

## **AGENDA ITEM FOR MAYORAL COMMITTEE MEETING**

### **HEADING: QUARTERLY REPORT: 1 OCTOBER 2008 UNTIL 31 DECEMBER 2008**

Town Clerk Number:

Town Secretary Reference Number:

MF: 6/14/1/3

Contact Person:

L. Prinsloo

### **ITEM TRANSFERRED TO:**

File: 0000R060.MM

Date initiated: 15 January, 2009

Annexures attached as **ANNEXURE A page 1 – 2; ANNEXURE B page 1 - 3;**

**ANNEXURE C page 1 – 3;**

### **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 **ANNEXURES**.

3. **ANNEXURE A**  
**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

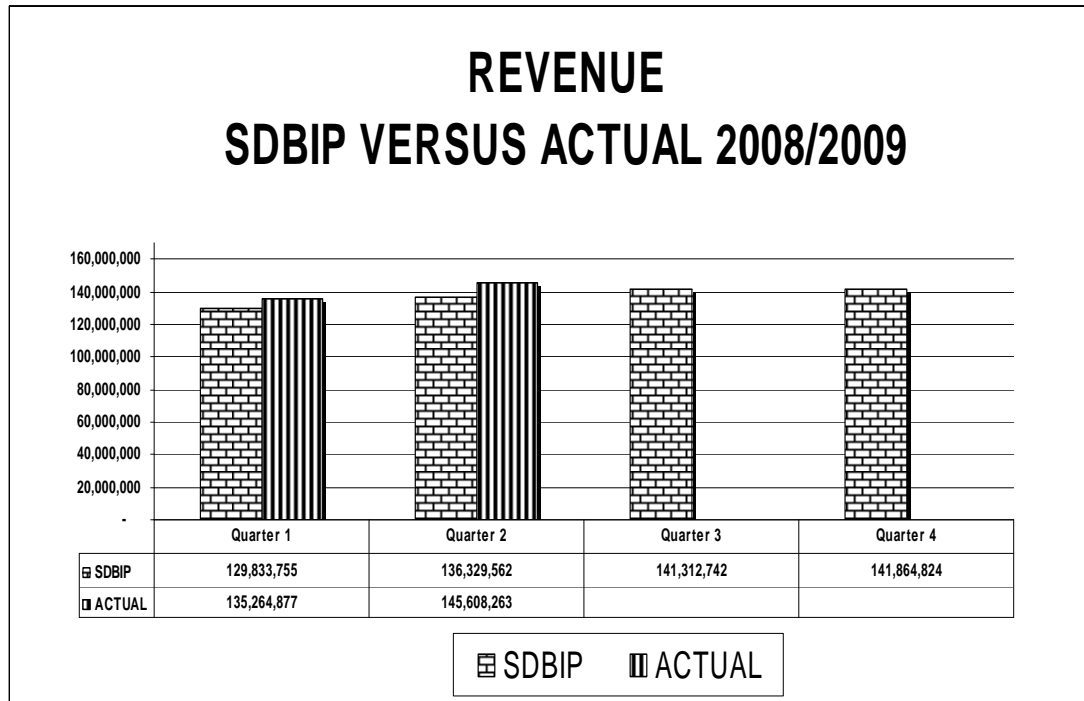
This table provides the quarterly detail for revenue by source and expenditure by type. Detail explanations on deviations have been provided in the October – December monthly reports, where percentages differ with more / less than 10%.

Furthermore, it can be said that the actual revenue for the quarter exceeded the planned figure with a total of 7% whilst the actual expenditure was lower than the planned figure with a total of 9%.

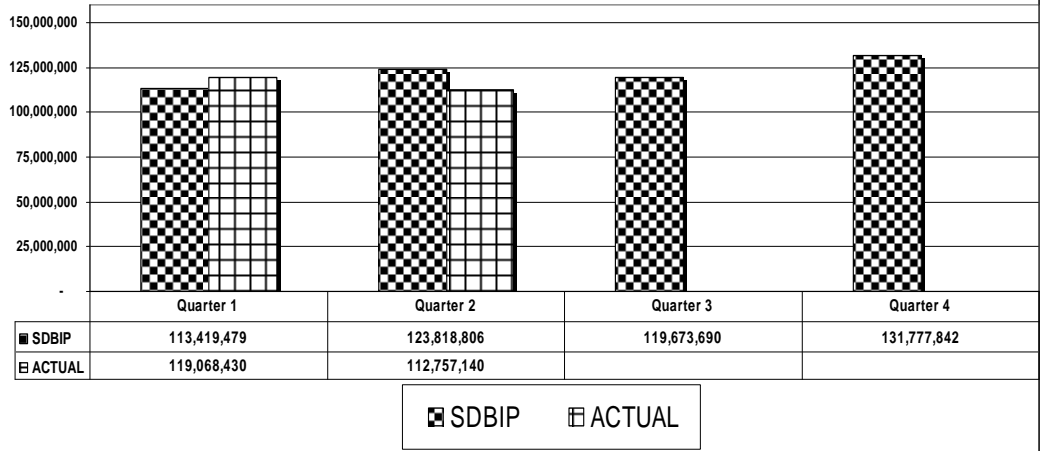
The implementation of the total budget for the second quarter 1 October 2008 to 31 December 2008 of the 2008/2009 financial year, is as follows:

	<b>Total Adjusted Budget</b>	<b>Actual Q2</b>	<b>SDBIP Q2</b>	<b>Variance Amount</b>	<b>Actual / SDBIP Variance %</b>
Operating Revenue	549 340 883	145 608 273	136 329 562	9 278 711	7%
Operating Expenditure	488 689 817	112 757 138	123 818 806	(11 061 668)	(9%)
<b>Surplus (Deficit)</b>	<b>60 651 066</b>	<b>32 851 135</b>	<b>12 510 756</b>	<b>(1 782 957)</b>	<b>(14%)</b>

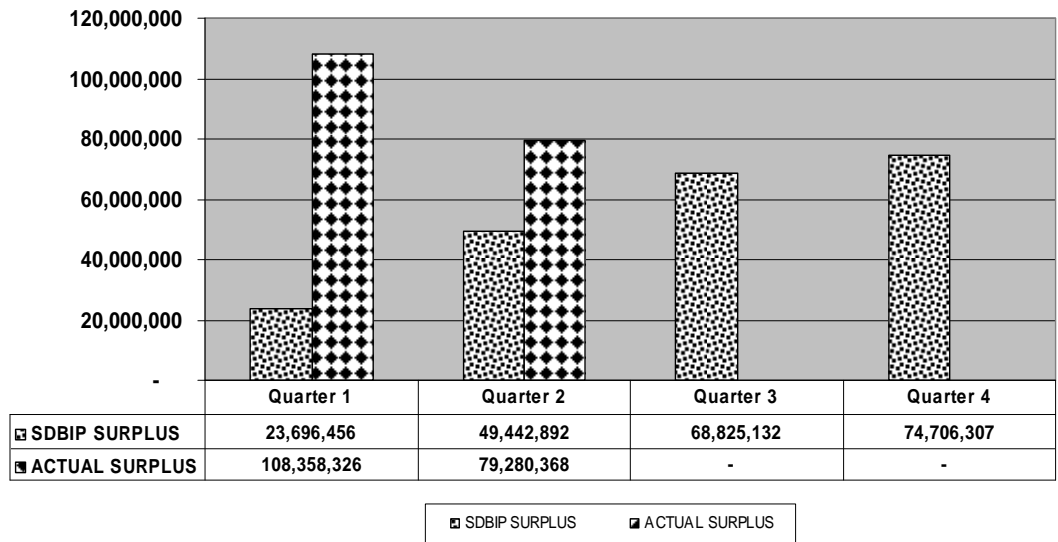
Graphical presentations of the revenue, expenditure and cashflow, to supplement the above table, are as follows:



## OPEX SDBIP VERSUS ACTUAL 2008/2009



## CASH FLOW SDBIP VERSUS ACTUAL 2008/2009



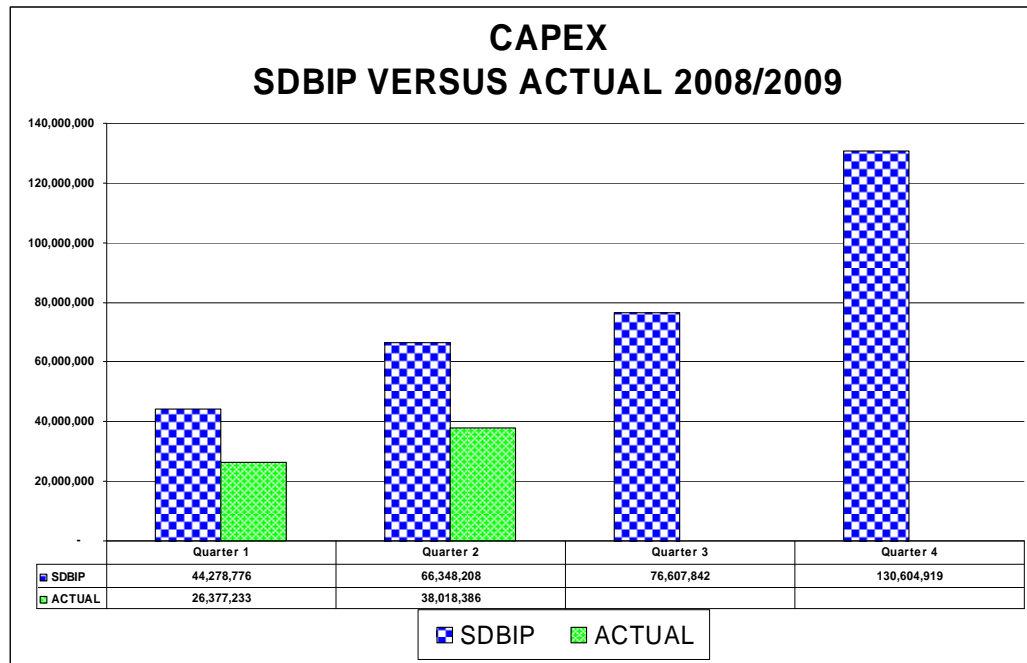
4. **ANNEXURE B**  
**Quarterly Budget Statement – Capital Expenditure**

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 Executive and Council vote is the only vote where the planned figure is not only met, but even exceeded.

For the balance of votes, it is clear that if expenditure rates do not increase to be in line with planning and also make up for under-expenditure of the first two quarters, the total capital budget will not be spent by the end of this financial year.

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 adopts a Medium Term Expenditure Framework, the slow expenditure for the first half of the financial year, is alerting. If the past quarter's results is compared to the second quarter of the previous financial year, there is a slight improvement of R8,7-million on capital expenditure. Halfway through the financial year, a mere 20,3% (38-million) of the total adjusted capital budget is spent, compared to the intended 34,8% (110,7-million).

The detailed progress of each capital project, will be reflected in the report of the Municipal Manager.

c) Table SC 13 – Capital Expenditure by Asset Type

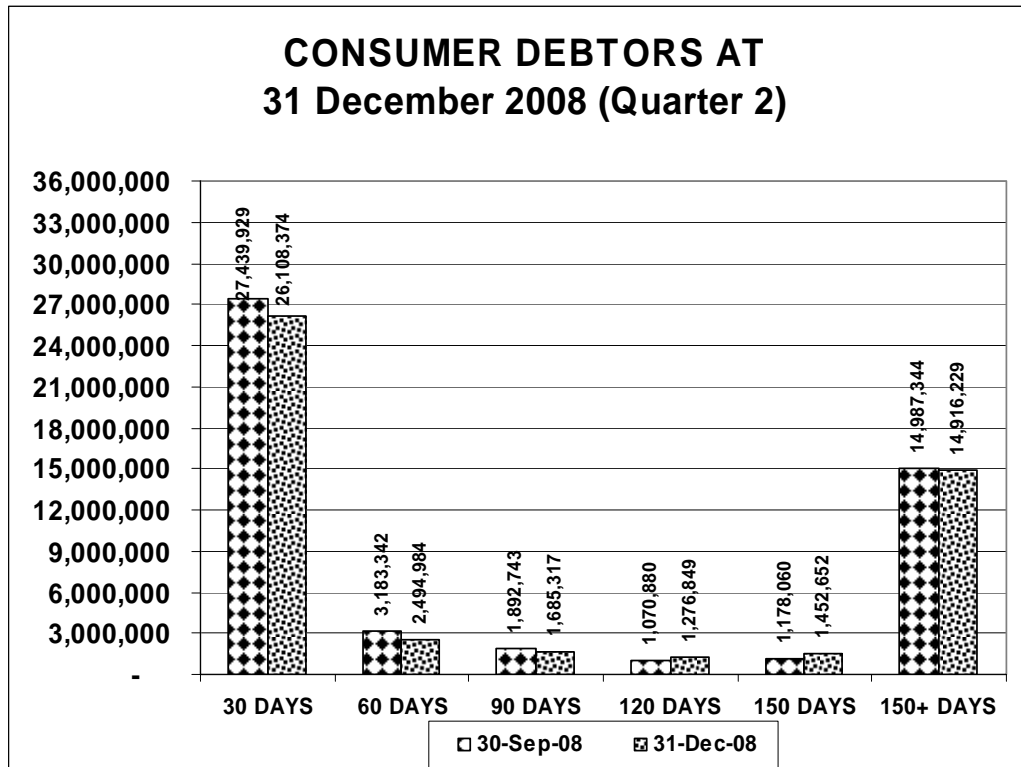
This table provides the detail of capital expenditure by asset classification for the past quarter.

5. **ANNEXURE C**  
**Quarterly Budget Statement – Supporting Tables**

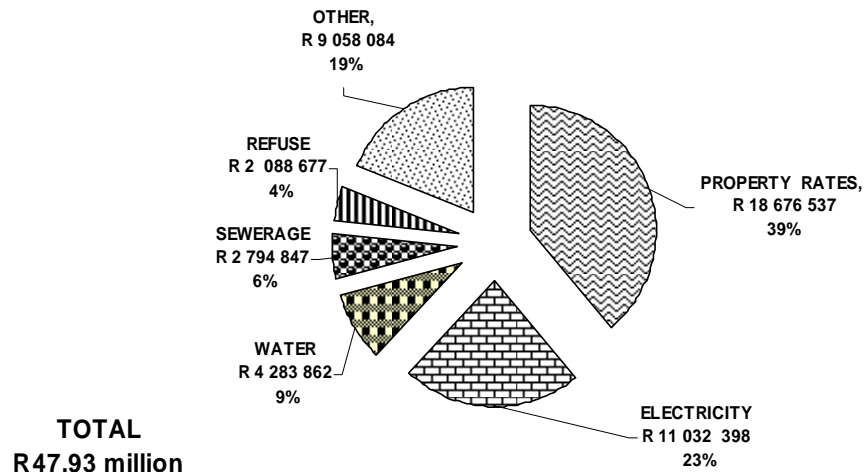
a) Table SC 3 – Ageing on Debtors

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 R49,7-million, whilst the figure for the second quarter of this financial year amounts to R47,9-million. There is a definite decline between the figures for Quarter 1 and Quarter 2, amounting to R1,8-million rand. This can be attributed to strict control measures. (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 31 December 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:

	<b>October 2008</b>	<b>November 2008</b>	<b>December 2008</b>	<b>Average Q2</b>
Debtors Collection Rate	100,78%	100,32%	101,40%	100,83%
Debtors days	25,56 days	27,30 days	25,07 days	25,98 days
Debtors turnover ratio	7,16%	7,60%	7,08%	7,28%

- 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 R216-million, whilst R270-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 R4,8-million lower than planned, which is a clear indication of the 185 vacant positions which existed at the end of the second quarter.

6. During the past quarter, loans totalling R6,9-million were redeemed. Council's External Finance responsibility can be summarised as follows:

Institution	Redeemable	Balance at 1 October 2008	Redeemed	Interest Paid	Balance at 31 December 2008
DBSA	31-12-2009	1 271 284,39	401 904,39	85 574,12	869 380,00
ABSA	30-06-2010	28 157 955,37	3 271 541,55	2 044 036,12	24 886 413,82
INCA	31-12-2012	18 285 626,92	1 556 400,27	1 179 898,86	16 729 226,65
INCA	30-06-2019	26 268 924,72	574 939,05	1 655 302,11	25 693 985,67
SCMB	01-09-2015	25 319 837,89	-	-	25 319 837,89
INCA	30-06-2022	33 872 887,55	586 494,09	1 637 554,59	33 286 393,46
INCA	30-06-2023	35 000 000,00	555 578,07	1 630 204,11	34 444 421,93
		<b>168 176 516,84</b>	<b>6 946 857,42</b>	<b>8 232 569,91</b>	<b>161 229 659,42</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) Expenditure appropriated in terms of an approved budget : <ul style="list-style-type: none"> <li>• Capital Budget Expenditure</li> <li>• Operating Budget Expenditure</li> </ul>	32 739 998 111 142 985
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	None
f) Refund money incorrectly paid into bank account	None
g) Refund guarantees, sureties and security deposits.	1 094 387
h) Cash management and investments for purposes in accordance with Section 13 of MFMA	216 000 000
i) Increased expenditure in terms of Section 31 of MFMA	None
j) Expenditure for other purposes as may be prescribed : <ul style="list-style-type: none"> <li>• External loans repaid</li> </ul>	15 179 427
<b>Total:</b>	<b>376 156 797</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 October 2008 to 31 December 2008:

Date	Department	Description	Amount
			<u>R</u>
28/10/2008	Executive Manager: Finance	Burglary (money) Chromeville Paypoint	8 069,00
20/11/2008	Executive Manager: Finance	Burglary (money) Kwazamokuhle Paypoint	2 867,00
05/12/2008	Chief: Parks & Recreation	Vandalism Kees Taljaard Rugby Stadium	39 395,04
		<b>Total</b>	<b>50 331,04</b>

9. It is recommended:

- 9.1 That the quarterly report on financial management for the period 1 October 2008 to 31 December 2008 be noted.
- 9.2 That the report be submitted to the Council by end January 2009.
- 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.

**C27/01/2009**

FINANCES : QUARTERLY REPORT: 1 OCTOBER 2008 UNTIL 31 DECEMBER 2008

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

(Item 27 p 3 MC 22/01/2009)

**RESOLVED BY COUNCIL**

- 1 **THAT** the quarterly report on financial management for the period October 2008 to 31 December 2008 be noted. 1
- 2 **THAT** the report be submitted to the Council by end January 2009.
- 3 **THAT** the report be sent to National and Provincial Treasury, accompanied by prescribed electronic documentation.
- 4 **THAT** the report be placed on Council's website, as per Section 75 (1) (k) of the MFMA.