

CHAPTER  
5

FINANCIAL PERFORMANCE  
REPORT

FIRST DRAFT

## BUDGET AND TREASURY DIRECTORATE: REPORT

### 5. OPERATING AND CAPITAL BUDGET 2011/2012 FINANCIAL YEAR

#### 5.1 2011/2012 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 2011/2012 MTREF Budget in the format prescribed by National Treasury in terms of Circular 28 and the related regulations.

#### 5.2.1 Capital Expenditure

Council's MIG (Municipal Infrastructure Grant) allocation increased from R 19 209 000 to R 23 102 000 for the 2011/2012 financial year. It is anticipated that some of the MIG allocation would be used finance the following projects:

Project: Khwezi Storm Water (Phase II)	7 150 000.00
Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
Project: Constr Roads Ward 1, 2 & 3 (Ph 1)	496 335.00
Project: Sterkspruit Taxi Rank	9 738 566.00
Khwezi Naledi Sport Field Lighting	2 918 071.00
Sterkspruit Solid Waste Site	124 070.00

An amount of R 41 057 664 Capital Expenditure Ex Revenue was budgeted to fund the following projects:

Total Capital Budget for Projects

4103	Tools & Equipment	320 500.00
4104	Infrastructure	1 500 000.00
4105	Vehicles, Plant & Equipment	3 058 000.00
4106	Furniture & Office Equipm.	890 870.00
4107	Project: Khwezi Storm Water (Phase II)	12 604 194.00
4108	Project: Constr Roads Ward 1, 2 & 3	496 335.00
4110	Project: Surfaced Roads (Phase I)	3 761 756.00
4112	Constr Access Roads Wards 7,8,9&12 (Ph 4)	1 093 957.00
4118	Fleet Bay	450 000.00
4150	Project: Driver License Train Centre	1 800 000.00
4152	Community Halls	500 000.00
4153	Project: Internet / Communication	84 131.06
4157	Sterkspruit Taxi Rank (Phase 1)	11 455 780.00
4158	Project: Sterkspruit Solid Waste Site	124 070.00
4164	Khwezi Naledi Sport Field Lighting	2 918 071.00

It is anticipated that R 17 494 043 would go towards the completion of the following housing projects.

Project: Housing - Lady Grey 1 000	1 618 897.34
Project: Housing - Herschel 700	7 094 313.68
Project: Housing - Hillside 1 000	8 780 832.00

Council further intends to take up a loan to finance the completion of the office complex. It is foreseen that R 281 615 during the 2011/2012 would be required.

5.3 **Operational expenditure**

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

- Councillors remuneration amounts to R 8 993 676 of which R 2 226 000 is financed by a special allocation to be received from the national government;
- Actual Personnel costs vs. total operational expenditure are 37.27%.

- 2898 Indigent consumers benefit from free basic services. R 11 933 506 was actually utilized (Budgeted R 13 605 676) will go **directly** to provide services to the (indigent) poorest of the poor as per council Free Basic Service and Indigent Subsidy Support Policy.

5.4. **Rates and Tariffs**

The following budget-related policies have also been reviewed during 2011/2012.

- 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	10 % Increase
Sanitation	11% Increase
Electricity	20.38% Increase
Rates	8 % Increase
Vacant Erven Rates Charged	1.08%

5.5. **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.

5.5.1. **Executive Summary**

As required the Budget Executive committee met in August 2011 during which council's previous years (2010 / 2011) 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 2011, as well as an invitation to participate in budget local consultation forum were duly advertised and circulated.

During October to November 2011 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 in financial year 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.

5.5.2 **Disclosure on Allocations Made by the Municipality**

Council has entered into the following Service Delivery Agreements under the Budget & Treasury Office  
**Could not establish amounts in time**

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

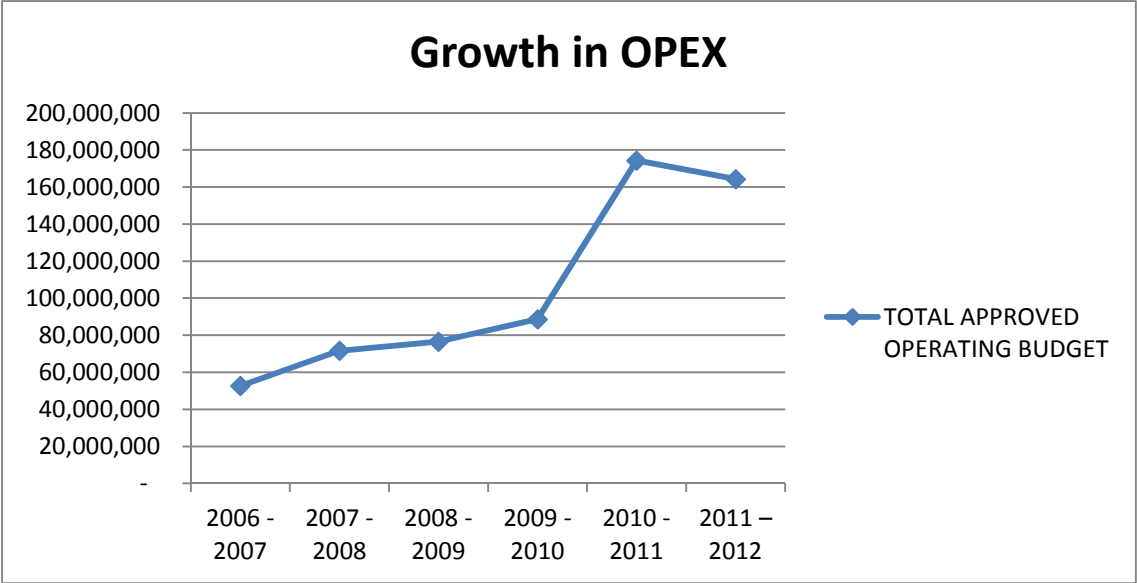
Employee related costs - Salaries and Wages	20 128 969
Employee related costs - Contributions for UIF, pensions and medical aids	4 009 645
Travel, motor car, telephone, assistance and other allowances	84 050
Bonuses	2 465 989
Housing Benefits and Allowances	17 539
Leave Reserve Fund	1 490 886
Overtime Payments	481 905
Workmens Compensation Contributions	348 508
Contribution to provision - Long Service Awards - Note 4	236 705
Contribution to provision - Post Retirement Medical - Note 4	1 528 836
<b>Total Employee Related Costs</b>	<b>30 793 033</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.

5.6. **Operational Expenditure**

Budgeted Operating Expenditure amounted to R 164 315 116 (R 205 372 780 less R 41 057 664 – capital expenditure ex revenue).

The Actual Opex Increased from the Previous Year by 9.07% and by R 10 968 609 In monetary terms from the previous financial year.(R 131 905 060 – R 120 936 451)



**Operational Expenditure Analysis:**

Employee Related Costs	(40 775 916)	(45 460 099)	4 684 183	-10%
Remuneration of Councillors	(8 386 846)	(8 565 156)	178 310	-2%
Debt Impairment	(3 638 197)	(5 264 520)	1 626 323	-31%
Depreciation and Amortisation	(11 675 067)	(13 028 700)	1 353 633	-10%
Impairment	(116 766)		(116 766)	100%
Repairs and Maintenance	(3 597 561)	(3 101 953)	(495 608)	16%
Actuarial losses	(935 818)	(428 520)	(507 298)	118%
Finance Charges	(1 717 717)	(1 914 745)	197 028	-10%
Bulk Purchases	(15 130 377)	(17 303 100)	2 172 723	-13%
Grants and Subsidies Paid	(731 837)	(734 000)	2 163	0%
Other Operating Grant Expenditure	(26 240 396)	(46 678 843)	20 438 447	-44%
General Expenses	(18 873 280)	(21 835 480)	2 962 200	-14%
Loss on disposal of PPE/Investment Property	(85 282)	-	(85 282)	100%
<b>Totals</b>	<b>(131 905 060)</b>	<b>(164 315 116)</b>	<b>32 495 337</b>	<b>-20%</b>

**5.6.1 Personnel Expenditure**

The current personnel expenditure is pitched at 37.27%.



5.6.2 General Expenditure

The Actual General expenditure has increased by **27.82%**  
**R 14 765 959 to 18 873 280** which is **11.19%** of the total operating expenditure.

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

	Budget Year 2011/12	Budget Year 2010/11	Budget Year 2009/10	Budget Year 2008/09
Total New Budgeted Assets	41 057 664.06	44 809 065.00	62 259 990.00	19 223 278.56
Infrastructure - Road transport	31 212 022.00	25 279 775.00	42 415 610.00	14 825 336.52
Infrastructure - Electricity	1 500 000.00	4 300 000.00	5 000 000.00	-
Infrastructure - Water	-	-	-	-
Infrastructure - Sanitation	-	-	-	-
Infrastructure - Other	124 070.00	250 000.00	-	233 147.75
Infrastructure	32 836 092.00	29 829 775.00	47 415 610.00	15 058 484.27
Community	3 418 071.00	514 960.00	11 470.00	564 227.73
Heritage assets		-	-	-
Investment properties		-	-	-
Other assets	4 719 370.00	14 380 200.00	14 832 910.00	3 403 081.08
Agricultural Assets		-	-	-
Biological assets		-	-	-
Intangibles	84 131.06	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	
2011 - 2012 Budget Repairs & Maintenance	3 101 953
% Of Budget Spent	115.97%
R Amount Spent	3 597 561

5.6.3. Capital charges / loan commitments

No new / Additional External Loans were taken up during the **2011/2012** financial year.

5.6.4. Contributions to Capital Outlay

The **R 41 057 664** (19.99% 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 8.37% less than the previous year's allocation of **R 44 809 065**.

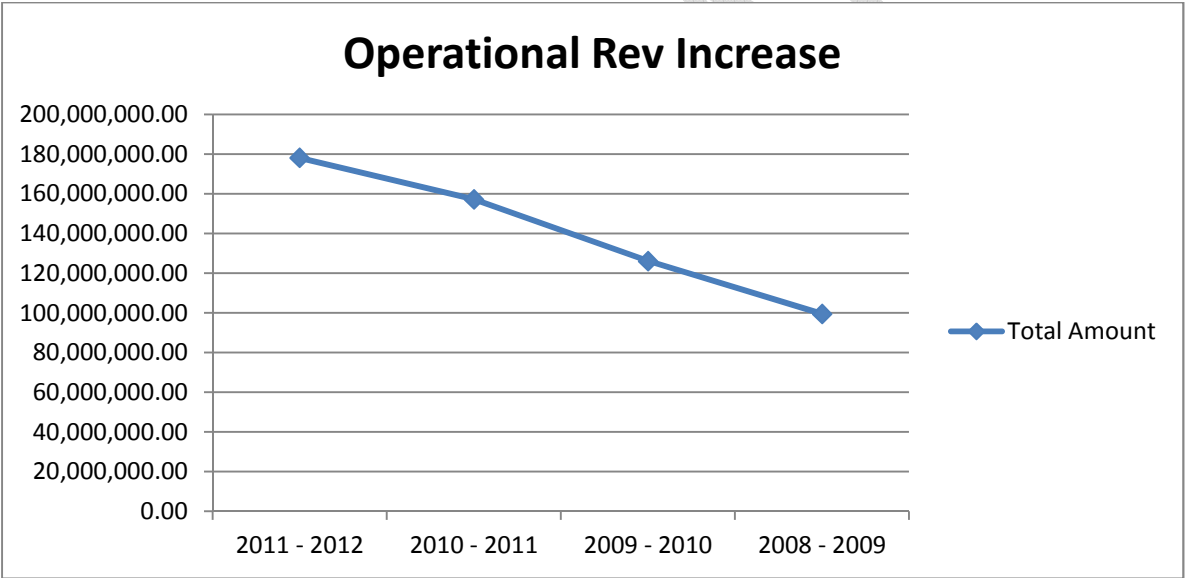
5.7 Operational Income

The realistic anticipated revenue of R **195 281 854** is **1.69 % (R 3 252 030) more than the previous financial year and** resulted in an estimated net surplus of R 46 148 530. 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	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00
Agency Services	517 585.02	462 566.39	579 595.50
Other Income	361 125.12	499 824.14	688 992.23
Actuarial Gains		632 639.38	
Totals	<u>126 043 247.53</u>	<u>157152 608.85</u>	<u>178 053 591</u>

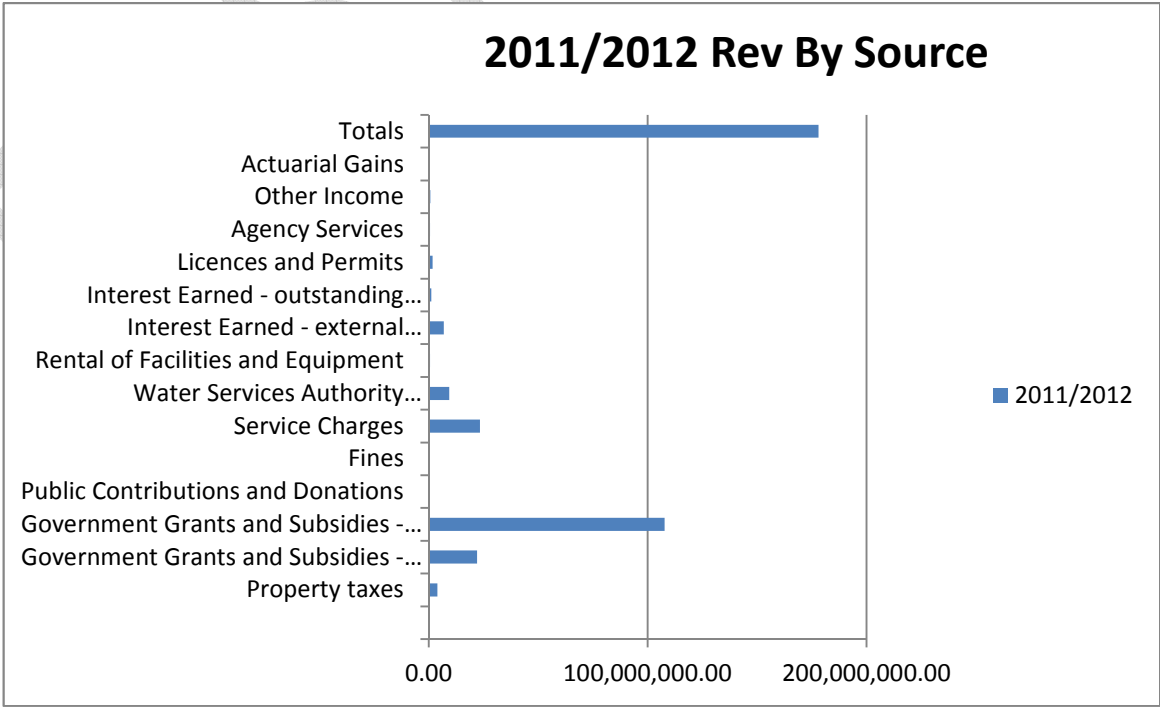
Growth in Operational Income

Financial Year	2011 - 2012	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	178 053 590.58	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	13.30%	24.68%	27%	17.93%



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

Operational Income	2009/2010	2010/2011	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
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Actuarial Gains		632 639.38	
	<u>126 043 247.53</u>	<u>157 152 608.85</u>	<u>178 053 591</u>



5.8. **Equitable Share**

Council’s equitable share allocation increased by 19.10% (R 79 190 000) and remains Council’s major source of income.

Growth in Equitable share allocation:

Equitable Share	2009/2010	2010/2011	2011/2012
Increases	54,621,205	66, 492,733	79 190 000
% Increase		11,871,528, 21% Increase	12 697 267 , 19.10% Increase

5.8.1. **Other external income / grants / allocations**

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

**SENQU MUNICIPALITY**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2011 R	Contributions during the year R	Interest on Investments R	Operating Expenditure during the year transferred to revenue R	Capital Expenditure during the year transferred to Revenue R	Balance 30 June 2012 R
<b>CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>						
<b><u>National Government Grants</u></b>						
Equitable Share	-	79 190 000	-	79 190 000	-	-
Municipal Finance Management	(54 422)	1 450 000	-	1 395 578	-	-
Municipal Infrastructure Grant	(267 146)	23 102 000	-	1 155 100	22 021 883	(342 129)
Municipal Systems Improvement	-	790 000	-	790 000	-	-
NDPG (Neighbourhood Development Partnership Grant)	7 196 397	2 900 000	-	1 931 571	-	8 164 825
EPWP (Expanded Public Works Program)	-	1 625 000	-	1 625 000	-	-
<b>Total National Government Grants</b>	<b>6 874 828</b>	<b>109 057 000</b>	<b>-</b>	<b>86 087 249</b>	<b>22 021 883</b>	<b>7 822 696</b>

## DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003/Cont.....

<b>Provincial Government Grants</b>							
Peach & Vegetable Processing	8 302	-	-	-	-	-	8 302
HoloHlahatsi Agricultural Project	104 517	-	-	-	-	-	104 517
Co-op's Development	2 993	-	-	-	-	-	2 993
Prov Gov - Housing (Lady Grey)	1 618 897	-	-	-	1 618 897	-	-
Prov Gov - Housing (Hillside)	1 280 832	5 762 799	-	-	6 213 391	-	830 240
Implementation Ownership	98 276	-	-	-	45 060	-	53 216
Rossouw Agricultural Project	92 811	-	-	-	43 230	-	49 582
Herschel People's Housing	7 094 314	-	318 187	-	-	-	7 412 501
Internet/Communication Systems	84 131	-	-	-	-	84 131	-
Plastic Products	206 080	-	-	-	115 913	-	90 167
Provincial Roads (Musong Road)	5 394 538	6 753 994	-	-	12 085 399	-	63 134
Greenest Municipality	-	300 000	-	-	-	-	300 000
Second Economy Regeneration (LED)	100 489	106 591	-	-	97 218	-	109 862
Clean Audit	-	95 000	-	-	-	-	95 000
<b>Total Provincial Government Grants</b>	<b>16 086 181</b>	<b>13 018 384</b>	<b>318 187</b>	<b>-</b>	<b>20 231 023</b>	<b>84 131</b>	<b>9 107 599</b>

## DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003/Cont.....

<b>District Municipality Grants</b>							
Commonage Management Plan	58 056	-	-	-	12 000	-	46 056
Municipal Support Programme	61 858	-	-	-	61 858	-	-
Joe Gqabi DM - District Call Centre	87 383	-	-	-	87 383	-	-
Libraries	-	1 278 873	-	-	1 278 873	-	-
<b>Total District Municipality Grants</b>	<b>207 297</b>	<b>1 278 873</b>	<b>-</b>	<b>-</b>	<b>1 440 115</b>	<b>-</b>	<b>46 056</b>
<b>Total</b>	<b>23 168 306</b>	<b>123 354 257</b>	<b>318 187</b>	<b>-</b>	<b>107 758 386</b>	<b>22 106 014</b>	<b>16 976 351</b>

### 5.8.2. 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 2011/2012 financial year.

### 5.8.3 Occupational Income Analysis

Operational Income	2009/2010	2010/2011	2011/2012
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27
Public Contributions and Donations			50 000.00
Fines	53 516.59	69 300.00	50 455.00
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00
Agency Services	517 585.02	462 566.39	579 595.50
Other Income	361 125.12	499 824.14	688 992.23
Actuarial Gains		632 639.38	
Totals	<u>126 043 247.53</u>	<u>157 152 608.85</u>	<u>178 053 591</u>



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

Financial Year	2011 - 2012	2010 - 2011	2009 - 2010	2008 - 2009
Total Amount	178 053 590.58	157 152 608.85	126 043 247.53	99 477 610.00
% Increase/decrease	13.30%	24.68%	27%	17.93%

**5.9. 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%

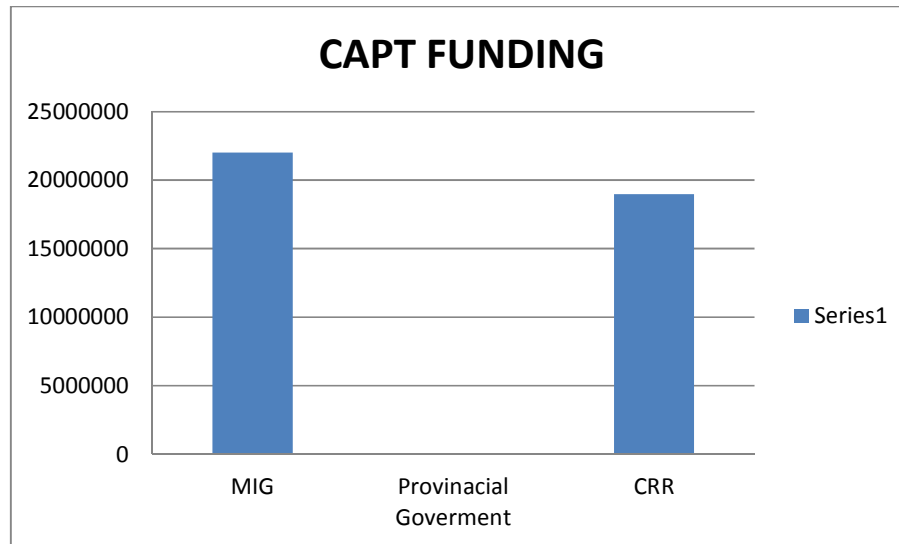
A new agreement was entered into, with effect from 1 July 2009, with the Joe Gqabi District Municipality whereby the municipality acts as a contractor for the delivering of the Water and Sewerage functions with risks and rewards being transferred to the municipality. Prior to that date the municipality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

**5.9.1. 2011/2012 Capital Budget**

The capital budget R 41 057 664 is funded as follows:

<b>22 006 900MIG</b>
<b>84 131 Provincial Government</b>
<b>18 966 633 Internally Generated Funds</b>

The R 41 057 664 is funded as follows:



#### 5.10. **2010/ 11 Financial Results**

##### 5.10.1 **2011/2012 Financial Statements**

The Annual Financial Statements for the period ended 30 June 2012 was compiled and submitted to the Municipal Manager and the Audit Committee on the 30<sup>th</sup> August 2012 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 on the 31<sup>st</sup> August 2012 forwarded to the National Treasury, Provincial Treasury and Auditor General.

A copy of these statements is attached to the Annual Report as Appendices: Volume 11.

##### 5.10.2 **Operational results**

The Municipality estimated a revenue budget of R 195 281 854 million in the 2011/12 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 91.17% of the estimated budget was achieved. The provision for bad debts has increased to R 10 586 448. The Municipality only managed to spend 80.28% of its Operating expenditure Budget.

- **Employee Related costs**

A savings of 10.3 % 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 2011/2012 the municipality has expensed 115.97% 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 2012/13 financial year. The municipality has embarked on a stringent maintenance campaign of its infrastructure assets.

Revenue	2011/2012 Budget	2011/2012 Actual	% Variance Actual to Budget	2009/2010 Actual
Total revenue	195 281 854	178 053 591	-9%	157 152 609
Total expenditure	164 315 116	131 905 060	-20%	121 004 806
Operating surplus	30 966 738	46 148 530		36 147 803

### 5.10.3 Operating Income Results

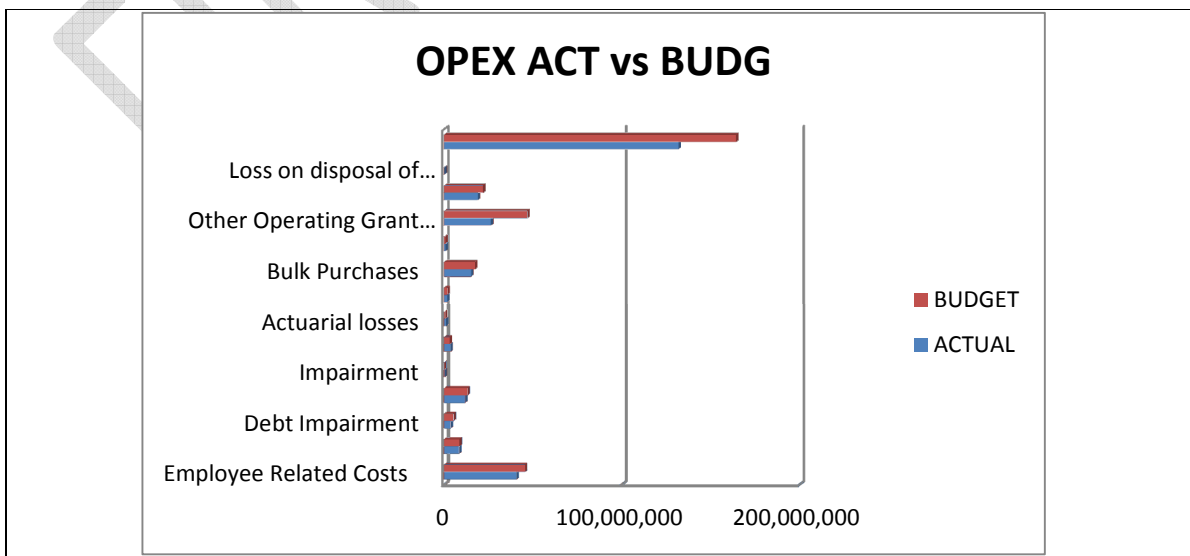
#### Analysis of Operating Revenue & Expenditure for year ended June 2012

#### Operating Revenue Results

Operational Income	2009/2010	2010/2011	2011/2012	Variances
Property taxes	3 937 597.02	4 197 252.44	4 001 011.16	-4%
Government Grants and Subsidies - Capital	34 378 128.30	41 478 065.89	22 106 014.23	0%
Government Grants and Subsidies - Operating	60 284 382.41	76 493 758.66	107 758 386.27	-14%
Public Contributions and Donations			50 000.00	0%
Fines	53 516.59	69 300.00	50 455.00	102%
Service Charges	12 036 262.28	16 655 201.56	23 335 928.38	-4%
Water Services Authority Contribution	6 760 616.00	9 286 090.00	9 286 090.00	-5%
Rental of Facilities and Equipment	541 542.26	375 047.82	558 046.38	109%
Interest Earned - external investments	5 087 335.36	4 915 084.11	6 790 249.46	6%
Interest Earned - outstanding debtors	919 207.42	1 136 907.14	1 168 563.97	37%
Licences and Permits	1 165 949.75	950 871.32	1 680 258.00	70%
Agency Services	517 585.02	462 566.39	579 595.50	41%
Other Income	361 125.12	499 824.14	688 992.23	3%
Actuarial Gains		632 639.38		
Totals	<u>126 043 247.53</u>	<u>157 152 608.85</u>	<u>178 053 591</u>	-9%

#### 5.10.4 Operating Expenditure Results

	Actual	Budget	Variance R	%
Employee Related Costs	(40 775 916)	(45 460 099)	4 684 183	-10%
Remuneration of Councillors	(8 386 846)	(8 565 156)	178 310	-2%
Debt Impairment	(3 638 197)	(5 264 520)	1 626 323	-31%
Depreciation and Amortisation	(11 675 067)	(13 028 700)	1 353 633	-10%
Impairment	(116 766)		(116 766)	100%
Repairs and Maintenance	(3 597 561)	(3 101 953)	(495 608)	16%
Actuarial losses	(935 818)	(428 520)	(507 298)	118%
Finance Charges	(1 717 717)	(1 914 745)	197 028	-10%
Bulk Purchases	(15 130 377)	(17 303 100)	2 172 723	-13%
Grants and Subsidies Paid	(731 837)	(734 000)	2 163	0%
Other Operating Grant Expenditure	(26 240 396)	(46 678 843)	20 438 447	-44%
General Expenses	(18 873 280)	(21 835 480)	2 962 200	-14%
Loss on disposal of PPE/Investment Property	(85 282)	-	(85 282)	100%
<b>Totals</b>	<b>(131 905 060)</b>	<b>(164 315 116)</b>	<b>32 495 337</b>	<b>-20%</b>



#### 5.10.5 Capital expenditure and financing

The expenditure on assets occurred during the financial year amounted to **R 38 223 475**, R 6 382 243 more than the previous year expenditure of R 31 841 232. The actual expenditure is 93.09% of what was budgeted for (R41 057 664) and consists of the following:

CAPITAL EXPENDITURE	(Actual)	(Budget)	(Variance)	(%)
Executive & Council	101 609	150 000	(48 391)	-32%
Planning & Development	39 126	55 870	(16 744)	-30%
Corporate Services	464 004	550 000	(85 996)	-16%
Housing			-	0%
Public Safety			-	0%
Budget & Treasury	459 688	534 131	(74 444)	-14%
Road Transport	31 296 180	33 302 022	(2 005 842)	-6%
Water			-	0%
Electricity	1 316 720	1 560 500	(243 780)	-16%
Community & Social Services	588 521	615 000	(26 479)	-4%
Sport & Recreation	2 837 721	2 918 071	(80 350)	-3%
<b>Waste Management</b>	<b>1 119 906</b>	<b>1 372 070</b>	<b>(252 164)</b>	<b>-18%</b>
<b>TOTAL</b>	<b><u>38 223 475</u></b>	<b><u>41 057 664</u></b>	<b><u>(2 834 189)</u></b>	<b><u>-7%</u></b>

**R 6 213 391** the budgeted **R 17 494 043** for housing projects (**35.51%**) was spent on three housing projects currently in progress. The Department of Housing, Local Government and Traditional Affairs finance all three housing projects.

#### 5.10.6 **Funds and reserves**

Full detail of Council's Statutory Funds, Reserves and Trust Funds are reflected within the Annual Financial Statements (Page 36 ).

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

<b>RESERVES</b>	
Capital Replacement Reserve	75 142 035
Employee Benefits Reserve	11 645 194
Government Grant Reserve	
Housing Development fund	
Non-Current Provisions Reserve	
Public Contributions Reserve	
Revaluations Reserve	1 221 307
Social Contribution Reserve	
Capitalisation Reserve	
Valuation Roll Reserve	919 491
<b>TOTAL RESERVES</b>	<b>88 928 027</b>

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

#### 5.10.7. **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 M Yawa     | Municipal Manager           |
| • C R Venter   | Chief Financial Officer     |
| • C N Subkwana | Accountant: Expenditure/SCM |
| • A K Fourie   | Budget & Treasury Officer   |

Required that at least the signature of the Municipal Manager or CFO together with any one of the above-mentioned signatories authorize any payment or transfer from any of Councils bank or investment accounts..

<b>Investments &amp; Cash</b>	<b>2011 - 2012</b>
<b>Standard Bank - Lady Grey Branch Account Number 28 063 130 8</b>	
Cash book balance at beginning of year	2 275 326
Cash book balance at end of year	903 394
Bank statement balance at beginning of year	2 156 859
Bank statement balance at end of year	2 825 633

<b><u>Call Investment Deposits</u></b>	<b>2011 - 2012</b>
<b>Call investment deposits consist out of the following accounts:</b>	
Standard Bank 388489162/0	64 516 516
Standard Bank 388489731/0	54 019 271
Standard Bank 388486066/0	6 457 216
<b>Totals</b>	<b>124 993 004</b>

Investments are held at:

Standard Bank, Lady Grey; and  
StanLIB, Queenstown.

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2011</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2012</b>
<b>ANNUITY LOANS</b>							
DBSA loan	Floating	103126/1	2031	16 407 798	281 615	698 212	15 991 202
<b>Total Annuity Loans</b>				<b>16 407 798</b>	<b>281 615</b>	<b>698 212</b>	<b>15 991 202</b>
<b>LEASE LIABILITY</b>							
Finance Leases			2013	73 438	-	29 500	43 938
<b>Total Lease Liabilities</b>				<b>73 438</b>	<b>-</b>	<b>29 500</b>	<b>43 938</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>16 481 236</b>	<b>281 615</b>	<b>727 712</b>	<b>16 035 140</b>

**5.10.8 Long-term debtors**

The Municipality has no long term Debtors at the end of the financial year 2011/2012:



## Service Receivables / Consumer Debtors

The following trade debtors were due to council as at 30 June 2012

SERVICE RECEIVABLES	2011-2012	2010-2011
Electricity	6 923 785	3 777 618
Water	2 512 603	1 906 602
Housing Rentals	251 795	219 456
Refuse	3 059 131	2 471 194
Sewerage	2 238 134	1 813 583
Other Arrears	10 825 739	1 519 852
Gariep Municipality (R 700 000 Short-term operating loan including interest)	857 634	788 724
Joe Gqabi District Municipality (Water Services Authority)	9 286 090	-
Payments in advance	588 723	581 862
Other	93 291	149 266
Balance previously reported	-	-
3 year maintenance contract for Conlog transferred to Prepaid expense - Note 39.02	-	149 266
<b>Total Service Receivables</b>	<b>25 811 187</b>	<b>11 708 303</b>
Less: Allowance for Doubtful Debts	(10 586 448)	(7 082 635)
<b>Net Service Receivables</b>	<b><u>15 224 739</u></b>	<b><u>4 625 668</u></b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation:

# Ageing of Receivables from Exchange Transactions

## Ageing of Receivables from Exchange Transactions

### Electricity (Ageing)

	2012 R	2011 R
Current (0 - 30 days)	2 602 875	1 890 074
31 - 60 Days	788 489	622 588
61 - 90 Days	491 711	283 935
+ 90 Days	3 444 629	1 395 260
Payment received in advance	(403 919)	(414 238)
<b>Total</b>	<b>6 923 785</b>	<b>3 777 618</b>

### Water (Ageing)

Current (0 - 30 days)	387 518	5 311
31 - 60 Days	89 123	79 661
61 - 90 Days	74 711	52 780
+ 90 Days	2 047 407	601 339
Payment received in advance	(86 155)	(72 489)
<b>Total</b>	<b>2 512 603</b>	<b>1 906 602</b>

### Housing Rentals (Ageing)

Current (0 - 30 days)	11 741	11 569
31 - 60 Days	11 206	6 445
61 - 90 Days	5 599	4 942
+ 90 Days	284 454	249 193
Payment received in advance	(61 205)	(52 693)
<b>Total</b>	<b>251 795</b>	<b>219 456</b>

### Refuse(Ageing)

Current (0 - 30 days)	208 255	185 938
31 - 60 Days	97 296	85 673
61 - 90 Days	77 490	62 823
+ 90 Days	2 703 684	2 167 751
Payment received in advance	(27 593)	(30 991)
<b>Total</b>	<b>3 059 131</b>	<b>2 471 194</b>

### Sewerage(Ageing)

Current (0 - 30 days)	99 454	90 195
31 - 60 Days	56 253	50 977
61 - 90 Days	47 728	37 026
+ 90 Days	2 044 550	1 646 836
Payment received in advance	(9 850)	(11 450)
<b>Total</b>	<b>2 238 134</b>	<b>1 813 583</b>

### Others(Ageing)

Current (0 - 30 days)	588 723	581 862
+ 90 Days	857 634	188 724
<b>Total</b>	<b>1 446 358</b>	<b>1 370 585</b>

### Reconciliation of Provision for Bad Debts

Balance at beginning of year	7 082 635	6 435 725
Contribution to provision	3 781 095	646 910
Bad Debts (written off)	(277 283)	-
<b>Balance at end of year</b>	<b>10 586 448</b>	<b>7 082 635</b>

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

#### 5.11 **Provisions**

At year-end the following provisions were made for expenditure that would incur during the 2011/2012 financial year:

<b>Provision</b>	
Current Portion of Rehabilitation of Landfill-sites - Note 5	6 497 749
<b>Total Provisions</b>	<b>6 497 749</b>

#### 5.11.1. **Payables from exchange transactions**

An amount of R 3 244 387 had not been paid to various trade creditors at year-end.

#### 5.11.2 **Consumer deposits**

An amount of **R 532 757** as at 30 June 2011 is held as deposits on water and electricity services rendered to consumers.

#### 5.12. **Audit Reports and Corrective Actions**

The auditing of the financial statements for the period ended 30 June 2012 has commenced during August 2011 and the Report of the Auditor-General of Senqu Municipality for the Financial Year ended 30 June 2012 is enclosed in the Annual report **pages ???**

#### 5.12.1 **Corrective Actions**

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

#### 5.13 **Challenges**

The following is seen as the challenges that need to be accomplished during the 2011/12 financial year:

- Ongoing Compliance and implementation of the **Municipal Finance Management Act** (MFMA)
- Full Compliance 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. 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;
- GRAP compliant Assets register in place
- Departmental SDBIP'S for 2011/2012 completed, monitor, evaluated and report on implementation during 2011/2012;
- 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 Directorate.
- Develop a strategy to deal with sound financial management and expenditure control and means to increase revenue and external funding

#### **5.14. 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**

FIRST DRAFT