

Harry Gwala District Municipality

MFMA s71 report for the period ending 31 October 2014

10/13/2014

Budget & Treasury Office

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

AFS – Annual Financial Statements

Budget – The financial plan of the Municipality.

Capital expenditure - Spending on assets such as infrastructure, land & buildings minor assets etc. Any capital expenditure must be reflected as an asset on the Municipality's statement of financial position.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable share – An unconditional grant paid to municipalities. It is predominantly targeted towards funding the Indigent Policy.

FMG – Financial Management Grant.

GRAP – Generally Recognised Accounting Practice. The standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality.

MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

MFMA – Local Government: Municipal Finance Management Act (56/2003). The principle legislation relating to municipal financial management.

MIG – Municipal Infrastructure Grant.

MTREF – Medium Term Revenue and Expenditure Framework (MTREF). The medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes financial information of the previous and current year.

Operating expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages, repairs and maintenance etc.

SDBIP – Service Delivery and Budget Implementation Plan (SDBIP). A detailed plan comprising annual and quarterly performance information. Sisonke District Municipality

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Vote – one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. .

YTD – Year to date

YoY – Year on Year

DBSA – Development Bank of South Africa

1. PART 1 – MONTHLY REPORT

PURPOSE

To table the monthly expenditure report in terms of s71 of the MFMA for the period ending 31 October 2014 to the Finance and Corporate Services Committee.

LEGAL FRAMEWORK

- Local Government: Municipal Finance Management Act, 56 of 2003
- SCM Regulations
- SCM Policy
- Municipal Budget Reporting Regulation
- Division of Revenue Act

1.1 Executive Summary

Legislative Requirements

In terms of the section 71 of the MFMA the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a) Actual revenue, per revenue source;
- (b) actual borrowings;
- (c) actual expenditure, per vote;
- (d) actual capital expenditure, per vote;
- (e) the amount of any allocations received;
- (f) actual expenditure on those allocations, excluding expenditure on—
 - (i) its share of the local government equitable share; and
 - (ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- (g) when necessary, an explanation of—

- (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
- (ii) any material variances from the service delivery and budget implementation plan; and
- (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's

DELIBERATION

The discussion that follows, in terms of MFMA Section 71 intends to inform the Executive committee and Council on the progress made thus far in terms of implementing the 2014/2015 budget for the period ending 31 October 2014.

Revenue by Source

The original approved revenue for the 2014/15 budget amounts to R531, 3m. The actual revenue for the period Ended 31 October 2014 amounted to R113, 4m which is 62% of the Year to Date (YTD) budget. The year to date revenue is largely constituted of the Operational & Capital grant receipts with the Water & Sanitation Revenue contributing to the balance.

Borrowings

The balance of borrowings amounts to R24m at the end of September 2014. This balance is made up of R23m due to ABSA Bank and R1m due to the DBSA. Borrowing repayments are effected and hence, except for the interest capitalisation, there was no movements in October 2014

Operating expenditure by vote & type

The total operating budget for the current year amounts to R293, 5m. The YTD Operating expenditure for the month ended 30 October amounted to R90m against a year to date (YTD) budget of R97, 8m. The actual YTD expenditure represented 92% of the planned expenditure.

Capital expenditure

The total capital budget for the current year amounts to R258, 7m. The YTD expenditure on capital amounts to R49million, or 57% of the planned expenditure. Capital expenditure is mainly funded by means of national grants in the form of Municipal Infrastructure Grant. The capital expenditure was low in the first quarter of the financial year due to delays in the supply chain management processes.

Cash flows

The municipality started the year with a positive cashbook balance of R29, 4 million and the closing cash and cash equivalents as at the end of October 2014 was R62million. Refer to Supporting Table C6 for more detail on the cash position.

Allocations received (National & Provincial Grants)

All DORA and provincial grants allocations for 2014/2015 period ending October have been received as per payment schedule. Total grants receipts amounted to R212million, being made up of R96, 2 million operational and R116, 4million capital grants. Operational grants are largely defined by the Equitable Share while capital grants are largely constituted of the Municipal Infrastructure Grant. Only two grants were received in October totalling R3, 9million

1.2 Monthly Budget Statement Tables

Monthly Budget Statements Summary

Table C1 below provides a summary of the overall performance in the Municipality and is unpacked in the sections that follow.

DC43 Sisonke - Table C1 Consolidated Monthly Budget Statement Summary - M04 October

Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Financial Performance								
Property rates	-	-	-	-	-	-		-
Service charges	48 834	45 313	4 846	18 151	15 104	3 047	20%	45 313
Investment revenue	3 344	2 600	3	1 088	867	222	26%	2 600
Transfers recognised - operational	287 073	249 246	-	91 288	83 082	8 206	10%	249 246
Other own revenue	7 497	8 679	866	2 934	2 893	41	1%	8 679
Total Revenue (excluding capital transfers and contributions)	346 747	305 838	5 715	113 461	101 946	11 515	11%	305 838
Employee costs	99 948	104 040	8 641	34 618	34 680	(62)	-0%	104 040
Remuneration of Councillors	5 249	6 655	445	1 787	2 218	(432)	-19%	6 655
Depreciation & asset impairment	35 926	20 000	-	-	6 667	(6 667)	-100%	20 000
Finance charges	3 510	2 639	-	88	880	(791)	-90%	2 639
Materials and bulk purchases	9 487	5 200	1 320	2 427	1 733	694	40%	5 200
Transfers and grants	14 808	11 578	-	10 757	3 859	6 898	179%	11 578
Other expenditure	231 401	143 485	12 746	40 392	47 828	(7 437)	-16%	143 485
Total Expenditure	400 330	293 597	23 152	90 068	97 866	(7 797)	-8%	293 597
Surplus/(Deficit)	(53 582)	12 241	(17 437)	23 393	4 080	19 313	473%	12 241
Transfers recognised - capital	190 609	245 526	-	-	81 842	(81 842)	-100%	245 526
Contributions & Contributed assets	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	137 027	257 767	(17 437)	23 393	85 922	(62 529)	-73%	257 767
Share of surplus/ (deficit) of associate	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	137 027	257 767	(17 437)	23 393	85 922	(62 529)	-73%	257 767
Capital expenditure & funds sources								
Capital expenditure	191 739	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761
Capital transfers recognised	189 563	245 776	20 205	49 005	81 925	(32 921)	-40%	245 776
Public contributions & donations	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-		-
Internally generated funds	2 177	12 984	-	-	4 328	(4 328)	-100%	12 984
Total sources of capital funds	191 740	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761
Financial position								
Total current assets	89 156	68 400		138 942				68 400
Total non current assets	1 276 948	1 550 343		1 329 154				1 550 343
Total current liabilities	119 215	64 952		119 031				64 952
Total non current liabilities	41 121	31 936		41 121				31 936
Community wealth/Equity	1 205 767	1 521 854		1 307 944				1 521 854
Cash flows								
Net cash from (used) operating	189 020	277 767	(35 706)	82 099	92 589	10 490	11%	277 767
Net cash from (used) investing	(122 243)	(258 761)	(20 205)	(49 005)	(86 254)	(37 249)	43%	(258 761)
Net cash from (used) financing	(48 252)	-	-	(511)	-	511	#DIV/0!	-
Cash/cash equivalents at the month/year end	38 711	48 480	-	62 057	35 810	(26 247)	-73%	48 480
Debtors & creditors analysis								
	0-30 Days	31-60 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis								
Total By Income Source	6 288	5 122	4 326	3 940	3 773	16 579	66 441	111 333
Creditors Age Analysis								
Total Creditors	3 037	-	-	-	-	-	-	3 037

Financial Performance

Table C2 provides the statement of financial performance by standard classification.

DC43 Sisonke - Table C2 Consolidated Monthly Budget Statement - Financial Performance (standard classification) - M04 October								
Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue - Standard								
<i>Governance and administration</i>	222 142	243 250	719	94 950	81 083	13 867	17%	243 250
Executive and council	417	-	-	-	-	-	-	-
Budget and treasury office	221 540	243 250	719	94 950	81 083	13 867	17%	243 250
Corporate services	185	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	835	250	-	-	83	(83)	-100%	250
Planning and development	835	250	-	-	83	(83)	-100%	250
<i>Trading services</i>	314 797	307 864	4 996	18 511	102 621	(84 110)	-82%	307 864
Electricity	-	-	-	-	-	-	-	-
Water	56 331	46 148	4 996	18 511	15 383	3 128	20%	46 148
Waste water management	258 466	261 716	-	-	87 239	(87 239)	-100%	261 716
Total Revenue - Standard	537 774	551 364	5 715	113 461	183 788	(70 327)	-38%	551 364
Expenditure - Standard								
<i>Governance and administration</i>	165 430	123 191	7 804	29 352	41 064	(11 712)	-29%	123 191
Executive and council	14 630	17 464	1 457	6 195	5 821	373	6%	17 464
Budget and treasury office	100 621	61 007	2 359	9 693	20 336	(10 643)	-52%	61 007
Corporate services	50 178	44 720	3 987	13 465	14 907	(1 442)	-10%	44 720
<i>Community and public safety</i>	-	3 509	-	-	1 170	(1 170)	-100%	3 509
Community and social services	-	3 509	-	-	1 170	(1 170)	-100%	3 509
<i>Economic and environmental services</i>	47 083	42 970	1 980	18 354	14 323	4 031	28%	42 970
Planning and development	47 083	42 970	1 980	18 354	14 323	4 031	28%	42 970
<i>Trading services</i>	187 816	123 928	13 369	42 362	41 309	1 053	3%	123 928
Electricity	-	-	-	-	-	-	-	-
Water	89 777	97 514	10 557	36 584	32 505	4 079	13%	97 514
Waste water management	98 039	26 413	2 812	5 779	8 804	(3 026)	-34%	26 413
Total Expenditure - Standard	400 329	293 597	23 152	90 068	97 866	(7 797)	-8%	293 597
Surplus/ (Deficit) for the year	137 444	257 767	(17 437)	23 393	85 922	(62 529)	-73%	257 767

This table assess the revenue by department and then the expenditure for the period ending 31 October 2014. Overall the budgeted revenue has been less than the budget by 38%.

Expenditure by standard classification presents the expenditures by the departments. Under the trading services, Water Services has seen over expenditure by 13% in the period ending 31 October 2014. This being largely attributable to the backlog demand of operations and maintenance of water schemes in the District.

Table C3 presents the same information as the table above, the difference being that its by Municipal vote.

DC43 Sisonke - Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M04 October								
Vote Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue by Vote								
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-
Vote 2 - Finance	221 540	243 250	719	94 950	81 083	13 867	17.1%	243 250
Vote 3 - Corporate Services	185	-	-	-	-	-	-	-
Vote 4 - Economic &Community Services	835	250	-	-	83	(83)	-100.0%	250
Vote 5 - Infrastructure Services	258 466	261 716	-	-	87 239	(87 239)	-100.0%	261 716
Vote 6 - Water Services	56 331	46 148	4 996	18 511	15 383	3 128	20.3%	46 148
Total Revenue by Vote	537 357	551 364	5 715	113 461	183 788	(70 327)	-38.3%	551 364
Expenditure by Vote								
Vote 1 - Executive & Council	14 630	17 464	1 457	6 195	5 821	373	6.4%	17 464
Vote 2 - Finance	100 621	61 007	2 359	9 693	20 336	(10 643)	-52.3%	61 007
Vote 3 - Corporate Services	50 178	44 720	3 987	13 465	14 907	(1 442)	-9.7%	44 720
Vote 4 - Economic &Community Services	47 083	46 478	1 980	18 354	15 493	2 861	18.5%	46 478
Vote 5 - Infrastructure Services	98 039	26 413	2 812	5 779	8 804	(3 026)	-34.4%	26 413
Vote 6 - Water Services	89 777	97 514	10 557	36 584	32 505	4 079	12.5%	97 514
Total Expenditure by Vote	400 329	293 597	23 152	90 068	97 866	(7 797)	-8.0%	293 597
Surplus/ (Deficit) for the year	137 027	257 767	(17 437)	23 393	85 922	(62 529)	-72.8%	257 767

Statement of financial Performance

This schedule provides information on the planned revenue and operational expenditures against the actual results for the period ending 31 October 2014.

DC43 Sisonke - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M04 October

Description	2013/14	Budget Year 2014/15						Full Year Forecast
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
Revenue By Source								
Property rates	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-
Service charges - water revenue	48 834	31 037	3 643	13 705	10 346	3 360	32%	31 719
Service charges - sanitation revenue	-	14 276	1 204	4 446	4 759	(313)	-7%	13 594
Service charges - refuse revenue	-	-	-	-	-	-	-	-
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-
Interest earned - external investments	3 344	2 600	3	1 088	867	222	26%	2 600
Interest earned - outstanding debtors	5 638	5 179	599	2 272	1 726	546	32%	5 179
Dividends received	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-
Agency services	-	-	-	-	-	-	-	-
Transfers recognised - operational	287 073	249 246	-	91 288	83 082	8 206	10%	249 246
Other revenue	1 859	3 500	267	662	1 167	(505)	-43%	3 500
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	346 747	305 838	5 715	113 461	101 946	11 515	11%	305 838
Expenditure By Type								
Employee related costs	99 948	104 040	8 641	34 618	34 680	(62)	0%	104 040
Remuneration of councillors	5 249	6 655	445	1 787	2 218	(432)	-19%	6 655
Debt impairment	23 206	10 000	-	-	3 333	(3 333)	-100%	10 000
Depreciation & asset impairment	35 926	20 000	-	-	6 667	(6 667)	-100%	20 000
Finance charges	3 510	2 639	-	88	880	(791)	-90%	2 639
Bulk purchases	9 487	5 200	1 320	2 427	1 733	694	40%	5 200
Other materials	-	-	-	-	-	-	-	-
Contracted services	23 091	33 520	4 057	10 598	11 173	(575)	-5%	33 520
Transfers and grants	14 808	11 578	-	10 757	3 859	6 898	179%	11 578
Other expenditure	156 316	99 965	8 689	29 794	33 322	(3 528)	-11%	99 965
Loss on disposal of PPE	28 787	-	-	-	-	-	-	-
Total Expenditure	400 330	293 597	23 152	90 068	97 866	(7 797)	-8%	293 597
Surplus/(Deficit)	(53 582)	12 241	(17 437)	23 393	4 080	19 313	0	12 241
Transfers recognised - capital	190 609	245 526	-	-	81 842	(81 842)	(0)	245 526
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	137 027	257 767	(17 437)	23 393	85 922			257 767
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	137 027	257 767	(17 437)	23 393	85 922			257 767
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	137 027	257 767	(17 437)	23 393	85 922			257 767
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	137 027	257 767	(17 437)	23 393	85 922			257 767

A detailed analysis of the anomalies is provided under "2.6 Material Variances in the SDBIP"

Capital Expenditure

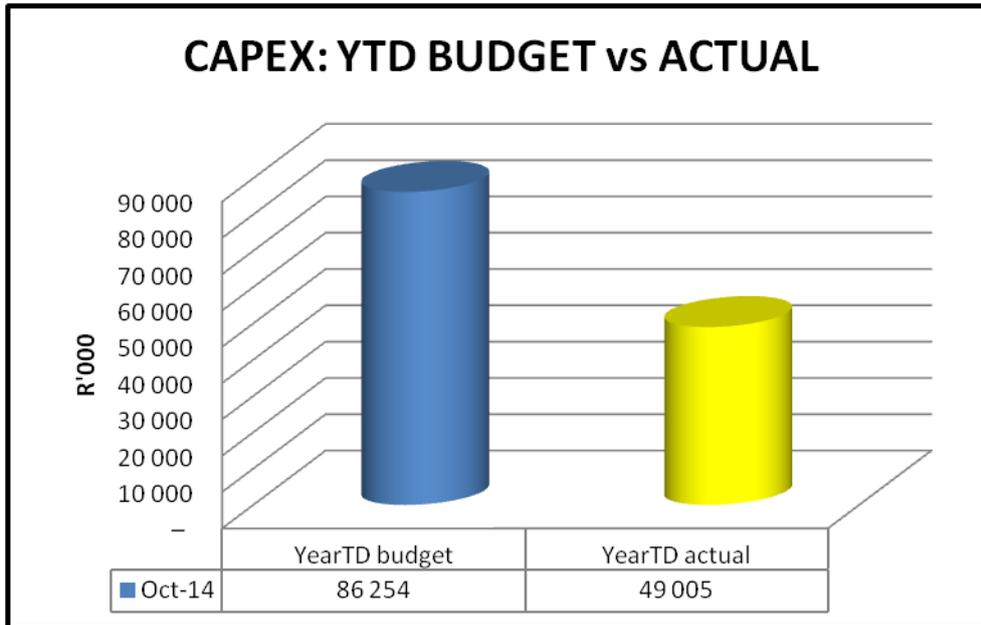
Table C5 below reports on the capital expenditures by departments (municipal vote) and also by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects.

DC43 Sisonke - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - M04 October)								
Vote Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Multi-Year expenditure appropriation								
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-
Vote 2 - Finance	141	100	-	-	33	(33)	-100%	100
Vote 3 - Corporate Services	5 804	3 609	214	248	1 203	(955)	-79%	3 609
Vote 4 - Economic & Community Services	-	2 325	-	-	775	(775)	-100%	2 325
Vote 5 - Infrastructure Services	183 672	247 526	19 990	48 757	82 509	(33 752)	-41%	247 526
Vote 6 - Water Services	2 122	5 200	-	-	1 733	(1 733)	-100%	5 200
Total Capital Multi-year expenditure	191 739	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761
Total Capital Expenditure	191 739	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761
Capital Expenditure - Standard Classification								
Governance and administration	1 974	3 709	214	248	1 236	(989)	-80%	3 709
Budget and treasury office	200	100	-	-	33	(33)	-100%	100
Corporate services	1 774	3 609	214	248	1 203	(955)	-79%	3 609
Economic and environmental services	409	2 325	-	-	775	(775)	-100%	2 325
Planning and development	409	2 325	-	-	775	(775)	-100%	2 325
Trading services	189 356	252 726	19 990	48 757	84 242	(35 485)	-42%	252 726
Electricity	-	-	-	-	-	-	-	-
Water	2 122	5 200	-	-	1 733	(1 733)	-100%	5 200
Waste water management	187 234	247 526	19 990	48 757	82 509	(33 752)	-41%	247 526
Total Capital Expenditure - Standard Classification	191 739	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761
Funded by:								
National Government	189 563	245 776	20 205	49 005	81 925	(32 921)	-40%	245 776
Transfers recognised - capital	189 563	245 776	20 205	49 005	81 925	(32 921)	-40%	245 776
Internally generated funds	2 177	12 984	-	-	4 328	(4 328)	-100%	12 984
Total Capital Funding	191 740	258 761	20 205	49 005	86 254	(37 249)	-43%	258 761

As alluded to above, the capital expenditure programme has started on a rather slower footing and thus the low expenditures reflected on National grant funding.

The chart below presents a high level analysis of YTD capital expenditure budget against the YTD actual expenditure.

Chart 1: 2013/2014 OCTOBER YTD CAPEX vs BUDGET



As at 31 October 2014, the year to date actual expenditure was R49million against a YTD budget of R86million resulting in under expenditure of R37million. These figures represent 56% percent performance against the capital development programme as at 31 October 2014.

Table C6 displays the financial position of the municipality as at 31 October 2014.

DC43 Sisonke - Table C6 Consolidated Monthly Budget Statement - Financial Position - M04				
Description	2013/14	Budget Year 2014/15		
	Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
R thousands				
<u>ASSETS</u>				
Current assets				
Cash	29 474	43 807	62 057	43 807
Call investment deposits	0	–	0	–
Consumer debtors	6 843	13 307	22 478	13 307
Other debtors	46 937	10 968	54 138	10 968
Current portion of long-term receivables	5 632	–	–	–
Inventory	269	318	269	318
Total current assets	89 156	68 400	138 942	68 400
Non current assets				
Long-term receivables	–	–	–	–
Investments	–	–	–	–
Investment property	–	–	–	–
Investments in Associate	–	–	–	–
Property, plant and equipment	1 275 994	1 548 958	1 328 321	1 548 958
Agricultural	–	–	–	–
Biological assets	–	–	–	–
Intangible assets	954	1 385	833	1 385
Other non-current assets	–	–	–	–
Total non current assets	1 276 948	1 550 343	1 329 154	1 550 343
TOTAL ASSETS	1 366 104	1 618 743	1 468 096	1 618 743
<u>LIABILITIES</u>				
Current liabilities				
Bank overdraft	–	–	–	–
Borrowing	3 415	3 266	4 754	3 266
Consumer deposits	1 114	1 265	1 114	1 265
Trade and other payables	103 845	53 128	105 246	53 128
Provisions	10 841	7 293	7 918	7 293
Total current liabilities	119 215	64 952	119 031	64 952
Non current liabilities				
Borrowing	22 064	18 683	27 193	18 683
Provisions	19 058	13 253	13 928	13 253
Total non current liabilities	41 121	31 936	41 121	31 936
TOTAL LIABILITIES	160 336	96 888	160 152	96 888
NET ASSETS	1 205 767	1 521 854	1 307 944	1 521 854
<u>COMMUNITY WEALTH/EQUITY</u>				
Accumulated Surplus/(Deficit)	1 205 767	1 521 854	1 307 944	1 521 854
Reserves	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	1 205 767	1 521 854	1 307 944	1 521 854

Table C7 below display the Cash Flow Statement for the period ending 31 October 2014.

DC43 Sisonke - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M04 October								
Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	50 693	48 813	3 921	9 282	16 271	(6 989)	-43%	48 813
Government - operating	287 073	249 246	250	94 226	83 082	11 144	13%	249 246
Government - capital	190 609	245 526	3 748	118 445	81 842	36 603	45%	245 526
Interest	8 981	7 779	602	3 354	2 593	761	29%	7 779
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(330 018)	(259 380)	(44 227)	(132 364)	(86 460)	45 903	-53%	(259 380)
Finance charges	(3 510)	(2 639)	-	(88)	(880)	(791)	90%	(2 639)
Transfers and Grants	(14 808)	(11 578)	-	(10 757)	(3 859)	6 898	-179%	(11 578)
NET CASH FROM/(USED) OPERATING ACTIVITIES	189 020	277 767	(35 706)	82 099	92 589	10 490	11%	277 767
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(122 243)	(258 761)	(20 205)	(49 005)	(86 254)	(37 249)	43%	(258 761)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(122 243)	(258 761)	(20 205)	(49 005)	(86 254)	(37 249)	43%	(258 761)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-
Payments								
Repayment of borrowing	(48 252)	-	-	(511)	-	511	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	(48 252)	-	-	(511)	-	511	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	18 525	19 006	(55 910)	32 583	6 335			19 006
Cash/cash equivalents at beginning:	20 186	29 474		29 474	29 474			29 474
Cash/cash equivalents at month/year end:	38 711	48 480		62 057	35 810			48 480

There has been a lower collection level on the service charges resulting in increasing debts and poor cash flow on internally generated funds. The collection of the Operational & Capital Grants has been great and so has been the interest earned on investments.

2. PART 2 – SUPPORTING DOCUMENTATION

2.1 Debtors Analysis

The table presented below summarises the Debtors Age Analysis as at 31 October 2014.

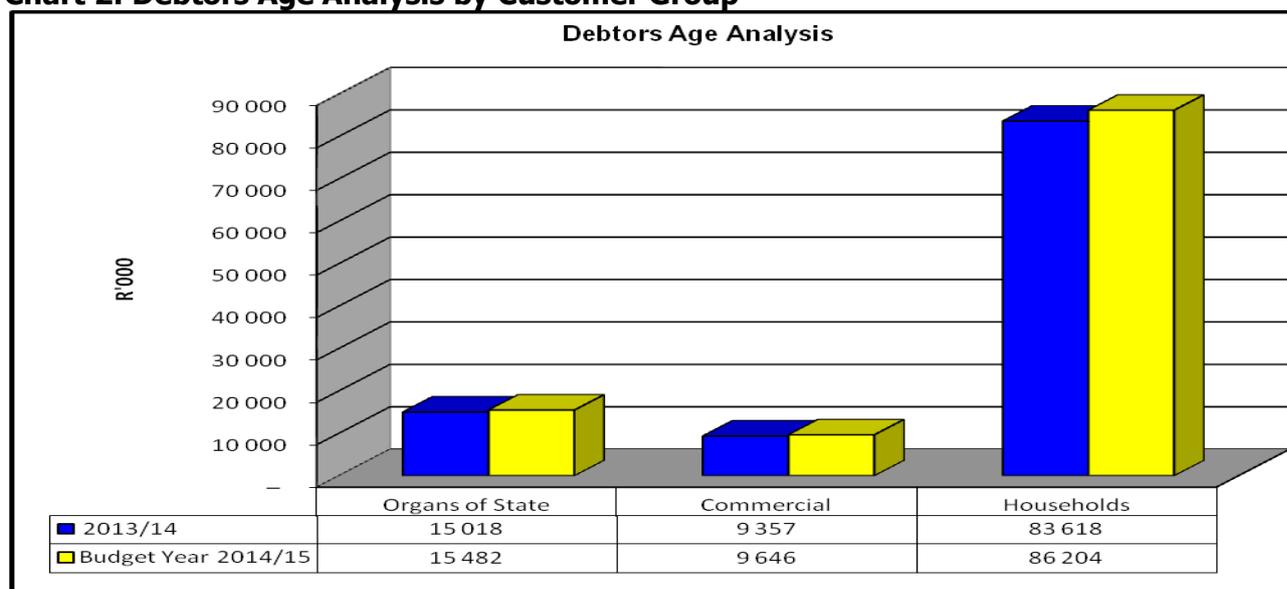
Table 2.1.1: Debtors Age Analysis by Income Source

DC43 Sisonke - Supporting Table SC3 Monthly Budget Statement - aged debtors - M04 October

Description	Budget Year 2014/15									Total over 90 days
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	
R thousands										
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	4 037	3 288	3 122	2 777	2 529	2 422	10 643	42 650	71 467	61 021
Receivables from Exchange Transactions - Waste Water Management	1 577	1 284	1 220	1 085	988	946	4 158	16 662	27 919	23 838
Interest on Arrear Debtor Accounts	675	550	522	464	423	405	1 779	7 129	11 946	10 200
Total By Income Source	6 288	5 122	4 863	4 326	3 940	3 773	16 579	66 441	111 333	95 059
2013/14 - totals only										
Debtors Age Analysis By Customer Group										
Organs of State	2 308	1 928	1 695	1 519	1 210	974	1 210	4 638	15 482	9 551
Commercial	796	440	356	272	317	295	1 570	5 601	9 646	8 054
Households	3 184	2 754	2 811	2 535	2 412	2 503	13 800	56 203	86 204	77 454
Other	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	6 288	5 122	4 863	4 326	3 940	3 773	16 579	66 441	111 333	95 059

The municipal consumer debt is currently increasing citing rigorous actions to ensure that this trend is prevented from continuing as it has a direct negative impact on municipal cash flows.

Chart 2: Debtors Age Analysis by Customer Group



The information presented in the chart above ranks total debt owed to the municipality from highest to the lowest,

- ✓ Households: 77%
- ✓ Government 14%
- ✓ Business 9%

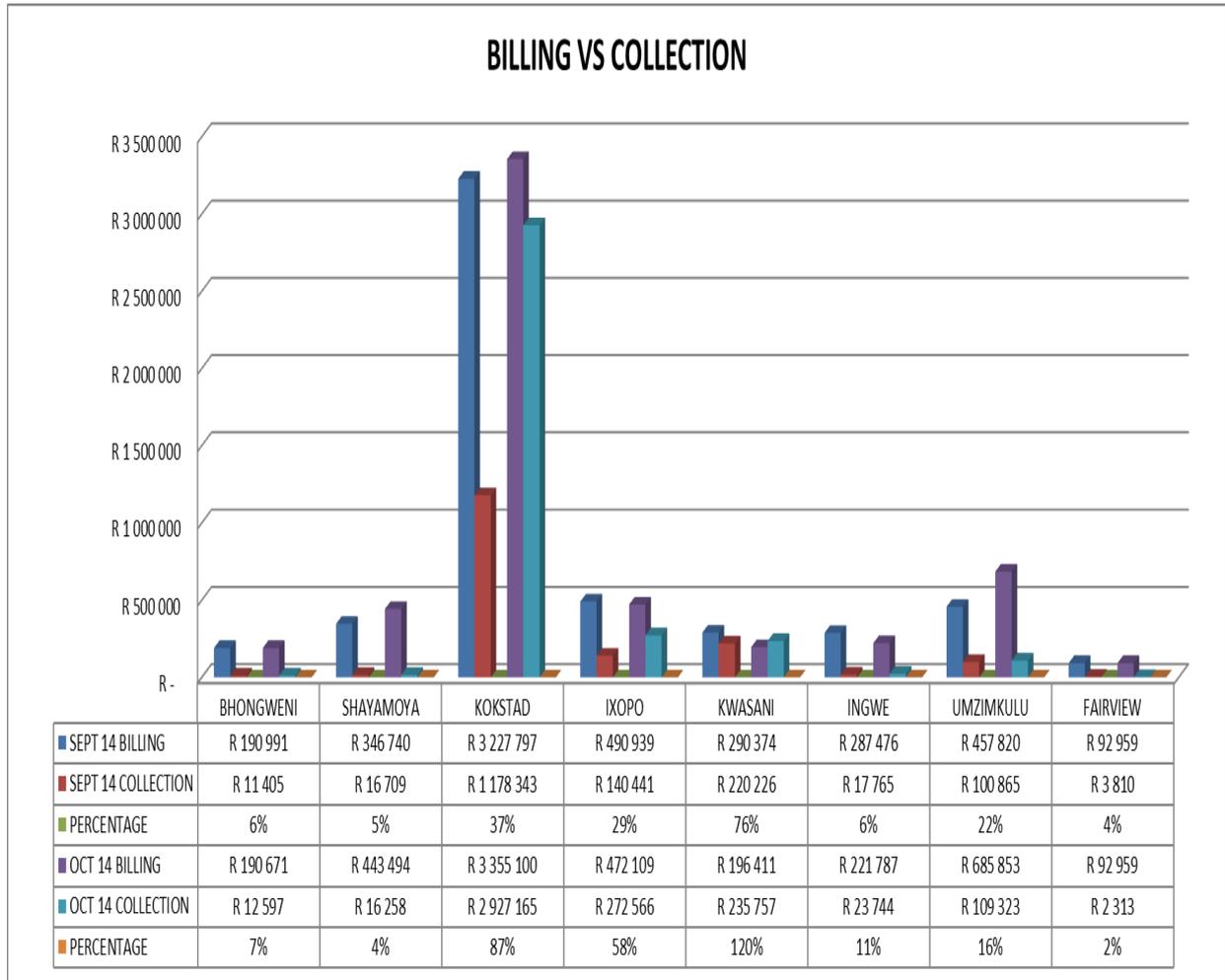
Revenue receipts per Area

AREA	AMOUNT		
		OCTOBER 2014	SEPTEMBER 2014
Unallocated receipts	R 55 055	2%	3%
Kokstad	R 2 927 165	80%	68%
Bhongweni	R 12 597	0%	1%
Shayamoya	R 16 258	0%	1%
Ixopo	R 272 566	7%	8%
Fairview	R 2 313	0%	0%
Kwasani	R 235 757	6%	13%
Ingwe	R 23 743	1%	1%
Umzimkhulu	R 109 323	3%	6%
TOTAL RECEIPTS INCL VAT	R 3 654 778	100%	100%

The table above presents the cash receipts from consumer debtors in each of the detailed areas as well as the comparative receipts for the previous month. The total cash collected for October is R3.6million.

Chart: Billing vs Collection Trend

The billing vs Collection ratio for the month of October was 65% (September: 32%) showing an increase in collection by 33% as compared to previous month. The comparison between the billing and collection for September and October is detailed below.



2.2 Creditors Analysis

Table SC presents the aged creditors as at 31 October 2014

DC43 Sisonke - Supporting Table SC4 Monthly Budget Statement - aged creditors - M04 October									
Description	Budget Year 2014/15								Total
	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	
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity									-
Bulk Water	379								379
PAYE deductions	1 361								1 361
VAT (output less input)									-
Pensions / Retirement deductions									-
Loan repayments									-
Trade Creditors	1 039								1 039
Auditor General	258								258
Other									-
Total By Customer Type	3 037	-	-	-	-	-	-	-	3 037

2.3 Investment Portfolio Analysis

The following information presents the cash at bank and short term investments balances broken down per investment type as at 31 October 2014.

DC43 Sisonke - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M04 October

Investments by maturity Name of institution & investment ID R thousands	Ref	Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
Municipality									
FIRST NATIONAL BANK	62095523281	N/a	MONEY MARKET	N/a	117	0.4%	32 533	(13 597)	18 936
FIRST NATIONAL BANK	62138538692	N/a	CALL ACCOUNT	N/a	171	0.3%	58 746	(39 628)	19 118
FIRST NATIONAL BANK	62032587331	N/a	CALL ACCOUNT	N/a	14	1.9%	756	(486)	270
INVESTEC	50006688425	N/a	FIXED DEPOSIT	N/a	51	0.5%	11 123	51	11 174
FIRST NATIONAL BANK	62398395204	N/a	CALL ACCOUNT	N/a	19	0.4%	5 093	(2 846)	2 247
FIRST NATIONAL BANK	62414264797	N/a	CALL ACCOUNT	N/a	20	0.4%	5 801	20	5 821
FIRST NATIONAL BANK	62434151239	N/a	CALL ACCOUNT	N/a	5	0.3%	1 745	5	1 750
FIRST NATIONAL BANK	62434147072	N/a	CALL ACCOUNT	N/a	2	0.2%	939	2	941
FIRST NATIONAL BANK	62434145331	N/a	CALL ACCOUNT	N/a	4	0.3%	1 262	4	1 265
Municipality sub-total					402		117 998	(56 475)	61 523
TOTAL INVESTMENTS AND INTEREST	2				402		117 998	(56 475)	61 523

2.4 Allocation and Grant receipts and Expenditure

Table SC 6 displays information relating to grant receipts.

DC43 Sisonke - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M04 October								
Description	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
RECEIPTS:								
Operating Transfers and Grants								
National Government:	226 713	237 996	2 044	95 993	237 996	(139 334)	-58.5%	237 996
Local Government Equitable Share	216 056	230 622	–	91 288	230 622	(139 334)	-60.4%	230 622
Finance Management	1 250	1 250	–	1 250	1 250	(0)	0.0%	1 250
Municipal Systems Improvement	890	934	–	934	934	0	0.0%	934
WATER SERVICES OPERATING SUBSIDY GRANT	6 235	3 146	–	477	3 146	(2 669)	-84.8%	3 146
WATER SERVICES OPERATING SUBSIDY	1 000	–	–	–	–	–	–	–
Rural Transport Services and Infrastructure Grant	1 282	2 044	2 044	2 044	2 044	0	0.0%	2 044
Provincial Government:	232	11 250	250	277	11 250	(11 000)	-97.8%	11 250
LG Seta	232	–	–	27	–	27	–	–
Development Planning Shared Services	–	250	250	250	250	–	0.0%	250
Small Town Rehabilitation Programme	–	11 000	–	–	11 000	(11 000)	-100.0%	11 000
Total Operating Transfers and Grants	226 945	249 246	2 294	96 270	249 246	(150 334)	-60.3%	249 246
Capital Transfers and Grants								
National Government:	155 950	245 526	1 704	116 401	245 526	(92 204)	-37.6%	245 526
Municipal Infrastructure Grant (MIG)	(4 067)	183 882	–	97 815	183 882	(86 067)	-46.8%	183 882
Regional Bulk Infrastructure	34 731	28 200	1 704	10 694	28 200	(17 506)	-62.1%	28 200
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMEN	5 958	3 415	–	1 100	3 415	(2 315)	-67.8%	3 415
MUNICIPAL WATER INFRASTRUCTURE GRANT	116 047	22 800	–	5 700	22 800	(17 100)	-75.0%	22 800
Expanded public works programme incentive grant	3 281	2 729	–	1 092	2 729	(1 637)	-60.0%	2 729
Rural Household Infrastructure Grant	–	4 500	–	–	4 500	(4 500)	-100.0%	4 500
Provincial Government:	19 272	–	–	–	–	–	–	–
COGTA	2 046	–	–	–	–	–	0.0%	–
Massification (COGTA)	17 225	–	–	–	–	–	0.0%	–
Total Capital Transfers and Grants	175 222	245 526	1 704	116 401	245 526	(92 204)	-37.6%	245 526
TOTAL RECEIPTS OF TRANSFERS & GRANTS	402 167	494 772	3 998	212 671	494 772	(242 538)	-49.0%	494 772

It is clear from the chart above that the bulk of the grants received by the municipality are from the National Treasury.

2.5 Councillor and Staff Benefits

The expenditure of councillor and staff benefits at 31 October 2014 is presented below.

The YTD budget versus YTD Expenditure for the Councillor Allowances movements is expressed in the chart below.

Chart 3: Councillor Allowances

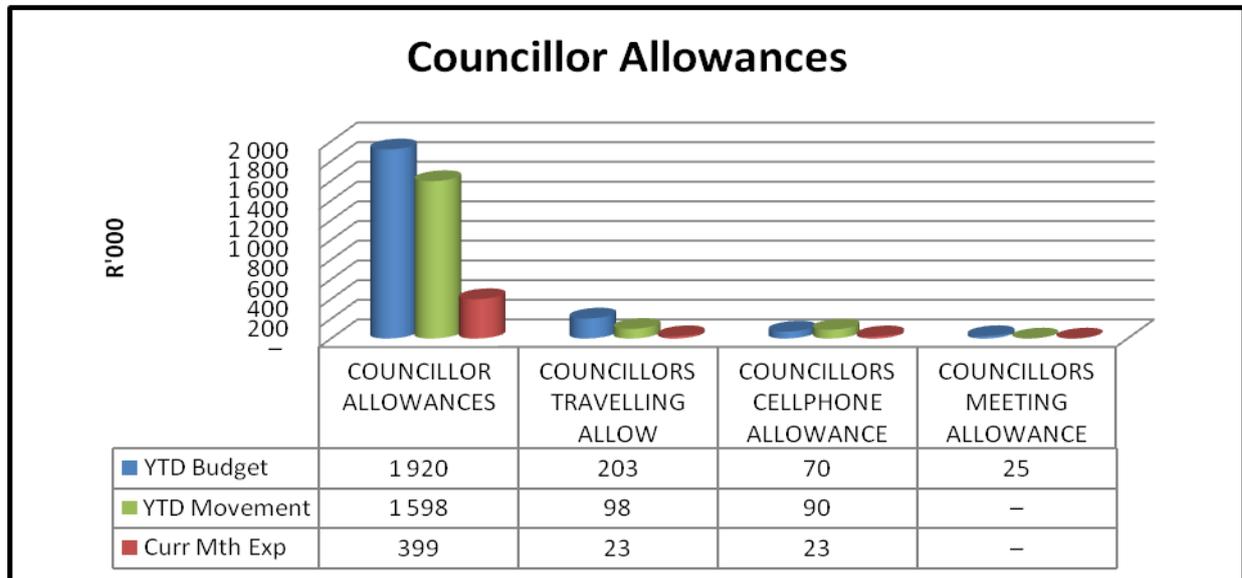
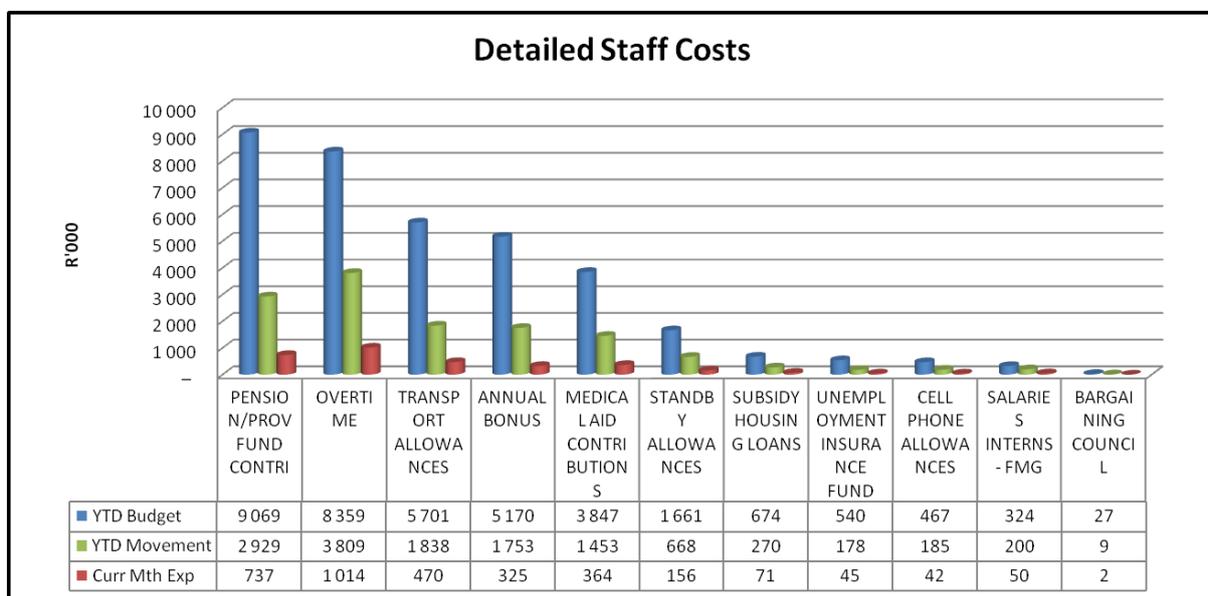


Chart 4: Detailed Staff Costs



2.6 Material Variances to the SDBIP

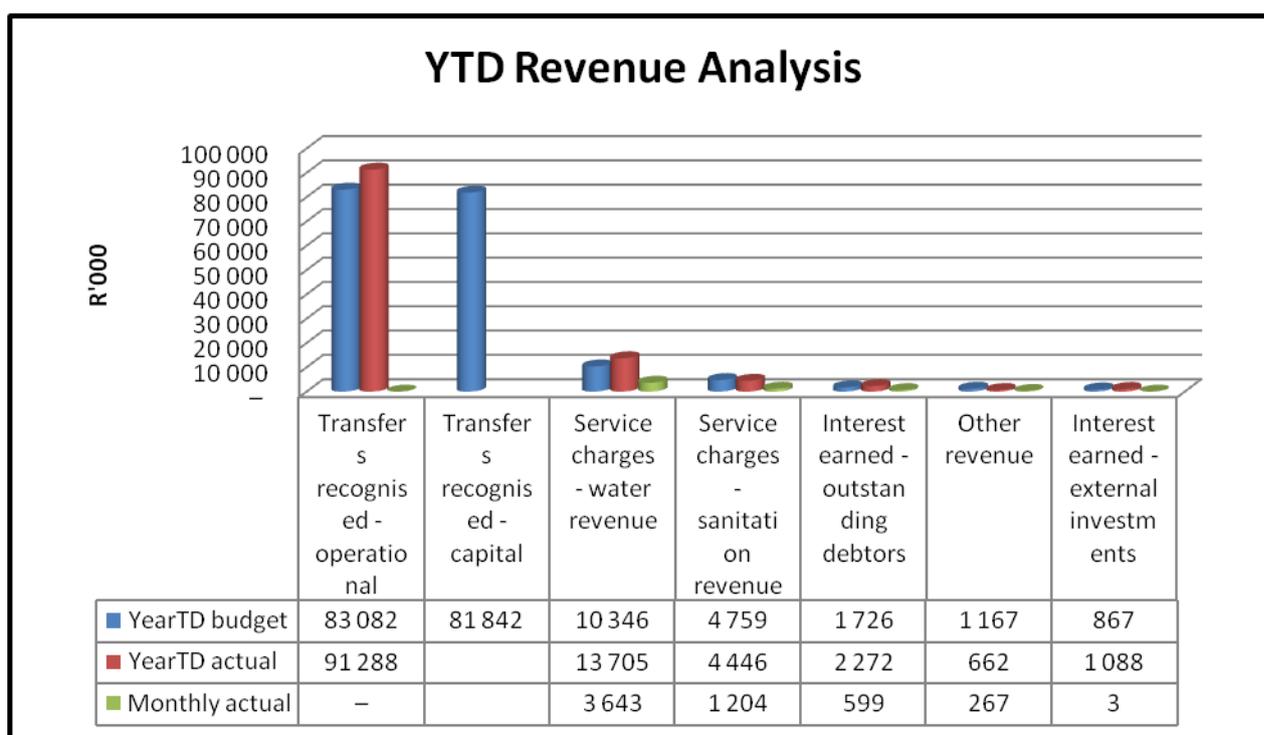
The following section analyses material variances between the actual targets as at 31 October 2014 and the budget for the same period. This report analyses each major component under following headings;

- ✓ Revenue by Source
- ✓ Operational Expenditure by Type, and
- ✓ Capital Expenditure
- ✓ Financial Position
- ✓ Cash Flows

REVENUE

The chart displays a comparison between the 2014/15 financial year revenue budget and the performance against this budget as depicted in the form of Year to date (YTD) Actual figures. It should be emphasised that the information presented relates to "performance" rather than "cash movements" in terms of the revenue items listed below. This accounting principle relating to municipal performance is best illustrated in the analysis that follows.

Chart 3: Revenue Analysis



Transfers Recognised - Operational

The YTD operational grants revenue for October was R91, 2million against a year to date budget of R83million and is largely attributable to the YTD equitable share.

Water & Sanitation Charges

The year to date **actual** water & sanitation charges (**billing**) as at 31 October 2014 was R18, 1million against a year to date **budget** of R15, 1million. This represents an over performance in municipal billing by 20%. However, this percentage measures the municipal performance in terms of the ability to bill consumers that are receiving services from the municipality and **is not** a measure of the ability to collect outstanding consumer accounts.

Interest Earned on External Investments

The actual interest earned on external investments as at 31 October 2014 is R 600k more than the planned year to date budget. This could be attributable to the large cash inflows at the beginning of the financial year.

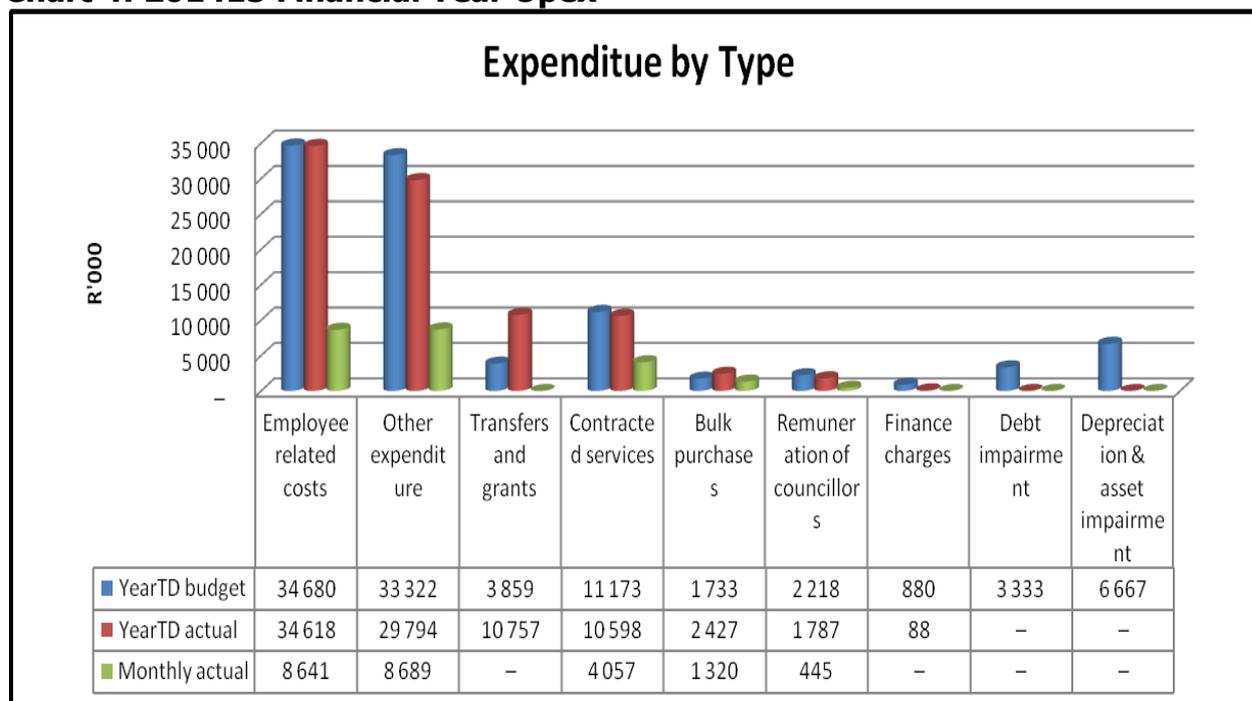
Other Revenue

The YTD performance of other revenue was R662k against the planned year to date budget of R 1.1million.

OPERATIONAL EXPENDITURE

The chart below presents the YTD operational expenditure movements against the YTD budgets. An analysis of each expenditure line item category is discussed below.

Chart 4: 201415 Financial Year Opex



Employee Related Costs

The YTD budget for employee related costs is R33, 6million against a YTD actual of R34, 6million representing an expenditure performance of 100%.

Remuneration of Councillors

The remuneration of councillor's expenditure as at 31 October 2014 is R1, 7million against a year to date budget of R2, 2million.

Bulk Purchases

As at 31 October 2014, the year to date actual expenditure on Bulk Water purchases was R2, 4m against year to budget of R1, 7m. This resulted in a variance of R1, 3million.

Other Expenditure

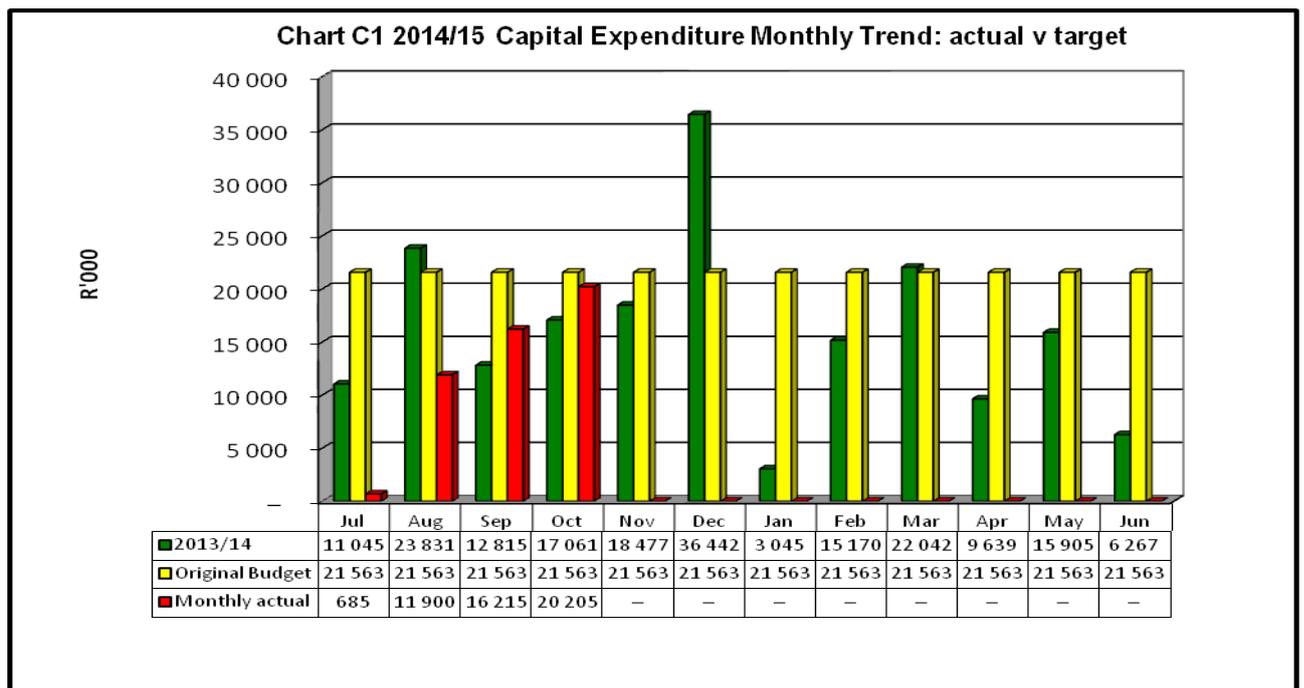
The YTD expenditure for other expenditure is at R29, 7million against a budget of R33 3million. The table below presents the top 20 creditor payments for October

TOP 20 CREDITORS PAYMENTS FOR OCTOBER 2014			
	Date	Amount	Payee
1	17 October 2014	R 4 463 276	IMVULA ENGINEERS
2	31 October 2014	R 3 738 307	CONRITE WALLS
3	01 October 2014	R 2 813 336	UKHASI CONSTRUCTION
4	24 October 2014	R 1 825 515	MCHUMANE PROJECTS
5	24 October 2014	R 1 780 035	TRUE BUILD SERVICES
6	06 October 2014	R 1 703 815	RGZ PROJECTS CC
7	31 October 2014	R 1 591 865	UMGENI WATER AMANZI
8	01 October 2014	R 1 527 567	MABONA CIVILS
9	10 October 2014	R 1 466 330	NU-ERA PROJECTS
10	31 October 2014	R 1 421 301	MABONELEMPUNZI
11	31 October 2014	R 1 306 859	EGXENI ENGINEERING
12	01 October 2014	R 1 191 651	CAMLULO TRADING
13	01 October 2014	R 1 072 201	ZAMISANANI PROJECTS
14	08 October 2014	R 1 040 933	TOWERCITY TRADING193
15	31 October 2014	R 1 034 896	KANTEY & TEMPLER
16	24 October 2014	R 985 136	WESBANK BANK
17	30 October 2014	R 949 520	UNATHI AND YONELA
18	31 October 2014	R 903 371	KULU CIVILS & PIPING
19	17 October 2014	R 900 933	NOMGHABHO TRADING
20	31 October 2014	R 855 829	ESKOM

Capital Expenditure Trend

DC43 Sisonke - Supporting Table SC12 Consolidated Monthly Budget Statement - capital expenditure trend - M04 October

Month	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
R thousands								
Monthly expenditure performance trend								
July	11 045	21 563	685	685	21 563	20 879	96.8%	0%
August	23 831	21 563	11 900	12 585	43 127	30 542	70.8%	5%
September	12 815	21 563	16 215	28 800	64 690	35 890	55.5%	11%
October	17 061	21 563	20 205	49 005	86 254	37 249	43.2%	19%
November	18 477	21 563			107 817	-		
December	36 442	21 563			129 380	-		
January	3 045	21 563			150 944	-		
February	15 170	21 563			172 507	-		
March	22 042	21 563			194 071	-		
April	9 639	21 563			215 634	-		
May	15 905	21 563			237 197	-		
June	6 267	21 563			258 761	-		
Total Capital expenditure	191 740	258 761	49 005					



SERVICE DELIVERY IMPLICATIONS

A timely payments to Service Providers improves their performance

STAKEHOLDERS CONSULTATION

None

BUDGETARY IMPLICATIONS

The expenditure is in accordance with approved 2014/2015 budget appropriation

RECOMMENDATION

It is recommended that:

Finance and Corporate Service Committee notes the report.

For Noting

2.7 Municipal Manager's Quality's Certification

Quality Certificate

I, **Adelaide Nomnandi Dlamini**, the Municipal Manager of **Harry Gwala District Municipality**, hereby certify that –

- the monthly budget statement

For the month of **October** of **2014** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Adelaide Nomnandi Dlamini

Municipal Manager of: Harry Gwala District Municipality

Signature: _____

Date: _____