of Operating Revenue:**

Particulars	2009/2010 Budget	Revenue Year To Date	Balance
Assessment Rates	44,071,000	23,589,581	20,481,419
<b>Services:</b>			
Electricity	39,730,020	14,123,858	25,606,162
Water Sales	33,977,000	10,628,865	23,348,135
Refuse Removal	16,656,000	5,560,640	11,095,360
Sewerage	16,360,000	4,680,546	11,679,454
<b>Sub Total</b>	<b>106,723,020</b>	<b>34,993,909</b>	<b>71,729,111</b>
Traffic Fines	7,628,000	1,246,845	6,381,155
Investment Interest / Penalties	8,800,000	2,410,927	6,389,073
Licences & Permits	14,000	22,720	-8,720
Rentals	2,312,000	502,984	1,809,016
Sundry/ Other Income	42,563,799	10,553,471	32,010,328
<b>Grand in Aid:</b>			
Grants - Equitable Share	34,242,000	14,267,548	19,974,452
Grants - Other Operating Purposes	3,033,000	2,545,500	487,500
<b>Sub Total</b>	<b>37,275,000</b>	<b>16,813,048</b>	<b>20,461,952</b>
<b>Net Operating Revenue</b>	<b>249,386,819</b>	<b>90,133,485</b>	<b>159,253,334</b>
Grants - Capital Income	44,435,000	19,190,528	25,244,472
<b>Total</b>	<b>293,821,819</b>	<b>109,324,013</b>	<b>184,497,806</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 October 2009 is R 97,715,900

**Debtors Movement:**

<b>Balance as at 01.07.2009</b>	R 85,467,191
Add: Charges/Levied: July- October 2009	60,630,826
Less: Receipts: July- October 2009	48,382,118
<b>Balance as at 31 October 2009</b>	<b>R 97,715,900</b>

*(complete details are shown on pages 40-49 )*

The total **Outstanding Debt** as at 31 October 2009 is R 97,715,900. Collection improved from 31% to 63% to 72% and 80% in the months of July 2009, August 2009, September 2009 and October 2009 respectively.

Our target is at least R12m per month i.e. R48m for the first quarter has been achieved (R48,382m). Our target for the year is R140m. There is a noticeable higher outstanding debt in the towns where the municipality is not providing Electricity: Grabouw [R 42,609,160 (44%)], Genadendal [R11,769,111 (12%)] and Botriver [R 6,679,361 (7%)]

### **Major Debtors Per Section**

<b><u>Major Debtors Section</u></b>	<b><u>Oct-09</u></b>	<b><u>%</u></b>
Residential	40,499,786	41
RDP and Indigent	29,302,585	30
Business	4,292,438	4
Industrial	2,348,921	2
Government	8,139,415	8
Golf Estate	1,389,530	1
Farms	5,126,441	5
Dormant Accounts	162,404	0
Return to Sender	1,702,956	2
Untraceable	7,677	0
Left Town	58,054	0
Deceased	45,493	0
Study Loans	217,264	0
Query Accounts	73,419	0
Other	4,349,516	4
<b>Total</b>	<b>97,715,900</b>	<b>100</b>

### **Debt Book per Town**

<b><u>Debtors Per Town</u></b>					
<b><u>Town</u></b>	<b><u>Bal 01.07.2009</u></b>	<b><u>levied 2009/10</u></b>	<b><u>Payments 2009/10</u></b>	<b><u>Bal. 31.10.2009</u></b>	<b><u>% Collection</u></b>
Caledon	10,190,518.25	21,562,696.72	19,677,533.03	12,596,970.09	91%
Grabouw	37,918,929.70	13,051,936.28	8,361,705.49	42,483,857.16	64%
Villiersdorp	5,954,111.48	8,265,520.59	6,721,071.98	7,528,617.52	81%
Riviersonderend	3,615,757.00	3,900,356.28	3,139,732.41	4,426,976.41	80%
Greyton	1,794,418.52	6,145,824.76	4,982,370.35	3,221,821.87	81%
Genadendal	10,880,444.25	2,090,828.40	1,202,161.44	11,813,899.63	57%
Botriver	6,022,714.41	1,958,825.24	1,302,179.06	6,584,740.44	66%
Tesselaarsdal	749,485.34	368,879.18	222,921.46	872,820.42	60%
Farms	8,340,811.95	3,285,958.98	2,772,442.55	9,842,746.70	84%
	<b>85,467,190.90</b>	<b>60,630,826.43</b>	<b>48,382,117.77</b>	<b>97,715,899.56</b>	<b>80%</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 has commenced at the end of October 2009 and some communities have volunteered to have meters installed.

### **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 October 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 5,958,949.90. The top 3 creditors are:

<b><u>CREDITOR</u></b>	<b><u>DETAILS</u></b>	<b><u>AMOUNT</u></b>
1. Jocastro (PTY) LTD	Procurement of mini substations	R 497,129.14
2. Uitkyk Diggers	Rental of equipment	R 382,394.64
3. Flotron Instrumentation	Dataloggers	R 306,632.64

### **GRANTS**

The following Grants were received to date:

Equitable Share	14,267,548
Finance Management Grant	1,000,000
National Electrification Program (NEP)	2,337,000
Library Grant	245,500
Municipal Infrastructure Grant (MIG)	11,752,000
Municipal Systems Improvement Grant (MSIG)	1,300,000
Provincial Housing	5,101,528
<b>Total</b>	<b>36,003,576</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**

<b>PARTICULARS</b>	<b>BANK</b>	<b>INVESTMENTS</b>	<b>TOTAL</b>
<b>Open Balance (01/07/2009)</b>	<b>3,108,448</b>	<b>25,468,257</b>	<b>28,576,705</b>
Receipts	126,919,850	30,812,372	157,732,222
Payments	126,346,419	20,950,256	147,296,675
<b>Closing Balance (31/10/2009)</b>	<b>3,681,878</b>	<b>35,330,374</b>	<b>39,012,252</b>
<b>Increase / (Decrease)</b>	<b>573,430</b>	<b>9,862,116</b>	<b>10,435,547</b>

*(complete details are shown on pages 26 -39)*

### **TENDER STATUS REPORT**

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 31 October 2009 is attached. No Tenders were awarded for the month ending 31 October 2009. Departments need to expedite procurement process.

*(complete details are shown on page 50-51)*

### **EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS**

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

Overtime remains a matter of concern as 39% of the approved budget was spent up and until 31 October 2009.

Overtime Budget is R1,775,821 and R693,206 has been spent. If Overtime is not urgently managed, expenditure for the year is projected at R2,079,618 i.e. R303,797 (17%) more than the budgeted amount.

*(complete details are shown on page 4-21 )*

### **FINANCIAL IMPLICATION**

As per attached report.

### **RECOMMENDATION**

It is recommended that:

1. The Council notes the Financial Report as at 31 October 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 R4m instead of R7,6m (Budgeted) which is less than 70% 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 and reviewed by Mr. SN Jacobs for presentation by the Director: Financial Services, Mr. SN Jacobs*