

**QUATERLY BUDGET STATEMENT FOR THE FIRST QUARTER ENDING
30 SEPTEMBER 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 First Quarter ending 30 September 2009.

LEGAL REQUIREMENTS

The **Report for the First Quarter (July 2009 – September 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 September 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) September 2009
2. Departmental Operating Income & Expenditure September 2009
3. Payroll Report September 2009
4. Overtime Report September 2009
5. Capital Expenditure Report September 2009
6. Cash/Bank September 2009
7. Investments: September 2009
8. Debt Report: September 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: September 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).

Particulars	Original Budget
Operating Budget	R293,821,819
Capital Budget	89,103,090
Total	R382,924,909

OPERATING EXPENDITURE

Expenditure to date amounts to R 58,849,151 or 20% 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 September 2009 amounts to R 2,817,282.
- Journal entries for the **Provision of Working Capital** (R 11,905,503) are processed monthly. R 2,976,396 (25%) 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 58,849,151 includes R 8,734,133.84 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	18,640,918	62,909,082
Councillors' Allowances	5,915,000	1,379,483	4,535,517
General Expenses:			
Other	56,737,596	12,325,541	44,412,055
Fuel & Oil	3,804,500	403,732	3,400,768
Municipal Services & Assesme	4,515,900	1,336,293	3,179,607
Telephone	1,572,500	335,413	1,237,088
Provision for Working Capital	11,905,503	2,976,396	8,929,107
Bulk Purchases	28,577,898	6,635,469	21,942,429
Repair & Maintenance:			
Other	7,163,122	686,913	6,476,209
Grounds & Buildings	5,184,000	424,936	4,759,064
Networks	4,047,000	304,960	3,742,040
Repair: Vehicles	2,654,500	439,832	2,214,668
Contractor Services	13,440,500	1,407,850	12,032,650
Capital Charges	17,075,800	2,817,282	14,258,518
Contributions: Special Funds	3,912,000	-	3,912,000
Net Operating Expenditure	248,055,819	50,115,017	197,940,802
Capital Out of Revenue	1,331,000	36,321	1,294,679
Grants - Capital Expenditure	44,435,000	8,697,813	35,737,187
Total	293,821,819	58,849,151	234,972,668

(complete details are shown on pages 2-3)

CAPITAL EXPENDITURE

The **Total Capital Expenditure** for the month ending 30 September 2009 amounts to R 10,462,347(includes commitments of R106,467) 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	203,472	6.11%
Roads	15,272,364	73,594	0%
Water	21,304,536	3,485,768	16.36%
Electricity	5,952,000	2,381,008	40.00%
Sewerage	16,245,190	1,350,374	8.31%
Housing	24,668,000	2,773,875	11.24%
Plant & Equipment	1,000,000	95,748	10%
Office Equipment	1,331,000	98,508	7.40%
Grand Total Capital Expenditure	89,103,090	10,462,347	11.74%

(complete details are shown on pages 20-23)

- Only R10,462m (12%) of the capital budget of R89,103m has been spent to date.
- Only R2,773,875 (11%) of R24,668,000 housing budget has been spent and we therefore project a total spending of R16m (66%).
- R12,300m unspent loans from 2008/2009 was rolled over and only R1,401m (11%) has been spent to date.
- R8,205m MIG was rolled over and only R0,132m (2%) 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 92,312,484 or 31% of the approved budget.

It should be noted that R 2,875,791 of the **Assessment (Property) Rates Income** of R 44, 071,000 budgeted, has been generated for the month of September 2009. The Annual Rates charges had also been levied in July 2009. Assessment Rates levied to date is R22,154,910 (50%).

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 = R26,733,757 (25%).

An amount of R7,628m was budgeted and to date the actual income is R933,253 (12%). Projected R4m (53%) for the year and a short fall of R3,622,800.

Breakdown of Operating Revenue:

Particulars	2009/2010 Budget	Revenue Year To Date	Balance
Assessment Rates	44,071,000	22,154,910	21,916,090
Services:			
Electricity	39,730,020	11,033,878	28,696,142
Water Sales	33,977,000	8,009,435	25,967,565
Refuse Removal	16,656,000	4,185,290	12,470,710
Sewerage	16,360,000	3,505,154	12,854,846
Sub Total	106,723,020	26,733,757	79,989,263
Traffic Fines	7,628,000	933,753	6,694,247
Investment Interest / Penalties	8,800,000	1,129,571	7,670,429
Licences & Permits	14,000	14,185	-185
Rentals	2,312,000	375,776	1,936,224
Sundry/ Other Income	42,563,799	7,991,706	34,572,093
Grand in Aid:			
Grants - Equitable Share	34,242,000	14,267,548	19,974,452
Grants - Other Operating Purposes	3,033,000	2,422,750	610,250
Sub Total	37,275,000	16,690,298	20,584,702
Net Operating Revenue	249,386,819	76,023,956	173,362,863
Grants - Capital Income	44,435,000	16,288,528	28,146,472
Total	293,821,819	92,312,484	201,509,335

(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 30 September 2009 is R 99,372,450

Debtors Movement:

Balance as at 01.07.2009	R 85,467,191
Add: Charges/Levied: July- September 2009	50,281,462
Less: Receipts: July- September 2009	36,376,202
Balance as at 31 August 2009	R 99,372,450

(complete details are shown on pages 37-45)

The total **Outstanding Debt** as at 30 September 2009 is R 99,372,450. Collection improved from 31% to 63% and 72% in the months of July 2009, August 2009 and September 2009 respectively. Our target is at least R12m

per month i.e. R36m for the first quarter has been achieved (R36,376m). 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 42,483,857.16 (43%)], Genadendal [R11,813,899.63 (12%)] and Botriver [R 6,584,740.44 (7%)]

Major Debtors Per Section

<u>Major Debtors Section</u>	<u>Sep-09</u>	<u>%</u>
Residential	40,952,906	41
RDP and Indigent	28,189,417	28
Business	5,005,498	5
Industrial	2,506,801	3
Government	8,522,233	9
Golf Estate	1,383,300	1
Farms	5,596,240	6
Dormant Accounts	204,529	0
Return to Sender	2,052,299	2
Untraceable	6,716	0
Left Town	55,412	0
Deceased	44,971	0
Study Loans	215,720	0
Query Accounts	72,441	0
Other	4,563,967	5
Total	99,372,450	100

Debt Book per Town

<u>Debtors Per Town</u>					
<u>Town</u>	<u>Bal 01.07.2009</u>	<u>levied 2009/10</u>	<u>Payments 2009/10</u>	<u>Bal. 31.09.2009</u>	<u>% Collection</u>
Caledon	10,190,518.25	17,547,407.07	15,140,955.23	12,596,970.09	86%
Grabouw	37,918,929.70	10,664,352.39	6,099,424.93	42,483,857.16	57%
Villiersdorp	5,954,111.48	6,682,928.73	5,108,422.69	7,528,617.52	76%
Riviersonderend	3,615,757.00	3,092,125.19	2,280,905.78	4,426,976.41	74%
Greyton	1,794,418.52	5,282,994.71	3,855,591.36	3,221,821.87	73%
Genadendal	10,880,444.25	1,800,761.39	867,306.01	11,813,899.63	48%
Botriver	6,022,714.41	1,521,065.05	959,039.02	6,584,740.44	63%
Tesselaarsdal	749,485.34	291,384.05	168,048.97	872,820.42	58%
Farms	8,340,811.95	3,398,442.92	1,896,508.17	9,842,746.70	56%
	85,467,190.90	50,281,461.50	36,376,202.16	99,372,450.24	72%

- 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 is being planned along with a

communication plan. The role-out will commence in October/ November 2009.

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 September 2009 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to R 4,050,067.16. The top 3 creditors are:

<u>CREDITOR</u>	<u>DETAILS</u>	<u>AMOUNT</u>
1. JOCASTRO	Provision of Professional Services- Road maintenance	R 497,129.14
2. Merlin Gerin t/a CONLOG	Prepaid Electricity	R 221,701.94
3. BUR Maintenance	Upgrading of Watermain in Berg Street	R 199,172.82

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	122,750
Municipal Infrastructure Grant (MIG)	8,850,000
Municipal Systems Improvement Grant (MSIG)	1,300,000
Provincial Housing	5,101,528
Total	32,978,826

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 (01/07/2009)	3,108,448	25,468,257	28,576,705
Receipts	88,783,713	15,400,863	104,184,576
Payments	85,750,998	-	85,750,998
Closing Balance (31/09/2009)	6,141,163	40,869,120	47,010,283
Increase / (Decrease)	3,032,715	15,400,863	18,433,578

(complete details are shown on pages 24 -36)

TENDER STATUS REPORT

A summarised **Tender Report** in terms of Supply Chain Management Policy and Regulations for the period ending 30 September 2009 is attached. 2 Tenders amounting to R840 715 was awarded for the month ending 30 September 2009. Departments need to expedite procurement process.

(complete details are shown on page 46-47)

EMPLOYEE RELATED COSTS / EXPENDITURE ON STAFF BENEFITS

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

Overtime remains a matter of concern as 30% of the approved budget was spent up and until 30 September 2009.

Overtime Budget is R1,775,821 and R524,342.56 has been spent. If Overtime is not urgently managed, expenditure for the year is projected at R2,097,370.24 i.e. R321,549 (18%) more than the budgeted amount.

(complete details are shown on page 4-19)

FINANCIAL IMPLICATION

As per attached report.

RECOMMENDATION

It is recommended that:

1. The Council notes the Financial Report as at 30 September 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, assisted by Budget Office & Interns and reviewed by Mr. SN Jacobs for presentation by the Director: Financial Services, Mr. SN Jacobs