

32/10/2008

**FINANCE : QUARTERLY REPORT : 1 JULY 2008 UNTIL 30 SEPTEMBER 2008**

6/14/1/3 (M)/lb

**Report by the Executive Manager Finance**

1. Section 52(d) of the Municipal Finance Management Act, Act 56 of 2003 stipulates:

*“The mayor of a municipality, must within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality”.*

2. New draft quarterly reporting documents were drawn up in line with the monthly reporting formats of National Treasury. This will ensure a uniform basis for all in-year reporting to Council. The draft reports are attached as **ANNEXURE A, B & C.**

3. **ANNEXURE A Page 1 to 2**

**Quarterly Budget Statement – Operating**

- a) Table C3 – Financial performance by vote

This table measures the actual revenue and expenditure for the past quarter against the planned figures (SDBIP) for the same period, per vote.

- b) Table C4 – Financial performance by categories

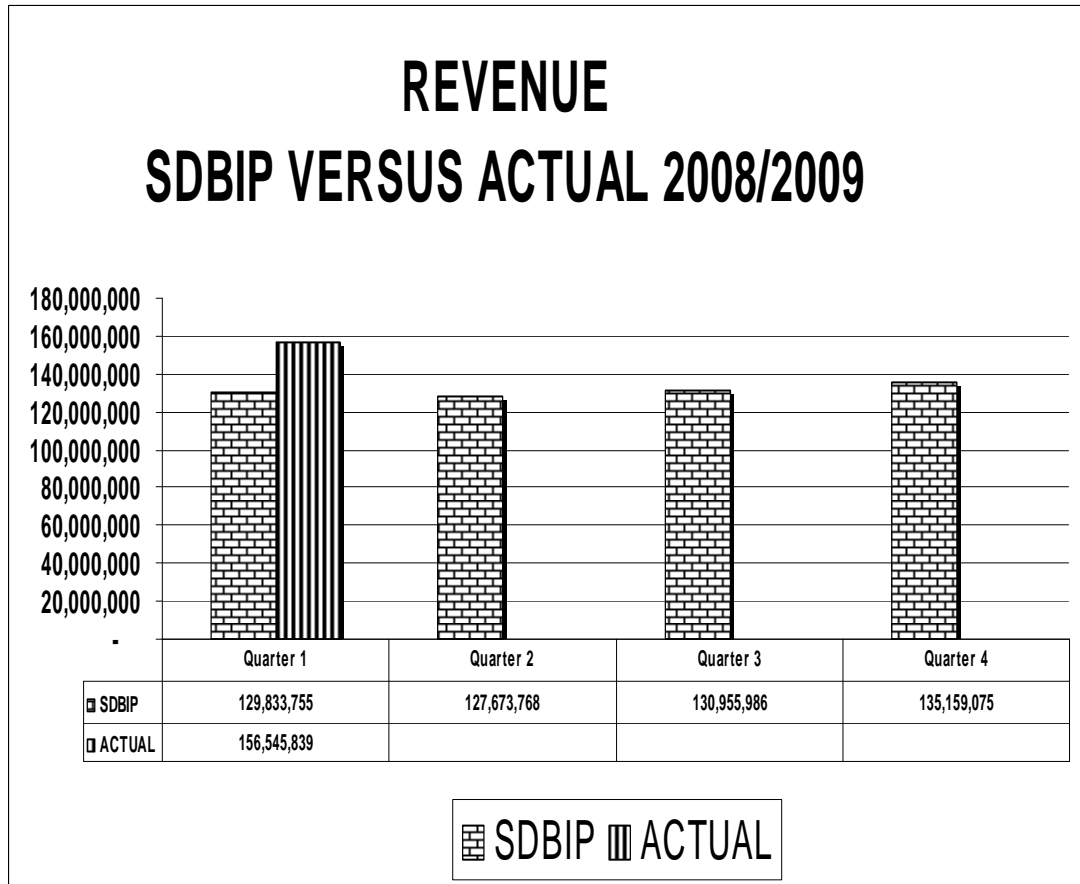
This table provides the quarterly detail for revenue by source and expenditure by type. Explanations on deviations have been provided in the September monthly report, where percentages differ with more / less than 10%.

Furthermore, it can be said that the actual revenue for the quarter exceeded the planned figure with a total of 21% whilst the actual expenditure exceeded the planned figure with a total of 24%. The reason for these high percentages, is the fact that the total electricity increase were only included in the budget figures during the Adjustment Budget approved by Council at the end of September 2008. The corresponding planned figures (Adjusted SDBIP'S) could only be adjusted after the Adjustment Budget of September 2008 and will therefore only be correctly reflected in the next quarterly report. Hence, it will then be possible to anticipate if the total budget will realise during the rest of the year.

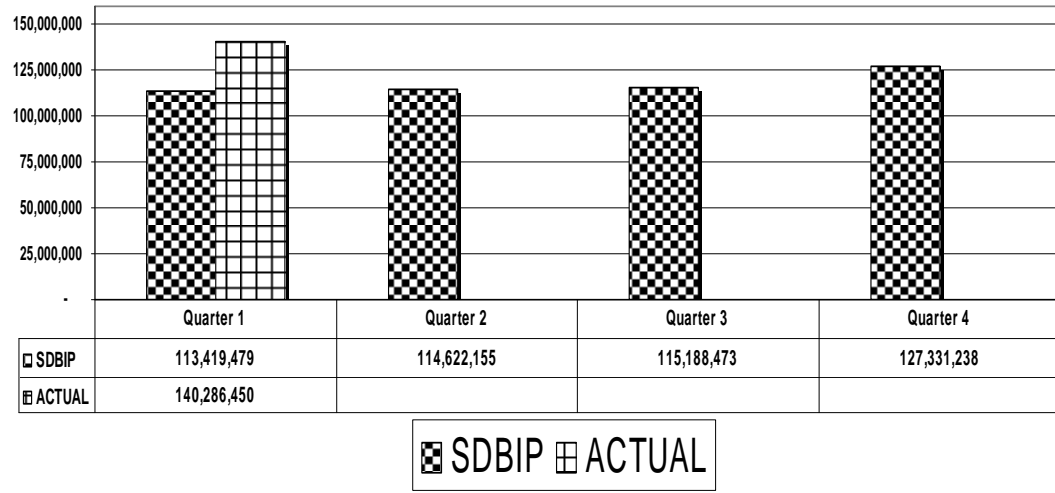
The implementation of the total budget for the first quarter 1 July 2008 to 30 September 2008 of the 2008/2009 financial year, is as follows:

	<b>Total Original Budget</b>	<b>Actual Q1</b>	<b>SDBIP Q1</b>	<b>Variance Amount</b>	<b>Actual / SDBIP Variance %</b>
Operating Revenue	523 622 584	156 545 839	129 833 755	26 712 084	21%
Operating Expenditure	470 561 345	140 286 450	113 419 479	26 866 971	24%
<b>Surplus (Deficit)</b>	<b>53 061 239</b>	<b>16 259 389</b>	<b>16 414 276</b>	<b>(154 887)</b>	<b>-1%</b>

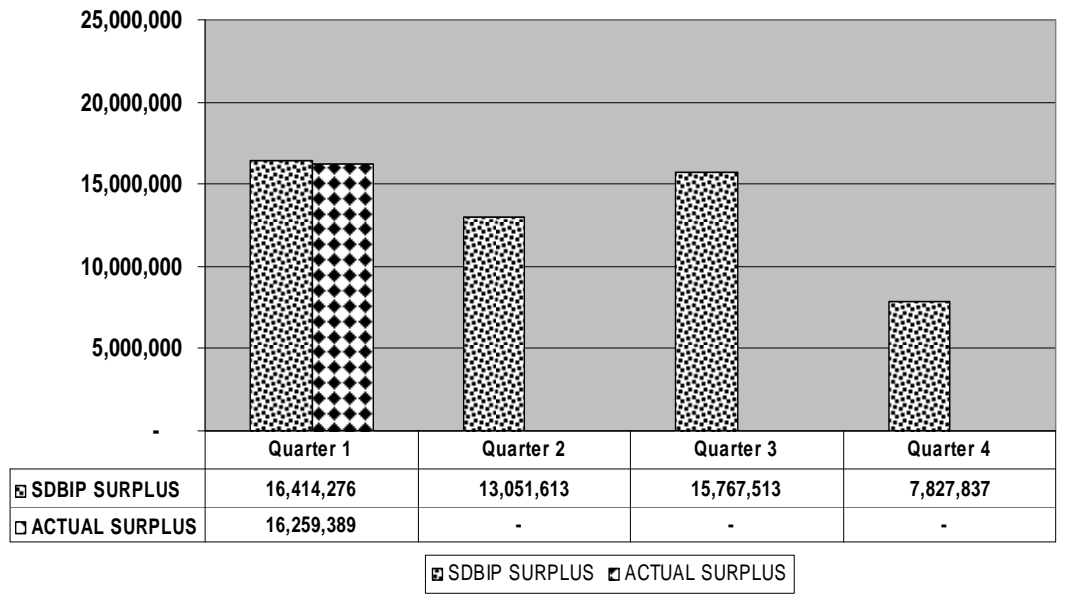
Graphical presentations of the revenue, expenditure and cashflow, to supplement the above table, are as follows:



## OPEX SDBIP VERSUS ACTUAL 2008/2009



## CASH FLOW SDBIP VERSUS ACTUAL 2008/2009



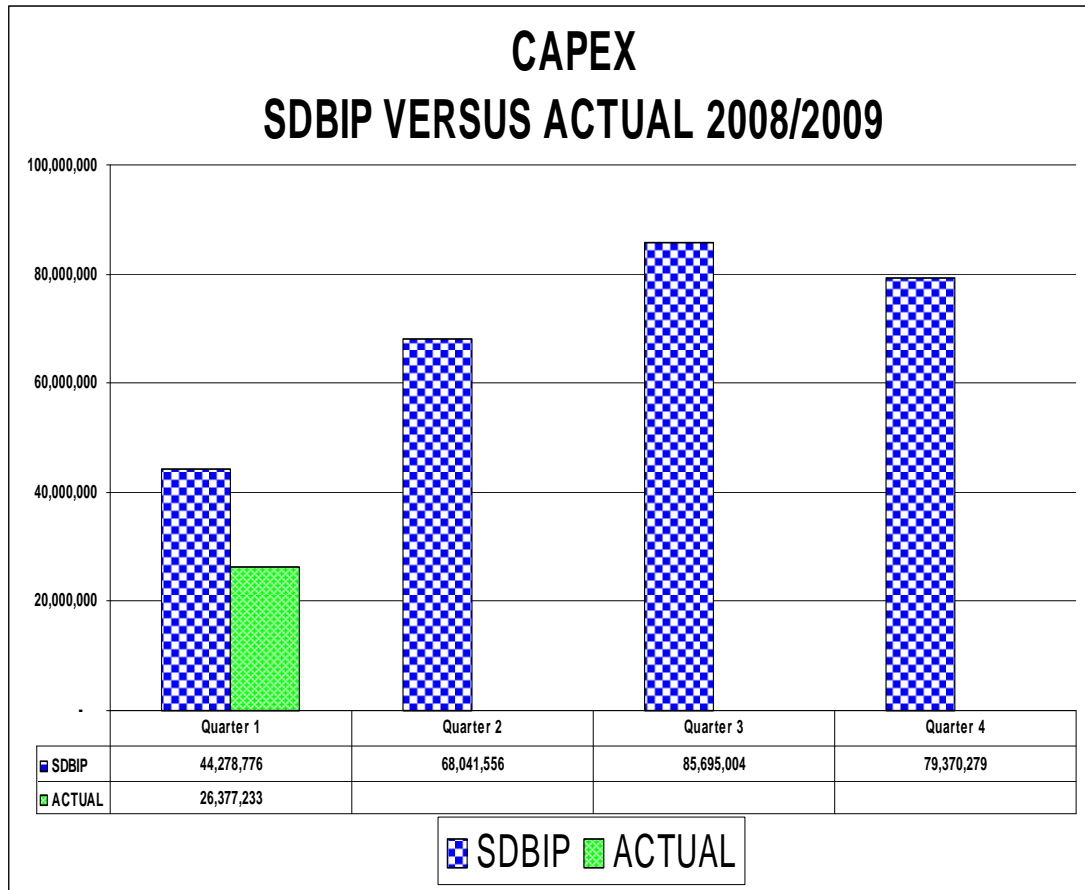
4. **ANNEXURE B Page 3 to 7**

**Quarterly Budget Statement – Capital Expenditure**

a) Table C5 – Capital Expenditure by Vote

This table measures the actual capital expenditure by vote against the planned capital expenditure (SDBIP). In accordance with this table, the actual spending of the Road Transport vote is the only vote where the planned figure is not only met, but even exceeded.

The capital expenditure can be graphically presented as follows:



b) Table SC12 – Capital Expenditure by trend

Table SC12 provides information on the quarterly trends of capital expenditure. If taken into consideration that Council adopted a Medium Term Expenditure Framework, the start of capital expenditure for the first quarter is relatively slow. If compared to the first quarter of the previous financial year, there is a slight improvement of R4,5-million which only represents 1,6% of the total capital budget.

c) Table SC 13 – Capital Expenditure by Asset Type

This table provides the detail of capital expenditure by asset classification for the past quarter.

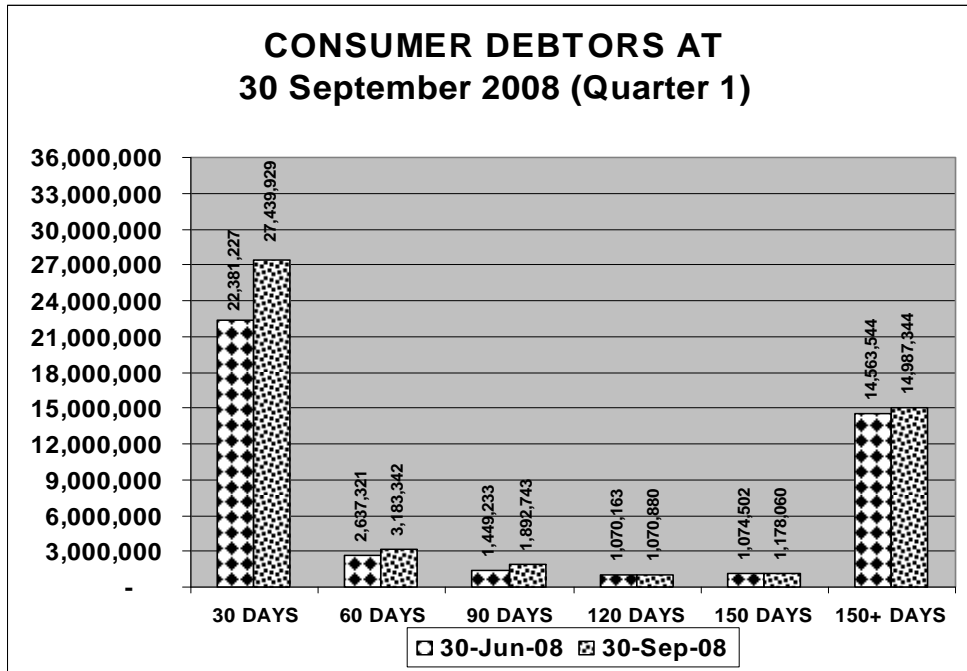
5. **ANNEXURE C Page 8**

**Quarterly Budget Statement – Supporting Tables**

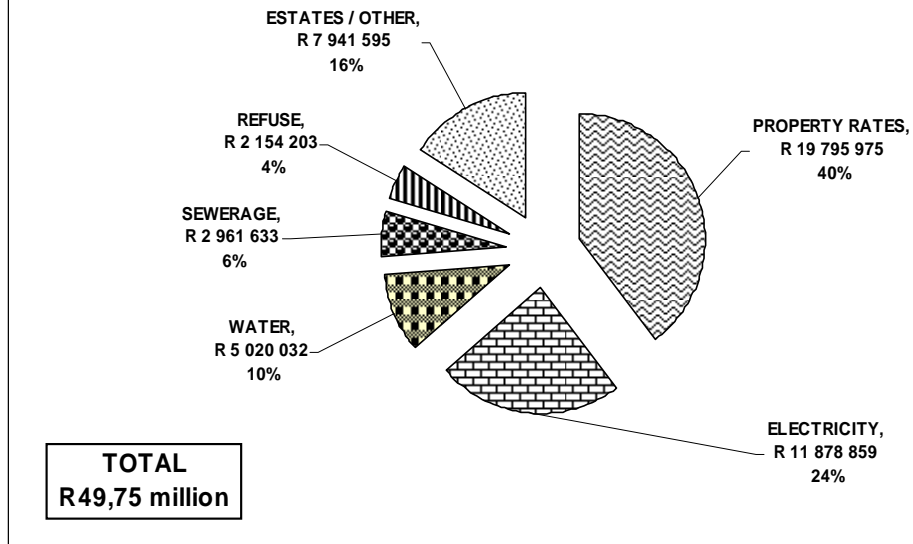
a) Table SC 3 – Ageing on Debtors

Table SC 3 provides a breakdown of consumer debtors at the end of the quarter. The outstanding debtors at the end of the previous quarter amounted to R43,2-million, whilst the figure for the first quarter of this financial year amounts to R49,9-million. This figure is expected to be considerably higher due to the tariff increases for all services which took effect as from 1 July 2008. (The quarterly figures are measured prior to the final payment date which falls within the next quarter).

The debtor's ageing and debt per service type can be graphically presented as follows:



## CONSUMER DEBTORS PER CATEGORY for the Quarter ending 30 September 2008



- b) The average collection rates remain above 100% which is indicative of the strong credit control measure implemented by Council, as well as the collection of old debt. The following summary will provide more detail:

	<u>July 2008</u>	<u>August 2008</u>	<u>September 2008</u>
Debtors Collection Rate	100,37%	102,62%	100,67%
Debtors days	25,32 days	24,57 days	25,40 days
Debtors turnover ratio	6,26%	6,77%	7,05%

- c) Table SC 5 – Investment Portfolio

This table provides a summary of the cash investment activities of Council for the first three months of the financial year. Surplus cash invested for the quarter amounts to R90-million, whilst R162-million matured.

- d) Table SC 8 – Councillor and Staff Benefits

Table SC 8 provides more detail on Councillor and employee benefits for the past quarter. The actual expenditure compared to the planned figure for Councillor remuneration is equal. However the remuneration of both senior managers and other municipal staff is R3,3-million lower than planned.

6. During the past quarter, loans totalling R1,2-million were redeemed. Council's External Finance responsibility can be summarised as follows:

Institution	Redeemable	Balance at 1 July 2008	Received	Redeemed	Interest Paid	Balance at 30 September 2008
DBSA	31-12-2009	1 271 284,39	-	-	-	1 271 284,39
ABSA	30-06-2010	28 157 955,37	-	-	-	28 157 955,37
INCA	31-12-2012	18 285 626,92	-	-	-	18 285 626,92
INCA	30-06-2019	26 268 924,72	-	-	-	26 268 924,72
SCMB	01-09-2015	26 572 264,96	-	1 252 427,07	1 274 624,22	25 319 837,89
INCA	30-06-2022	33 872 887,55	-	-	-	33 872 887,55
INCA	30-06-2023		35 000 000	-	-	35 000 000
		<b>169 428 943,91</b>	<b>35 000 000</b>	<b>1 252 427,07</b>	<b>1 274 624,22</b>	<b>168 176 516,84</b>

7. Section 11 (4) (a) of the Municipal Finance Management Act, Act 56 of 2003 stipulates:

*"The accounting officer must within 30 days after the end of each quarter, table in the municipal Council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter."*

#### **WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

Category	Amount
a) <b><u>Expenditure appropriated in terms of an approved budget :</u></b>	
Capital Budget Expenditure	21 098 844
Operating Budget Expenditure	133 660 765
b) Expenditure authorised in terms of Section 26(4) of the MFMA (Failure to approve a budget)	None
c) Unforeseeable and unavoidable expenditure authorized in terms of Section 29(1)	None
d) Relief, charitable, trust or other funds	None
e) i) Payment of money collected on behalf of a person or organ of state	None
ii) Insurance or other payments received on behalf of a person or organ of state	(49 183)
f) Refund money incorrectly paid into bank account	None
g) Refund guarantees, sureties and security deposits.	1 177 179
h) Cash management and investments for purposes in accordance with Section 13 of MFMA	90 000 000
i) Increased expenditure in terms of Section 31 of MFMA	None
j) Expenditure for other purposes as may be prescribed :	
External loans repaid	2 527 051
<b>Total:</b>	<b>248 414 656</b>

## 8. Disposal and losses on assets

In terms of Section 75 (1)(h), an information statement which contains a list of assets which have been disposed of in terms of Section 14 of the MFMA, must be placed on Council's website and therefore, the following must be noted:

Reported assets lost by accident or theft and claimed from the Council's Insurers for the period 1 July 2008 to 30 September 2008:

Date	Department	Description	Amount
			<u>R</u>
21/07/2008	Town Electrical Engineer	Vandalised high mast light: Stand 11848 Mhluzi X 7	107 060,00
23/07/2008	Chief: Parks & Recreation	Vandalism Kees Taljaard Rugby Stadium	24 315,80
25/07/2008	Chief: Parks & Recreation	Vandalism Kees Taljaard Swimming Pool Toilets	11 307,57
12/08/2008	Chief: IT Services	2 x Notebooks missing out of safe R0024	28 551,72
15/08/2008	Chief: Parks & Recreation	Vandalism at Mhluzi Stadium	6 664,38
18/08/2008	Chief: Parks & Recreation	Vandalism Volleyball Hall	15 690,06
01/09/2008	Chief: Parks & Recreation	Vandalism at Mhluzi Stadium	3 397,20
04/09/2008	Chief: Parks & Recreation	Vandalism Kees Taljaard Swimming Pool Toilets	25 679,71
04/09/2008	Chief: Parks & Recreation	Vandalism at Mhluzi Swimming Pool	29 160,86
06/09/2008	Chief: Library Services	Burglary Pullenshope Library	10 675,86
		<b>Total</b>	<b>262 503,16</b>

## 9. It is recommended:

- 9.1 That the quarterly report on financial management for the period 1 July 2008 to 30 September 2008 be noted.
- 9.2 That the report be submitted to the Council by end October 2008.
- 9.3 That the report be sent to National and Provincial Treasury, accompanied by prescribed electronic documentation.
- 9.4 That the report be placed on Council's website, as per Section 75(1)(k) of the MFMA.

## Recommendation by the Municipal Manager

- 1 **THAT** the quarterly report on financial management for the period 1 July 2008 to 30 September 2008 as submitted by the Executive Manager Finance, be noted.
- 2 **THAT** the report be sent to National and Provincial Treasury, accompanied by prescribed electronic documentation.
- 3 **THAT** the report be placed on Council's website, as per Section 75(1)(k) of the MFMA.

**CC32/10/2008**

**FINANCE : QUARTERLY REPORT : 1 JULY 2008 UNTIL 30 SEPTEMBER 2008**

6/14/1/3 (M)/lb

**RECOMMENDATION BY THE EXECUTIVE MAYOR**

- 1 **THAT** the quarterly report on financial management for the period 1 July 2008 to 30 September 2008 as submitted by the Executive Manager Finance, be noted.
- 2 **THAT** the report be sent to National and Provincial Treasury, accompanied by prescribed electronic documentation.
- 3 **THAT** the report be placed on Council's website, as per Section 75(1)(k) of the MFMA.

**CC32/10/2008**

**FINANCE : QUARTERLY REPORT : 1 JULY 2008 UNTIL 30 SEPTEMBER 2008**

6/14/1/3 (M)/lb

**RESOLVED BY COUNCIL**

- 1 **THAT** the quarterly report on financial management for the period 1 July 2008 to 30 September 2008 as submitted by the Executive Manager Finance, be noted.
- 2 **THAT** the report be sent to National and Provincial Treasury, accompanied by prescribed electronic documentation.
- 3 **THAT** the report be placed on Council's website, as per Section 75(1)(k) of the MFMA.