



# CHAPTER 4

Audited Statements & other Financial Information







## CHAPTER 4:

### BUDGET AND TREASURY DEPARTMENT: REPORT

#### 4. OPERATING AND CAPITAL BUDGET 2010/2011 FINANCIAL YEAR

##### 4.1 2010 / 2011 Budget Report

The requirements for Municipal Budgets are clearly set out in Chapter 4 (Section 15 to 33) of the Municipal Finance Management Act; no 56 of 2003 (MFMA) and all steps were taken to ensure that the Municipality meets these requirements. The municipality has as far as possible compiled the 2010 /2011 MTREF Budget in the format prescribed by National Treasury in terms of Circular 28 and the related regulations.

##### 4.2 **Capital Expenditure**

Council's MIG (Municipal Infrastructure Grant) allocation decreased from the R 24 846 375.00 to R 19 209 000 for the 2010/2011 financial year. It is anticipated that some of the MIG allocation would be used finance the following projects:

Construction Roads in Wards 1,2 & 3	R 8,101,975.00
Sterkspruit Taxi Rank	R 1,909,550.00
Construction Roads Ward 7,8,9 & 12	R 7,472,065.00
Sport Field Lighting	R 514,960.00
Sterkspruit Solid Waste Site	R 250,000.00

An amount of R 44,809,065.00 Capital Expenditure Ex Revenue was budgeted to fund the following projects:

##### Total Capital Budget for Projects

Project: Land Acquisition	-
Project: Upgrading Access Roads 4,5 & 6	-
Project: Extension Offices	R 11,430,200.00
Tools & Equipment	R 1,405,000.00
Infrastructure	R 4,300,000.00
Vehicles, Plant & Equipment	R 502,000.00
Furniture & Office Equipment.	R 1,043,000.00
Project: Khwezi Storm Water (Phase II)	R 3,091,305.00
Project: Constr Roads Ward 1, 2 & 3	R 8,101,975.00
Project: Upgrading Sport Facility Barkly East	-
Project: Surfaced Roads (Phase I)	R 4,600,000.00
Project: Musong Road	-
Project: Driver License Train Centre	R 104,880.00
Project: Pounds	-
Project: Community Halls	-
Project: Internet / Communication	R 84,130.00
Project: Khwezi Storm Water Channel	-
Project: Formal Cemeteries	-
Project: Rossouw Solid Waste Site	-
Project: Sterkspruit Taxi Rank	R 1,909,550.00
Project: Sterkspruit Solid Waste Site	R 250,000.00
Project: Constr Roads Ward 7,8,9&12	R 7,472,065.00



### Total Capital Budget for Projects (Cont.)

Project: Paving Lady Grey	-
Project: Community Centres	-
Project: Paving Barkly East	-
Project: Sport Facilities Sterkspruit	-
Project: Sport Field Lighting	R 514,960.00
Project: Solid Waste Site Rhodes	-
Project: Moghesi Bus Route	-
<b>Total Capital Budget</b>	<b>R 44,809,065.00</b>

It is anticipated that R 18 205 980.00 would go towards the completion of the following housing projects.

<b>Housing</b>	
Project: Housing - Lady Grey 1 000	1,984,417.00
Project: Housing - Herschel 700	6,774,561.00
Project: Housing - Hillside 1 000	10,440,679.00

Council further intends to take up a loan to finance the completion of the office complex. It is foreseen that R 8 381 806 during the 2010/2011 would be required.

### 4.3 Operational expenditure

There is a need to highlight the following in council's operational budget:

- Councillors remuneration amounts to R 7 158 923 of which R 1 778 399.00 is financed by a special allocation to be received from the national government;
- Actual Personnel costs vs. total operational expenditure are 34.65%.
- 2904 Indigent consumers benefit from free basic services. R 9 192 886.00 was actually utilized (Budgeted R 11 412 120.00) will go **directly** to provide services to the (indigent) poorest of the poor as per council Free Basic Service and Indigent Subsidy Support Policy.

### 4.4. Rates and Tariffs

The following budget-related policies have also been reviewed during 2010/2011.

- Integrated Development Plan and Budget Policy;
- Free Basic Service and Indigent Subsidy Support Policy;
- Credit Control and Debt Collection Policy;
- Tariff Policy; and
- Rates Policy.

Increases in services tariffs are as follows:

Water	11 % Increase
Refuse	8 % Increase
Sanitation	11% Increase
Electricity	19% Increase
Rates	8 % Increase
Vacant Erven Rates Charged	1%

#### 4.5. The Budget

Steps were taken to ensure that the requirements of the Municipal Finance Management Act, No 56 of 2003, especially Chapter 4 (section 15 to 33), as well as any MFMA Circulars from National Treasury, were met.

##### 4.5.1. Executive Summary

As required the Budget Executive committee met for the first time in August 2010 during which council's previous year's (2009 / 2010) budget process was evaluated through the BEC (Budget Evaluation Checklist). At the same meeting the Schedule of Key Deadlines were compiled and the budget executive committee, budget technical committee, budget local consultation forum and budget technical consultation forum were established. The Schedule of Key Deadlines, as approved by council in August 2010, as well as an invitation to participate in budget local consultation forum were duly advertised and circulated.

During October to November 2010 the Budget Executive committee, with assistance from ward councillors and ward committees engaged into an outreach program to assess the needs of the community in the following wards:

Ward 1	15 November
Ward 2	16 November
Ward 3	16 November
Ward 4	17 November
Ward 5	1 November
Ward 6	4 November
Ward 7	2 November
Ward 8	15 November
Ward 9	2 November
Ward 11	3 November
Ward 12	4 November
Ward 13	3 November
Ward 14	9 November
Ward 15-16	2 November
Ward 10 –	meetings cancelled

All needs recorded were later prioritised and included in council's Integrated Development Plan.

The budget technical committee has in the addressed various issues required by the Municipal Finance Management Act:

- Reviewing the IDP objectives and strategies;
- Reviewing the Organisational structure;
- Reviewing the Delegation framework;
- Reviewing the Service Delivery and Budget Implementation Plan (SDBIP);
- Reviewing existing and considering new Service Delivery Agreements;
- Considering the establishment of Entities;
- Reviewing existing and compiling new Budget-related policies;
- Considering the Macro and micro economic climate and budget guidelines, requirements and growth parameters;
- Planning the implementation of GFS classifications;
- Considered proposed tariff increases;
- Compile a draft operational and capital budget;
- Prioritise community needs in the IDP.

During March 2011 the draft budget and supporting documents were tabled to the budget executive committee for consideration, discussion and approval.

##### 4.5.2 Disclosure on Allocations Made by the Municipality

Council has entered into the following Service Delivery Agreements under the Budget & Treasury Office

SEBATA	Municipal Finance Management Software & Support	R 207 408.00
CONLOG	Electricity Vending Unit& Software	R 170 913.82
Department of Transport	Registration and Licensing of motor vehicles	R 1 400 614

**Grants allocations are attached as Appendix E of the Annual Financial Statements.**

**a. Disclosure on Salaries, Allowances and Benefits**

All employee related costs is disclosed in Note 28 of the Annual Financial Statements and consists of the following

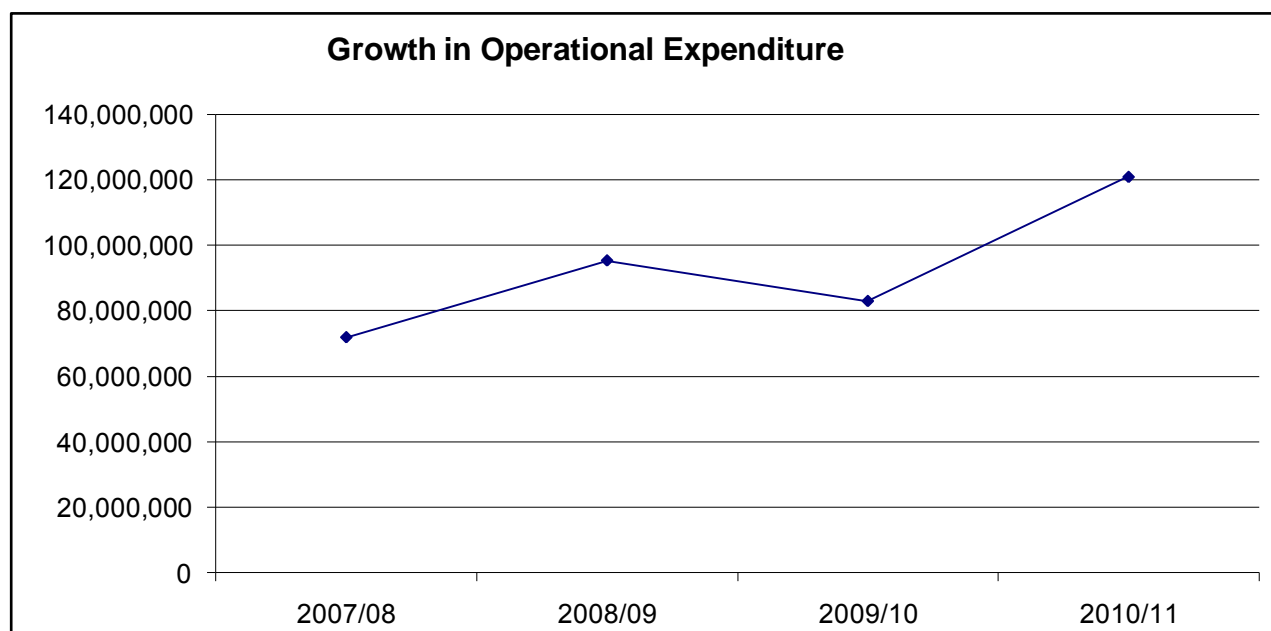
Employee related costs - Salaries and Wages	23 436 149
Employee related costs - Contributions for UIF, pensions and medical aids	4 350 568
Travel, motor car, telephone, assistance and other allowances	81 910
Bonuses	3 403 630
Housing Benefits and Allowances	24 000
Leave Reserve Fund	444 976
Overtime Payments	976 335
Workmen's Compensation Contributions	381 717
Contribution to provision - Long Service Awards - Note 4	149 414
Contribution to provision - Post Retirement Medical - Note 4	1 484 246
<b>Total Employee Related Costs</b>	<b>34 732 945</b>

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**4.6. Operational Expenditure**

Budgeted Operating Expenditure amounted to R 174 294 902 (R 219 104 967 less R 44 809 065 – capital expenditure ex revenue).

The Actual Opex Increased from the Previous Year by 45.83% and by R 38 008 900 in monetary terms from the previous financial year. (R 82 927 550.68 – R 120 936 451)



### Operational Expenditure Analysis:

Operational expenditure analysis	2009/2010	2010/2011	R Variance	% Variance
Employee related costs	(29 794 491.96)	(34 732 944.80)	(4 938 452.84)	16.58%
Remuneration of Councillors	(6 806 862.77)	(7 158 923.45)	(352 060.68)	5.17%
Debt Impairment	(2 331 970.79)	(1 332 556.80)	999 413.99	-42.86%
Depreciation and Amortisation	-	(10 801 695.46)	(10 801 695.46)	
Asset Impairment	-	-	-	-
Repairs and Maintenance	(2 710 301.20)	(3 015 463.57)	(305 162.37)	11.26%
Actuarial losses	(428 519.60)	(48 981.00)	379 538.60	-88.57%
Finance Charges	(28 865.35)	(1 570 656.39)	(1 541 791.04)	5341.32%
Bulk Purchases	(10 327 738.80)	(12 494 708.06)	(2 166 970.26)	20.98%
Grants and Subsidies Paid	(397 057.56)	(798 812.15)	(401 754.59)	101.18%
Other Operating Grant Expenditure	(17 753 299.19)	(33 748 292.53)	(15 994 993.34)	90.10%
General Expenses	(12 348 444.46)	(14 765 959.42)	(2 417 514.96)	19.58%
Loss on disposal of PPE/Investment Property		(458 427.83)	(458 427.83)	
<b>Totals</b>	<b>(82 927 550.68)</b>	<b>(120 927 421.46)</b>	<b>(37 999 870.78)</b>	<b>45.83%</b>

#### 4.6.1 Personnel Expenditure

The current personnel expenditure is pitched at 28.72%.

#### 4.6.2 General Expenditure

The Actual General expenditure has increased by 19.58%

**R 12 348 444 to 15 340 290** which is **12.21%** of the total operating expenditure.

The following aims directly to address projects identified as priorities in Council's Integrated Development Plan:

	Budget Year 2010/11	Budget Year 2009/10	Budget Year 2008/09
Total New Budgeted Assets	44 809 065.00	62 259 990.00	19 223 278.56
Infrastructure - Road transport	25 279 775.00	42 415 610.00	14 825 336.52
Infrastructure - Electricity	4 300 000.00	5 000 000.00	-
Infrastructure - Water	-	-	-
Infrastructure - Sanitation	-	-	-
Infrastructure - Other	250 000.00	-	233 147.75
Infrastructure	29 829 775.00	47 415 610.00	15 058 484.27
Community	514 960.00	11 470.00	564 227.73
Heritage assets	-	-	-
Investment properties	-	-	-
Other assets	14 380 200.00	14 832 910.00	3 403 081.08
Agricultural Assets	-	-	-
Biological assets	-	-	-
Intangibles	84 130.00	-	197 485.48

Free Basic Electricity would continue to be rolled out throughout the municipal area during the 2011/2012 financial year

## Repairs & Maintenance

Repairs & Maintenance	
2010 - 2011 Budget Repairs & Maintenance	3,825,100.00
% Of Budget Spent	78.83%
R Amount Spent	3 015 463.00

### 4.6.3. Capital charges / loan commitments

An external loan in the amount of R 8 381 806 was taken up for Extensions to Offices (Development Bank) during the **2010/2011** financial year.

### 4.6.4. Contributions to Capital Outlay

The **R 44 809 065** (20.45% of total expenditure) was made available for Capital expenditure from Revenue would go directly towards projects identified in council's Integrated Development Plan and is **31.33 %** less than the previous year's allocation of **R 65 259 990**.

## 4.7 Operational Income

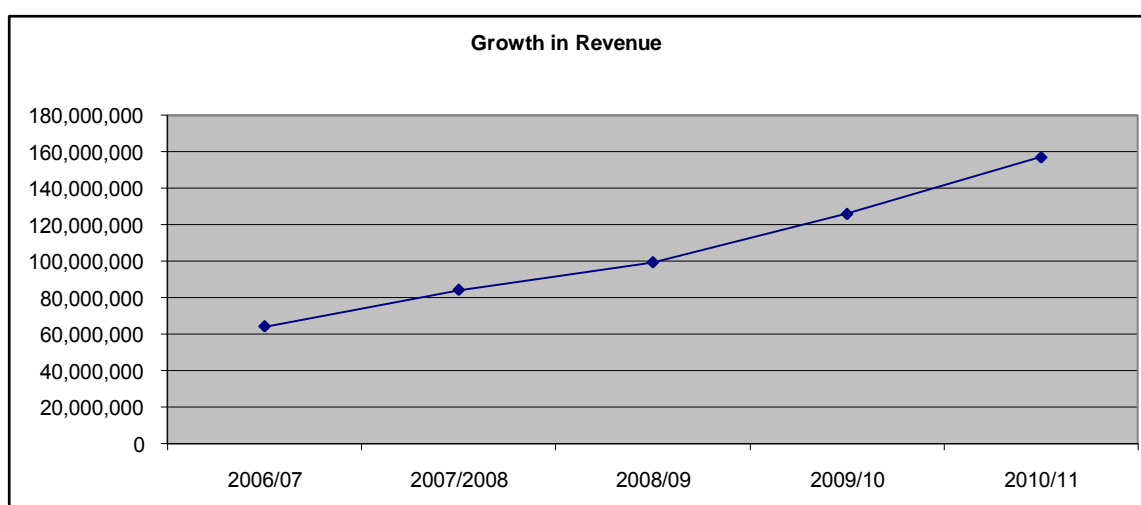
The realistic anticipated revenue of R **157 152 609** is **24.68 % (R 31 109 361) more than the previous financial year and** resulted in an estimated net surplus of R 36 225 187. It includes all sources of income e.g. own revenue, grants, subsidies, agency receipts, donor funds, trust funds, etc.

Operational Income	2009/2010	2010/2011
Property taxes	3 937 597.02	4 197 252.44
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66
Fines	53 516.59	69 300.00
Service Charges	12 036 262.28	16 655 201.56
Water Services Authority Contribution	6 760 616.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82
Interest Earned - external investments	5 087 335.36	4 915 084.11
Interest Earned - outstanding debtors	919 207.42	1 136 907.14
Licences and Permits	1 165 949.75	950 871.32
Agency Services	517 585.02	462 566.39
Other Income	361 125.12	499 824.14
Actuarial Gains		632 639.38
Totals	<u>126 043 247.53</u>	<u>157 152 608.85</u>

## Growth in Operational Income

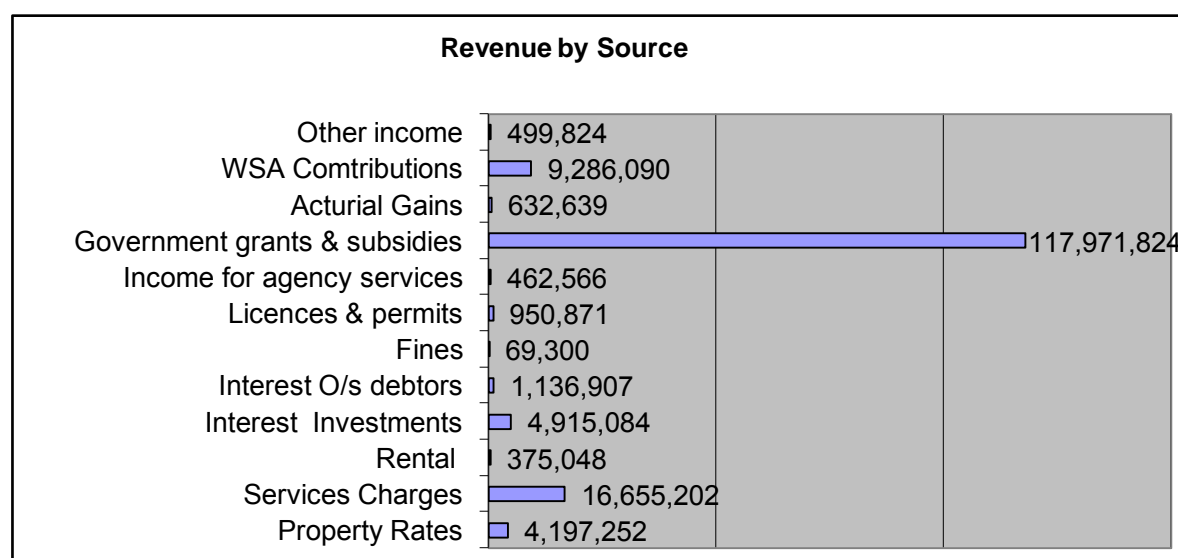
Financial Year	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	24.68%	27%	17.93%





An analysis of Council's revenue sources is as follows:

Revenue By Source		
Operational Income	2009/2010	2010/2011
Property taxes	3 937 597.02	4 197 252.44
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66
Fines	53 516.59	69 300.00
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Other Income	361 125.12	499 854.14
Actuarial Gains		632 639.38
Totals	<u>126 043 247.53</u>	<u>157 152 608.85</u>



#### 4.8. **Equitable Share**

Council's equitable share allocation increased by 22 % (R 66,492,733) and remains Council's major source of income.

Growth in Equitable share allocation:

Equitable Share			
	<b>2009/2010</b>	<b>2010/2011</b>	
Increases	54,621,205	66, 492,733	
% Increase		11,871,528	(21% Increase)

#### 4.8.1. **Other external income / grants / allocations**

It is anticipated that the following external income / grants / allocations would be received during this financial year:

Grant Description	Balance	Transfers	Contributions	Interest	Operating	Capital	Balance
	1 JULY 2010		during the year	on Investments	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 JUNE 2011
<b>CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>							
	R		R	R	R	R	R
<b><u>National Government Grants</u></b>							
Equitable Share	-	-	66 492 733	-	66 492 733	-	-
Municipal Finance Management	433 836	-	1 200 000	-	1 688 259	-	(54 422)
Municipal Infrastructure Grant	(1 821)	-	15 209 000	-	15 474 325	-	(267 14)
Municipal Systems Improvement	(36 320)	-	750 000	-	713 680	-	-
NDPG (Neighbourhood Development Partnership Grant)	-	-	11 000 000	-	3 803 603	-	7 196 397
EPWP (Expanded Public Works Program)	-	-	1 088 000	-	1 088 000	-	-
<b>Total National Government Grants</b>	<b>395 695</b>	<b>-</b>	<b>95 739 733</b>	<b>-</b>	<b>89 260 600</b>	<b>-</b>	<b>6 874 828</b>

Other external income / grants / allocations (Cont.)

Grant Description	Balance	Transfers	Contributions	Interest	Operating	Capital	Balance
Performance Agreements	-	-	-	-	-	-	-
Peach & Vegetable Processing	8 302	-	-	-	-	-	8 302
HoloHlahatsi Agricultural Project	104 517	-	-	-	-	-	104 517
Surveying / Land Audit	-	-	-	-	-	-	-
Heritage Management	229 912	229 912	-	-	-	-	-
Co-op's Development	2 993	-	-	-	-	-	2 993
ProvGov - Housing (Lady Grey)	1 984 417	-	-	-	365 520.11	-	1 618 897
ProvGov - Housing (Hillside)	446 773	-	10 440 679	-	9 606 620.39	-	1 280 832
Implementation Ownership	233 546	-	-	-	135 270	-	98 276
Traffic Test Station (Sterkspruit)	104 879	-	-	-	-	104 879	-
Rossouw Agricultural Project	92 811	-	-	-	-	-	92 811
Herschel People's Housing	6 774 561	-	-	319 752	-	-	7 094 314
Internet/Communication Systems	84 131	-	-	-	-	-	84 131
Plastic Products	1 410 047	-	-	-	241 367	962 600	206 080
Provincial Roads (Musong Road)	-	-	20 985 990	-	15 591 452	-	5 394 538
IEC Elections	-	-	750 000	-	750 000	-	-
Greenest Municipality	-	-	200 000	-	200 000	-	-
Small Town	-	-	100 489	-	-	-	100 489
<b>Total Provincial Government Grants</b>	<b>11 476 889</b>	<b>229 912</b>	<b>32 477 158</b>	<b>319 752</b>	<b>26 890 229</b>	<b>1 067 479</b>	<b>16 086 181</b>
<b>District Municipality Grants</b>							
Commonage Management Plan	59 781	-	-	-	1 725	-	58 056
Municipal Support Programme	83 650	-	-	-	21 792	-	61 858
Tourism	-	-	20 000	-	20 000	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	-	-	-	87 383
IDP	-	-	50 000	-	50 000	-	-
Libraries	-	-	660 000	-	660 000	-	-
<b>Total District Municipality Grants</b>	<b>230 815</b>		<b>730 000</b>	<b>-</b>	<b>753 517</b>	<b>-</b>	<b>207 297</b>
<b>Total</b>	<b>12 103 399</b>	<b>229 912</b>	<b>128 946 891</b>	<b>319 752</b>	<b>116 904 346</b>	<b>1 067 479</b>	<b>23 168 306</b>



**4.8.2. Own income**

Council's sound financial management since establishment during December 2000 has led to the stage where various activities and projects could be financed from its own income, reserve funds and accumulated surplus funds. Own income is based on the actual income received during the 2010 / 2011 financial year.

**4.8.3 Occupational Income Analysis**

Operational Income	2009/2010	2010/2011
Property taxes	3 937 597.02	4 197 252.44
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66
Fines	53 516.59	69 300.00
Service Charges	12 036 262.28	16 655 201.56
Water Services Authority Contribution	6 760 616.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82
Interest Earned - external investments	5 087 335.36	4 915 084.11
Interest Earned - outstanding debtors	919 207.42	1 136 907.14
Licences and Permits	1 165 949.75	950 871.32
Agency Services	517 585.02	462 566.39
Other Income	361 125.12	499 824.14
Actuarial Gains		632 639.38
Totals	<u>126 043 247.53</u>	<u>157 152 608.85</u>

**Operational increase / Growth R 32 504 437**

Financial Year	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	24.68%	27%	17.93%

**4.9. Water Service Authority (WSA)**

The estimated expenditure for rendering the water and sanitation services have been forwarded to the WSA: Joe Gqabi District Municipality. The tariffs were increased as follows:

Tariff Increased

Water - Increased by 11%

Sanitation - Increased by 11%

A new agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the municipality. Prior to that date the municipality acted as an agent for the Joe Gqabi District Municipality..

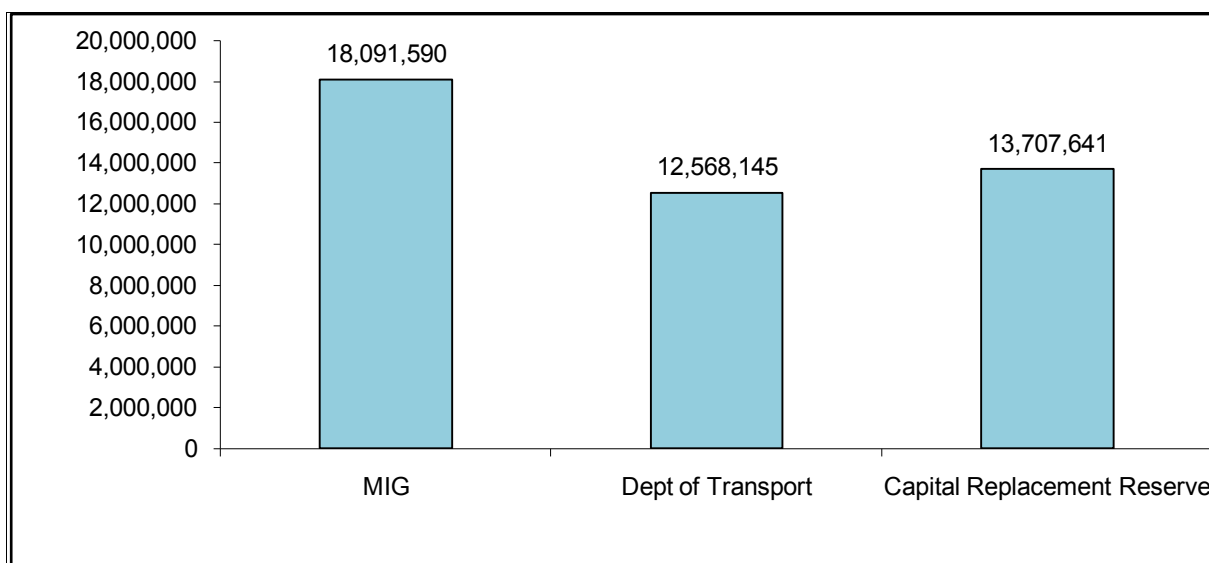
Currently the rendering of these services continues uninterrupted, notwithstanding the extensive challenges that have faced the water-related targets, and notwithstanding the overall poor quality of water (having improved).

**4.9.1. 2010 / 2011 Capital Budget**

The capital budget R 44 367 376 is funded as follows:

18 248 550 MIG
4 497 880 Loan Office Complex
4 165 535 Electricity Loan
1 389 010 unspent Conditional Grant

The R 44 367 376 is funded as follows:



#### 4.10. 2010/ 11 Financial Results

##### 4.10.1 2010 /2011 Financial Statements

The Annual Financial Statements for the period ended 30 June 2011 was compiled and submitted to the Municipal Manager on the 31<sup>st</sup> August 2011 where after it was reviewed in terms of section 166(2)(b) by the audit committee. In September 2011 the statements will presented to, discussed and approved by the municipal council of Senqu Municipality. Signed approved copies were thereafter forwarded to the National Treasury, Provincial Treasury and Auditor General.

A copy of these statements is attached to the Annual Report as **Annexure B**.

##### 4.10.2 Operational results

The Municipality estimated a revenue budget of R212 105 359 million in the 2010/11 financial year. However, due to the global economic crisis and the ongoing implementation of improving the billing system together with the credit control policy, only 74.09% of the estimated budget was achieved. The provision for bad debts has increased to R7 082 636. The Municipality only managed to spend 69.39% of its Operating expenditure Budget.

- Employee Related costs**

A savings of 3.41 % of the employee related costs is due to funded vacant posts. The Municipality has experienced major difficulty in attracting suitable qualified personnel.

- Repairs and maintenance**

In the financial year ending 2010/2011 the municipality has expensed 78.83%% of its repairs and maintenance budget. An action plan has been drawn up to execute a well-planned programme for repairs and maintenance in the 2009/10 financial year. The municipality has embarked on a stringent maintenance campaign of its infrastructure assets.

Revenue	2010/2011 Budget	2010/2011 Actual	% Variance Actual to Budget	2009/2010 Actual
TOTAL REVENUE	192 029 824	157 252 609	-18.16	60 579 076
TOTAL EXPENDITURE	174 295 902	120 927 421	-30.62	43 378 511
OPERATING SURPLUS	17 733 922	36 225 188		17 200 565

#### 4.10.3 Operating Income Results

##### Analysis of Operating Revenue & Expenditure for year ended June 2011

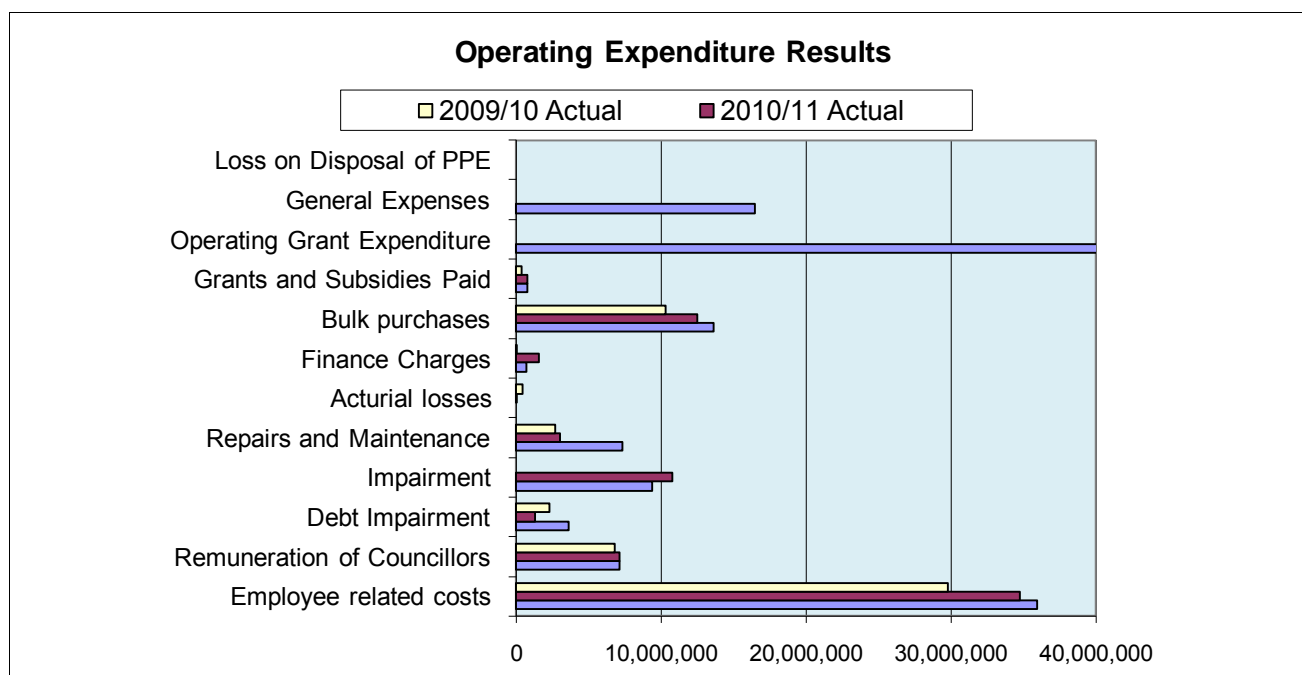
##### Operating Revenue Results

Operational Income	2009/2010	2010/2011	Budget 2010-2011	Budget Variance
Property taxes	3 937 597.02	4 197 252.44	5 209 485.00	-19.43%
Government Grants and Subsidies - Capital	34 378 128.30	41 478 066.89	19 209 000.00	115.93%
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	123 045 244.00	-37.83%
Fines	53 516.59	69 300.00	20 000.00	246.50%
Service Charges	12 036 262.28	16 655 201.56	27 206 780.00	-38.78%
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 049 425.00	2.62%
Rental of Facilities and Equipment	541 542.26	375 047.82	211 000.00	-77.75%
Interest Earned - external investments	5 087 335.36	4 915 084.11	4 800 000.00	2.40%
Interest Earned - outstanding debtors	909 207.42	1 136 907.14	923 080.00	23.16%
Licences and Permits	1 165 949.75	950 871.32	1 000 000	-4.91%
Agency Services	517 585.02	462 566.39	500 000.00	-7.79%
Other Income	361.125.12	499 824.14	11 911 830.00	-95.80%
Actuarial Gains		632 639.38	9 019 515.00	-92.99%
<b>Totals</b>	<b>126 043 247.53</b>	<b>157 152 608.85</b>	<b>212 105 359.00</b>	<b>-25.91%</b>

#### 4.10.4 Operating Expenditure Results

	Actual 2009 - 2010	Actual 2010 - 2011	Budget 2010 - 2011	% Variance
Employee related costs	(29 794 491.96)	(34 732 944.80)	(35 960 287.00)	-3.41%
Remuneration of Councillors	(6 806 862.77)	(7 158 923.45)	(7 161 105.00)	-0.03%
Debt Impairment	(2 331 970.79)	(1 332 556.80)	(3 643 830.00)	-63.43%
Depreciation and Amortisation	-	(10 810 725.35)	(9 412 270.00)	12.93%
Asset Impairment		-		
Repairs and Maintenance	(2 710 301.20)	(3 015 463.57)	(7 325 100.00)	-58.83%
Actuarial losses	(428 519.60)	(48 981.00)	-	
Finance Charges	(28 865.35)	(1 570 656.39)	(702 575.00)	123.56%
Bulk Purchases	(10 327 737.80)	(12 494 708.06)	(13 655 670.00)	-8.50%
Grants and Subsidies Paid	(397 057.56)	(798 812.15)	(800 000.00)	0.15%
Other Operating Grant Expenditure	(17 753 299.19)	(33 748 292.53)	(67 668 535.00)	-50.13%
General Expenses	(12 348 444.46)	(14 765 959.42)	(16 488 450.00)	-10.45%
Loss on disposal of PPE/Investment Property		(458 427.83)		
	<b>(82 927 550.68)</b>	<b>(120 936 451.35)</b>	<b>(162 817 822.00)</b>	<b>-25.72%</b>





#### 4.10.5 Capital expenditure and financing

The expenditure on assets occurred during the financial year amounted to **R31 841 232**, R12 372 442 less than the previous year expenditure of R44 213 674. The actual expenditure is 71.05% of what was budgeted for (R44 809 065) and consists of the following:

	2010 - 2011 Budget	Audit Outcome 2009 - 2010
<b>Capital Expenditure - Standard</b>	-	
<b>Governance and administration</b>	<b>12 481 330</b>	<b>8 769 556</b>
Executive and council	11 495 200	8 052 267
Budget and treasury office	784 130	507 355
Corporate services	202 000	209 934
<b>Community and public safety</b>	<b>617 960</b>	<b>128 957</b>
Community and social services	103 000	95 802
Sport and recreation	514 960	22 326
Public safety	-	10 829
Housing	-	-
Health	-	-
<b>Economic and environmental services</b>	<b>23 973 470</b>	<b>27 151 430</b>
Planning and development	1 265 000	1 785 588
Road transport	22 708 470	25 365 842
Environmental protection	-	-
<b>Trading services</b>	<b>7 736 305</b>	<b>8 163 731</b>
Electricity	4 355 000	1 511 330
Water	-	24 724
Waste water management	3 091 305	4 918 505
Waste management	290 000	1 709 172
<b>Other</b>	<b>-</b>	<b>-</b>
	<b>44 809 065</b>	<b>44 213 674</b>

**R9 972 140** of the budgeted **R18 205 980** for housing projects (**54.77%**) was spent on three housing projects currently in progress. The Department of Housing, Local Government and Traditional Affairs finance all three housing projects.

#### 4.10.6 Funds and reserves

Full detail of Council's Statutory Funds, Reserves and Trust Funds are reflected within the Annual Financial Statements (Page 164).

The following contributions were made towards council's Funds and Reserves:

<b><u>Reserves</u></b>	
Capital Replacement Reserve	56 463 739
Employee Benefits Reserve	5 644 845
Government Grant Reserve	
Housing Development fund	
Non-Current Provisions Reserve	
Public Contributions Reserve	
Revaluations Reserve	844 413
Social Contribution Reserve	
Capitalisation Reserve	
Valuation Roll Reserve	689 618
<b>Totals</b>	<b>63 642 616</b>

All Council's Funds and Reserves are cash backed by investments and / or cash in the bank.

#### 4.10.7. Investments and cash

Council's primary bank account is held at Standard Bank, Lady Grey. The existing signatories on all bank and investment accounts are:

- M MYawa                      Municipal Manager
- C R Venter                  Chief Financial Officer
- C N Sbukwana              Accountant: Expenditure/SCM
- A K Fourie                  Budget & Treasury Officer

Required that any two of the above-mentioned signatories authorize any payment or transfer from any of Council's bank or investment accounts.

Investments & Cash	2010 - 2011
<b>Standard Bank - Lady Grey Branch</b> <b>Account Number 28 063 130 8</b>	
Cash book balance at beginning of year	404,461
Cash book balance at end of year	2,275,326
Bank statement balance at beginning of year	357,219
Bank statement balance at end of year	2,156,859

<u>Call Investment Deposits</u>	
Call investment deposits consist out of the following accounts:	<b>2010 - 2011</b>
Standard Bank 388489162/0	56,706,989
Standard Bank 388489731/0	51,024,339
Standard Bank 388486066/0	6,139,029
Totals	<b>113,870,357</b>

Investments are held at:  
Standard Bank, Lady Grey; and  
StanLIB, Queenstown.

#### SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011
<b>ANNUITY LOANS</b>							
DBSA loan	Floating	103126/1	2031	8 336 579	8 381 806	310 587	16 407 798
<b>Total Annuity Loans</b>				<b>8 336 579</b>	<b>8 381 806</b>	<b>310 587</b>	<b>16 407 798</b>
<b>LEASE LIABILITY</b>							
Finance Leases				-	91 610	18 172	73 438
<b>Total Lease Liabilities</b>				<b>-</b>	<b>91 610</b>	<b>18 172</b>	<b>73 438</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>8 336 579</b>	<b>8 473 416</b>	<b>328 758</b>	<b>16 481 236</b>

#### 4.10.8 Long-term debtors

Council has policies in place, which entitle Section 57 employees and full-time councillors (Mayor and Speaker) to apply for housing and motor vehicle loans financed from Council's Revolving fund. These loans are repayable over a period of five years (60 months) at an interest rate of 8.00%. Details are as follows:

Debtor	Purpose	Outstanding as at 30 June 2011	Outstanding as at 30 June 2009	Outstanding as at 30 June 2008
J van Rensburg	Housing	13 695	30 434.82	45 587.78
<b>TOTAL</b>		<b>13 695</b>	<b>30 434.82</b>	<b>45 587.78</b>

It is anticipated that full outstanding amount of this loan would be recovered during the 2011 - 2012 financial year.



**Service Receivables / Consumer Debtors**

The following trade debtors were due to council as at 30 June 2011:

Debtor	Purpose	Amount
Joe Gqabi District Municipality	WSA Services rendered	R 9 286 090.00
<i>Service Receivables / Consumer Debtors</i>	2010 - 2011	2009 - 2010
Electricity	3,777,618	3,236,848
Water	1,906,602	1,618,924
Housing Rentals	219,456	307,184
Refuse	2,471,194	2,064,517
Sewerage	1,813,583	1,475,902
Other Arrears	1,370,585	7,835,990
Joe Gqabi District Municipality (Water Services Authority)	-	6,760,616
Balance previously reported		6,577,052
Reversal of 2008/2009 Agency Fee balance represented by the Nett difference in debtors and impairment provision - Note 38.09		183,564
Gariiep Municipality (R 700 000 Short-term operating loan including interest)	788,724	719,813
Payments in advance	581,862	355,560
Other	-	-
Total Service Receivables	11,559,037	16,539,365
Less: Allowance for Doubtful Debts	(7,082,635)	(6,435,725)
Net Service Receivables	4,476,402	10,103,640

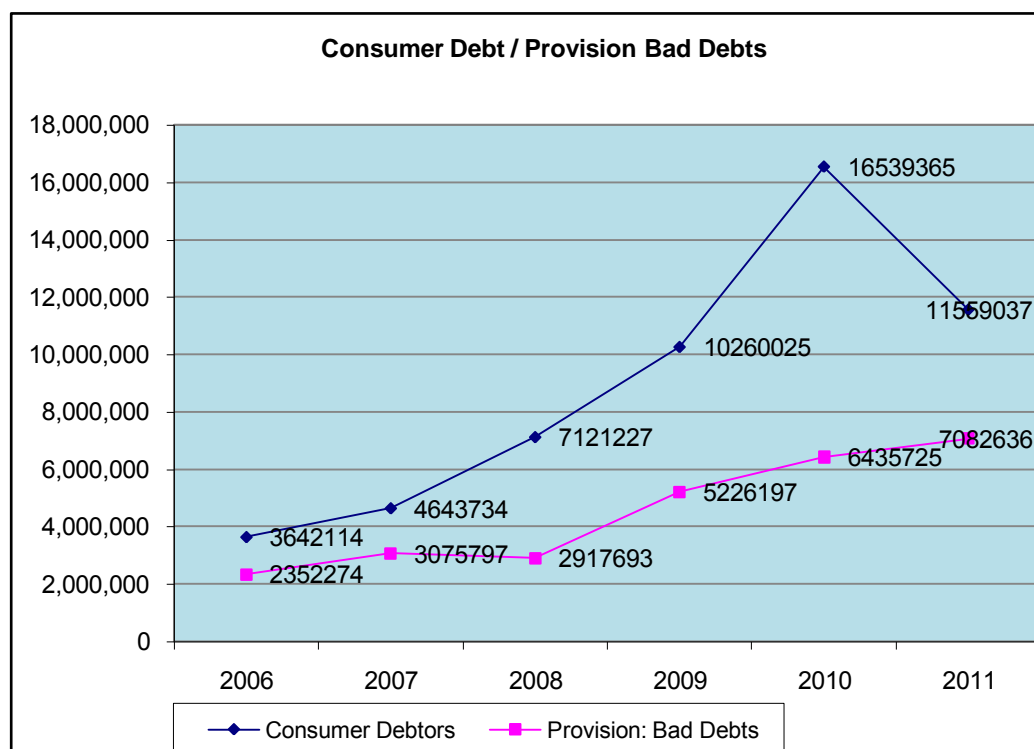
**Consumer debtors**

Council's total Service receivables have again decreased by **30.86%** (R 4 980 328) from **R 16 539 365** to **R 11 559 037** during this financial year (Without taking into consideration allowance for doubtful debts) and the age-analysis thereof are as follows:

**Ageing of Receivables from Exchange Transactions**

<b>Electricity: Ageing</b>		
Current (0 – 30 days)	1 890 074	1 239 631
31 – 60 days	622 588	466 202
61 – 90 days	283 935	361 110
+ 90 days	1 395 260	1 354 803
Payment received in advance	(414 238)	(184 898)
<b>Total</b>	<b>3 777 618</b>	<b>3 236 848</b>
<b>Water: Ageing</b>		
Current (0 – 30 days)	245 311	187 841
31 – 60 days	79 661	70 866
61 – 90 days	52 780	67 796
+ 90 days	1 601 339	1 365 629
Payment received in advance	(72 489)	(73 209)
<b>Total</b>	<b>1 906 602</b>	<b>1 618 924</b>
<b>Housing Rentals: Ageing</b>		
Current (0 – 30 days)	11 569	23 758
31 – 60 days	6 445	29 134
61 – 90 days	4 942	22 188
+ 90 days	249 193	277 209
Payment received in advance	(52 693)	(45 104)
<b>Total</b>	<b>219 456</b>	<b>307 184</b>
<b>Refuse: Ageing</b>		
Current (0 – 30 days)	185 938	152 827
31 – 60 days	85 673	91 902
61 – 90 days	62 823	74 160
+ 90 days	2 167 751	1 780 447
Payment received in advance	(30 991)	(34 819)
<b>Total</b>	<b>2 471 194</b>	<b>2 064 517</b>
<b>Sewerage: Ageing</b>		
Current (0 – 30 days)	90 195	66 832
31 – 60 days	50 977	45 738
61 – 90 days	37 026	40 867
+ 90 days	1 646 836	1 339 996
Payment received in advance	(11 450)	(17 531)
<b>Total</b>	<b>1 813 583</b>	<b>1 475 902</b>
<b>Other: Ageing</b>		
Current (0 – 30 days)	581 862	7 116 176
31 – 60 days		
61 – 90 days		
+ 90 days	788 724	719 813
Payment received in advance		
<b>Total</b>	<b>1 370 585</b>	<b>7 835 990</b>
<b>Reconciliation of Provision for Bad Debts</b>		
<b>Balance at beginning of year</b>	6 435 725	2 470 466
Contribution to provision	646 910	1 707 888
Transfer from Joe Gqabi District Municipality		2 257 372
<b>Balance at end of year</b>	<b>7 082 636</b>	<b>6 435 725</b>

Provision was also made for bad debt for the all consumer debt exceeding 90 days:



#### 4.11 Provisions

At year-end the following provisions were made for expenditure that would incur during the 2010/2011 financial year:

Purpose	Amount
Leave	1,810,405
Performance Bonuses	2,242,421
Post-Retirement Benefits	164 196
Long Service Awards	200,699
Compensation for Injured on Duty	795,319

##### 4.11.1. Trade creditors

An amount of R 582 197.30 had not been paid to various trade creditors at year-end.

##### 4.11.2 Consumer deposits

An amount of R 341 819 as at 30 June 2011 is held as deposits on water and electricity services rendered to consumers.

#### 4.12. Audit Reports and Corrective Actions

The auditing of the financial statements for the period ended 30 June 2011 has commenced during August 2011 and the Report of the Auditor-General of Senqu Municipality for the Financial Year ended 30 June 2011 is enclosed in the Annual report pages 239 to 370.

##### 4.12.1 Corrective Actions

The Report of the Auditor-General is currently being dealt with by the Audit Committee.



#### 4.13 Challenges

The following is seen as the challenges that need to be accomplished during the 2010/11 financial year:

- Compliance and implementation of the **Municipal Finance Management Act (MFMA)**
- Compliance to GRAP
- Implementation/conversion to GRAP. Senior financial staff continue to be sent for training on the implementation thereof and if needed the expertise of external service providers would be called upon to assist the department;
- Various new and existing **policies will be compiled/reviewed** and the all stakeholders will be consulted as required;
- **Training** of staff within the finance department would continue and is already underway. Capacity building within the finance department is council's and management's first priority;
- Implementation of a comprehensive **Information Technology (IT) system** has been completed and further development so to enable council to be as independent as possible from external service providers;
- All **assets** are bar-coded and listed as required for the implementation of GRAP
- GRAP compliant Assets register in place
- Finalization of Measurable performance objectives
- Departmental SDBIP'S for 2010/2011 completed, monitor, evaluated and report on implementation during 2010/2011;
- Population of Performance Scorecards and Agreements for s57
- To correct deficiencies in the risk management and internal controls - and the maintenance of effective, efficient and transparent systems of financial and risk management and internal control.
- Develop strategies /plans to address Audit Queries raised in the Budget & Treasury Department.
- Develop a strategy to deal with sound financial management and expenditure control and means to increase revenue and external funding

#### 4.14. Concluding Remarks

The award of an unqualified audit report for two consecutive years illustrates the positive strides made towards ensuring that financial management remains a prioritized area of functioning and application within Senqu Municipality:

As per the legislative requirements and prescriptions every effort is being made to ensure that the following financial management strategic objectives and targets are prioritized:

- Annual overview on Risk Management and an Implementation Plan
- Monitoring of financial viability re- debt coverage and expenditure control.
- Implementation of Revenue Management Strategies to enhance Revenue.
- Efforts to facilitate full GRAP compliance.
- The development and ongoing review of all required Financial Policies.

**C R VENTER**  
**CHIEF FINANCIAL OFFICER**

## BID/SERVICE PROVIDERS REPORTING 2010/2011

Total number of times that the Tender Committee met during 2010/2011

Evaluation Committee : 12 Times

Adjudication Committee: 6 times

Total number of tenders considered 2010/2011 - 61

Total number of tenders approved 2010/2011 - 37

Average time taken from tender advertisement to award of tender 2010/2011 : +/- 2 Months

BID Committee Membership			
Bid Specification Committee Members	Bid Evaluation Committee Members	Bid Adjudication Committee Members	
CR Venter (CFO)	CR Venter (CFO)	MM Yawa ( MM)	
P Brooks (PMU Manager)	P Brooks (PMU Manager)	CR Crozier (Director Tech Serv)	
K Fourie (BTO)	K Fourie (BTO)	CLN Gologolo(Director Community Serv)	
D Oertel (Manager IT)	D Oertel (Manager IT)	ML Theron (Director Corp Serv)	
NV Languza (SCM Demand & Acquisition)	NV Languza (SCM Demand & Acquisition)	CN Shukwana (SCM Manager)	
Head of Department of the Advertised tender		NV Languza (SCM Demand & Acquisition)	

MUNICIPAL NOTICE NUMBER	DESCRIPTION	ADJUDICATION COMMITTEE: PROVIDER APPOINTED	%SERVICE PROVIDERS PROGRESS/ PERFORMANCE	VARIANCE/ COMMENTS
88/2009	Extension of Time Claim No 1 Additional Offices & Council Chamber	BC Masakhane Builders JV	100%	0%
88/2009	Extension of Time Claim No 2 Additional Offices & Council Chamber	BC Masakhane Builders JV	100%	0%
110/2009	Office Furniture	Infovision, Bloemfontein	100%	0%
118/2010	Senqu Branded Dairies & Calenders 2011	Gcuks Trading 123, Queenstown	100%	0%
02/2011	Profiling Senqu Municipality	Re-advertised	0%	0%
29/2011	Development of Governance Framework	Re-advertised	0%	0%
30/2011	Advance SCM Training for Adjudication, Specification & Evaluation Committees	Altimax, Centurion	100%	0%
	Compile Sect 46 Report and Revise & Restructure the Performance Scorecards	Charmaine van Schalkwyk Consulting,	100%	0%
85/2010	Section 57 Manager's Evaluation	Charmaine van Schalkwyk Consulting	100%	0%
67/2010	Purchase nine (9) Plastic Injection Molds	Inadequate funding : tender readvertised	100%	0%
110/2010	Office Furniture	Priority items to be selected and listed for evaluation	100%	0%
120/2010	Profiling Senqu Municipality	Re-advertised	0%	100%
122/2010	Development SDBIP	Charmaine van Schalkwyk Consulting	100%	0%
21/2011	Compilation of Annual Report 2009/2010	Charmaine van Schalkwyk, Consulting	100%	0%
22/2011	Section 57 Managers Evaluation for 2009/2010	Charmaine van Schalkwyk Consulting	100%	0%
27/2011	Small Town Development Plan for Barkly East	Re-advertised	0%	100%
57/2011	Compilation of Annual Report 2010/11	Time constraints: Charmaine van Schalkwyk Consulting	100%	0%

MUNICIPAL NOTICE NUMBER	DESCRIPTION	ADJUDICATION COMMITTEE: PROVIDER APPOINTED	%SERVICE PROVIDERS PROGRESS/ PERFORMANCE	VARIANCE/ COMMENTS
132/2010	Profiling Senqu Municipality	Re-advertised. Tender exceeds budget available	0%	100%
18/2011	Small Town Development Plan for Barkly East	Re-advertised. Tender exceeds budget available	0%	100%
	Holol Hlahatsi Dam Project	Re-advertised - Non-Compliance with SCM Policy	0%	100%
121/2010	Legal services	Director of Corporate Services to advise evaluation committee if tender requirements are met	0%	100%
46/2011	Purchase of Stationary	Barkley East Reporter/First Wave	100%	0%
	Assistance with GRAP Implementation	Mubeko Africa / Meyer Otto	100%	0%
131/2010	CCTV for Barkly East Traffic Department	Re-advertise	0%	100%
17/2011	CCTV for Barkly East Traffic Department	First Wave Technology	100%	0%
53/2011	Disposal of Capital Assets	As per List	100%	0%
15/2010A	Construction Musong Road 1/7.75km asphalt surfaced road	Dibanani Consulting	100%	0%
15/2010B	Construction Musong Road 2 -	Dibanani Consulting – Bobi Construction / Sphamandla Joint Venture, Kimberley	90%	10%
75/2010	Purchase new Cherry Picker / Platform	Amandal Access, Tyger Valley	100%	0%
76/2010	Purchase new LDV	Amandal Access, Tyger Valley	100%	0%



MUNICIPAL NOTICE NUMBER	DESCRIPTION	ADJUDICATION COMMITTEE: PROVIDER APPOINTED	%SERVICE PROVIDERS PROGRESS/ PERFORMANCE	VARIANCE/ COMMENTS
88/2010	Purchase PPE	Flynn's Cleaning & Safety. Bloemfontein		
15/2010A	Surfaced road	Nucon Roads & Civils / Sphamandla JV.	100%	0%
15/2010B	Construction Musong Road 2 -	Nucon Roads & Civils / Sphamandla JV.	100%	0%
84/2010	Storm Water Pipes & Half Round Channels	Exceeds Budgeted Amount	100%	0%
41/2009	Variation Order no. 1 Gravel Roads: Wards 7, 8, 9 & 12	WDR Earthmoving, Barkly East	100%	0%
41/2009	Variation Order No. 2: Gravel Roads : Wards 7,8 9 & 12	WDR Earthmoving, Barkly East	100%	0%
38/2009	Variation Order No. 2: Roads and Storm water : KweziNaledi	Izilenzi Construction	100%	0%
38/2009	Variation Order No. 3. : Road and Stormwater KweziNaledi	Izilenzi Construction	100%	0%
15/2010A	Construction of Musong Road 1 /7.75 km asphalt surfaced road	Sphamandla and WC Joint Venture appointed	100%	0%
109/2010	Vehicle Tracking / Fleet Management	Re-advertised	0%	100%
116/2010	Tools & Paint	Thathasela Industrial Trade	100%	0%
117/2010	Storm Water Pipes & Half Road Round Channels	Re-advertised	100%	0%
119/2010	8 Ton Truck & Crane	Dampier Nissan, Aliwal North	100%	0%
130/2011	Overalls Safety Gloves & Safety Boots	Lapcon Safety, Mthatha	100%	0%
03/2011	Storm Water Pipes & Half Round Channels	Rocia, De Aar	100%	0%
14/2011	Design and documentation for stormwater control in Sterkspruit	Vuba Imagineers / Dibanani Consulting JV.	100%	0%
16/2011	Storm Water Control Khwezi-Naledi (Phase 3)	Vuba Imagineers / Dibanani Consulting JV.	100%	0%
19/2011	Supply & Delivery One Double Cab LDV	Hertzog Bridge Garage, Aliwal North	100%	0%

MUNICIPAL NOTICE NUMBER	DESCRIPTION	ADJUDICATION COMMITTEE: PROVIDER APPOINTED	%SERVICE PROVIDERS PROGRESS/ PERFORMANCE	VARIANCE/ COMMENT S
32/2011	Sterkspruit Taxi Rank & Hawkers Facilities	Ngelethu Construction (Pty) Ltd, Zastron	40%	60%
47/2011	Purchase of Bacteriological Inoculants	Silver Solution & Construction, Aliwal North	100%	0%
48/2011	Construction of Surfaced Roads in Sterkspruit	Bobbi Construction, Kimberley	100%	0%
49/2011	Construction of surfaced and gravel roads in Kwezi-Naledi, Lady Grey	Bobbi Construction, Kimberley	75%	25%
92/2010	Paints & Tools	Re-advertise Non-Compliance with SCM Policy	100%	0%
28/2011	Replaced hoist cable high mast light in Barkley East	Re-advertise No Tenders were received	100%	0%
54/2011	Purchase Landscaping Equipment	Re-advertise No Tenders were received	100%	0%
73/2010	Renovation of Nkululeko Community Hall	Poenies Builders, Queenstown	100%	0%
80/2010	Development Electronic Cemetary Register	Inadequate Funding / No Specifications	0%	0%
80/2010	Electronic Cemetary Register	Review specifications / Tenders have not met	0%	0%
15/2011	Lighting Sportfields Khwezi-Naledi	DFR Engineers, Eastern Cape	30%	70%
20/2011	Renovation of toilets at Patrick Shibane Facilities	Mandarema Trading 128C, Herschell	100%	0%
31/2011	Repair of incinerator for Barkley East Solid Waste Site	Lady Grey Joinery & Construction, Lady Grey	100%	0%