

BUDGET AND TREASURY
FIRST QUATER FINANCIAL REPORT FOR 2015/16



SECTION 52 REPORT FOR THE PERIOD

PURPOSE OF THIS REPORT

The purpose of this report is to inform the Council on the implementation of the budget and financial status of the municipality.

BACKGROUND

Section 52(d) of the Municipal Finance Management Act no 56 of 2003 stipulates that within 30 days of the end of each quarter a report must be given to Council on the implementation of the budget and financial status of the municipality.

Even though we have got limited resources we are striving in terms of expenditure, to spend according to our budget as per the requirement of MFMA and report in terms of our budget implementation.

LEGISLATIVE FRAMEWORK

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

This report has been prepared in terms of the following legislative framework:

- The Municipal Finance Management Act – No. 56 of 2003, Sections 71 & 52, and
- The Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

FINANCIAL IMPLICATION

None

LEGAL IMPLICATION

Adherence to the Municipal Finance Management Act – No. 56 of 2003, Sections 71 & 52 and the Municipal Budget and Reporting Regulations

RECOMMENDATION

(a) That Council notes the content of this report and supporting documentations for the First quarter of 2015/16 financial year.

(b) That the directors ensure that the budget is implemented in accordance with the Service Delivery and Budget Implementation Plan projections and that spending of funds and that revenue collection proceeds in accordance with the budget.

2. Overview

Revenue

An amount of R67.2 million has been received as revenue for the quarter.

Key components of revenue include but are not limited to; rates, services chargers, grants recognised and equitable share.

Expenditure

An amount of R43.7 million has been spent for the quarter.

This expenditure includes repayment of loans, settling of outstanding creditors, lease repayments and capital expenses.

Financial Sustainability

Financial sustainability remains an issue of concern and the municipality has debt which still needs to be paid that are not cash backed.

Outstanding Debtors

Outstanding debtors amounts to R170 million at the end of the period.

Other

Receipted grants for the quarter amount to R36.9 million

3. Financial Performance- Income

The year to date actual revenue for the 2015/16 financial year is R67.2 million.

The largest contributors to the revenue basket for the quarter are transfers recognised- operational, transfers recognised- capital and property rates. They constitute R22.9 million for equitable share, R10 million for capital transfers and 5 million for property rates. The municipality continues to be highly dependent on grant receipts for functionality.

Other income received of material amounts are as follows:

- Fines received for the quarter amount to R179 035
- Insurance received for the quarter amount to R425 662
- VAT income to the sum of R697 153

4. Financial Performance- Expenditure

The current actual expenditure for the year is R43.7 million.

SALARIES

The quarterly expenditure is R12.3 million. In comparison to the quarterly budget of R13.1 million, a variance of 6 per cent exists. The under expenditure in terms of the budget is due to vacant positions that have been budgeted for but not yet filled.

BULK PURCHASES

Bulk purchases for the quarter amount to R6.1million. These costs are informed by direct purchases for the quarter from Eskom and Department of Water Affairs. A variance of 29 per cent is noted against the budget for the quarter of R4.7 million

REPAIS AND MANTAINANCE

Repairs and maintenance are R386 thousand for the quarter.

5. Service Delivery Budget and Implementation Plan

The SDBIP for the quarter will be submitted separately

6. Borrowings

No borrowings have been budgeted for and none made.

7. Expenditure on Conditional Grants

An amount of R2.7 million has been spent for the quarter excluding rollover expenditure incurred.

Operational and Capital Expenditure was incurred with relation to the following project as per the approve grant plans

- FMG- Interns Salaries
- MIG- Infrastructures Projects and Salaries
- EPWP- Labour Component

8. Project Expenditure

Set out below are details of expenditure in respect of project expenditure.

PROJECT EXPENDITURE FOR THE QUARTER

Vote and Vote Description	Project	Amounts Paid
8950/89505 (WIP - Roads)	WIP - Roads	4 515 625.60
8950/89510 (WIP - MIG Waste water treatment works)	WIP - MIG Waste water treatment works	127 307.50
8950/89515 (WIP - MIG Electricity Project)	WIP - MIG Electricity Project	1 474 409.86
8950/89520 (WIP - MIG Bulk water)	WIP - MIG Bulk water	9 935.67
8950/89525 (WIP - MIG Sport fields and Playgrounds)	WIP - MIG Sport fields and Playgrounds	404 148.08

9. Asset Management

The total amount spent on municipal assets for the quarter is R5.5 million at cost.

The capital expenditure incurred for infrastructure assets amounts to R5 059 419 million for the quarter. Other capital assets expenditure incurred during the year amounts to R530 855 for computer equipment, office equipment and other assets.

Physical verification of assets has been completed to ensure we account for all assets of the municipality.

Annexure reflects details in terms of the additional asset for the quarter as at 31 September 2015 by asset type

14. Inventory

No Inventory purchases for the quarter.

Inventory stock count was performed on the 30 September 2015

Value of stock on hand is R828 733.26.

11. Cash and Investment management

Regulation 9 of the Investment Regulation requires that:

The accounting officer of a municipality or municipal entity must within 10 working days of the end of every month, as part of the section 71 required by the Act submit to the mayor or the board of directors of a municipal entity a report describing in accordance to general accepted accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

11.1 Cash Management

The cash flow is managed on a daily basis and the CFO is informed on the daily current account balances and investment on call accounts.

The municipality also has various investment accounts, which are disclosed in the Investment portfolio annexure. No new accounts have been opened during the period.

Note that although SRVM has no investments it has call accounts “short-term investment” listed above

At as 31 September 2015 the municipal bank balances were R R26 511 828 on the investment call accounts and the closing of the main account is R 3 497 501

Annexure below reflects details investment portfolio at 31 September 2015

12. Debt Collection and Credit Control

The outstanding debt amount is R170 million as at 30 September 2015 which is based on the outstanding debtors as at June 2015.

It should be noted that the billing has not been performed for the first quarter due to re-implementation of the system. Currently the municipality is taking over opening balance for debtors on the new database. Data cleansing has been performed in this process and new customer accounts have been uploaded, these have also been verified in the Deeds Office vs Valuation Roll.

Manual billing has been performed for Government debt and has been submitted accordingly. Meter audits are to be performed to verify meters currently loaded on the system and those with straight connections so we can better account for billing and reduce billing queries which remain a challenge.

With regard to Free Basic Services, an amount of R483 785 has been paid for electricity to Eskom and the number of people whom have benefited is 3 147. A list of indigent register has been sent to the Councillors for verification and upon receiving their approved list; the Committee will sit for assessment.

Annexure below reflects details in terms of outstanding debt for debtors at 31 September 2015

15. Staff Benefits

Section 66 of the MFMA requires disclosure of the Municipalities expenditure on staff benefits as follows: The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits.

For the quarter an amount of R12.3 million was incurred in relation to employees. This includes payments made in relation to the yearly increment of 7 per cent. The back pay was performed in September.

16. Creditors

At 31 September 2015 outstanding creditors to the value of R15.7 million existed.

The top creditors as at 31 September 2015 are as follows:

1. DWA at R6 493 578.23
2. AG at R6 220 466.27
3. Eskom at R2 414 580.78

The reasons for suppliers not being paid within 30 days are as follows:

- Invoices received late
- Internal queries
- Limited cash flow

It should be noted a payment agreement was entered into with Auditor General in this quarter at a monthly repayment of R250 000.

It should be noted that the Liability for Amotola Water is R954 800 at 31 September 2015.

CONDITIONAL GRANTS EXPENDITURE BY TYPE REPORT FOR THE QUARTER						
GRANT TYPE	PURPOSE	BUDGET	ADJUSTED BUDGET	FIRST QUARTER	YTD TOTAL	% SPENT OF BUDGET
Municipal Infrastructure Grant	To upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure, so long as the infrastructure is for basic services for the poor	24 863	–	1 992	1 992	8%
			0			
Municipal Systems Improvement Grant	To support municipalities in the building of in-house capacity to perform legislative functions and stabilise institutional and governance systems.	930	–	–	–	0%
			0			
Expanded Public Work Programme	To reduce unemployment and alleviate poverty by creating jobs coupled with training	1 000	–		681	68%
			0			
Integrated National Electrification Program	The purpose of the Integrated National Electrification Programme is to manage the electrification planning, funding and implementation process with the aim of addressing electrification backlog	1 500	–			0%
			0			
Finance Management Grant	To promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA	1 875	–		56	3%

ANNEXURE

CONDITIONAL GRANTS RECIEVED BY TYPE REPORT FOR THE QUARTER					
GRANT TYPE	PURPOSE	BUDGET	ADJUSTED BUDGET	FIRST QUARTER	% RECEIVED OF BUDGET
Municipal Infrastructure Grant	To upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure, so long as the infrastructure is for basic services for the poor	24 863		9 713	39%
Municipal Systems Improvement Grant	To support municipalities in the building of in-house capacity to perform legislative functions and stabilise institutional and governance systems.	930		930	100%
Expanded Public Work Programme	To reduce unemployment and alleviate poverty by creating jobs coupled with training	1 000		400	40%
Finance Management Grant	To promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA	1 875		1 875	100%
Intergrated National Electrification Program	The purpose of the Integrated National Electrification Programme is to manage the electrification planning, funding and implementation process with the aim of addressing electrification backlog	1 500		1 000	67%

ANNEXURE

CREDITORS AGEING AS AT 30 SEPTEMBER 2015										
Mun	Item	Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Total -
EC106	0100	Bulk Electricity	0	2 411 037	0	0	0	0	0	2 411 037
	0200	Bulk Water	0	0	0	0	0	0	0	0
	0300	PAYE deductions	0	0	0	0	0	0	0	0
	0400	VAT (output less input)	0	0	0	0	0	0	0	0
	0500	Pensions / Retirement deductions	0	0	0	0	0	0	0	0
	0600	Loan repayments	0	0	0	0	0	0	0	0
	0700	Trade Creditors	710 384	0	0	5 289 520	174 611	0	980 092	7 154 607
	0800	Auditor General	565 392	109 351	0	0	1 333 408	0	4 212 315	6 220 466
	0900	Other	0	0	0	0	0	0	0	0
	1000	Total	1 275 776	2 520 388	0	5 289 520	1 508 019	0	5 192 407	15 786 110

ANNEXURE

Debtors Age Analysis By Income Source									
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	1 - 120 Days	1 - 150 Days	180 Days	Days -1 Year	Over 1Year	Total-
Debtors Age Analysis By Income Source									
Receivables from Exchange Transactions - Water	0	0	0	4 124 456	3 158 866	2 611 118	2 236 454	74 145 113	86 276 008
Receivables from Exchange Transactions - Electricity	0	0	0	1 157 120	886 223	732 552	627 439	20 801 477	24 204 811
Receivables from Non-exchange Transactions - Property Rates	0	0	0	578 271	442 890	366 093	313 563	10 395 550	12 096 368
Receivables from Exchange Transactions - Waste Water Management	0	0	0	859 924	658 604	544 402	466 287	15 458 803	17 988 021
Receivables from Exchange Transactions - Waste Management	0	0	0	1 411 913	1 081 365	893 856	765 599	25 381 875	29 534 608
Other	0	0	0	23 469	17 975	14 858	12 726	421 899	490 926
Total By Income Source	0	0	0	8 155 153	6 245 923	5 162 880	4 422 069	146 604 718	170 590 742

ANNEXURE

INVESTMENT REGISTER FOR 2015/2016 FINANCIAL YEAR					
ACCOUNT	OPENING BALANCE	TRANSFERS IN	INTEREST RECEIVED	TRANSFERES OUT	CLOSING BALANCE
ELECTRICITY ACCOUNT - 62027590589	22 272.06	1 000 000.00	-	-	1 022 272.06
SRVM-LIBRARY-62314004839	9 036.56	-	-	7 980.00	1 056.56
FMG - 62149457708	159 172.22	1 875 000.00	-	497 086.00	1 537 086.22
EPWP - 62387475009	560 370.19	400 000.00	-	659 818.87	300 551.32
MSIG - 62072234041	128 904.07	930 006.00	-	-	1 058 910.07
MIG - 62081228621	6 938 682.76	9 897 802.72	-	10 024 311.34	6 812 174.14
EMERGENCY RELIEF-62394071204	4 592.17	-	-	-	4 592.17
TOWN PLANNING-62178942580-SMALL TOWN	351 238.76	425 662.32	-	697 294.04	79 607.04
ENON BERSHEBA- 62408271211	70 124.09	-	-	-	70 124.09
INTERGRATED ZONING SCHEME-62161489086	108 723.34	-	-	-	108 723.34
SALARIES SRVM	1 088.16	18 500 000.00	-	14 510 566.04	3 990 522.12
RECT/ ENCROACH MOSES MABIDA-62071406542	50 702.49	-	-	-	50 702.49
ADDO NOLUTHANDO-62134438284	2 274.16	697 153.38	1 607.94	500 000.00	201 035.48
IDP-62051951088	56 914.88	-	-	-	56 914.88
TOA-74539338646	11 056 436.85	-	161 119.17	-	11 217 556.02
TOTAL	19 520 532.76	33 725 624.42	162 727.11	26 897 056.29	26 511 828.00