

**OFFICE OF THE CHIEF FINANCIAL OFFICER**

**Date:** 11 January 2013

**Submission to the Section 80 Committee**

**SECTION 52 QUARTERLY INCOME REPORT AS AT END DECEMBER 2012**

**Purpose**

To table the Section 52 quarterly income report as at end December 2012 to the Section 80 Committee for consideration.

**Background**

According to MFMA Section 52 the Accounting officer must quarterly submit a report in the prescribed format to the Mayor and council explaining the financial standing of the municipality for the quarter.

**Discussion**

**1 CURRENT SITUATION**

The following table shows the actual income vs. the budgeted income:

	Cash Budget for the Year	Cash Budget Year to Date	Actual Year to Date	Variance Actual vs Budget Year to Date
<b>INCOME</b>				
Property Rates	13 621 196	3 405 299	1 897 446	1 507 853
Water	9 747 161	2 436 790	1 184 847	1 251 943
Sewerage	8 779 969	2 194 992	876 956	1 318 036
Refuse	6 339 846	1 584 962	668 461	916 501
Subsidies/Grants	94 858 000	23 714 500	29 514 000	-5 799 500
Projects	50 521 000	12 630 250	7 669 963	4 960 287
Transfer		0	14 439 067	
Sundry	11 180 111	2 795 028	155 680	2 639 348
<b>Total Income</b>	<b>195 047 283</b>	<b>48 761 821</b>	<b>41 967 353</b>	<b>6 794 468</b>

The above table can be analyzed as follows:

The amount of income that did not realized this quarter is R 4 994 333

The grants received are R 5 799 500 higher than the budget but this is due to the fact that the Equitable Share up to March 2013 and the full FMG and MSIG had been received.

Payment Rates against the budget without indigent subsidies for the quarter:

Property Rates:	55.72
Water:	48.62
Sewer:	39.95
Refuse:	42.18
Average without indigents:	48.09

The above figures are shown as per the budget which was set at 75%. From the above it can be seen that the collection rate is currently 48.09% against the budget.

#### 1.1 OTHER INCOME STATISTICS

The following table displays the actual income received per unit for the last quarter and also the payment rate:

Unit	Oct 12	Nov 12	Dec 12	Total
Bethulie	110 387	106 064	95 171	311 622
Edenburg	105 277	117 089	79 919	302 285
Fauresmith	93 399	68 668	78 214	240 281
Gariep Dam	143 446	200 179	217 001	560 626
Jagersfontein	61 323	64 412	65 930	191 665
Philipollis	64 903	56 919	43 366	165 188
Reddersburg	112 973	101 728	72 750	287 451
Springfontein	37 069	29 135	25 185	91 389
Trompsburg	102 593	74 724	83 072	260 389
<b>Total</b>	<b>831 370</b>	<b>818 918</b>	<b>760 608</b>	<b>2 410 896</b>
Direct Dep.	815 728	673 685	727 401	2 216 814
Indigents	242 350	242 350	242 350	727 050
<b>Total</b>	<b>1 889 448</b>	<b>1 734 953</b>	<b>1 730 359</b>	<b>5 354 760</b>
<b>Levies</b>	<b>3 681 795</b>	<b>3 751 665</b>	<b>3 613 973</b>	<b>11 047 433</b>
<b>Payment Rate With Indigents</b>	<b>51.32</b>	<b>46.24</b>	<b>47.88</b>	<b>48.47</b>
<b>Payment Rate Without Indigents</b>	<b>44.74</b>	<b>39.79</b>	<b>41.17</b>	<b>41.89</b>

The following table displays the number of indigents as on 31 December 2012

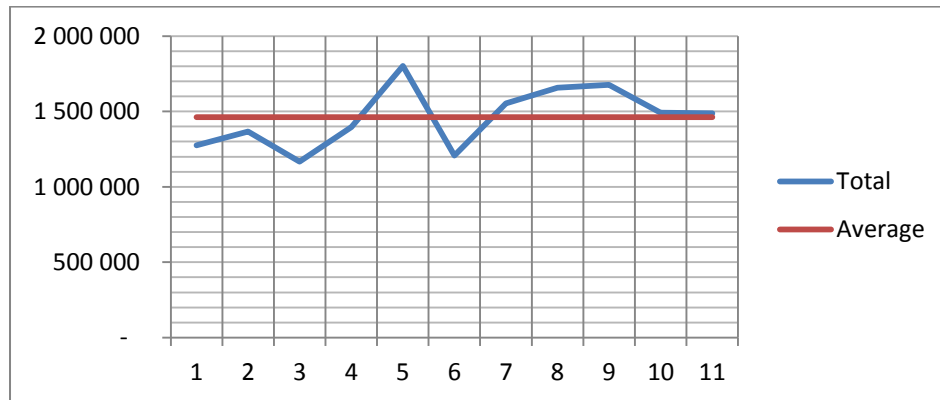
	Indigents	Indigents	Indigents
	October 2012	November 2012	December 2012
Bethulie	393	418	420
Edenburg	156	176	175
Fauresmith	175	224	224
Gariep Dam	101	101	101
Jagersfontein	280	299	299
Philipollis	151	160	160
Reddersburg	305	313	313
Springfontein	211	227	227
Trompsburg	120	122	122
<b>Total</b>	<b>1 892</b>	<b>2 040</b>	<b>2041</b>

### Tabel of cash received from debtors since February 2012

	Feb 12	Mrt 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Bethulie	83 557	97 256	93 618	97 092	104 340	94 848	79 171	145 152	110 387	106 064	95 171
Edenburg	124 132	124 368	139 198	137 034	106 900	69 308	98 301	117 838	105 277	117 089	79 919
Fauresmith	83 354	74 720	77 696	95 787	99 535	96 751	85 996	115 357	93 400	68 668	78 214
Gariep Dam	171 279	172 331	165 098	216 282	177 186	166 281	196 294	174 065	143 446	200 179	217 001
Jagersfontein	51 096	46 010	63 541	51 829	62 257	56 224	65 955	56 954	61 323	64 412	65 930
Philipollis	54 957	57 603	56 679	57 897	52 364	46 289	54 157	48 910	64 903	56 919	43 366
Reddersburg	66 564	70 230	60 438	92 659	70 812	65 016	61 441	79 101	112 973	101 728	72 750
Springfontein	27 698	32 006	30 789	36 734	27 165	29 629	32 645	33 763	37 069	29 135	25 185
Trompsburg	99 556	108 231	92 075	96 534	101 982	92 977	177 308	102 591	102 594	74 724	83 072
<b>Total Units</b>	<b>762 193</b>	<b>782 755</b>	<b>779 132</b>	<b>881 848</b>	<b>802 541</b>	<b>717 323</b>	<b>851 268</b>	<b>873 731</b>	<b>831 370</b>	<b>818 918</b>	<b>760 608</b>
<b>Direct Deposits</b>	<b>512 422</b>	<b>584 009</b>	<b>388 226</b>	<b>514 983</b>	<b>999 087</b>	<b>489 940</b>	<b>702 171</b>	<b>783 221</b>	<b>844 500</b>	<b>673 685</b>	<b>727 401</b>
<b>Total</b>	<b>1 274 615</b>	<b>1 366 764</b>	<b>1 167 358</b>	<b>1 396 831</b>	<b>1 801 628</b>	<b>1 207 263</b>	<b>1 553 439</b>	<b>1 656 952</b>	<b>1 675 870</b>	<b>1 492 603</b>	<b>1 488 009</b>

From the table it can be seen that the income had decline again the last two months and there are still towns that are under collecting. These towns are Jagersfontein, Philipollis, Reddersburg and Springfontein. Three of these towns had service delivery uprising and will be discussed later in the report. Springfontein is the only town that is underperforming that didn't have any uprising. This problem had however been experienced over the last years and the reason could be the large unemployment in the area.

## Graph of the above table



From the graph it can be seen that the income had started to increase since July 2012 and since August 2012 it is above the average for the period, it had however dropped to just above the average for November and December 2012. The income is monitored closely and any negative change is followed up immediately.

## 2 BANK RECONCILIATION

The bank reconciliation for the quarter up to 31 December 2012 is as follows:

	Amount
<b>Cash Book balance beginning of month</b>	25 935 047
Add: Receipts (Should agree to figures as per cash flow)	14 698 589
less: Contributions (Book Entry)	1 449 376
Less: Payments (Should agree to figures as per cash flow)	-39 750 232
<b>Cash Book balance at end of month</b>	2 332 780
Add: Outstanding Cheques	8 769
Less: Outstanding Deposits	
<b>Bank Balance at end of month</b>	2 341 549

## 3 CASH FLOW PROJECTIONS

Attached as annexure B is the cash flow projection until April 2013.

The overdraft is currently R 3 million.

#### 4 DEBTORS

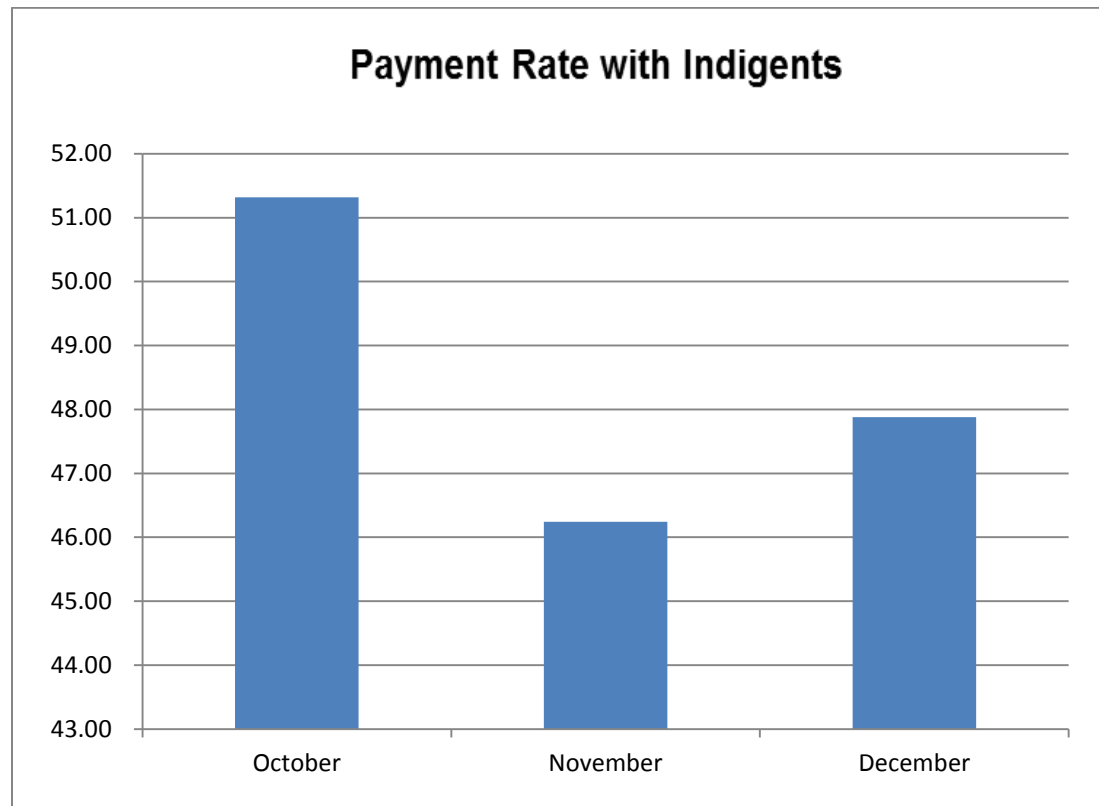
The total outstanding debtors as on 31 December 2012 are R 90 606 319 and the average payment rate for the Quarter is 48.47%

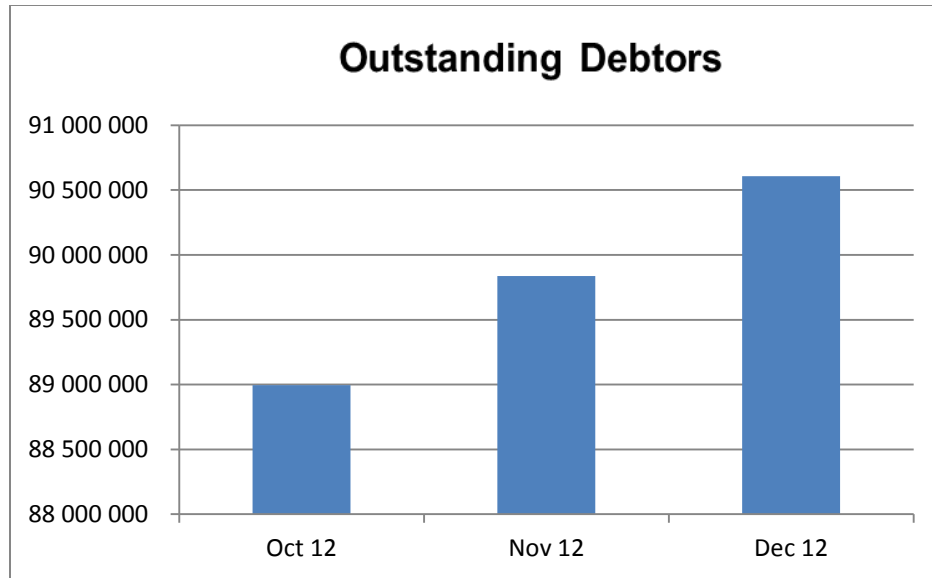
The debtor's figures had changed as follows in the quarter ending 31 December 2012:

01/10/2012		84 156 214
Less Paid (Incl. Indigents):		5 354 760
Plus Levies:		11 047 433
Plus: Old funds receipted		757 432
31/12/2012		90 606 319

##### 4.1 Other Debtor's Statistics

The following two graphs show the payment rate and the outstanding debtors respectively:





## 5 ACCOUNT PROBLEMS

The water readings are better than the previous year as we have better control over the route lists and readings. The current situation at unit level is that they have not enough fieldworkers to rotate them between different areas in a town and it takes long to do the readings. The fieldworkers are reporting to finance now and that enable us to have better control over the water readings and rout lists. The general workers assisting the fieldworkers start to estimate the readings that create a whole new set of problems.

The incorrect tariffs is still a problem but we did put in a huge effort to correct the problem and as a result it is better than the previous year but there is still some work to be done. We did involve Sebata in this process to create a file/report on the system that will show all accounts with the zoning and tariff on the each account. This will fast track the process of checking and will make the monitoring on a monthly bases much easier and more effective. The proses of checking each account for mistakes from the beginning to ensure that all accounts is now correct and up to date is 40% done manually. This will give an indication on how slow the process is progressing.

## 6 FARMERS ACCOUNTS

Farmers accounts are being send out monthly. The addresses of the farms are still a problem and the following figures will give a good idea of what the situation is. We did contacted Free State agriculture to assist but till now we did not have any response back from them. The farmers that received accounts started to pay the property rates, some of them are paid in full others only paid the outstanding till 30 June 2012.

	Total Outstanding	% outstanding
Bethulie	58	6.64
Bloemfontein	352	40.27
Fauresmith	237	27.12
Edenburg	43	4.92
Reddersburg	91	10.41
Trompsburg	11	1.26
Philippolis	82	9.38
	<b>874</b>	<b>100.00</b>
Total Farms	<b>3086</b>	
No addresses	<b>874</b>	
Percentage no addresses	<b>28.32</b>	
Percentage addresses	<b>71.68</b>	

## 7 DISTRIBUTION OF ACCOUNTS

The distribution of accounts is still not what it should be. Kopanong did purchase a folding machine that folds the accounts and put them into an envelope. This fast-tracked the time the fieldworkers took to do it but we could only do it for two months. We must buy a franking machine so we do not have to buy prepaid envelopes from the post office anymore and the accounts could be posted from head office. The account that the units hand delivers can still be done and it will be faster than normal. We do monitor the distribution each month and a document of acknowledgement of receipt of the monthly accounts must be signed by each unit manager and they must also send a conformation of delivery that all accounts has been delivered.

## 8 UNREST IN THE DIFFERENT TOWNS

Due to service delivery uprising in the following four towns, Philippolis, Reddersburg, Edenburg and Jagersfontein the Credit Control Section cannot send the disconnection team to restrict water of those consumers that do not pay their accounts. These communities chase the disconnection team out of the towns and promise to set the vehicles alight. We need political intervention in these four towns to ensure that credit control can be done.

## 9 INVESTMENTS

The interest earned during this quarter is as follows:

Investments: R 121 601.65

Current Account

(R 45 836.89)

Attached as annexure A is a list of all investments held by the municipality.

**Financial Implications**

None

**Legal Implications**

To comply with MFMA Section 71.

**Parties Consulted**

Provincial Treasury

National Treasury

**Recommendations**

**That the Section 80 Committee takes note of the report as it is a compliance matter.**

**That political intervention/assistance be obtained in the four towns where service delivery uprising were experienced.**

**That the Income Section pays special attention on Springfontein to solve the low payment rate experienced in this town.**

\_\_\_\_\_  
**MJ Mekhoe**

**Chief Financial Officer**

\_\_\_\_\_  
**LY Moletsane**

**Municipal Manager**

**Date:.....**

**Date:.....**