

**BUDGET AND TREASURY FINANCIAL REPORT FOR THE MONTH ENDED
NOVEMBER 2018**



SUNDAYS RIVER VALLEY MUNICIPALITY

BUDGET AND TREASURY

Monthly Financial Reports- November 2018

PURPOSE OF THIS REPORT

The purpose of this report is to inform Finance and Administration Committee on the implementation of the budget and financial status of the municipality, as per s71 of the Municipal Finance Management Act no 56 of 2003.

BACKGROUND

Sundays River Valley Municipality is highly dependent on grants. It cannot provide for daily operations and capital backlogs from its own revenue source. A review of policies and effective monitoring thereof is crucial to ensure the municipality is rewarded for services rendered.

Even though we have got limited resources we are striving in terms of spending 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
- and The Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

28. 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 and the Municipal Budget and Reporting Regulations

RECOMMENDATION

- (a) That Finance and Administration Committee note the contents of this report.

1. Introduction

Section 71 of the Municipal Finance Management Act requires the accounting officer to, no later than 10 working days after the end of each month submit to the mayor and relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting a number of particulars including:

- Actual revenue, per revenue source
- Actual borrowings
- Actual expenditure, per vote
- Actual capital expenditure, per vote
- The amount of any allocations received
- Actual expenditure on those allocations, excluding expenditure on –
 - Its share of local government equitable share; and
 - Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- When necessary, an explanation of –
 - Any material variances from the municipality's projected revenue by source and from the municipality's expenditure projections per vote;
 - Any material variances from the service delivery and budget implementation plan; and
 - Any remedial or corrective taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.
- The statement must include-
 - A projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections
- The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the approved budget.

2. Overview

Financial Sustainability

The summary statement of financial performance shows actual operating revenue of R6.8 million and actual operating expenditure of R12.6 million. The municipality for the month ended November 2018, had a deficit of -R5.7 million.

Financial sustainability remains a concern.

3. Financial Performance- Revenue

An amount of R6.8 million has been recorded as revenue for the month.

The transfers recognised contributed is service charges at R3.5 million and property rates at R1.9 million respectively.

4. Financial Performance- Expenditure

The actual total expenditure for the month amounts to R12.6 million.

The largest contributors to the expenditure basket are employee costs at R7 million, contracted services at R2 million, other expenses at R1.3 as well as bulk purchases at R1 million respectively.

5. Borrowings

No borrowings have been budgeted for and none made for the month.

6. Other Matters

Expanded public works programme allocation was received for the month at R450 thousand.

7. Outstanding Debtors

The total amount owed by debtors as at November 2018 is R232.2 million.

Debtors outstanding for a period over than 90 days amounts to R214.9 million

8. Creditors

Outstanding creditors to the value of R11.4 million existed at the end of November 2018.

Due to continued cash flow problems, the municipality fails to comply with legislation , for paying creditors within 30 days.

9. Capital Expenditure

The following capital acquisitions were incurred and recorded for the month ended November 2018 per category:

- Moveable assets at R104 thousand
- Infrastructure work in progress was incurred at a cost of R304 thousand
- Intangible assets at R1,3 million

The costs incurred for infrastructure were towards the following capital projects:

Project Name	Supplier	Purchase Price at Cost
Bulk Water	Reity-Don Civils JV	R303,520

The costs incurred for movable assets were towards the following categories:

Asset Category	Purchase Price at Cost
Motor vehicles	R25,500
Plant and machinery	R22,265
Furniture and office equipment	R38,613
Building	R18,200

10. Staff Benefits

	EMPLOYEE EARNINGS	COMPANY CONTRIBUTION
Salary and Wages	4,167,965.50	
Overtime	179,346.81	
Unpaid leave	-3,483.09	
Termination Leave	17,714.67	
Annual Bonus	1,918,311.02	
Long Service Bonus	21,671.26	
Travelling	181,718.66	
Acting Allowance	22,148.72	
Shift Allowance	5,628.77	
Night Shift Allowance	6,665.28	
Danger Allowance	378.00	
Allowance	128,400.00	
Telephone	86,928.17	
Housing Allowance	72,508.89	
Standby Allowance	37,324.37	
Reimbursement km	58,391.42	
BP Normal	7,585.98	
Subsistence	2,900.00	
UIF		35,023.82
Skills		67,803.98
Pension Fund		266,373.57
Retirement Fund		143,895.57
Provident Fund		119796.18
Medical Aid		227,554.91
Salgbc Council Levy		2,336.25
TOTALS	6,912,104.43	862,784.28

Table above reveals employee related costs for the month of November amounting to R7.8 million.

This amount is inclusive of remuneration of councillors

11. Debt Collection and Credit Control

Below are highlights of events with the credit control section in an attempt to improve collection levels:

- The following government departments have made payments during the period:
 - Health- R61 693.40
 - SANPARKS- R33 201.12
 - Life Health Care- R 342 806.30

- Rural Development- R8 351 826.68

These payments all service current year debt and reconciliation are still in progress.

- Revco (Debt collectors) and Credit Control unit had an engagement for work to be performed within the second quarter. The scope of work will entail:
 - Confirmation of ownership based on the latest deeds dump
 - Confirmation of deceased properties, identify whether active or not
 - Confirmation of indigent properties, identify whether effected or not
 - Confirmation of RDP houses transfers so we can start collecting accordingly

12. Outstanding Debtors

The total amount owed by debtors as at 30 November 2018 is R232.3 million

Below is a table of outstanding debtors as at 30 November 2018 per service.

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	3,017,039	-8,287	1,327,980	-3,676	1,253,126	2,290,246	5,723,197	60,375,718	73,975,343
Trade and Other Receivables from Exchange Transactions - Electricity	2,036,248	-3,437	647,421	3,877	875,506	1,483,273	3,165,781	10,524,871	18,733,540
Receivables from Non-exchange Transactions - Property Rates	3,321,362	-220,000	1,305,344	-682,381	1,172,173	10,183,532	5,349,129	44,821,535	65,250,694
Receivables from Exchange Transactions - Waste Water Management	811,249	-3,595	308,681	-51,482	345,046	624,893	1,870,939	13,885,564	17,791,295
Receivables from Exchange Transactions - Waste Management	1,408,775	-8,280	655,225	-7,084	658,205	1,177,488	3,614,597	31,728,554	39,227,480
Receivables from Exchange Transactions - Property Rental Debtors	2,441	0	0	-2,442	0	0	-9,029	170,673	161,643
Interest on Arrear Debtor Accounts	1,744,531	0	987,640	960,061	948,378	723,890	4,802,019	6,945,564	17,112,083
Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	-3,010	0	0	-3,010
Total By Income Source	12,341,645	-243,599	5,232,291	216,873	5,252,434	16,480,312	24,516,633	168,452,479	232,249,068

The long outstanding debtors (over 90 days) amount to R214.4 million. The norm for debtors' collection is 30 days, we as an institution need to assess the performance of collections holistically as this indicates the exposure to cash flow risks.

The municipality needs to improve its revenue and cash flow management to ensure sustainability. It is recommended that the credit control policy be workshopped and implemented correctly thereafter and fast track the development of a revenue enhancement plan.

Debt Collection and Credit Control

- December billing has been finalised and the accounts were sent for printing
- The following departments made payments during the month
 - National Public Works – R 76 365.23
 - San Parks – R 62 066.33
 - Life Healthcare – R 341 176.66
 - Health – R 38 768.29
 - Sanral – R 7 295.41

- An invoicing for the department of Rural Development has been done in October for the amount of R5.2 million of which payment has not yet been received.
- Revco is assisting with the collection on outstanding debtors especially on household as they have been issuing notices to customers.

Reconciliations

- Debtors reconciliations are underway, this is an extensive reconciliation as it has also to accommodate data cleansing issues.
 1. Deeds vs Billing system – accounts or properties that are not in the deeds office were identified, billing system to be amended so that erf no on the billing system and names the are the same with those on the deeds dump.
 2. Valuation Roll in billing system VS Valuation roll from the valuer – Variances were identified, amendments on the system were effected.
 3. Property rates recalculation has been performed and the amendment on the system has been effected where there were variances
 4. Other services are not yet started as the previous process has to be finalised as it will inform what services should in each property.
 5. Sub-ledger VS general ledger, this reconciliation is underway the challenge was the split on the services on the age analysis as a result it is very difficult to trace differences/variances.

Challenges

- The differences in data between billing system, valuation roll and deeds office make it difficult to perform the reconciliation as each document has its own format.
- The capacity of the actual computers used as the excel spreadsheet we are working on are big documents that results on the actual performing of the recons to be a bit slow as the computers are getting stuck now and again.

Valuation Roll

- The valuer has not yet been appointed the tender has been referred back to the tendering processes to start from the beginning.

REPORT ON FREE BASIC SERVICE.

- Cost has been incurred to Eskom to the value of R180 861.55 during the month of November with 3037 beneficiaries.
- For prepaid electricity, total of 28900 kwh has been consumed for the month of November with 578 beneficiaries.

13. Inventory

- The total value of inventory at the end of November 2018 is R 218,538

14. Insurance

- Insurance claims for the month of November 2018.

ASSET DESCRIPTION		CUSTODIAN	CLAIM NO	CLAIM STATUS
	Cell phone	N.Nogambula	CLCBP - 137003	Approved
	Cellphone	L.Mabuza	CLCBP - 136900	Approved

15. Asset and Liability

As at 30 November 2018, unspent conditional grant is as follows:

GRANT	BUDGETED ALLOCATIONS	AMOUNT RECEIVED TO DATE	EXPENDITURE TO DATE	PERCENTAGE OF EXPENDITURE	BALANCE TO DATE
MIG	25 162 000	9 555 000	5,620,908	58.83	3,934,361
SMALL TOWN	37 320 000	13 702 334	11 503 851	83.95	2 198 483
FMG	2 415 000	2,415,000	1,956,479	80.97	459,743
EPWP	1 000 000	700,000	607,876	86.84	92,124
INEP	16 731 000	9 731 000	6 124 398	62.94	3 606 602

Expenditure on conditional grants is envisaged to increase gradually during the year as outstanding tenders will be finalised in the third quarter.

16. Cash and Investment 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 had a main account had a closing bank balance of R381,337 at 30 November 2018

Total investments as at 30 November 2018 amounts to R10.2 million as reflected below:

ACCOUNT	OPENING BALANCE	TRANSFERS IN	INTEREST RECEIVED	TRANSFERES OUT	BANK CHARGES	CLOSING BALANCE
						-
ELECTRICITY ACCOUNT- 62027590589	3,607,601.49	-	11,824.93	3,011,824.93	-	607,601.49
SRVM-LIBRARY-62314004839	1,000.00	-	0.43	0.43	-	1,000.00
FMG - 62149457708	1,000.00	-	2,478.36	2,478.36	-	1,000.00
EPWP - 62387475009	1,000.00	450,000.00	252.41	450,252.41	-	1,000.00
MSIG - 62072234041	1,000.00	-	4.03	4.03	-	1,000.00
MIG - 62081228621	4,070,567.67	-	20,220.34	4,089,788.01	-	1,000.00
EMERGENCY RELIEF-62394071204	1,000.00	-	0.44	0.44	-	1,000.00
TOWN PLANNING-62178942580-SMALL TOWN	1,000.00	257,465.24	0.42	0.42	-	258,465.24
ENON BERSHEBA- 62408271211	1,000.00	-	0.42	0.42	-	1,000.00
INTERGRATED ZONING SCHEME-62161489086	1,000.00	-	0.43	0.43	-	1,000.00
SALARIES SRVM	1,912.70	2,000,000.00	6,210.15	2,006,210.15	-	1,912.70
ROADS & PUBLIC WORKS-62071406542	1,000.00	-	4.34	4.34	-	1,000.00
ADDO NOLUTHANDO/EQUITABLE-62134438284	1,805.60	-	0.77	-	-	1,806.37
TOA-74539338646	12,300,980.35	9,370,035.79	70,055.44	12,370,035.79	1,000.00	9,370,035.79
TOTAL	19,991,867.81	12,077,501.03	111,052.91	21,930,600.16	1,000.00	10,248,821.59