

Mhlontlo Local Municipality



In-Year Report of the Municipality

Prepared in terms of the Local Government Municipal Finance Management Act (56/2003):
Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 June 2009

Mid-term Budget Statement December 2015

TABLE OF CONTENTS

Glossary.....	3
Executive Summary.....	4
Monthly Budget Statement Summary.....	5-7
Financial Performance (Standard Classification.....	8
Financial Performance (revenue and expenditure by municipal vote).....	9
Financial Performance (Revenue and Expenditure).....	10
Capital Expenditure (by Municipal Vote).....	11
Graphical presentation of Capital Expenditure.....	12
Financial Position.....	13
Cash Flow.....	14
PART 2 – SUPPORTING DOCUMENTATION	
Material Variances.....	15
Debtors’ Analysis.....	16
Creditors Analysis.....	17
Investment Portfolio Analysis.....	18
Allocation of grant receipts and expenditure.....	19-20
Expenditure on councillors, employees and managers.....	21
Reconciliation of cash available.....	22
Municipal Manager’s Quality Certification.....	23

Glossary

Accrual Accounting – An accounting method that measures the performance and position of the municipality by recognising events regardless of when cash transactions occur.

Adjustment Budget – Prescribed in section 28 of the MFMA

Allocations – Money received from other Municipalities, Provincial or National Government.

Budget – Financial Plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include credit control policy, rates policy, tariff policy and funding and reserves policy.

Capital Expenditure – Expenditure on items such as machinery, buildings, land, infrastructure (roads).

Cash Flow Statement – Provides aggregate data regarding all cash inflows the municipality receives from both its ongoing operations and external investment sources, as well as all cash outflows that pay for municipality's activities and investments during a particular month.

DORA – Division of Revenue Act. Annual legislation reflecting total allocations per municipality made by provincial and national governments.

Equitable Share – A general grant paid to municipalities predominantly targeted to help with free basic services.

Fruitless and Wasteful Expenditure – Expenditure made in vain, that would have been avoided had reasonable care been exercised.

MBRR – Local Government Municipal Budget and Reporting Regulations.

MIG – Municipal Infrastructure Grant

MTREF – Medium Term Revenue and Expenditure Framework.

Operating Expenditure – Day to day expenses of the Municipality such as salaries, repairs and maintenance and general expenses.

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

Unauthorised Expenditure – Spending without budget or in excess of the approved budget

Vote – A department

SECTION 1 – EXECUTIVE SUMMARY

1.1 Introduction

The municipality is required to prepare a monthly financial report (monthly budget statement) in accordance with Schedule C of the Municipal Budget and Reporting Regulations.

MFMA Section 71 states that the accounting officer must not later than 10 working days after the end of each month submit to the Mayor 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:-

- Actual Revenue per revenue source;
- Actual expenditure per vote;
- Actual Capital Expenditure per vote;
- The amount of any allocations received,
- Actual Expenditure on allocations received,
- Actual Expenditure on those allocations,
- Where necessary, explanations on:
 - Any material variances from the municipality's projected revenue per source, and from the municipality's expenditure projections per vote.
 - Any material variances from the SDBIP, and
 - Remedial or corrective steps taken or to be taken by the municipality

2. The statement must include:-

- Projections of municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections;

3. The amounts reflected in the statement must in each case be compared with corresponding amounts budgeted for in the municipality's approved budget.

This report has been prepared using the accrual method of accounting. The general idea is that economic events are recognised by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is received or made.

This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of the municipality's current financial position.

Table C1- Monthly Budget Statement Summary

The table below reflects on the summary of the total municipality's budget against year to date collections or expenditures.

Operating Revenue

In the statement of financial performance, revenue accrued is R148.8 million out of the projected R108.8 million giving rise to favourable variance of 37%. Variance contributing factors are explained in the sub headings of the revenue items.

Total cash receipts on operating revenue excluding grants totals to R17 million from July 2015 to December 2015 out of the expected R10 million.

Property Rates

The amount accrued on rates amounts to R14.8 million, out of the expected R15.6 million. This budget estimate was made in March 2015 with the assumption that the municipality will be using the 2013 valuation roll. Budget will have to be adjusted as per 2009 valuation roll.

Total actual cash collected on rates from July to December is R5.9 million against the expected R6.5 million. Government departments' payment of R5.3 million has been received. Residents are not servicing their accounts hence the under collection.

Refuse Removal

Amount accrued on refuse removal is R577 thousand against the expected R488 thousand.

Total actual cash received on refuse removal from July to December is R201 thousand out of the expected collection of R243 thousand.

Investment Revenue

This relates to interests received on the call account deposits. Interest received to date amounts to R2.2 million.

Other Revenue

Rental of facilities and Equipment –R22 thousand has been received instead of the expected R21 thousand.

Fines- R30 thousand has been received so far against the expected R108 thousand.

Licenses and permits- R680 thousand has been received, however the municipality expected to receive R670 thousand.

Agency Fees- The amount collected so far amounts to R394 thousand, and the expected budget is R439 thousand.

Pound Sales made a collection of R136 thousand

Operating Expenditure

On operating expenditure, R88.8 million was spent against the expected budget of R102.4 million giving rise to a variance of more than R13.5 million. This is because on non-cash items like depreciation that have not been accounted for.

Employee Costs

R40.7 million has been spent to date on employee related costs against the expected R40 million. The over expenditure on this line item is a result of the following

- Leave pay out to the Chief Accountant whose contract expired and to the Director Strategic Services who was appointed to a new position.
- Stand by allowance that was not budgeted for.
- Senior Managers' 2014-2015 increment that was paid in that financial year because of cash flow problems.
- Compensation commissioner payments for previous years.

Remuneration of Councillors

Amount spent since July totals to R9.1 million against the budgeted R9.7 million. Councillors increment has not been implemented, hence the variance.

Contracted Services

On contracted services, R7.6 million has been spent since July. The budgeted amount for this item is R10.8 million giving a variance of R3.2 million.

Other Expenditure

This line item's expenditure is R29.9 million against the expected budget of R34.2 million.

Capital Expenditure

On Capital Expenditure the municipality has spent a total of R21 million against the expected R26.3 million budget to date. This will be explained more on table C5 where departmental expenditures are reflected.

Financial Position

The municipality's current assets exceed the current liabilities. The municipality's ability to pay its short term liabilities is tested by taking the total current assets and dividing them by current liabilities. This test is mainly used to give an idea of the municipality's ability to pay back its short term liabilities using the current assets.

Cash Flows

The municipality ended the month with a positive cash and cash equivalents balance of R63.2 million

EC156 Mhlontlo - Table C1 Monthly Budget Statement Summary - Q2
Second Quarter

Description	2014/15	Budget Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
<u>Financial Performance</u>									
Property rates	9 078	15 663	-	-	14 853	15 663	(809)	-5%	15 663
Service charges	573	976	-	96	577	488	89	18%	976
Investment revenue	1 211	682	-	360	2 251	341	1 910	560%	682
Transfers recognised - operational	136 339	181 706	-	3 004	125 786	90 853	34 933	38%	181 706
Other own revenue	6 121	2 943	-	302	5 344	1 472	3 872	263%	2 943
Total Revenue (excluding capital transfers and contributions)	153 322	201 970	-	3 763	148 811	108 816	39 995	37%	201 970
Employee costs	68 105	79 999	-	5 926	40 707	40 000	707	2%	79 999
Remuneration of Councillors	15 065	19 533	-	1 311	9 148	9 767	(619)	-6%	19 533
Depreciation & asset impairment	15 229	9 787	-	235	1 379	4 894	(3 515)	-72%	9 787
Other expenditure	59 469	95 570	-	6 343	37 615	47 785	(10 170)	-21%	95 570
Total Expenditure	157 868	204 890	-	13 814	88 848	102 445	(13 597)	-13%	204 890
Surplus/(Deficit)	(4 546)	(2 920)	-	(10 052)	59 964	6 371	53 593	841%	(2 920)
Transfers recognised - capital	52 712	36 866	-	3 832	15 888	-	15 888	#DIV/0!	36 866
Contributions & Contributed assets	-	-	-	-	-	26 613	(26 613)	-100%	-
Surplus/(Deficit) after capital transfers & contributions	48 167	33 946	-	(6 220)	75 852	32 984	42 867	130%	33 946
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	48 167	33 946	-	(6 220)	75 852	32 984	42 867	130%	33 946
<u>Capital expenditure & funds sources</u>									
Capital expenditure	45 790	52 699	-	4 320	21 085	35 275	(14 190)	-40%	52 699
Capital transfers recognised	45 790	52 699	-	4 320	21 085	26 349	(5 265)	-20%	52 699
Total sources of capital funds	45 790	52 699	-	4 320	21 085	26 349	(5 265)	-20%	52 699
<u>Financial position</u>									
Total current assets	37 049	32 798	-	-	120 714	-	-	-	32 798
Total non current assets	184 324	222 207	-	-	203 404	-	-	-	222 207
Total current liabilities	20 211	28 237	-	-	55 178	-	-	-	28 237
Total non current liabilities	5 185	-	-	-	-	-	-	-	-
Community wealth/Equity	195 976	226 768	-	-	268 940	-	-	-	226 768
<u>Cash flows</u>									
Net cash from (used) operating	59 114	38 984	-	419	99 764	16 243	(83 521)	-514%	38 984
Net cash from (used) investing	(46 112)	(36 771)	-	6 339	(41 843)	(15 321)	26 522	-173%	(36 771)
Cash/cash equivalents at the month/year end	15 377	2 713	-	-	63 236	1 422	(61 814)	-4347%	7 527
<u>Debtors & creditors analysis</u>									
	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
<u>Debtors Age Analysis</u>									
Total By Income Source	201	381	187	135	23 288	-	-	-	24 192

<u>Creditors Age Analysis</u>									
Total Creditors	(1 280)	(1 144)	(378)	(840)	(448)	(861)	(1 487)	(8 552)	(14 989)

Table C2: Statement of Financial Performance by vote

This table reflects the operating budget in the standard classification which are the Government Finance Statistics Functions and Sub-Functions. These are used by National Treasury to assist the compilation of national and international accounts for comparison purposes, regardless of organisational structures used by different institutions.

The main functions are Governance and administration, Community and public safety, Economic and environmental services, and Trading Services.

It is for this reason that the financial performance is reported in standard classification, Table C2 and by municipal vote, Table C3.

EC156 Mhlontlo - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Standard										
Governance and administration		84 429	114 487	-	550	92 547	47 703	44 844	94%	114 487
Executive and council		39 914	52 279	-	-	38 535	21 783	16 752	77%	52 279
Budget and treasury office		21 811	34 273	-	495	32 065	14 281	17 785	125%	34 273
Corporate services		22 704	27 934	-	55	21 947	11 639	10 308	89%	27 934
Community and public safety		19 190	15 147	-	152	10 715	6 311	4 404	70%	15 147
Public safety		19 190	15 147	-	152	10 715	6 311	4 404	70%	15 147
Economic and environmental services		87 919	91 171	-	2 945	32 221	37 988	(5 767)	-15%	91 171
Planning and development		14 145	19 773	-	1	14 774	8 239	6 535	79%	19 773
Road transport		73 773	71 398	-	2 945	17 447	29 749	(12 302)	-41%	71 398
Trading services		14 497	18 032	-	115	13 328	7 513	5 815	77%	18 032
Waste management		14 497	18 032	-	115	13 328	7 513	5 815	77%	18 032
Total Revenue - Standard	2	206 035	238 836	-	3 763	148 811	99 515	49 296	50%	238 836
Expenditure - Standard	-									
Governance and administration		88 628	122 317	-	6 460	52 933	50 965	1 968	4%	122 317
Executive and council		37 627	43 913	-	3 097	20 540	18 297	2 243	12%	43 913
Budget and treasury office		29 362	47 910	-	2 110	20 447	19 963	484	2%	47 910
Corporate services		21 639	30 494	-	1 253	11 947	12 706	(759)	-6%	30 494
Community and public safety		16 088	13 943	-	1 360	8 423	5 810	2 614	45%	13 943
Public safety		16 088	13 943	-	1 360	8 423	5 810	2 614	45%	13 943
Economic and environmental services		42 007	52 999	-	4 727	21 411	22 083	(672)	-3%	52 999
Planning and development		11 460	24 450	-	1 182	9 655	10 187	(533)	-5%	24 450
Road transport		30 547	28 549	-	3 545	11 757	11 895	(139)	-1%	28 549
Trading services		11 145	15 632	-	1 267	6 080	6 513	(433)	-7%	15 632
Waste management		11 145	15 632	-	1 267	6 080	6 513	(433)	-7%	15 632
Other		-	-	-	-	-	-	-	-	-

Total Expenditure - Standard	3	157 868	204 890	-	13 814	88 848	85 371	3 477	4%	204 890
Surplus/ (Deficit) for the year		48 167	33 946	-	(10 052)	59 964	14 144	45 820	324%	33 946

Table C3: Monthly Financial Performance (Revenue and Expenditure by vote)

Operating budget of the institution is approved by council on municipal vote level. The municipal votes are Mayor's Office, Council, Municipal Manager, Budget and Treasury Office, Corporate Services, Local Economic Development, Community Services, and Infrastructure and Development.

Unauthorised expenditure would occur at year end only if the adjusted budget for the total expenditure by vote or line item were overspent.

The table below reflects potential unauthorised expenditures in all the departments except for LED. However, the total budget for the entire financial year has not been exceeded. Close monitoring of expenditures is vital.

EC156 Mhlontlo - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - Q2 Second Quarter

Vote Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote	1									
Vote 1 - MAYOR'S OFFICE		1 677	2 285	-	-	1 706	952	754	79.2%	2 285
Vote 2 - COUNCIL		25 294	33 941	-	-	24 843	14 142	10 701	75.7%	33 941
Vote 3 - MUNICIPAL MANAGER'S OFFICE		8 326	8 576	-	-	6 404	3 573	2 830	79.2%	8 576
Vote 4 - STRATEGIC SERVICES		4 616	7 477	-	-	5 583	3 116	2 468	79.2%	7 477
Vote 5 - BUDGET & TREASURY OFFICE		21 811	34 273	-	495	32 065	14 281	17 785	124.5%	34 273
Vote 6 - CORPORATE SERVICES		22 704	27 934	-	55	21 947	11 639	10 308	88.6%	27 934
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		10 778	19 773	-	1	14 774	8 239	6 535	79.3%	19 773
Vote 8 - COMMUNITY SERVICES		33 687	33 178	-	267	24 043	13 824	10 219	73.9%	33 178
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		77 141	71 398	-	2 945	17 447	29 749	(12 302)	-41.4%	71 398
Total Revenue by Vote	2	206 035	238 836	-	3 763	148 811	99 515	49 296	49.5%	238 836
Expenditure by Vote	1									
Vote 1 - MAYOR'S OFFICE		1 268	2 285	-	69	1 555	952	603	63.4%	2 285
Vote 2 - COUNCIL		22 588	33 141	-	1 825	11 587	13 809	(2 222)	-16.1%	33 141
Vote 3 - MUNICIPAL MANAGER'S OFFICE		13 771	8 487	-	1 203	7 398	3 536	3 862	109.2%	8 487
Vote 4 - STRATEGIC SERVICES		1 562	7 477	-	464	2 828	3 116	(288)	-9.2%	7 477
Vote 5 - BUDGET & TREASURY OFFICE		29 362	47 910	-	2 110	20 447	19 963	484	2.4%	47 910
Vote 6 - CORPORATE SERVICES		21 639	30 494	-	1 253	11 947	12 706	(759)	-6.0%	30 494
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		6 594	16 973	-	719	6 827	7 072	(245)	-3.5%	16 973
Vote 8 - COMMUNITY SERVICES		27 233	29 574	-	2 627	14 503	12 323	2 180	17.7%	29 574
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		33 850	28 549	-	3 545	11 757	11 895	(139)	-1.2%	28 549
Total Expenditure by Vote	2	157 868	204 890	-	13 814	88 848	85 371	3 477	4.1%	204 890
Surplus/ (Deficit) for the year	2	48 167	33 946	-	(10 052)	59 964	14 144	45 820	323.9%	33 946

Table C4- Statement of Financial Performance

Property rates and Service Charges on annual and monthly billed revenue is on target with deviations of just about 5% on rates and 18% on service charges. Over collections are reflecting in all the line items expect for fines.

EC156 Mhlontlo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
<u>Revenue By Source</u>										
Property rates		9 078	15 663	-	-	14 853	15 663	(809)	-5%	15 663
Service charges - refuse revenue		573	976	-	96	577	488	89	18%	976
Rental of facilities and equipment		44	43	-	1	22	21	0	1%	43
Interest earned - external investments		1 211	682	-	360	2 251	341	1 910	560%	682
Interest earned - outstanding debtors		661	111	-	70	608	56	552	990%	111
Fines		144	216	-	11	30	108	(78)	-73%	216
Licences and permits		1 357	1 341	-	47	680	670	10	2%	1 341
Agency services		800	877	-	63	394	439	(45)	-10%	877
Transfers recognised - operational		136 339	181 706	-	3 004	125 786	90 853	34 933	38%	181 706
Other revenue		3 116	356	-	109	3 611	178	3 433	1932%	356
Gains on disposal of PPE		-	-	-	-	-	-	-		-
Total Revenue (excluding capital transfers and contributions)		153 322	201 970	-	3 763	148 811	108 816	39 995	37%	201 970
<u>Expenditure By Type</u>										
Employee related costs		68 105	79 999	-	5 926	40 707	40 000	707	2%	79 999
Remuneration of councillors		15 065	19 533	-	1 311	9 148	9 767	(619)	-6%	19 533
Debt impairment		2 170	5 350	-	-	-	2 675	(2 675)	-100%	5 350
Depreciation & asset impairment		15 229	9 787	-	235	1 379	4 894	(3 515)	-72%	9 787
Contracted services		9 780	21 788	-	2 641	7 659	10 894	(3 235)	-30%	21 788
Other expenditure		47 375	68 432	-	3 701	29 956	34 216	(4 260)	-12%	68 432
Loss on disposal of PPE		145	-	-	-	-	-	-		-
Total Expenditure		157 868	204 890	-	13 814	88 848	102 445	(13 597)	-13%	204 890
Surplus/(Deficit)		(4 546)	(2 920)	-	(10 052)	59 964	6 371	53 593	0	(2 920)
Transfers recognised - capital		52 712	36 866	-	3 832	15 888	-	15 888	#DIV/0!	36 866
Contributions recognised - capital								-		
Contributed assets							26 613	(26 613)	(0)	
Surplus/(Deficit) after capital transfers & contributions		48 167	33 946	-	(6 220)	75 852	32 984			33 946
Taxation								-		
Surplus/(Deficit) after taxation		48 167	33 946	-	(6 220)	75 852	32 984			33 946
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		48 167	33 946	-	(6 220)	75 852	32 984			33 946
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		48 167	33 946	-	(6 220)	75 852	32 984			33 946

Table C5: Capital Expenditure (Municipal Vote, standard classification, and funding)

Capital Expenditure reflects an unfavourable deviation of 40%. Year to date budget is R35.2 million whilst expenditure is sitting at R21 million.

EC156 Mhlontlo - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - Q2 Second Quarter

Vote Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
<u>Single Year expenditure appropriation</u>	2									
Vote 2 - COUNCIL		-	800	-	-	818	400	418	104%	800
Vote 3 - MUNICIPAL MANAGER'S OFFICE		-	89	-	-	-	45	(45)	-100%	89
Vote 4 - STRATEGIC SERVICES		-	-	-	-	-	-	-		-
Vote 5 - BUDGET & TREASURY OFFICE		-	1 500	-	-	4	750	(746)	-99%	1 500
Vote 6 - CORPORATE SERVICES		34	1 150	-	29	126	575	(449)	-78%	1 150
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		-	2 800	-	230	230	1 400	(1 170)	-84%	2 800
Vote 8 - COMMUNITY SERVICES		9	3 510	-	-	2 240	1 755	485	28%	3 510
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		45 748	42 850	-	4 062	17 667	30 350	(12 683)	-42%	42 850
Total Capital single-year expenditure	4	45 790	52 699	-	4 320	21 085	35 275	(14 190)	-40%	52 699
Total Capital Expenditure		45 790	52 699	-	4 320	21 085	35 275	(14 190)	-40%	52 699
<u>Capital Expenditure - Standard Classification</u>										
Governance and administration		34	3 539	-	29	948	1 770	(821)	-46%	3 539
Executive and council		-	889	-	-	818	445	373	84%	889
Budget and treasury office		-	1 500	-	-	4	750	(746)	-99%	1 500
Corporate services		34	1 150	-	29	126	575	(449)	-78%	1 150
Community and public safety		9	1 110	-	-	30	555	(525)	-95%	1 110
Public safety		9	1 110	-	-	30	555	(525)	-95%	1 110
Economic and environmental services		45 748	45 650	-	4 291	17 897	31 750	(13 854)	-44%	45 650
Planning and development		-	2 800	-	230	230	1 400	(1 170)	-84%	2 800
Road transport		45 748	42 850	-	4 062	17 667	30 350	(12 683)	-42%	42 850
Trading services		-	2 400	-	-	2 210	1 200	1 010	84%	2 400
Waste management		-	2 400	-	-	2 210	1 200	1 010	84%	2 400
Total Capital Expenditure - Standard Classification	3	45 790	52 699	-	4 320	21 085	35 275	(14 190)	-40%	52 699
<u>Funded by:</u>										
National Government		45 790	52 699	-	4 320	21 085	26 349	(5 265)	-20%	52 699
Transfers recognised - capital		45 790	52 699	-	4 320	21 085	26 349	(5 265)	-20%	52 699
Total Capital Funding		45 790	52 699	-	4 320	21 085	26 349	(5 265)	-20%	52 699

Below is the graphic presentation of the summary on capital expenditure:

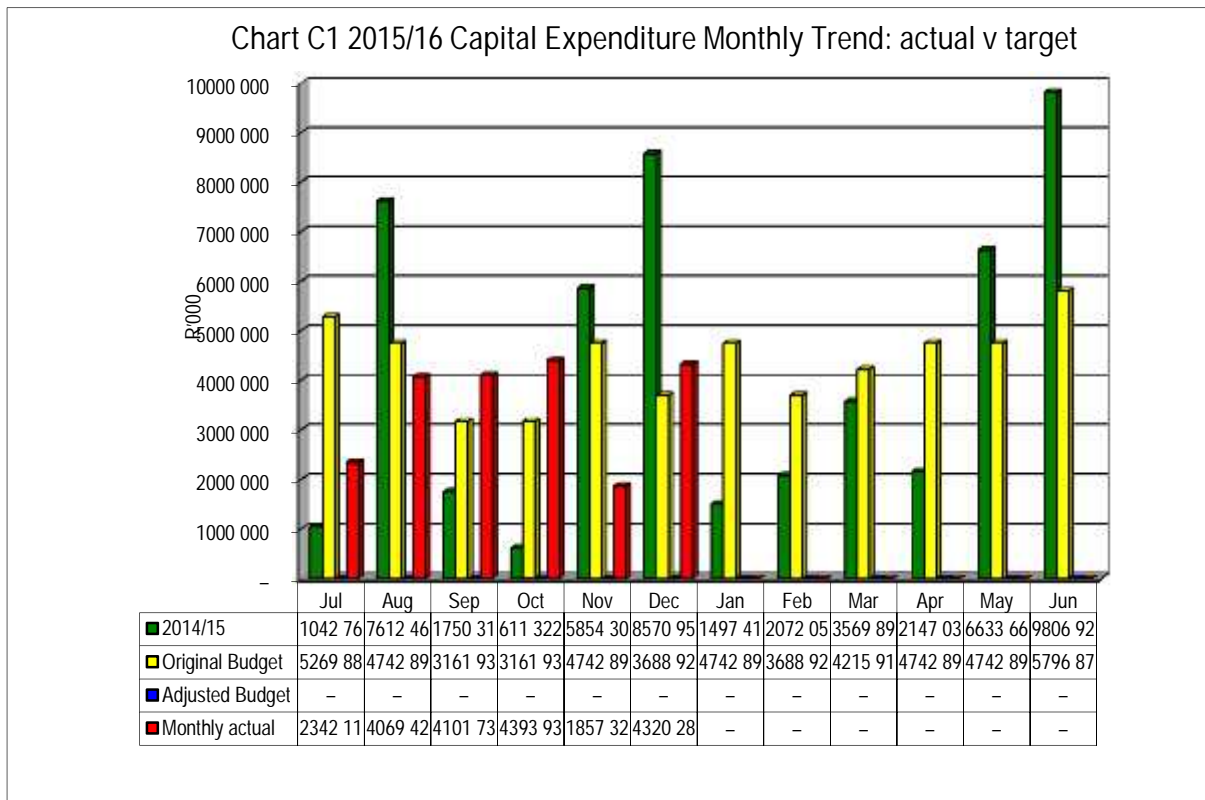


TABLE C6 Financial Position

EC156 Mhlontlo - Table C6 Monthly Budget Statement - Financial Position - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		15 377	2 713	-	63 772	2 713
Call investment deposits		-	7 607	-	29 728	7 607
Consumer debtors		2 628	6 021	-	8 926	6 021
Other debtors		2 606	395	-	2 015	395
Current portion of long-term receivables		484		-	-	-
Inventory		15 954	16 062	-	16 274	16 062
Total current assets		37 049	32 798	-	120 714	32 798
Non current assets						
Investment property		27 112	27 442	-	27 112	27 442
Property, plant and equipment		156 278	193 900	-	175 659	193 900
Intangible assets		815	865	-	633	865
Other non-current assets		119				
Total non current assets		184 324	222 207	-	203 404	222 207
TOTAL ASSETS		221 373	255 005	-	324 118	255 005
LIABILITIES						
Current liabilities	-					
Trade and other payables		8 183	8 826	-	361	8 826
Provisions		12 029	19 411	-	54 817	19 411
Total current liabilities		20 211	28 237	-	55 178	28 237
Non current liabilities						
Provisions		5 185		-	-	
Total non current liabilities		5 185	-	-	-	-
TOTAL LIABILITIES		25 397	28 237	-	55 178	28 237
NET ASSETS	2	195 976	226 768	-	268 940	226 768
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		195 976	226 768	-	268 940	226 768
TOTAL COMMUNITY WEALTH/EQUITY	2	195 976	226 768	-	268 940	226 768

Table C7: Cash flow

The table below reflects no problems in the cash flows of the institution.

EC156 Mhlontlo - Table C7 Monthly Budget Statement - Cash Flow - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges		5 119	7 831		69	5 979	3 263	2 716	83%	7 831
Service charges		172	488		17	203	203	0	0%	488
Other revenue		4 413	2 832		1 409	9 127	1 180	7 947	674%	2 832
Government - operating		133 736	181 706		40	135 353	75 711	59 642	79%	181 706
Government - capital		57 023	36 866		14 034	38 984	15 361	23 623	154%	36 866
Interest		1 211	682		127	2 131	284	1 847	650%	682
Payments										
Suppliers and employees		(142 561)	(191 422)		(15 277)	(92 014)	(79 759)	12 255	-15%	(191 422)
NET CASH FROM/(USED) OPERATING ACTIVITIES		59 114	38 984	-	419	99 764	16 243	(83 521)	-514%	38 984
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Decrease (increase) other non-current receivables	-		6 944		-	-	2 893	(2 893)	-100%	6 944
Decrease (increase) in non-current investments		1	3 000		10 157	(20 498)	1 250	(21 748)	-1740%	3 000
Payments										
Capital assets		(46 113)	(46 715)		(3 818)	(21 346)	(19 465)	1 881	-10%	(46 715)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(46 112)	(36 771)	-	6 339	(41 843)	(15 321)	26 522	-173%	(36 771)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		13 002	2 213	-	6 758	57 921	922			2 213
Cash/cash equivalents at beginning:		2 375	500			5 315	500			5 315
Cash/cash equivalents at month/year end:		15 377	2 713	-		63 236	1 422			7 527

PART 2: SUPPORTING DOCUMENTATION

Table SC1: Material Variances and explanations

EC156 Mhlontlo - Supporting Table SC1 Material variance explanations - Q2 Second Quarter

Ref	Description R thousands	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	<u>Revenue By Source</u>			
	Property rates	-5%		
	Service charges - refuse revenue	18%	Over-collection.	Correct it in the adjustment budget.
	Interest earned - external investments	560%	Over-collection. Actuals are currently exceeding the total annual budget.	Correct it in the adjustment budget.
	Transfers recognised - operational	38%	Equitable 2nd trench has been received in this month of November.	
	Interest earned - outstanding debtors	990%	Over-collection. Actuals are currently exceeding the total annual budget.	Correct it in the adjustment budget.
	Fines	-73%	Low collection levels.	Correct it in the adjustment budget.
	Other revenue	1932%	Over- collection	Correct it in the adjustment budget.
2	<u>Expenditure By Type</u>			
	Contracted services	-30%	Project funded by INEP was moving slow until the allocation was transferred in Sept 2015, work on site has commenced. Expenditure has been incurred in December 2015, to be reported in that month.	
	Depreciation & asset impairment	-100%	Depreciation not yet processed in the system.	
	Debt impairment	-72%	Debt impairment provision to be reviewed at year end and the expenditure to be recorded at year end.	
3	<u>Capital Expenditure</u>			
	Vote 7 - LOCAL ECONOMIC DEVELOPMENT	-84%	LED not spending in it's current project (CDC).	
	Vote 8 - COMMUNITY SERVICES	28%	The department has just bought the refuse truck. No spending in other items of the Capital Budget.	
	Vote 5 - BUDGET & TREASURY OFFICE	-99%	No spending yet. Budget is mainly for purchasing fleet of the municipality.	

Table SC3: Aged Debtors

The municipality is being owed a total amount of R24.1 million of which the biggest portion is on households with R14.6 million being owed by this group of debtors. Over R13.8 million of the outstanding amount is older than 120 days.

The second biggest is commercial debtors that are sitting at R9.1 million. Over R8.3 million is over 120 days. The last are the organs of state owing just over R338 thousand.

EC156 Mhlontlo - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q2 Second Quarter

Description	NT Code	Budget Year 2015/16					Total	Total over 90 days
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys		
R thousands								
Debtors Age Analysis By Income Source								
Receivables from Non-exchange Transactions - Property Rates	1400	189	204	101	93	13 435	14 022	13 527
Receivables from Exchange Transactions - Waste Management	1600	140	176	86	42	4 500	4 945	4 542
Other	1900	(129)	-	-	-	5 354	5 225	5 354
Total By Income Source	2000	201	381	187	135	23 288	24 192	23 424
2014/15 - totals only							-	-
Debtors Age Analysis By Customer Group								
Organs of State	2200	(870)	15	8	4	1 182	338	1 186
Commercial	2300	642	166	81	64	8 245	9 198	8 309
Households	2400	429	199	98	68	13 861	14 656	13 929
Total By Customer Group	2600	201	381	187	135	23 288	24 192	23 424

Graphical presentation of the debtors' age analysis

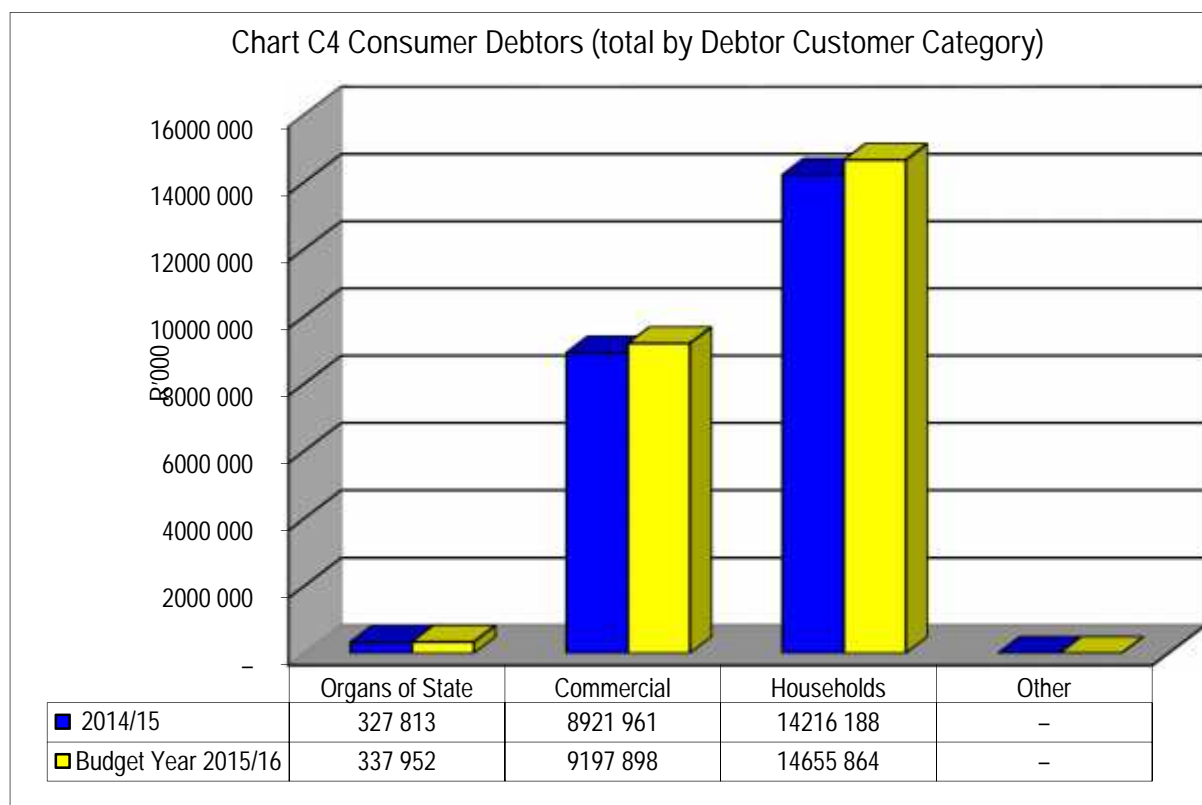


Table SC4: Aged Creditors

EC156 Mhlontlo - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q2 Second Quarter

Description	NT Code	Budget Year 2015/16								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										
Trade Creditors	0700	(1 280)	(1 144)	(378)	(840)	(448)	(861)	(1 487)	(8 552)	(14 989)
Total By Customer Type	1000	(1 280)	(1 144)	(378)	(840)	(448)	(861)	(1 487)	(8 552)	(14 989)

Table SC5: Investment Portfolio Analysis

All the call deposits are highly liquid short term investments and are held for the purpose of meeting short-term commitments rather than the purpose of earning a return (interest).

The table below reflects on account balances as at the end of December 2015. Total cash available was R29.7 million.

EC156 Mhlontlo - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Q2 Second Quarter

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	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
		Yrs/Months							
R thousands									
Municipality									
(FMG) 62280641244 - FNB		Call	Call Deposit	Call Deposit	6	-	1 532	(0)	1 532
(MSIG) 62280642416 - FNB		Call	Call Deposit	Call Deposit	4	-	986	(0)	986
(Equitable Share) 62027945809 - FNB		Call	Call Deposit	Call Deposit	7	-	4 977	(3 238)	1 739
(MIG) 62170844221 - FNB		Call	Call Deposit	Call Deposit	40	-	13 128	(3 951)	9 177
(Gqunu Lots) 62020395390 - FNB		Call	Call Deposit	Call Deposit	3	-	700	(0)	700
(IDP) 62075570137 - FNB		Call	Call Deposit	Call Deposit	0	-	401	(351)	50
(INEP) 74231136926 - FNB		Call	Call Deposit	Call Deposit	35	-	9 817	(2 616)	7 201
(LED) 62075571713 - FNB		Call	Call Deposit	Call Deposit	1	-	396	(0)	396
(Revolving Fund) 61399068117 - FNB		Call	Call Deposit	Call Deposit	28	-	7 202	-	7 202
(Bulk Housing) 62280645345 - FNB		Call	Call Deposit	Call Deposit	3	-	736	(0)	736
(7 days Notice) 74366814934- FNB		Call	Call Deposit	Call Deposit	-	-	10	-	10
TOTAL INVESTMENTS AND INTEREST	2				127		39 885	(10 157)	29 728

Table SC6: Grants Receipts

All grants receipts expected were received except for the library grant. The table below reflects on individual grants received.

EC156 Mhlontlo - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		135 850	180 766	-	531	136 058	139 058	(3 000)	-2.2%	180 766
Local Government Equitable Share		127 895	159 404		531	119 553	119 553	-		159 404
Municipal Systems Improvement		934	930		-	930	930			930
Finance Management		1 800	1 875		-	1 875	1 875			1 875
EPWP Incentive		1 221	1 000		-	700	700			1 000
Integrated National Electrification Programme		4 000	13 000		-	13 000	13 000			13 000
Municipal Infrastructure Grant (MIG)-operating		-	4 557		-	-	3 000	(3 000)	-100.0%	4 557
Provincial Government:		170	170	-	-	-	170	(170)	-100.0%	170
Library & Subsidies		170	170		-	-	170	(170)	-100.0%	170
Total Operating Transfers and Grants	5	136 020	180 936	-	531	136 058	139 228	(3 170)	-2.3%	180 936
<u>Capital Transfers and Grants</u>										
National Government:		52 712	37 636	-	14 034	38 984	38 984	-		37 636
Municipal Infrastructure Grant (MIG)		52 712	37 636		14 034	38 984	38 984	-		37 636
Total Capital Transfers and Grants	5	52 712	37 636	-	14 034	38 984	38 984	-		37 636
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	188 732	218 572	-	14 565	175 042	178 212	(3 170)	-1.8%	218 572

Table SC7: Grants expenditure

The table below reflects on grants' expenditure from July to December. These amounts are exclusive of VAT.

Municipal Systems Improvement Grant is used to finance ward committee trainings.

Finance management grant's expenditure amounts to R488 thousand. This amount was used on interns' salaries and financial management.

Library grant expenditure amounts to R63 thousand, and was used is paying the librarians' salary.

Municipal Infrastructure Grant's expenditure amounts to R16.8 on capital expenditure.

EC156 Mhlontlo - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Q2 Second Quarter

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		8 259	180 766	-	2 853	6 523	3 451	3 072	89.0%	180 766
Local Government Equitable Share		-	159 404		-	-	-	-		159 404
Municipal Systems Improvement		934	930		-	194	78	117	150.8%	930
Finance Management		1 800	1 875		60	488	156	332	212.4%	1 875
EPWP Incentive		1 214	1 000		177	706	83	622	746.6%	1 000
Integrated National Electrification Programme		4 311	13 000		2 616	5 135	1 083	4 051	374.0%	13 000
		-	-		-	-	-	-		
Municipal Infrastructure Grant (MIG)-operating		-	4 557		-	-	2 051	(2 051)	-100.0%	4 557
Provincial Government:		149	170	-	6	63	71	(8)	-10.7%	170
Library & Subsidies		149	170		6	63	71	(8)	-10.7%	170
Total operating expenditure of Transfers and Grants:		8 408	180 936	-	2 859	6 586	3 522	3 064	87.0%	180 936
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		53 201	37 636	-	4 160	16 863	16 936	(74)	-0.4%	37 636
Municipal Infrastructure Grant (MIG)		53 201	37 636		4 160	16 863	16 936	(74)	-0.4%	37 636
Total capital expenditure of Transfers and Grants		53 201	37 636	-	4 160	16 863	16 936	(74)	-0.4%	37 636
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		61 609	218 572	-	7 019	23 449	20 458	2 991	14.6%	218 572

Table SC8: Councillor and Staff benefits

The table below reflects on councillor's benefits, Senior managers and other municipal staff. Total amount spent on salaries since July is R49.3 million.

Additional Information

EC156 Mhlontlo - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Q2 Second Quarter

Summary of Employee and Councillor remuneration	Ref	2014/15	Budget Year 2015/16							
		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
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		16 872	14 682		920	5 658	6 117	(459)	-8%	14 682
Pension and UIF Contributions		60	-		-	1	-	1		-
Medical Aid Contributions		68	-		-	2	-	2		-
Motor Vehicle Allowance		2 892	3 670		269	1 534	1 529	5	0%	3 670
Cellphone Allowance		1 300	1 181		110	636	492	144	29%	1 181
Housing Allowances		-	-		-	-	-	-		-
Other benefits and allowances		-	-		12	70	-	70		-
Sub Total - Councillors		21 193	19 533	-	1 311	7 901	8 139	(238)	-3%	19 533
% increase	4		-7.8%							-7.8%
Senior Managers of the Municipality	3									
Basic Salaries and Wages			3 889		368		1 620	(1 620)	-100%	3 889
Pension and UIF Contributions			49		1		21	(21)	-100%	49
Motor Vehicle Allowance			1 507		117		628	(628)	-100%	1 507
Housing Allowances			773		20		322	(322)	-100%	773
Sub Total - Senior Managers of Municipality		-	6 218	-	505	-	2 591	(2 591)	-100%	6 218
Other Municipal Staff										
Basic Salaries and Wages		40 154	39 155		4 061	27 750	16 314	11 436	70%	39 155
Pension and UIF Contributions		5 311	7 000		42	2 412	2 917	(504)	-17%	7 000
Medical Aid Contributions		4 428	8 988		387	2 329	3 745	(1 416)	-38%	8 988
Overtime		2 276	-		-	880	-	880		-
Performance Bonus		-	-		-	-	-	-		-
Motor Vehicle Allowance		6 168	6 535		495	3 483	2 723	760	28%	6 535
Cellphone Allowance		662	869		63	367	362	5	1%	869
Housing Allowances		2 247	2 328		165	1 095	970	125	13%	2 328
Other benefits and allowances		3 631	5 197		217	2 575	2 165	410	19%	5 197
Payments in lieu of leave		531	3 710		-	582	1 546	(963)	-62%	3 710
Long service awards		318	-		-	-	-	-		-
Sub Total - Other Municipal Staff		65 726	73 782	-	5 432	41 474	30 742	10 731	35%	73 782
% increase	4		12.3%							12.3%
Total Parent Municipality		86 919	99 533	-	7 248	49 375	41 472	7 903	19%	99 533
Unpaid salary, allowances & benefits in arrears:			14.5%							14.5%
TOTAL SALARY, ALLOWANCES & BENEFITS		86 919	99 533	-	7 248	49 375	41 472	7 903	19%	99 533
% increase	4		14.5%							14.5%
TOTAL MANAGERS AND STAFF		65 726	79 999	-	5 937	41 474	33 333	8 141	24%	79 999

Section 16 – Municipal Manager’s quality certification

QUALITY CERTIFICATE

I, S.G. Sotshongaye, the Municipal Manager of Mhlontlo Local Municipality hereby certify that:-

The quarterly budget statement for the quarter ending 30 December 2015/2016 financial year has been prepared in accordance the Municipal Finance Management Act and the regulations made under the Act.

Name: S.G. Sotshongaye

Municipal Manager of Mhlontlo Local Municipality

Signature

Date.....