

QUARTERLY BUDGET STATEMENT FOR THE FIRST QUARTER ENDING 30 SEPTEMBER 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 First Quarter ending 30 September 2008.

LEGAL REQUIREMENTS

The **Report for the First Quarter (July 2008 – September 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 September 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) September 2008
2. Departmental Operating Income & Expenditure September 2008
3. Payroll Report September 2008
4. Overtime Report September 2008
5. Capital Expenditure Report September 2008
6. Cash/Bank September 2008
7. Investments: September 2008
8. Debt Report: September 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: September 2008

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 44,833,240 or 17% 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.
- Journal entries for the **Provision of Working Capital** amount to R 2,960, 756.
- 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 of R 44,833,240 up to 30 September 2008 includes Capital Out of Revenue amounting to R 3,036,675 which includes Housing, MIG and Inventory expenditure.

Operating Expenditure Summary	2008/2009 Budget	Expenditure to date	Balance
Employee Related Costs	71,406,000	16,341,411	55,064,589
Councillor's Allowances	5,329,000	1,206,255	4,122,745
General Expenses	66,726,000	11,861,307	54,864,693
Provision for Working Capital	12,576,000	2,960,756	9,615,244
Bulk Purchases	21,969,000	5,357,863	16,611,137
Repairs & Maintenance	17,083,000	1,609,847	15,473,153
Contractor Services	12,347,000	1,438,456	10,908,544
Capital Charges	14,851,000	1,020,670	13,830,330
Contributions: Special Funds	12,993,000	-	12,993,000
Capital out of Revenue	30,737,000	3,036,675	27,700,325
Total	266,017,000	44,833,240	221,183,760

(complete details are shown on pages 2-3)

CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 30 September 2008 amounts to R 1,918,890. The capital expenditure to date amounts to R6, 070,040 or 8% of the approved budget of R 76,713,338. Commitments against capital projects amount to R1, 202, 453. If this is taken into consideration, capital expenditure will equal R7, 273,298 or 9% of the approved budget.

A number of 2008/2009 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.

PARTICULARS	2008/2009 BUDGET	EXPENDITURE TO DATE	% SPENT
Land and Buildings	9,017,300	565,863	6%
Roads	1,125,230	82,115	7%
Water	25,714,298	2,775,235	11%
Electricity	4,107,192	-	0%
Sewerage	10,063,432	326,754	3%
Housing	19,718,000	2,226,296	11%
Plant & Equipment	4,800,000	6,366	0%
Office Equipment	2,153,075	88,216	4%
Community Assets	14,811	-	0%
Grand Total Capital Expenditure	76,713,338	6,070,845	8%

(complete details are shown on pages 15-17)

OPERATING REVENUE

The **Operating Revenue** budget amounts to R 266,925,000. The revenue generated for the month September 2008 amounts to R 13,976,827. The income generated to date amounts to R69, 084,554 or 26% of the approved budget.

Assessment (Property) Rates Income amounting to R 2,011,511 has been generated for the month of September 2008. The Annual Rates had been levied in July 2008. The Assessment Rates income generated to date amounts to R20, 129,600.

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 = R22, 444,319 = 25%].

Breakdown of Operating Revenue:

Particulars	2008/2008 Budget	Revenue to date	Balance
Assessment Rates	34,957,000	20,129,600	14,827,400
Grants - Equitable Share	25,680,000	8,560,190	17,119,810
Grants - Operating Purposes	3,449,000	1,365,117	2,083,883
Grants - Capital Expenditure	29,493,000	4,548,740	24,944,260
Electricity	31,007,000	8,867,588	22,139,412
Water Sales	29,599,000	6,886,530	22,712,470
Refuse Removal	14,908,000	3,773,659	11,134,341
Sewerage	14,577,000	2,916,542	11,660,458
Traffic fines	15,050,000	1,231,896	13,818,104
Investment Interest / Penalties	8,257,000	2,599,094	5,657,906
Licenses & Permits	60,000	11,089	48,911
Rentals	2,179,000	378,555	1,800,445
Sundry / Other income	57,709,000	7,815,954	49,893,046
Gross Revenue	266,925,000	69,084,554	197,840,446

(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 30 September 2008 is R 91,334,017.

Debtors Movement:

Balance as at 01.07.2008	R 75,964,542
Add: Charges/Levied: July 2008 - September 2008	43,296,683
Less: Receipts: July 2008 - September 2008	27,927,208
Balance as at 30 September 2008	R 91,334,017

(complete details are shown on pages 25-30)

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 should commence once the tender has been adjudicated (October 2008). This is one of the single most important Financial Viability interventions along with a Credit Control and Debt Collection System.

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, is being acquired (tender to be adjudicated in mid October 2008).
- 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 must also facilitate a debt recovery diary and workflow and Indigent Management

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 September 2008 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 1,431,399. The top 3 creditors are:

<u>CREDITOR</u>	<u>DETAILS</u>	<u>AMOUNT</u>
1. Last Samurai Property Holdings	Water works supplies	189,700.51
2. Kwezi V3 Engineers	Low Cost housing	180,348.00
3. World Focus 1717 T/A Edu Supplies	IT equipment	177,915.25

GRANTS

The following Grants were received to date:

GRANT	AMOUNT
Equitable Share	8,560,190
Municipal Infrastructure Grant (MIG)	3,410,000
Municipal Systems Improvement Grant (MSIG)	735,000
Finance Management Grant (FMG)	500,000
Housing	1,138,740
Libraries	130,117
Total	14,474,047

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	60,230,615	15,225,436	75,456,051
Payments	66,273,129	7,176,942	73,450,071
Closing Balance (30/09/2008)	5,629,109	16,674,299	22,303,407
Increase / (Decrease)	(6,042,514)	8,048,494	2,005,979

(complete details are shown on page 18-21)

TENDER STATUS REPORT

No tenders were awarded during September 2008.

EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

The payroll report for the period September 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 30 September 2008**
- 2. The Land Sales processes will need to be expedited 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. Overtime has to be reduced and in particular Sunday overtime has to be avoided (too costly)**
- 6. Housing Delivery has to be increased as only R8,9m (45%) of the reduced Housing Grant of R19,718,00 will be spent, based on the current trend**

Report compiled by Mr. SN Jacobs & Ms. N. McMaster for presentation by the Director: Financial Services, Mr. SN Jacobs