

ITEM:

REPORT OF THE CHIEF FINANCIAL OFFICER

QUARTERLY FINANCIAL REPORT JUNE 2010

PURPOSE OF THE REPORT

The purpose is to comply with the financial reporting requirements per the Municipal Finance Management Act.

STATUTORY/LEGAL REQUIREMENT

Section 52(d) of the Municipal Finance Management Act reads as follows:

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

BACKGROUND, EXPOSITION, FACTS AND PROPOSALS

The report is discussed per annexures A, B, C, D, E, F. Annexure A and B are based on a baseline as determined on the budget projections in the 2009/10 SDBIP. Annexure C refers to Council's approved IDP and the expenditure incurred for the period ending 30 June 2010. Annexure D refers to progress on revenue, operating expenditure and expenditure per Council's approved IDP in relation to the approved SDBIP. Annexure E refers to projects rolled-over from the previous financial years. Annexure F refers to Council's investment portfolio.

FINANCIAL REPORTING

DEBTORS

The outstanding debtors as at 30 June 2010 are as follows:

Abattoir

NAME	JUNE 2010	MARCH 2010	DECEMBER 2009	SEPTEMBER 2009
Current	10 809	10 147	2 137	18 189
30 – 60 days	14 974	2 775	12 223	4 956
60 – 90 days	6 268	2 775	12 110	4 551
Above 90 days	388 482	380 156	373 521	362 471
TOTAL	420 533	395 853	399 991	390 167

There are Abattoir account holders, namely, JFC and Major Meat who lodged disputes against their accounts. Their cases are currently handled by our Legal Section which has subsequently handed them over to Verveen Attorneys to recover the outstanding amounts above 90 days.

CREDITORS

The total creditors outstanding are R 1 628 857. All creditors are current and was paid in July 2010.

STAFF IMPLICATION

None

FINANCIAL IMPLICATION

See Annexures A to F

OTHER PARTIES CONSULTED

Divisional Managers: Budget & Treasury Office

ANNEXURES

Monthly Financial Report for the year ending 30 June 2010.

ANNEXURE A

Annexure A refers to Revenue per revenue source and explanations are attached after Annexure A.

ANNEXURE B

Annexure B refers to Expenditure per vote and explanations are attached after Annexure B.

ANNEXURE C: CAPITAL EXPENDITURE PER IDP

Annexure C refers to the IDP for the current financial year. The report indicates that 66.40% of the funds allocated for the IDP are spent.

ANNEXURE D: REVENUE & EXPENDITURE IN RELATION TO SDBIP

Annexure D refer to the actual operating revenue, operating expenditure and IDP capital expenditure in relation to the projected operating revenue, operating expenditure and IDP capital expenditure in the approved 09/10 SDBIP.

ANNEXURE E: CAPITAL EXPENDITURE ON ROLL OVER

Annexure E refers to the rolled over projects. An amount of R22 068 759 was unspent as at 30 June 2009. The report indicates that 87.98% of the rolled over funds were spent.

ANNEXURE F: INVESTMENT PORTFOLIO

Council's total investment portfolio amounts to R101 000 000.00 as at 30 June 2010.

AUTHORITY

Municipal Finance Management Act, No 56 of 2003
Municipal Investment Regulation (GNR 308 of 1 April 2005)

RECOMMENDATION

1. That the report by the Chief Financial Officer regarding the quarterly financial report as at 30 June 2010 as contained in the agenda, be noted.

ANNEXURE A
Actual revenue per revenue source
1 July 2009 – 30 June 2010

REVENUE SOURCE	BUDGETED REVENUE	BUDGETED 12 MONTHS PROJECTIONS per SDBIP	YTD ACTUAL REVENUE	YTD SDBIP BASELINE	% ACTUAL REVENUE	VARIANCE	REASON FOR VARIANCE
				(E)	(F)	(E-F)	
GRANTS							
Equitable Share	78 598 332	78 598 332	78 598 487	100.00%	100.00%	0.00%	
MSIG Grant	952 694	952 694	604 477	100.00%	63.45%	36.55%	Refer to exp 1
Municipal Finance Grant	1 527 000	1 527 000	1 123 879	100.00%	73.60%	26.40%	Refer to exp 2
Municipal Health Grant	7 451 000	7 451 000	7 451 000	100.00%	100.00%	0.00%	
Vuna Award 05/06	750 000	750 000	4 040	100.00%	0.54%	99.46%	Refer to exp 3
Wild Life Centre	2 980 615	2 980 615	2 581 360	100.00%	86.60%	13.40%	Refer to exp 4
Integrated Transport Plan	57 424	57 424	57 424	100.00%	100.00%	0.00%	
Libsa-Lephale Agr Corridor	900 000	900 000	900 000	100.00%	100.00%	0.00%	
IT MSP Grant/L G SETA	92 260	92 260	92 260	100.00%	100.00%	0.00%	
CPWP Grant	547 884	547 884	547 884	100.00%	100.00%	0.00%	
Mayor's Bursary Grant	25 000	25 000	25 000	100.00%	100.00%	0.00%	
Disaster Grant	25 620	25 620	-	100.00%	0.00%	100.00%	Refer to exp 5
Fire Fighting Grant	155 855	155 855	155 855	100.00%	100.00%	0.00%	
PMS DBSA Grant	-	-	801 942	0.00%	-	100.00%	Refer to exp 6
OWN REVENUE							
Interest - Current Account	415 000	415 000	293 260	100.00%	70.67%	29.33%	Refer to exp 7
Interest - External Investment	7 500 000	7 500 000	8 334 975	100.00%	111.13%	-11.13%	Refer to exp 7
Abattoir - Income	1 099 500	1 099 500	868 581	100.00%	79.00%	21.00%	Refer to exp 8
Fire Fighting	7 500	7 500	1 379	100.00%	18.39%	81.61%	Refer to exp 9
Other income	63 481	63 481	1 086 451	100.00%	1711.46%	-1611.46%	Refer to exp 10
TOTAL INCOME	103 149 165	103 149 165	103 528 255	100.00%	100.37%	-0.37%	

ANNEXURE A: ACTUAL REVENUE PER REVENUE SOURCE

1. MSIG Grant (Conditional)

The grant is utilized to fund legislative requirements other than the MFMA as well as performance management and IDP. An amount of R217 694 was rolled over from the 2008/2009 MSIG allocation. The R735 000 grant has been received in full in July 2009 for the current financial year. The income on the grant is recognized once the conditions are met. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The reason for the variance is that the full grant was not utilized for the purposes it was allocated to during the year, namely policy and by-law development, skills development facilitation, training and GRAP complaint asset register.

2. Finance Management Grant (Conditional)

The Finance Management grant funds the salaries of the interns, financial training and compliance with GAMAP/GRAP and the MFMA. An amount of R527 000 was rolled over from the 2008/2009 allocation. The R1 000 000 grant budgeted for the current financial year has been received in full in July 2009. The income on the grant is recognized once the conditions are met. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The reason for the under spending is due to the late appointment of finance interns in BTO and postponed procurement of the IFMS. The IFMS is advertised in July 2010 and a submission was submitted to Treasury to retain the roll over.

3. VUNA Award Grant

The grant is utilized towards funding the WDM signage project. The grant is the prize money for winning the VUNA Awards (Limpopo) in 2005/2006. The income on the grants is recognized once the conditions are met. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The reason for the variance is under spending on the project. The service provider has been appointed, but no claims have been submitted to date. The service provider is currently in the process of negotiating with private land owners next to major roads in Waterberg District to erect the welcome signage.

4. Wild Life Centre

The grant is utilized towards funding the feasibility study on wild life within the district. This study will be conducted in phases. The grant of R 3 million was granted by the Office of the Premier of which the unspent balance of R 2 980 615 was rolled over to the 09/10 budget year. The income on the grants is recognized once the conditions are met. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The reason for the variance is due to a savings on the existing planning phase appointment. A purpose for the amount remaining still has to be identified.

5. Disaster Grant (Conditional)

This amount was received in 2007 from a community member to assist the municipality with disasters. The amount of R 40,000 was rolled over from the 2006/07 Budget Year on which R 14,380 was utilized to assist the Department of Agriculture with the fires in Alma in 2008. A remaining amount of R 25,620 is thus rolled over to 2009/2010 Budget Year. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The reason for the variance is that remaining amount has not been spent yet and no purpose for it has been identified.

6. DBSA Grant (Conditional)

This amount was received in 2010 from DBSA to assist the municipality in the implementation of the PMS project. The amount of R 801 942 was received in the current financial year of which the full amount has been spent on the payment of the service provider appointed to implement PMS. GRAP journals are implemented monthly, which will therefore take the full amount received to an unspent liability and the revenue will only reflect the actual amount of the grant spent. The amount was not budgeted as funding was not certain at the time of the budget preparation.

7. Interest on current account and external investments

The interest is lower than projected due to a decrease in the interest rate and lower than projected monthly running current account balance. There is also a higher than projected turnover in cash due to large project claims, new appointments and increases in personnel expenditure due to the amongst others the collective agreement implementation and high travel claims of, amongst others, health practitioners. The increase in interest on external investment is due to higher balances invested and favorable interest rates.

8. Abattoir

The abattoir income is lower than projected because the lessee vacated the building in September 2008 and since then it was never occupied, as a result the budgeted rental is not earned. Slaughtering fee is also lower due to loss of major clients.

9. Fire Fighting

No income has been received from our local municipalities, except from Thabazimbi Local Municipality. Fire fighting is only charged where there is a fire call out that can be linked to one community member directly and that member can be traced.

10. Other Income

Included under other income is R 45 160 from the selling of tender documents, R128 587 from LG SETA and R70 950 from insurance claims. The insurance claims were not budgeted as we didn't foresee the high number of thefts during the year. Included in other income are also actuarial gains of R 837 796 on the actuarial valuations of post retirement medical aid contributions and future long service awards to existing employees. This actuarial gain was not budgeted as there was no baseline on the amount to forecast as the calculation is performed by independent actuaries which was done for the first time last year.

ANNEXURE B

Actual expenditure per vote (department)

1 July 2009 - 30 June 2010

DEPARTMENTS	OPERATING BUDGET EXP	BUDGETED 12 MONTHS PROJECTIONS	ACTUAL OPERATING EXP	BASELINE	% OF ACTUAL EXP SPENT	VARIANCE	REASON FOR VARIANCE
				(E)	(F)	(E -F)	
Budget & Treasury Office	8 559 449	8 559 449	8 000 438	100.00%	93.47%	6.53%	
Office of the Municipal Manager	5 534 170	5 534 169	4 514 865	100.00%	81.58%	18.42%	Refer to exp 1
Corporate Support & Shared Services	10 587 465	10 587 464	9 041 638	100.00%	85.40%	14.60%	Refer to exp 2
Planning and Economic Development	3 548 786	3 548 786	3 247 611	100.00%	91.51%	8.49%	
Infrastructure Development	2 354 606	2 354 605	2 289 873	100.00%	97.25%	2.75%	
Office of the Executive Mayor	10 731 174	10 731 174	9 947 538	100.00%	92.70%	7.30%	
Social Development & Community Services	912 771	912 770	887 074	100.00%	97.18%	2.82%	
Fire Fighting	13 492 325	13 492 326	8 333 792	100.00%	61.77%	38.23%	Refer to exp 3
Municipal Environmental Health	9 958 201	9 958 201	8 919 349	100.00%	89.57%	10.43%	Refer to exp 4
Abattoir	3 030 207	3 030 207	3 104 263	100.00%	102.44%	-2.44%	Refer to exp 5
TOTAL EXPENDITURE	68 709 154	68 709 151	58 286 440	100.00%	84.83%	15.17%	

ANNEXURE B: ACTUAL EXPENDITURE PER VOTE

1. Municipal Manager's Office

The under spending in the Municipal Manager's office is due to the vacancy that existed of the Municipal Manager and Head: IDP for a number of months during the 09/10 year. There is also an under spending on the Municipal Systems Improvement Grant. The reason for the variance on MSIG is that the full grant was not utilized for the purposes it was allocated to during the year, namely policy and by-law development, skills development facilitation, Work Skills Plan implementation, training and GRAP complaint asset register.

2. Corporate Support & Shared Services Department

The under-spending is due to vacancies that exist in Corporate Support & Shared Services. The following vacancies exist:

Corporate Support & Shared Services	4 posts:	HR Officer
		Secretary
		Gardener/Cleaner (MDC)
		Gardener/Cleaner (LDC)

The Divisional Manager: HR and HRD Officers posts were also vacant for the majority of the year.

There was low spending on training as the majority of training programs were funded from MSIG. There was also low spending on the Employee Assistance program, legal expenditure and vehicle costs.

3. Fire Fighting Department

The following is the status of claims per local municipality:

NAME	BUDGET	CLAIMED	%
Bela Bela Municipality	R 639 772	R378 210	59.11%
Lephalale Municipality	R2 145 754	R719 679	33.53%
Mogalakwena Municipality	R3 649 730	R2 139 635	58.62%
Modimolle Municipality	R788 200	R 352 348	44.70%
Mookgophong Municipality	R 770 490	R351 687	45.64%
Thabazimbi Municipality	R 470 795	R417 123	88.59%
Modimolle Disaster Center	R339 000	R308785	72.43%
Lephalale Disaster Centre	R321 250	R100 284	91.08%

Bela Bela Municipality submitted claims from July 2009 to June 2010
 Thabazimbi Municipality submitted claims from July 2009 to June 2010.
 Lephalale Municipality submitted claims from July 2009 to May 2010.
 Mookgophong Municipality submitted claims from July 2009 to June 2009.
 Mogalakwena Municipality submitted claims from July 2009 to April 2010.
 Modimolle Municipality submitted claims from July 2009 to June 2010.

Reason for the low spending on Fire Fighting at Local Municipalities is due to new positions created in the current budget year only being filled late in the financial year and also partially due to over budgeting by some local municipalities.

There are also vacancies that exist in the WDM Disaster Division.
 The following posts are vacant:

WDM	2 posts:	Chief Fire officer Admin Assistant
Modimolle Disaster Centre	4 posts:	Fire prevention Officer 3 Control Room operators
Lephalale Disaster Centre	4 posts:	Fire Station Officer Control Room Operator Clerical Assistant Fire prevention Officer

4. Municipal Environmental Health Department

The under-spending is due to vacancies that existed in the Health department. The following vacancies existed for the majority of the year:

Health	8 posts:	4 x Head Health 4 x Health Practitioners
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5. Abattoir

The over spending of R 74 056 in the abattoir operating expenditure is due to the cost of the actuarial valuations on post retirement medical aid contributions and long service awards implemented at year end. These costs were not budgeted as an accurate forecast of the costing could not be made at the time of the budget preparation since the actuarial valuations was done for the first time last year. Along with this total actuarial cost of R 142 885 included in the R 74 056 overspending is also an additional unbudgeted actuarial gain of R 49 640. As per discussion with the audit committee in the previous financial year assessment, this overspending of R 74 056 will not constitute unauthorized expenditure as per the MFMA as it related to a non cash flow accounting entry at year end. The impact of actuarial valuations has though been budgeted in the 10/11 financial year based on the baseline assessment of the 08/09 actuarial valuations submitted in September 2009.

ANNEXURE C
Actual Capital Expenditure
1 July 2009 – 30 June 2010

IDP PRIORITY	DESCRIPTION	BUDGET	YTD ACTUAL EXPEND	% ACTUAL SPENT
NO 1	Municipal Health	662 754	662 754	100.00%
NO 2	Disaster Management	8 843 185	7 502 653	84.84%
NO 3	Economic Development & Tourism	4 461 117	1 477 211	33.11%
NO 5	Municipal Support & Institutional Development	3 570 898	2 224 036	62.28%
NO 6	Abattoir	200 000	57 529	28.76%
NO 7	Community Participation And Good Governance	2 512 326	1 517 670	60.41%
NO 8	Land	650 000	12 320	1.90%
NO 10	Sports, Arts and Culture	800 000	477 586	59.70%
NO 12	Enviromental Management	1 144 316	1 144 316	100.00%
	Savings have been removed at year end -			
	transferred to accumulated surplus			
	(SDBIP projections adjusted accordingly)			
	TOTAL	22 844 596	15 076 075	65.99%

Cash Flow Projection

1

ANNEXURE E
Actual Capital Expenditure Roll Over
1 July 2009 – 30 June 2010

IDP PRIORITY	DESCRIPTION	BUDGET	SPENT	UNSPENT 30 JUNE 2009	YTD ACTUAL EXPEND	% ACTUAL SPENT
3	Roads and Stormwater	4 103 920	917 441	3 186 479	3 186 479	100.00%
5	Economic development	9 805 155	3 615 089	6 190 066	4 741 607	76.60%
4	Solid waste and environment	3 498 489	1 885 435	1 613 054	1 613 054	100.00%
2	Disaster Management	4 872 730	2 087 896	2 784 834	2 784 834	100.00%
7	Land	1 198 389	718 435	479 954	21 930	4.57%
8	Community Participation	3 073 458	1 853 755	1 219 703	681 477	55.87%
9	Institutional Development	14 859 087	9 837 875	5 021 212	5 021 212	100.00%
10	Sports,Arts and Culture	950 000	264 160	685 840	685 840	100.00%
1	Water ,sanitation and drought relief	9 191 911	8 837 812	354 099	354 099	100.00%
6	Transport	356 052	329 851	26 201	26 201	100.00%
	TOTAL			21 561 442	19 116 733	88.66%

ANNEXURE F
INVESTMENT PORTFOLIO – JUNE 2010
1 July 2009 – 30 June 2010

BANK	ACC NO	TYPE OF INVEST	DATE INVEST	INTEREST RATES	MATURITY DATE	BALANCE 01 JUNE 2010	INTEREST EARNED	BALANCE 30 JUNE 2010	COMMENTS
ABSA	2069733907	90 Days	17-May-10	6.56%	16-Aug-10	10 000 000	53 918	10 000 000	Interest paid into current account.
ABSA	2068998788	90 Days	15-Mar-10	7.11%	15-Jun-10	7 000 000	33 336	5 000 000	Interest paid into current account.R2 million was withdrawn, R5 million was re-invested for 62 days @ 6.50%
ABSA	2069351301	6 Months	18-Jan-10	7.57%	19-Jul-10	8 000 000	49 775	8 000 000	Interest paid into current account.
ABSA	2070176328	92 Days	29-Mar-10	6.65%	29-Jun-10	10 000 000	52 816	5 000 000	Interest paid into current account. R5 million was withdrawn, R5 million was re-invested for 90 days @ 6.58%
FNB	74214054418	62 Days	16-Apr-10	6.43%	17-Jun-10	5 000 000	24 035	4 000 000	Interest paid into current account. R1 million was withdrawn, R4 million was re-invested for 60 days @ 6.48%
FNB	74232515161	91 Days	24-May-10	7.11%	23-Aug-10	10 000 000	53 507	10 000 000	Interest paid into current account.
NEDBANK	03/7497571214/000115	6 Months	29-Mar-10	6.75%	29-Sep-10	4 000 000	22 192	4 000 000	Interest paid into current account.
STANDARD	410226	60 Days	19-Apr-10	6.48%	18-Jun-10	10 000 000	53 545	10 000 000	Interest paid into current account.Investment was re-invested for 90 days @ 6.56%
STANDARD	413489	60 Days	10-May-10	6.48%	12-Jul-10	12 000 000	63 912	12 000 000	Interest paid into current account.
STANDARD	417305	90 Days	23-Mar-10	7.12%	22-Jun-10	5 000 000	28 570	5 000 000	Interest paid into current account. Investment re-invested for 90 days @ 6.56%
INVESTEC	1400198080	92 Days	10-May-10	6.61%	10-Aug-10	5 000 000	27 164	5 000 000	Interest paid into current account.
INVESTEC	140019808450	90 Days	12-Apr-10	6.66%	12-Jul-10	10 000 000	54 740	10 000 000	Interest paid into current account.
INVESTEC	1400198080450/DA860434	6 Months	15-Jan-10	7.58%	15-Jul-10	10 000 000	62 301	10 000 000	Interest paid into current account.
INVESTEC	1400198080450/DA869021	Call	31-Mar-10	6.20%	Call	11 000 000	54 696	3 000 000	Interest paid into current account. R8 million was withdrawn on the 30/06/2010 to increase the bank balance
						117 000 000	634 509	101 000 000	

INVESTMENT PORTFOLIO
30-Jun-10

BANK	ACC NO	TYPE OF INVESTMENT	DATE INVESTED	INTEREST RATES	MATURITY DATE	BALANCE 01 JUNE 2010	INTEREST EARNED	BALANCE 30 JUNE 2010	INTEREST ACCRUED	30 June 2010 balance incl accruals	COMMENTS
ABSA	2069733907	90 Days	17-May-10	6.56%	16-Aug-10	10 000 000	53 918	10 000 000	26 959	10 026 959	Interest paid into current account.
ABSA	2068998788	62 Days	15-Jun-10	6.50%	16-Aug-10	7 000 000	33 336	5 000 000	14 247	5 014 247	Interest paid into current account.
ABSA	2069351301	6 Months	18-Jan-10	7.57%	19-Jul-10	8 000 000	49 775	8 000 000	18 251	8 018 251	Interest paid into current account.
ABSA	2070176328	90 Days	29-Jun-10	6.58%	27-Sep-10	10 000 000	52 816	5 000 000	1 803	5 001 803	Interest paid into current account.
FNB	74214054418	60 Days	17-Jun-10	6.48%	16-Aug-10	5 000 000	24 035	4 000 000	9 942	4 009 942	Interest paid into current account.
FNB	74268485916	91 Days	24-May-10	6.51%	23-Aug-10	10 000 000	53 507	10 000 000	12 485	10 012 485	Interest paid into current account.
NEDBANK	03/7497571214/000116	6 Months	29-Mar-10	6.75%	29-Sep-10	4 000 000	22 192	4 000 000	22 192	4 022 192	Interest paid into current account.
STANDARD	415889	90 Days	18-Jun-10	6.56%	17-Sep-10	10 000 000	53 545	10 000 000	23 364	10 023 364	Interest paid into current account.
STANDARD	413489	60 Days	10-May-10	6.48%	12-Jul-10	12 000 000	63 912	12 000 000	63 912	12 063 912	Interest paid into current account.
STANDARD	417305	90 Days	22-Jun-10	6.56%	21-Sep-10	5 000 000	28 570	5 000 000	8 088	5 008 088	Interest paid into current account.
INVESTEC	1400198080	92 Days	10-May-10	6.61%	10-Aug-10	5 000 000	27 164	5 000 000	27 164	5 027 164	Interest paid into current account.
INVESTEC	140019808450	90 Days	12-Apr-10	6.66%	12-Jul-10	10 000 000	54 740	10 000 000	54 740	10 054 740	Interest paid into current account.
INVESTEC	1400198080450/DA860434	6 Months	15-Jan-10	7.58%	15-Jul-10	10 000 000	62 301	10 000 000	62 301	10 062 301	Interest paid into current account.
INVESTEC	1400198080450/DA869021	Call	30-Jun-10	6.20%	Call	11 000 000	54 696	3 000 000	54 696	3 054 696	Interest paid into current account.
						117 000 000	634 509	101 000 000	400 144	101 400 144	

Summary:		6 months	22 000 000	102 744	22 102 744
		90 days	55 000 000	154 603	55 154 603
		60 days	21 000 000	88 101	21 088 101
		30 days	-	-	-
		Call	3 000 000	54 696	3 054 696
			101 000 000	400 144	101 400 144

BANK RECONCILIATION AS AT 30 JUNE 2010

Opening balance - 01 JUNE 2010		5 043 721.28
Plus: Income JUNE 2010	+	17 458 876.28
Minus: Expenditure JUNE 2010	-	14 183 400.32
Closing balance -30 JUNE 2010		8 319 197.24

Cashbook balance		8 319 197.24
Plus: Outstanding cheques	+	5 911 826.81
		14 231 024.05

Plus:

Plus:

Plus:

Minus:

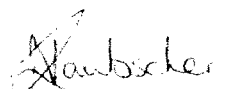
Minus:

Minus:

Balance as per bank statement 30 JUNE 2010

14 231 024.05


2/7/2010


2-7-2010