

# Harry Gwala District Municipality

MFMA s71 & s52 (d) report for the period ending 30 September 2014

7/16/2014  
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 MFMA s71 Monthly Report Page 4 Sisonke District Municipality MFMA s71 Monthly Report Page 4

**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

### 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

The Mayor, who must provide general political guidance over the fiscal and financial affairs of the Municipality, is required by Section 52 (d) of the Municipal Finance Management Act to submit a report on the implementation of the budget and the financial state of affairs of the Municipality, to the council within 30 days after the end of each quarter.

In terms of section 54 of the MFMA, the Mayor must consider the section 71 report and check whether the Municipality's approved budget is implemented in accordance with the SDBIP and issue appropriate instructions to the Accounting officer.

### **DELIBERATION**

The discussion that follows, in terms of MFMA Section 71 and Section 52(d) above, 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 30 September 2014.

### **Revenue by Source**

The original approved revenue for the 2014/15 budget amounts to R531, 3m. The revenue for the 1<sup>st</sup> Quarter Ended 30 September 2014 amounts to R107, 7m which is 78% of the Year to Date (YTD) budget. The year to date revenue is largely constituted of the Operational & Capital grant receipts totalling 90%. Water & Sanitation Revenue contributes 8% to this total and the balance relates to other revenue.

### **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.

### **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 September amounted to R66, 6m against a year to date (YTD) budget of R73, 3m. The actual YTD expenditure represented 91% 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 R28, 7million, or 29% 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 September 2014 was R117, 9 million. 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 first Quarter have been received as per payment schedule. Total grants receipts amounted to R208million, being made up of R93, 9 million operational and R114, 6million capital grants. Operational grants are largely defined by the Equitable Share while capital grants are largely constituted of the Municipal Infrastructure Grant.

## **Spending on Grants**

Spending on grants amounted to R28 million or 29% for 2014/15 first quarter.

## **1.2 Resolutions**

The following recommendations are linked to the responsibilities of the Mayor as contained in s54 of the MFMA.

It is recommended that the Mayor;

1. Notes the monthly budget statement and any other supporting documentation
2. Notes the quarterly report on the implementation of the budget in terms of s52 (d) of the MFMA

## **1.3 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 - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								%	
<b>Financial Performance</b>									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	48 834	45 313	-	4 716	13 305	11 328	1 976	17%	45 313
Investment revenue	3 344	2 600	-	596	1 079	650	429	66%	2 600
Transfers recognised - operational	287 073	249 246	-	-	91 288	63 847	27 441	43%	249 246
Other own revenue	7 497	8 679	-	668	2 068	2 170	(102)	-5%	8 679
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>346 747</b>	<b>305 838</b>	<b>-</b>	<b>5 980</b>	<b>107 740</b>	<b>77 995</b>	<b>29 745</b>	<b>38%</b>	<b>305 838</b>
Employee costs	99 949	104 040	-	8 847	25 977	25 828	149	1%	104 040
Remuneration of Councillors	5 249	6 655	-	450	1 341	1 664	(322)	-19%	6 655
Depreciation & asset impairment	39 597	20 000	-	-	-	5 000	(5 000)	-100%	20 000
Finance charges	3 510	2 639	-	88	88	660	(571)	-87%	2 639
Materials and bulk purchases	9 487	5 200	-	321	1 107	1 250	(143)	-11%	5 200
Transfers and grants	14 808	11 578	-	4 483	10 757	2 894	7 862	272%	11 578
Other expenditure	227 729	143 485	-	12 455	27 348	36 104	(8 755)	-24%	143 485
<b>Total Expenditure</b>	<b>400 330</b>	<b>293 597</b>	<b>-</b>	<b>26 644</b>	<b>66 619</b>	<b>73 399</b>	<b>(6 781)</b>	<b>-9%</b>	<b>293 597</b>
<b>Surplus/(Deficit)</b>	<b>(53 582)</b>	<b>12 241</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>4 596</b>	<b>36 525</b>	<b>795%</b>	<b>12 241</b>
Transfers recognised - capital	190 609	245 526	-	-	-	59 846	(59 846)	-100%	245 526
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>	<b>(23 320)</b>	<b>-36%</b>	<b>257 767</b>
<b>Surplus/ (Deficit) for the year</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>	<b>(23 320)</b>	<b>-36%</b>	<b>257 767</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>
Capital transfers recognised	189 721	245 776	-	16 215	28 800	64 690	(35 890)	-55%	245 776
Internally generated funds	28 145	12 984	-	-	-	-	-	-	12 984
<b>Total sources of capital funds</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>
<b>Financial position</b>									
Total current assets	89 156	68 400	-	-	188 830	-	-	-	68 400
Total non current assets	1 276 948	1 550 343	-	-	1 305 748	-	-	-	1 550 343
Total current liabilities	119 215	64 952	-	-	192 136	-	-	-	64 952
Total non current liabilities	41 121	31 936	-	-	46 235	-	-	-	31 936
<b>Community wealth/Equity</b>	<b>1 205 767</b>	<b>1 521 854</b>	<b>-</b>	<b>-</b>	<b>1 256 207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 521 854</b>
<b>Cash flows</b>									
Net cash from (used) operating	200 607	277 767	-	(3 437)	117 804	277 767	159 963	58%	277 767
Net cash from (used) investing	(185 455)	(258 761)	-	(16 215)	(28 800)	(685)	28 115	-4107%	(258 761)
Net cash from (used) financing	(5 863)	-	-	(511)	(511)	-	511	#DIV/0!	-
<b>Cash/cash equivalents at the month/year end</b>	<b>29 475</b>	<b>19 006</b>	<b>-</b>	<b>-</b>	<b>117 967</b>	<b>277 082</b>	<b>159 115</b>	<b>57%</b>	<b>48 480</b>
<b>Debtors &amp; creditors analysis</b>									
	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
<b>Debtors Age Analysis</b>									
Total By Income Source	5 956	5 376	4 427	5 200	3 987	3 307	16 366	64 169	108 788
<b>Creditors Age Analysis</b>									
Total Creditors	3 227	-	-	-	-	-	-	-	3 227

## 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) - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<b>Revenue - Standard</b>									
<b>Governance and administration</b>	257 372	243 250	-	1 200	94 225	60 813	33 413	55%	243 250
Executive and council	417	-	-	-	-	-	-	-	-
Budget and treasury office	256 769	243 250	-	1 200	94 225	60 813	33 413	55%	243 250
Corporate services	185	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	555	250	-	-	-	62	(62)	-100%	250
Planning and development	555	250	-	-	-	62	(62)	-100%	250
<b>Trading services</b>	279 430	307 864	-	4 780	13 515	76 966	(63 451)	-82%	307 864
Water	49 615	46 148	-	4 780	13 515	11 537	1 978	17%	46 148
Waste water management	229 815	261 716	-	-	-	65 429	(65 429)	-100%	261 716
<b>Total Revenue - Standard</b>	<b>537 357</b>	<b>551 364</b>	<b>-</b>	<b>5 980</b>	<b>107 740</b>	<b>137 841</b>	<b>(30 101)</b>	<b>-22%</b>	<b>551 364</b>
<b>Expenditure - Standard</b>									
<b>Governance and administration</b>	119 294	123 191	-	8 559	20 419	30 798	(10 379)	-34%	123 191
Executive and council	16 712	17 464	-	1 131	3 906	4 366	(460)	-11%	17 464
Budget and treasury office	55 560	61 007	-	3 321	7 324	15 252	(7 928)	-52%	61 007
Corporate services	47 022	44 720	-	4 107	9 190	11 180	(1 990)	-18%	44 720
<b>Community and public safety</b>	-	3 509	-	176	662	877	(215)	-24%	3 509
Community and social services	-	3 509	-	176	662	877	(215)	-24%	3 509
<b>Economic and environmental services</b>	67 459	42 970	-	6 382	16 544	10 742	5 801	54%	42 970
Planning and development	67 459	42 970	-	6 382	16 544	10 742	5 801	54%	42 970
<b>Trading services</b>	213 577	123 928	-	11 526	28 993	30 982	(1 989)	-6%	123 928
Water	108 993	97 514	-	10 450	26 026	24 379	1 648	7%	97 514
Waste water management	104 584	26 413	-	1 076	2 967	6 603	(3 637)	-55%	26 413
<b>Total Expenditure - Standard</b>	<b>400 330</b>	<b>293 597</b>	<b>-</b>	<b>26 644</b>	<b>66 619</b>	<b>73 399</b>	<b>(6 781)</b>	<b>-9%</b>	<b>293 597</b>
<b>Surplus/ (Deficit) for the year</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>	<b>(23 320)</b>	<b>-36%</b>	<b>257 767</b>

This table assess the revenue by department and then the expenditure for the period ending 30 September 2014. Overall the budgeted revenue has been less than the budget by 22%. It proves that 2014/2015 budgeted revenue was received and monitored accordingly.

Expenditure by standard classification presents the expenditures by the departments. Waste Water Management (Water Services) has seen over expenditure by 7% in the period ending 30 September 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) - M03 September									
Vote Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<b>Revenue by Vote</b>									
Vote 1 - Executive & Council	417	-	-	-	-	-	-	-	-
Vote 2 - Finance	256 769	243 250	-	1 200	94 225	60 813	33 413	54.9%	243 250
Vote 3 - Corporate Services	185	-	-	-	-	-	-	-	-
Vote 4 - Economic &Community Services	555	250	-	-	-	62	(62)	-100.0%	250
Vote 5 - Infrastructure Services	229 815	261 716	-	-	-	65 429	(65 429)	-100.0%	261 716
Vote 6 - Water Services	49 615	46 148	-	4 780	13 515	11 537	1 978	17.1%	46 148
<b>Total Revenue by Vote</b>	<b>537 357</b>	<b>551 364</b>	<b>-</b>	<b>5 980</b>	<b>107 740</b>	<b>137 841</b>	<b>(30 101)</b>	<b>-21.8%</b>	<b>551 364</b>
<b>Expenditure by Vote</b>									
Vote 1 - Executive & Council	16 712	17 464	-	1 131	3 906	4 366	(460)	-10.5%	17 464
Vote 2 - Finance	55 560	61 007	-	3 321	7 324	15 252	(7 928)	-52.0%	61 007
Vote 3 - Corporate Services	47 022	44 720	-	4 284	9 852	12 057	(2 205)	-18.3%	44 720
Vote 4 - Economic &Community Services	67 459	46 478	-	6 382	16 544	10 742	5 801	54.0%	46 478
Vote 5 - Infrastructure Services	104 584	26 413	-	1 076	2 967	6 603	(3 637)	-55.1%	26 413
Vote 6 - Water Services	108 993	97 514	-	10 450	26 026	24 379	1 648	6.8%	97 514
<b>Total Expenditure by Vote</b>	<b>400 330</b>	<b>293 597</b>	<b>-</b>	<b>26 644</b>	<b>66 619</b>	<b>73 399</b>	<b>(6 781)</b>	<b>-9.2%</b>	<b>293 597</b>
<b>Surplus/ (Deficit) for the year</b>	<b>137 026</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>	<b>(23 320)</b>	<b>-36.2%</b>	<b>257 767</b>

## Statement of financial Performance

This schedule provides information on the planned revenue and operational expenditures against the actual results for the period ending 30 September 2014.

DC43 Sisonke - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<b>Revenue By Source</b>									
Service charges - water revenue	34 184	31 037	-	3 301	9 313	7 930	1 384	17%	31 719
Service charges - sanitation revenue	14 650	14 276	-	1 415	3 991	3 398	593	17%	13 594
Interest earned - external investments	3 344	2 600	-	596	1 079	650	429	66%	2 600
Interest earned - outstanding debtors	5 638	5 179	-	589	1 673	1 295	378	29%	5 179
Transfers recognised - operational	287 073	249 246	-	-	91 288	63 847	27 441	43%	249 246
Other revenue	1 859	3 500	-	80	395	875	(480)	-55%	3 500
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>346 747</b>	<b>305 838</b>	<b>-</b>	<b>5 980</b>	<b>107 740</b>	<b>77 995</b>	<b>29 745</b>	<b>38%</b>	<b>305 838</b>
<b>Expenditure By Type</b>									
Employee related costs	99 949	104 040	-	8 847	25 977	25 828	149	1%	104 040
Remuneration of councillors	5 249	6 655	-	450	1 341	1 664	(322)	-19%	6 655
Debt impairment	23 206	10 000	-	-	-	2 500	(2 500)	-100%	10 000
Depreciation & asset impairment	39 597	20 000	-	-	-	5 000	(5 000)	-100%	20 000
Finance charges	3 510	2 639	-	88	88	660	(571)	-87%	2 639
Bulk purchases	9 487	5 200	-	321	1 107	1 250	(143)	-11%	5 200
Contracted services	23 091	33 520	-	2 971	7 225	8 380	(1 155)	-14%	33 520
Transfers and grants	14 808	11 578	-	4 483	10 757	2 894	7 862	272%	11 578
Other expenditure	156 316	99 965	-	9 484	20 123	25 224	(5 100)	-20%	99 965
Loss on disposal of PPE	25 116	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>400 330</b>	<b>293 597</b>	<b>-</b>	<b>26 644</b>	<b>66 619</b>	<b>73 399</b>	<b>(6 781)</b>	<b>-9%</b>	<b>293 597</b>
<b>Surplus/(Deficit)</b>	<b>(53 582)</b>	<b>12 241</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>4 596</b>	<b>36 525</b>	<b>0</b>	<b>12 241</b>
Transfers recognised - capital	190 609	245 526	-	-	-	59 846	(59 846)	(0)	245 526
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>			<b>257 767</b>
<b>Surplus/(Deficit) after taxation</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>			<b>257 767</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>			<b>257 767</b>
<b>Surplus/ (Deficit) for the year</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>(20 664)</b>	<b>41 121</b>	<b>64 442</b>			<b>257 767</b>

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

## Capital Expenditure

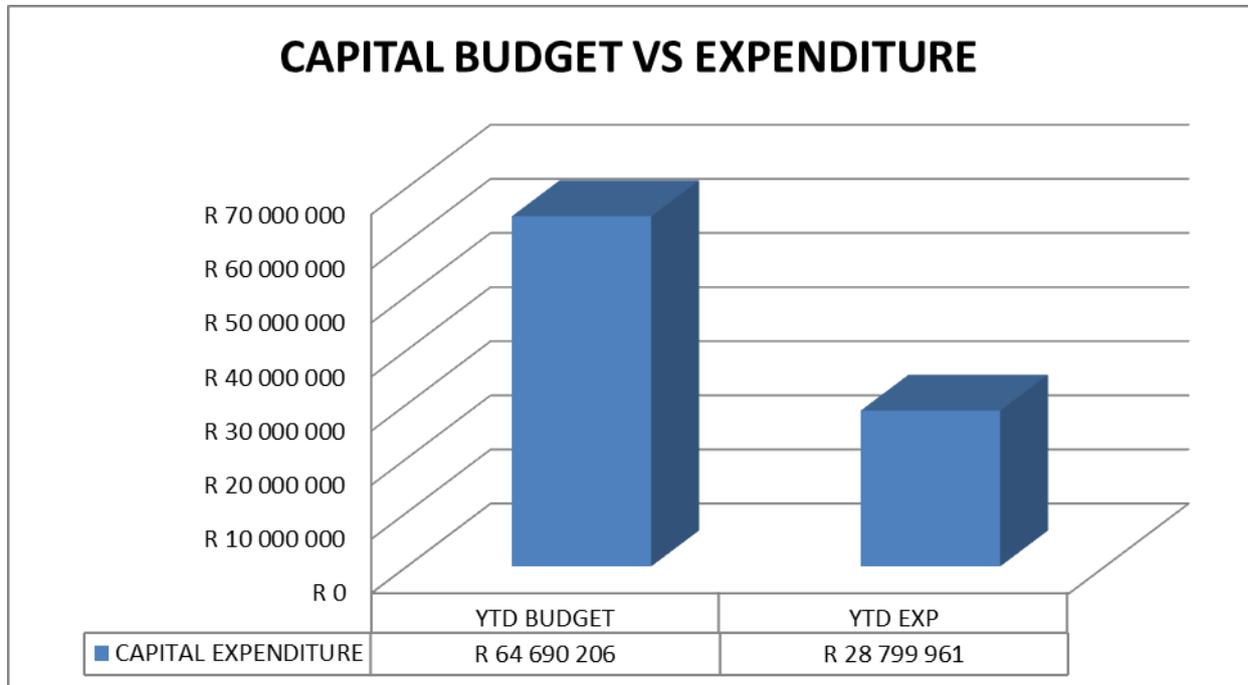
Table C5 below reports on the capital expenditures by departments (municipal vote) and also by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects.

DC43 Sisonke - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - M03 September)									
Vote Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<b>Multi-Year expenditure appropriation</b>									
Vote 2 - Finance	141	100	-	-	-	25	(25)	-100%	100
Vote 3 - Corporate Services	9 262	3 609	-	8	33	902	(869)	-96%	3 609
Vote 4 - Economic & Community Services	957	2 325	-	-	-	581	(581)	-100%	2 325
Vote 5 - Infrastructure Services	207 505	247 526	-	16 206	28 767	61 882	(33 115)	-54%	247 526
Vote 6 - Water Services	-	5 200	-	-	-	1 300	(1 300)	-100%	5 200
<b>Total Capital Multi-year expenditure</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>
<b>Total Capital Expenditure</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>
<b>Capital Expenditure - Standard Classification</b>									
<b>Governance and administration</b>	<b>9 404</b>	<b>3 709</b>	<b>-</b>	<b>8</b>	<b>33</b>	<b>927</b>	<b>(894)</b>	<b>-96%</b>	<b>3 709</b>
Budget and treasury office	141	100	-	-	-	25	(25)	-100%	100
Corporate services	9 262	3 609	-	8	33	902	(869)	-96%	3 609
<b>Economic and environmental services</b>	<b>957</b>	<b>2 325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581</b>	<b>(581)</b>	<b>-100%</b>	<b>2 325</b>
Planning and development	957	2 325	-	-	-	581	(581)	-100%	2 325
<b>Trading services</b>	<b>207 505</b>	<b>252 726</b>	<b>-</b>	<b>16 206</b>	<b>28 767</b>	<b>63 182</b>	<b>(34 415)</b>	<b>-54%</b>	<b>252 726</b>
Water	-	5 200	-	-	-	1 300	(1 300)	-100%	5 200
Waste water management	207 505	247 526	-	16 206	28 767	61 882	(33 115)	-54%	247 526
<b>Total Capital Expenditure - Standard Classification</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>
<b>Funded by:</b>									
National Government	172 242	245 776	-	16 215	28 800	64 690	(35 890)	-55%	245 776
Provincial Government	17 479	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>189 721</b>	<b>245 776</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>245 776</b>
<b>Internally generated funds</b>	<b>28 145</b>	<b>12 984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 984</b>
<b>Total Capital Funding</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>16 215</b>	<b>28 800</b>	<b>64 690</b>	<b>(35 890)</b>	<b>-55%</b>	<b>258 761</b>

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

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

**Chart 1: 2012/2013 YEAR END CAPEX**



As at 30 September 2014, the year to date actual expenditure was R28, 7million against a YTD budget of R64, 6million. In monetary terms, these figures represent 45% percent performance against the capital development programme as at 30 September 2014.

Table C6 displays the financial position of the municipality as at 30 June 2013.

As at 30 September 2014, the current ratio has improved to 0.95:1 compared to 0.75:1 as at the end of the last financial year. The norm for this ratio is 2:1, meaning for every R1 of debt obligations you ought to have R2 of current assets to meet those commitments.

DC43 Sisonke - Table C6 Consolidated Monthly Budget Statement - Financial Position - M03 September

Description	2013/14	Budget Year 2014/15			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	29 474	43 807	–	117 967	43 807
Consumer debtors	6 843	13 307	–	18 243	13 307
Other debtors	46 937	10 968	–	46 937	10 968
Current portion of long-term receivables	5 632	–	–	5 414	–
Inventory	269	318	–	269	318
<b>Total current assets</b>	<b>89 156</b>	<b>68 400</b>	<b>–</b>	<b>188 830</b>	<b>68 400</b>
<b>Non current assets</b>					
Property, plant and equipment	1 275 994	1 548 958	–	1 304 769	1 548 958
Intangible assets	954	1 385	–	979	1 385
<b>Total non current assets</b>	<b>1 276 948</b>	<b>1 550 343</b>	<b>–</b>	<b>1 305 748</b>	<b>1 550 343</b>
<b>TOTAL ASSETS</b>	<b>1 366 104</b>	<b>1 618 743</b>	<b>–</b>	<b>1 494 578</b>	<b>1 618 743</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowing	3 415	3 266	–	3 708	3 266
Consumer deposits	1 114	1 265	–	1 155	1 265
Trade and other payables	103 845	53 128	–	179 562	53 128
Provisions	10 841	7 293	–	7 711	7 293
<b>Total current liabilities</b>	<b>119 215</b>	<b>64 952</b>	<b>–</b>	<b>192 136</b>	<b>64 952</b>
<b>Non current liabilities</b>					
Borrowing	22 064	18 683	–	24 968	18 683
Provisions	19 058	13 253	–	21 267	13 253
<b>Total non current liabilities</b>	<b>41 121</b>	<b>31 936</b>	<b>–</b>	<b>46 235</b>	<b>31 936</b>
<b>TOTAL LIABILITIES</b>	<b>160 336</b>	<b>96 888</b>	<b>–</b>	<b>238 371</b>	<b>96 888</b>
<b>NET ASSETS</b>	<b>1 205 767</b>	<b>1 521 854</b>	<b>–</b>	<b>1 256 207</b>	<b>1 521 854</b>
<b>COMMUNITY WEALTH/EQUITY</b>					
Accumulated Surplus/(Deficit)	1 205 767	1 521 854	–	1 256 207	1 521 854
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 205 767</b>	<b>1 521 854</b>	<b>–</b>	<b>1 256 207</b>	<b>1 521 854</b>

This ratio means that for one rand (R1) of monies owed, the municipality only had ninety five cents (R0.95c) to meet those short term debt obligations signalling liquidity risk.

Table C7 below display the Cash Flow Statement for the period ending 30 September 2014.

DC43 Sisonke - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	25 462	48 813	-	1 817	5 361	48 813	(43 452)	-89%	48 813
Government - operating	239 824	249 246	-	-	93 976	249 246	(155 270)	-62%	249 246
Government - capital	229 812	245 526	-	2 804	114 697	245 526	(130 829)	-53%	245 526
Interest	3 344	7 779	-	1 185	2 752	7 779	(5 027)	-65%	7 779
<b>Payments</b>									
Suppliers and employees	(271 119)	(259 380)	-	(4 671)	(88 137)	(259 380)	(171 243)	66%	(259 380)
Finance charges	(3 510)	(2 639)	-	(88)	(88)	(2 639)	(2 551)	97%	(2 639)
Transfers and Grants	(23 206)	(11 578)	-	(4 483)	(10 757)	(11 578)	(821)	7%	(11 578)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>200 607</b>	<b>277 767</b>	<b>-</b>	<b>(3 437)</b>	<b>117 804</b>	<b>277 767</b>	<b>159 963</b>	<b>58%</b>	<b>277 767</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-		
<b>Payments</b>									
Capital assets	(185 455)	(258 761)	-	(16 215)	(28 800)	(685)	28 115	-4107%	(258 761)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(185 455)</b>	<b>(258 761)</b>	<b>-</b>	<b>(16 215)</b>	<b>(28 800)</b>	<b>(685)</b>	<b>28 115</b>	<b>-4107%</b>	<b>(258 761)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-		
<b>Payments</b>									
Repayment of borrowing	(5 863)	-	-	(511)	(511)	-	511	#DIV/0!	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(5 863)</b>	<b>-</b>	<b>-</b>	<b>(511)</b>	<b>(511)</b>	<b>-</b>	<b>511</b>	<b>#DIV/0!</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>9 289</b>	<b>19 006</b>	<b>-</b>	<b>(20 163)</b>	<b>88 493</b>	<b>277 082</b>			<b>19 006</b>
Cash/cash equivalents at beginning:	20 186				29 474	-			29 474
Cash/cash equivalents at month/year end:	29 475	19 006	-		117 967	277 082			48 480

There has been lower collection levels signalled by a collection ratio of 32% (August 2014: 22%). The interest earned on investments has been improved compared to 2013/2014 first quarter year to date budget. The low collection level on debtors has put a strain on the cash flow levels of the Municipality.

## 2. PART 2 – SUPPORTING DOCUMENTATION

### 2.1 Debtors Analysis

The table presented below summarises the Debtors Age Analysis as at 30 September 2014.

**Table 2.1.1: Debtors Age Analysis by Income Source**

DC43 Sisonke - Supporting Table SC3 Monthly Budget Statement - aged debtors - M03 September										
Description	Budget Year 2014/15									
	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	Total over 90 days
<b>Debtors Age Analysis By Income Source</b>										
Trade and Other Receivables from Exchange Transactions - Water	3 823	3 451	2 842	3 338	2 559	2 123	10 506	41 192	69 834	59 718
Receivables from Exchange Transactions - Waste Water Management	1 494	1 348	1 110	1 304	1 000	829	4 104	16 092	27 281	23 329
Interest on Arrear Debtor Accounts	639	577	475	558	428	355	1 756	6 886	11 673	9 982
<b>Total By Income Source</b>	<b>5 956</b>	<b>5 376</b>	<b>4 427</b>	<b>5 200</b>	<b>3 987</b>	<b>3 307</b>	<b>16 366</b>	<b>64 169</b>	<b>108 788</b>	<b>93 030</b>
2013/14 - totals only									-	-
<b>Debtors Age Analysis By Customer Group</b>										
Organs of State	2 134	2 017	1 559	2 458	1 200	702	1 457	5 782	17 310	11 599
Commercial	3 815	3 353	2 862	2 738	2 782	2 598	14 883	58 334	91 364	81 334
Households	6	6	6	5	5	7	26	53	114	96
<b>Total By Customer Group</b>	<b>5 956</b>	<b>5 376</b>	<b>4 427</b>	<b>5 200</b>	<b>3 987</b>	<b>3 307</b>	<b>16 366</b>	<b>64 169</b>	<b>108 788</b>	<b>93 030</b>

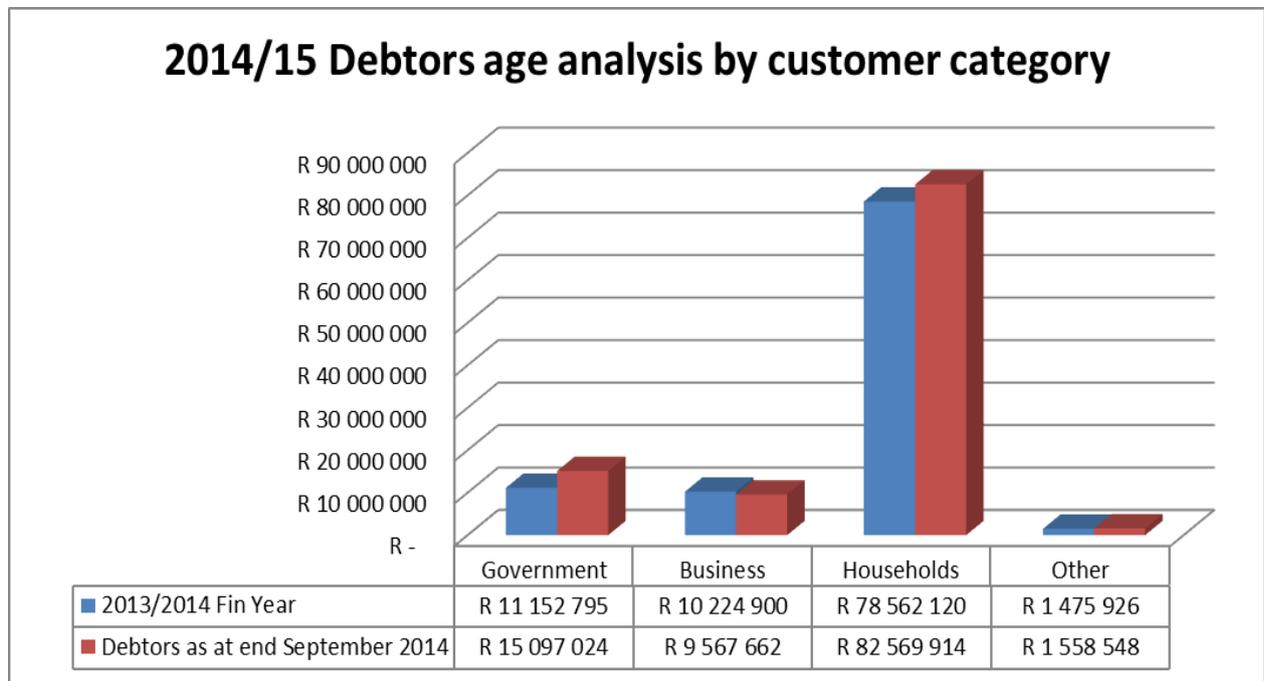
The municipal consumer debt is currently increasing citing rigorous actions to ensure that this trend is prevented from continuing as it has a direct negative impact on municipal cash flows.

**Table 2.1.2: Debtors Age Analysis by Customer Category**

DESCRIPTION	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
Government	R 2 039 025	R 1 982 035	R 1 525 254	R 2 407 954	R 1 145 794	R 638 360	R 1 018 507	R 4 340 095	R 15 097 023
Business	R 884 191	R 437 277	R 301 502	R 335 720	R 305 774	R 283 801	R 1 531 870	R 5 487 527	R 9 567 663
Households	R 2 960 372	R 2 919 162	R 2 567 840	R 2 401 302	R 2 491 100	R 2 332 980	R 13 395 877	R 53 501 281	R 82 569 913
Other	R 52 319	R 52 169	R 35 655	R 58 011	R 49 406	R 48 693	R 409 637	R 852 658	R 1 558 548
<b>TOTAL</b>	<b>R 5 955 133</b>	<b>R 5 374 726</b>	<b>R 4 422 903</b>	<b>R 5 199 472</b>	<b>R 3 990 790</b>	<b>R 3 303 441</b>	<b>R 16 357 134</b>	<b>R 64 180 166</b>	<b>R 108 783 765</b>

Table 2.1.2 analyses consumer debt by Category. A further analysis in the form of a chart is provided below.

**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: 76%
- ✓ Government 14%
- ✓ Business 9%
- ✓ Other 1%

The chart above shows that for each debtor type the amounts owing to the municipality have increased on a monthly basis.

## 2.2 Creditors Analysis

Table SC presents the aged creditors as at 30 September 2014

DC43 Sisonke - Supporting Table SC4 Monthly Budget Statement - aged creditors - M03 September									
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									
<b>Creditors Age Analysis By Customer Type</b>									
Bulk Water	368								368
PAYE deductions	1 384								1 384
Loan repayments	600								600
Trade Creditors	778								778
Auditor General	97								97
<b>Total By Customer Type</b>	<b>3 227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 227</b>

## 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 30 September 2014.

### Investments

DC43 Sisonke - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M03 September						
Investments by maturity Name of institution & investment ID	Ref	Type of Investment	Accrued interest for the month	Market value at beginning of the month	Change in market value	Market value at end of the month
<b>Municipality</b>						
FIRST NATIONAL BANK	62095523281	MONEY MARKET	138	36 309	(3 915)	32 533
FIRST NATIONAL BANK	62138538692	CALL ACCOUNT	238	65 112	(6 603)	58 746
FIRST NATIONAL BANK	62032587331	CALL ACCOUNT	70	16 684	(15 999)	756
INVESTEC	50006688425	FIXED DEPOSIT	49	11 075		11 123
FIRST NATIONAL BANK	62398395204	CALL ACCOUNT	23	5 070		5 093
FIRST NATIONAL BANK	62414264797	CALL ACCOUNT	19	1 299	4 483	5 801
FIRST NATIONAL BANK	62434151239	CALL ACCOUNT	3	642	1 100	1 745
FIRST NATIONAL BANK	62434147072	CALL ACCOUNT	2	3	934	939
FIRST NATIONAL BANK	62434145331	CALL ACCOUNT	4	1 258		1 262
<b>Municipality sub-total</b>			<b>546</b>	<b>137 452</b>	<b>(19 999)</b>	<b>117 998</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>	<b>2</b>		<b>546</b>	<b>137 452</b>	<b>(19 999)</b>	<b>117 998</b>

## 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 - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	220 010	237 996	-	-	93 949	237 996	(141 378)	-59.4%	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			1 250
Municipal Systems Improvement	890	934		-	934	934			934
WATER SERVICES OPERATING SUBSIDY GRANT		3 146		-	477	3 146			3 146
Rural Transport Services and Infrastructure Grant	1 814	2 044		-		2 044	(2 044)	-100.0%	2 044
<b>Provincial Government:</b>	668	11 250	-	-	27	11 250	(11 000)	-97.8%	11 250
LG Seta	668	-		-	27	-			-
Development Planning Shared Services		250				250			250
Small Town Rehabilitation Programme		11 000				11 000	(11 000)	-100.0%	11 000
<b>Total Operating Transfers and Grants</b>	<b>220 678</b>	<b>249 246</b>	<b>-</b>	<b>-</b>	<b>93 976</b>	<b>249 246</b>	<b>(152 378)</b>	<b>-61.1%</b>	<b>249 246</b>
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	243 031	245 526	-	2 804	114 697	245 526	(92 204)	-37.6%	245 526
Municipal Infrastructure Grant (MIG)	173 618	183 882		-	97 815	183 882	(86 067)	-46.8%	183 882
Regional Bulk Infrastructure	43 975	28 200		1 704	8 990	28 200			28 200
Neighbourhood Development Partnership	-	-				-			-
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT	5 000	3 415		1 100	1 100	3 415			3 415
MUNICIPAL WATER INFRASTRUCTURE GRANT	13 700	22 800		-	5 700	22 800			22 800
Expanded public works programme incentive grant	2 739	2 729		-	1 092	2 729	(1 637)	-60.0%	2 729
Rural Household Infrastructure Grant	4 000	4 500				4 500	(4 500)	-100.0%	4 500
<b>Provincial Government:</b>	5 927	-	-	-	-	-	-		-
Disaster Management Grant	3 000								
Ubuhlebezwe Grant	617								
ACIP - DWA	2 310								
<b>Total Capital Transfers and Grants</b>	<b>248 958</b>	<b>245 526</b>	<b>-</b>	<b>2 804</b>	<b>114 697</b>	<b>245 526</b>	<b>(92 204)</b>	<b>-37.6%</b>	<b>245 526</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>469 636</b>	<b>494 772</b>	<b>-</b>	<b>2 804</b>	<b>208 673</b>	<b>494 772</b>	<b>(244 582)</b>	<b>-49.4%</b>	<b>494 772</b>

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

Table SC7 track the expenditure on Conditional grant funding.

DC43 Sisonke - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>EXPENDITURE</b>									
<b>Operating expenditure of Transfers and Grants</b>									
<b>National Government:</b>	219 816	237 996	-	19 465	58 113	303 885	(245 772)	-80.9%	237 996
Local Government Equitable Share	216 056	230 622		19 219	38 437	38 437	-		230 622
Finance Management	1 250	1 250		77	19 367	45 000	(25 634)	-57.0%	1 250
Municipal Systems Improvement	890	934		-	-	33 624	(33 624)	-100.0%	934
WATER SERVICES OPERATING SUBSIDY GRANT		3 146		-	-	113 241	(113 241)	-100.0%	3 146
Rural Transport Services and Infrastructure Grant	1 620	2 044		170	310	73 584	(73 274)	-99.6%	2 044
Other transfers and grants [insert description]							-		
<b>Provincial Government:</b>	834	11 250	-	-	-	11 250	-		11 250
LG Setá	185	-				-			-
Government Experts	280	-				-			-
Accredited Councillors Training	137	-				-			-
Development Planning Shared Services	232	250				250			250
Small Town Rehabilitation Programme		11 000				11 000			11 000
<b>Total operating expenditure of Transfers and Grants:</b>	<b>220 650</b>	<b>249 246</b>	<b>-</b>	<b>19 465</b>	<b>58 113</b>	<b>315 135</b>	<b>(245 772)</b>	<b>-78.0%</b>	<b>249 246</b>
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>	237 515	245 526	-	15 441	11 764	61 382	(49 141)	-80.1%	245 526
Municipal Infrastructure Grant (MIG)	188 563	183 882		13 368	8 611	45 971	(37 359)	-81.3%	183 882
Regional Bulk Infrastructure	29 134	28 200		-	-	7 050	(7 050)	-100.0%	28 200
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT	4 971	3 415		141	141	854	(712)	-83.4%	3 415
MUNICIPAL WATER INFRASTRUCTURE GRANT	10 175	22 800		1 848	2 805	5 700	(2 895)	-50.8%	22 800
Expanded public works programme incentive grant	2 739	2 729		85	206	682			2 729
Rural Household Infrastructure Grant	1 934	4 500		-	-	1 125	(1 125)	-100.0%	4 500
<b>Provincial Government:</b>	19 516	-	-	-	-	-	-		-
Disaster Management Grant	3 000						-		
Ubuhlebezwe Grant	617								
COGTA	2 046								
Massification (COGTA)	12 433								
ACIP - DWA	1 097								
Signage Grant -CoGTA	323								
<b>Total capital expenditure of Transfers and Grants</b>	<b>257 031</b>	<b>245 526</b>	<b>-</b>	<b>15 441</b>	<b>11 764</b>	<b>61 382</b>	<b>(49 141)</b>	<b>-80.1%</b>	<b>245 526</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>477 682</b>	<b>494 772</b>	<b>-</b>	<b>34 907</b>	<b>69 877</b>	<b>376 517</b>	<b>(294 914)</b>	<b>-78.3%</b>	<b>494 772</b>

## 2.5 Councillor and Staff Benefits

Table SC8 presents the expenditure of councillor and staff benefits at 30 September 2014.

DC43 Sisonke - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M03 September									
Summary of Employee and Councillor remuneration	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	A	B	C					%	D
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	3 559	4 513		305	910	1 128	(219)	-19%	4 513
Pension and UIF Contributions	265	336		23	68	84	(16)	-19%	336
Medical Aid Contributions	62	79		5	16	20	(4)	-19%	79
Motor Vehicle Allowance	782	991		67	200	248	(48)	-19%	991
Cellphone Allowance	172	218		15	44	54	(11)	-19%	218
Other benefits and allowances	409	519		35	105	130	(25)	-19%	519
<b>Sub Total - Councillors</b>	<b>5 249</b>	<b>6 655</b>	<b>-</b>	<b>450</b>	<b>1 341</b>	<b>1 664</b>	<b>(322)</b>	<b>-19%</b>	<b>6 655</b>
<b>% increase</b>		<b>26.8%</b>							<b>26.8%</b>
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	4 277	4 373		372	1 092	1 093	(1)	0%	4 373
Pension and UIF Contributions	3	3		0	1	1	(0)	0%	3
Medical Aid Contributions	5	5		0	1	1	(0)	0%	5
Performance Bonus	591	604		51	151	151	(0)	0%	604
Motor Vehicle Allowance	2 674	2 734		232	683	683	(1)	0%	2 734
Cellphone Allowance	125	128		11	32	32	(0)	0%	128
Other benefits and allowances	4	4		0	1	1	(0)	0%	4
<b>Sub Total - Senior Managers of Municipality</b>	<b>7 678</b>	<b>7 850</b>	<b>-</b>	<b>668</b>	<b>1 960</b>	<b>1 962</b>	<b>(2)</b>	<b>0%</b>	<b>7 850</b>
<b>% increase</b>		<b>2.2%</b>							<b>2.2%</b>
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	66 149	69 485		5 909	17 349	17 371	(22)	0%	69 485
Pension and UIF Contributions	11 492	11 749		999	2 933	2 937	(4)	0%	11 749
Medical Aid Contributions	1 588	1 623		138	405	406	(1)	0%	1 623
Overtime	1 419	1 451		123	362	363	(0)	0%	1 451
Performance Bonus	6 298	6 438		547	1 608	1 610	(2)	0%	6 438
Motor Vehicle Allowance	2 895	2 959		252	739	740	(1)	0%	2 959
Cellphone Allowance	494	505		43	126	126	(0)	0%	505
Housing Allowances	43	44		4	11	11	(0)	0%	44
Other benefits and allowances	1 893	1 935		165	483	484	(1)	0%	1 935
<b>Sub Total - Other Municipal Staff</b>	<b>92 270</b>	<b>96 190</b>	<b>-</b>	<b>8 179</b>	<b>24 017</b>	<b>24 047</b>	<b>(31)</b>	<b>0%</b>	<b>96 190</b>
<b>% increase</b>		<b>4.2%</b>							<b>4.2%</b>
<b>Total Parent Municipality</b>	<b>105 197</b>	<b>110 695</b>	<b>-</b>	<b>9 297</b>	<b>27 318</b>	<b>27 674</b>	<b>(356)</b>	<b>-1%</b>	<b>110 695</b>
		<b>5.2%</b>							<b>5.2%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>105 197</b>	<b>110 695</b>	<b>-</b>	<b>9 297</b>	<b>27 318</b>	<b>27 674</b>	<b>(356)</b>	<b>-1%</b>	<b>110 695</b>
<b>% increase</b>		<b>5.2%</b>							<b>5.2%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>99 948</b>	<b>104 040</b>	<b>-</b>	<b>8 847</b>	<b>25 977</b>	<b>26 010</b>	<b>(33)</b>	<b>0%</b>	<b>104 040</b>

## 2.6 Material Variances to the SDBIP

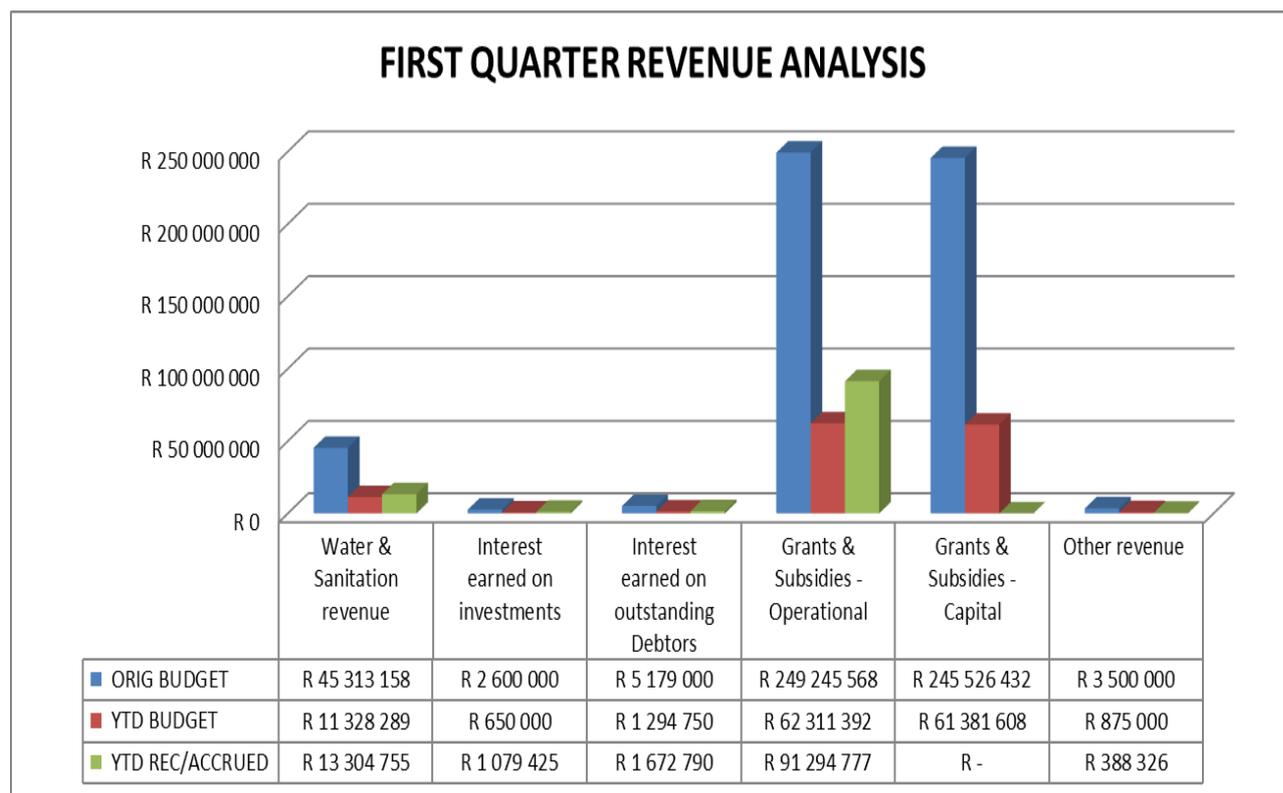
The following section analyses material variances between the actual targets as at 30 September 2014 and the budget for the same period. This report analyses each major component under following headings;

- ✓ 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



### Water & Sanitation Charges

The year to date **actual** water & sanitation charges (**billing**) as at 30 September 2014 was R13, 3million against a year to date **budget** of R11, 3million. This represents an over performance in municipal billing by 17%. 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 30 September 2014 is R 1m more than the planned year to date budget. This could be attributable to the large cash inflows at the beginning of the financial year.

### Transfers Recognised - Operational

The operational grants revenue of R91, 2million against a year to date budget of R62, 3million and is largely attributable to the YTD equitable share.

### Transfers Recognised – Capital

The low expenditure trends on grant funded expenditure had resulted in a rather lower than expected recognition of Income against the set targets. The actual R28million

(against a YTD budget of R64million) represent the conditions met in capital expenditures against the conditional grant allocation received. This amount represents 45% performance in Conditional Capital grant funding expenditures.

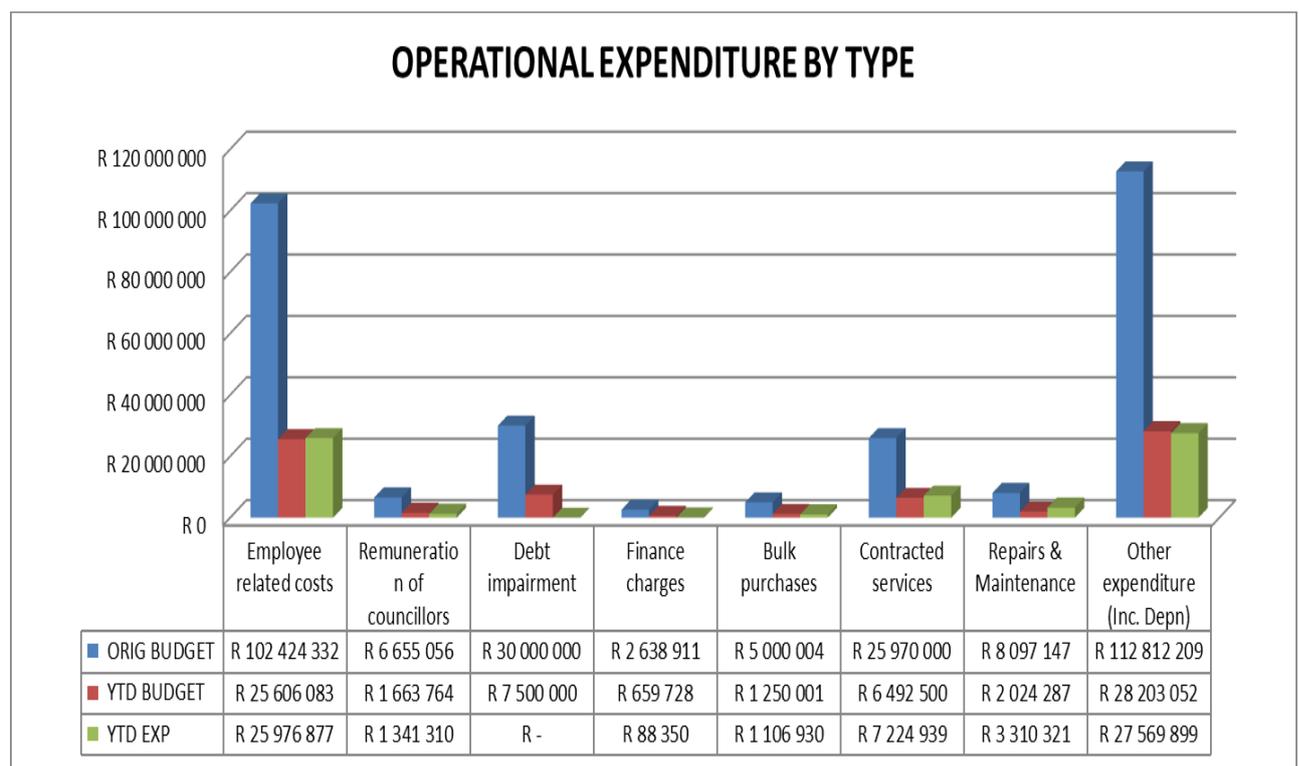
**Other Revenue**

The YTD performance of other revenue is R388 326 against the planned year to date budget of R 875 000.

**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 R25, 6million against a YTD actual of R25, 9million representing a variance of 1%.

### **Remuneration of Councillors**

The remuneration of councillor's expenditure as at 30 September 2014 is R1, 3million against a year to date budget of R1, 6million.

### **Finance Charges**

The year to date expenditure for finance charges is at R88 350 against the year to date budget of R659 728.

### **Bulk Purchases**

The expenditure on Bulk Water purchases has been within the budget. As at 30 September 2014, the year to date actual is R1, 1m against year to budget of R1,2m.

### **Other Expenditure**

The YTD expenditure for other expenditure is at R27, 5milllion against a budget of R28, 2million.

### **Performance assessment**

The Performance Assessment Report will be available on the fourth quarter in terms of s52 (d) Of the Municipal Finance Management Act.

### **Actual and Revised Targets for cash receipts**

DC43 Sisonke - Supporting Table SC9 Monthly Budget Statement - actuals and revised targets for cash receipts - M03 September

Description	Budget Year 2014/15												2014/15 Medium Term Revenue & Expenditure Framework		
	July Outcome	August Outcome	Sept Outcome	October Outcome	Nov Outcome	Dec Outcome	January Budget	Feb Budget	March Budget	April Budget	May Budget	June Budget	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Cash Receipts By Source</b>															
Service charges - water revenue	1 359	902	1 220	3 845	3 845	3 845	3 845	3 845	3 845	3 845	3 845	(8 886)	25 358	27 961	30 772
Service charges - sanitation revenue	582	387	523	--	--	--	--	--	--	--	--	8 464	9 956	10 977	12 081
Interest earned - external investments	133	351	596	217	217	217	217	217	217	217	217	(213)	2 600	2 000	2 000
Interest earned - outstanding debtors	524	560	589	432	432	432	432	432	432	432	432	(1 089)	4 036	4 450	4 898
Transfer receipts - operating	93 015	961	--	20 770	20 770	20 770	20 770	20 770	20 770	20 770	20 770	(10 894)	249 246	256 696	270 860
Other revenue	197	118	74	223	223	223	223	223	223	223	223	632	2 800	400	800
<b>Cash Receipts by Source</b>	<b>95 809</b>	<b>3 278</b>	<b>3 001</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>25 486</b>	<b>(11 986)</b>	<b>293 995</b>	<b>302 485</b>	<b>321 411</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	105 101	6 792	2 804	20 461	20 461	20 461	20 461	20 461	20 461	20 461	20 461	(32 855)	245 526	273 942	415 606
Increase in consumer deposits												130	130	136	142
<b>Total Cash Receipts by Source</b>	<b>200 911</b>	<b>10 070</b>	<b>5 805</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>45 947</b>	<b>(44 711)</b>	<b>539 651</b>	<b>576 563</b>	<b>737 159</b>
<b>Cash Payments by Type</b>															
Employee related costs	8 589	8 541	8 847	8 670	8 670	8 670	8 670	8 670	8 670	8 670	8 670	7 088	102 424	110 063	119 813
Remuneration of councillors	446	445	450	555	555	555	555	555	555	555	555	877	6 655	7 081	7 534
Interest paid	--	--	88	220	220	220	220	220	220	220	220	791	2 639	2 259	1 926
Bulk purchases - Water & Sewer	435	351	321	433	433	433	433	433	433	433	433	426	5 000	5 295	5 586
Contracted services	1 453	2 801	2 971	2 793	2 793	2 793	2 793	2 793	2 793	2 793	2 793	(3 602)	25 970	28 626	30 396
Grants and subsidies paid - other municipalities	1 274	5 000	4 483	965	965	965	965	965	965	965	965	(18 475)	--	--	--
Grants and subsidies paid - other	--	--	--	--	--	--	--	--	--	--	--	15 000	15 000	15 000	20 000
General ex penses	39 375	21 030	(7 918)	9 164	9 164	9 164	9 164	9 164	9 164	9 164	9 164	(19 888)	105 909	103 679	111 230
<b>Cash Payments by Type</b>	<b>51 572</b>	<b>38 169</b>	<b>9 242</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>22 800</b>	<b>(17 783)</b>	<b>263 598</b>	<b>272 003</b>	<b>296 486</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	685	11 900	16 215	21 563	21 563	21 563	21 563	21 563	21 563	21 563	21 563	57 454	258 761	285 022	417 007
Repayment of borrowing	--	--	511	--	--	--	--	--	--	--	--	2 975	3 486	3 266	3 000
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>148 655</b>	<b>(39 999)</b>	<b>(20 163)</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>1 584</b>	<b>(87 357)</b>	<b>13 807</b>	<b>16 272</b>	<b>20 666</b>
Cash/cash equivalents at the monthly year beginning:	29 474	178 129	138 130	117 967	119 551	121 135	122 719	124 302	125 886	127 470	129 054	130 638	29 474	43 281	59 552
Cash/cash equivalents at the monthly year end:	178 129	138 130	117 967	119 551	121 135	122 719	124 302	125 886	127 470	129 054	130 638	43 281	43 281	59 552	80 215

## Parent Municipal financial performance

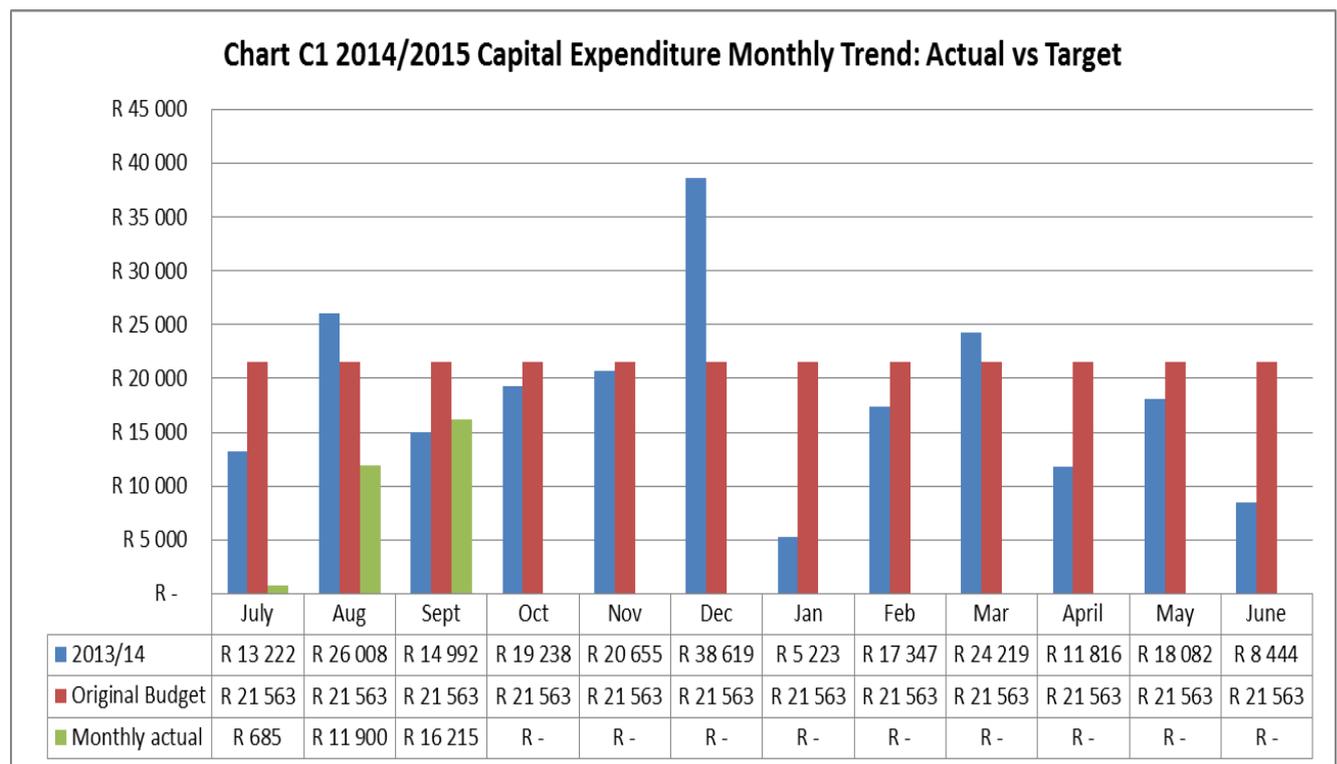
DC43 Sisonke - Supporting Table SC10 Monthly Budget Statement - Parent Municipality Financial Performance (revenue and expenditure) - M03 September

Description	2013/14	Budget Year 2014/15							Full Year Forecast
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
<b>R thousands</b>									
<b>Revenue By Source</b>									
Service charges - water revenue	34 184	31 037	-	8 847	25 977	25 828	149	1%	31 037
Service charges - sanitation revenue	14 650	14 276	-	450	1 341	1 664	(322)	-19%	14 276
Interest earned - external investments	3 344	2 600	-	321	1 107	1 250	(143)	-11%	2 600
Interest earned - outstanding debtors	5 638	5 179	-	-	-	-	-		5 179
Dividends received	-	-	-	2 971	7 225	8 380	(1 155)	-14%	
Fines	-	-	-	4 483	10 757	2 894	7 862	272%	
Licences and permits	-	-	-	9 484	20 123	25 224	(5 100)	-20%	
Transfers recognised - operational	287 073	249 246	-	1	91 289	249 246	(157 957)	-63%	249 246
Other revenue	1 859	3 800	-	118	315	3 500	(3 185)	-91%	3 500
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>346 747</b>	<b>305 838</b>	<b>-</b>	<b>26 762</b>	<b>158 222</b>	<b>326 145</b>	<b>(167 923)</b>	<b>-51%</b>	<b>305 838</b>
<b>Expenditure By Type</b>									
Employee related costs	99 949	104 040	-	8 847	25 977	25 828	149	1%	104 040
Remuneration of councillors	5 249	6 655	-	450	1 341	1 664	(322)	-19%	6 655
Debt impairment	23 206	10 000	-	-	-	2 500	(2 500)	-100%	10 000
Depreciation & asset impairment	39 597	20 000	-	-	-	5 000	(5 000)	-100%	20 000
Finance charges	3 510	2 639	-	88	88	660	(571)	-87%	2 639
Bulk purchases	9 487	5 200	-	321	1 107	1 250	(143)	-11%	5 200
Contracted services	23 091	33 520	-	2 971	7 225	8 380	(1 155)	-14%	33 520
Transfers and grants	14 808	11 578	-	4 483	10 757	2 894	7 862	272%	11 578
Other expenditure	156 316	99 965	-	9 484	20 123	25 224	(5 100)	-20%	99 965
Loss on disposal of PPE	25 116	-	-	-	-	-	-		-
<b>Total Expenditure</b>	<b>400 330</b>	<b>293 597</b>	<b>-</b>	<b>26 644</b>	<b>66 619</b>	<b>73 399</b>	<b>(6 781)</b>	<b>-9%</b>	<b>293 597</b>
<b>Surplus/(Deficit)</b>	<b>(53 582)</b>	<b>12 241</b>	<b>-</b>	<b>119</b>	<b>91 604</b>	<b>252 746</b>	<b>(161 142)</b>	<b>-64%</b>	<b>12 241</b>
Transfers recognised - capital	190 609	245 526	-	-	-	59 846	(59 846)	-100%	245 526
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>119</b>	<b>91 604</b>	<b>312 591</b>	<b>(220 988)</b>	<b>-71%</b>	<b>257 767</b>
<b>Surplus/(Deficit) after taxation</b>	<b>137 027</b>	<b>257 767</b>	<b>-</b>	<b>119</b>	<b>91 604</b>	<b>312 591</b>	<b>(220 988)</b>	<b>-71%</b>	<b>257 767</b>

## Capital Expenditure Trend

DC43 Sisonke - Supporting Table SC12 Consolidated Monthly Budget Statement - capital expenditure trend - M03 September									
Month	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	% spend of Original Budget
R thousands								%	
<b>Monthly expenditure performance trend</b>									
July	13 222	21 563	-	685	685	21 563	20 879	96.8%	0%
August	26 008	21 563	-	11 900	12 585	43 127	30 542	70.8%	5%
September	14 992	21 563	-	16 215	28 800	64 690	35 890	55.5%	11%
October	19 238	21 563	-			86 254	-		
November	20 655	21 563	-			107 817	-		
December	38 619	21 563	-			129 380	-		
January	5 223	21 563	-			150 944	-		
February	17 347	21 563	-			172 507	-		
March	24 219	21 563	-			194 071	-		
April	11 816	21 563	-			215 634	-		
May	18 082	21 563	-			237 197	-		
June	8 444	21 563	-			258 761	-		
<b>Total Capital expenditure</b>	<b>217 866</b>	<b>258 761</b>	<b>-</b>	<b>28 800</b>					

Chart C1 2014/2015 Capital Expenditure Monthly Trend: Actual vs Target



## Capital Expenditure on New Assets by Asset Class

DC43 Sisonke - Supporting Table SC13a Consolidated Monthly Budget Statement - capital expenditure on new assets by asset class - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								%	
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	209 151	233 944	-	13 739	26 032	59 838	33 806	56.5%	233 944
Infrastructure - Electricity	5 396	3 415	-	141	141	3 415	3 274	95.9%	3 415
<i>Generation</i>		3 415		141	141	3 415	3 274	95.9%	3 415
<i>Transmission &amp; Reticulation</i>	5 396						-		
Infrastructure - Water	143 095	194 351	-	11 640	21 299	40 672	19 373	47.6%	194 351
<i>Dams &amp; Reservoirs</i>		28 200				7 050	7 050	100.0%	28 200
<i>Water purification</i>		3 000				-	-		3 000
<i>Reticulation</i>	143 095	163 151		11 640	21 299	33 622	12 323	36.7%	163 151
Infrastructure - Sanitation	60 660	36 178	-	1 957	4 592	15 752	11 160	70.8%	36 178
<i>Reticulation</i>	-	30 235		1 957	4 592	15 752	11 160	70.8%	30 235
<i>Sewerage purification</i>	60 660	5 943		-	-	-	-		5 943
<b>Community</b>	2 026	-	-	-	-	-	-	-	-
Other	2 026								
<b>Other assets</b>	5 519	20 037	-	2 476	2 743	4 346	1 603	36.9%	20 037
General vehicles	5 006	1 100				275	275	100.0%	1 100
Plant & equipment		6 025				1 043	1 043	100.0%	6 025
Computers - hardware/equipment		1 380				95	95	100.0%	1 380
Furniture and other office equipment	497	2 179		8	8	507	499	98.3%	2 179
Other Buildings		9 352		2 468	2 735	2 426	(309)	-12.7%	9 352
Other	15	-				-	-		-
<b>Intangibles</b>	92	200	-	-	25	506	481	95.1%	200
Computers - software & programming	62	200		-	25	506	481	95.1%	200
Other	29								
<b>Total Capital Expenditure on new assets</b>	216 786	254 181	-	16 215	28 800	64 690	35 890	55.5%	254 181
<b>Specialised vehicles</b>	-	-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									

## Capital Expenditure on Renewal of Existing Assets by Asset Class

DC43 Sisonke - Supporting Table SC13b Consolidated Monthly Budget Statement - capital expenditure on renewal of existing assets by asset class - M03 September									
Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	-	4 580	-	-	-	-	-	-	4 580
Infrastructure - Water	-	4 580	-	-	-	-	-	-	4 580
Reticulation		4 580							4 580
<b>Intangibles</b>	1 079	-	-	-	-	-	-	-	-
Computers - software & programming	1 079								
<b>Total Capital Expenditure on renewal of existing assets</b>	1 079	4 580	-	-	-	-	-	-	4 580
<b>Specialised vehicles</b>	-	-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									

### 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:

Executive Committee and Council 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
- quarterly report on the implementation of the budget and financial state affairs of the municipality

For the month of **September** 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: \_\_\_\_\_