

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

Monthly Budget Statement August 2016

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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 R99.7 million out of the projected R84.5 million giving rise to a variance of 18%. Variance contributing factors are explained in the sub headings of the revenue items.

Total cash receipts on operating revenue excluding grants totals to R4.0 million for the month of July and August 2016 out of the expected R3.8 million.

Property Rates

The amount accrued on rates amounts to R32 million, out of the expected R15.6 million. This budget estimate was based on the 2009 valuation roll in May 2016 whilst the supplementary valuation roll was still being performed. Budget will have to be adjusted as per the supplementary valuation roll.

Total actual cash collected on rates for July and August is R104 thousand against the expected R2.6 million.

Refuse Removal

Amount accrued on refuse removal is R106 thousand against the expected R102 thousand.

Total actual cash received on refuse removal for July and August 2016 is R31 thousand out of the expected collection of R202 thousand.

Investment Revenue

This relates to interests received on the call account deposits. Interest received for the month amounts to R372 thousand out of the expected R297 thousand.

Other Revenue

Rental of facilities and Equipment –R3 thousand has been received instead of the expected R4 thousand.

Fines- R3 thousand has been received so far against the expected R6 thousand.

Licenses and permits- R142 thousand has been received, however the municipality expected to receive R126 thousand.

Agency Fees- The amount collected since July amounts to R92 thousand, and the expected budget is R69 thousand.

Operating Expenditure

On operating expenditure, R24.6 million was spent against the expected budget of R39.0 million giving rise to a variance of more than R14.4 million. This is because on non-cash items like depreciation that have not been accounted for.

Employee Costs

R12.5 million has been spent to date on employee related costs against the expected R14.5 million.

Remuneration of Councillors

Amount spent since July totals to R2.4 million against the budgeted R2.8 million.

Contracted Services

On contracted services, R1.1 thousand has been spent since July. The budgeted amount for this item is R3.5 million giving a variance of R2.4 million.

Other Expenditure

This line item includes all the other operating expenses like accommodation, telephone, electricity etc. Expenditure is R8.5 million against the expected budget of R11.6 million.

Capital Expenditure

On Capital Expenditure the municipality has spent a total of R9.4 million against the expected R8.2 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 R2.9 million.

EC156 Mhlontlo - Table C1 Monthly Budget Statement Summary - M02
August

Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	32,019	15,663	-	-	32,019	15,663	16,356	104%	15,663
Service charges	1,158	1,220	-	106	212	203	9	4%	1,220
Investment revenue	3,559	3,564	-	381	753	594	159	27%	3,564
Transfers recognised - operational	181,888	172,837	-	421	65,140	65,140	-		172,237
Other own revenue	4,983	17,705	-	1,314	1,592	2,951	(1,359)	-46%	17,705
Total Revenue (excluding capital transfers and contributions)	223,606	210,989	-	2,223	99,715	84,551	15,164	18%	210,389
Employee costs	76,014	87,165	-	6,217	12,598	14,528	(1,929)	-13%	87,165
Remuneration of Councillors	16,670	17,293	-	1,285	2,424	2,882	(458)	-16%	17,293
Depreciation & asset impairment	97,691	14,708	-	-	-	2,451	(2,451)	-100%	14,708
Transfers and grants	-	4,233	-	-	-	705	(705)	-100%	4,233
Other expenditure	94,351	111,015	-	4,129	9,643	18,503	(8,860)	-48%	111,015
Total Expenditure	284,726	234,414	-	11,632	24,665	39,069	(14,405)	-37%	234,414
Surplus/(Deficit)	(61,120)	(23,425)	-	(9,409)	75,051	45,482	29,569	65%	(24,025)
Transfers recognised - capital	38,278	40,828	-	5,141	8,578	6,805	1,773	26%	40,828
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	(22,841)	17,403	-	(4,268)	83,628	52,286	31,342	60%	16,803
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	(22,841)	17,403	-	(4,268)	83,628	52,286	31,342	60%	16,803
Capital expenditure & funds sources									
Capital expenditure	48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Capital transfers recognised	48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Total sources of capital funds	48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Financial position									
Total current assets	57,489	58,269	-		112,973				58,269
Total non current assets	685,523	275,041	-		694,948				275,041
Total current liabilities	20,832	20,764	-		34,495				20,764
Total non current liabilities	5,684	5,185	-		-				5,185
Community wealth/Equity	716,495	307,361	-		773,426				307,361
Cash flows									
Net cash from (used) operating	58,571	51,180	-	(7,744)	59,958	(28,400)	(88,358)	311%	51,180
Net cash from (used) investing	(48,078)	(49,341)	-	11,180	(59,516)	(9,222)	50,294	-545%	(49,341)
Net cash from (used) financing	-	-	-	-	-	-	-		-
Cash/cash equivalents at the month/year end	25,870	39,186	-	-	3,800	(274)	(4,074)	1485%	5,197
Debtors & creditors analysis									
	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
Debtors Age Analysis									
Total By Income Source	7,175	32,173	101	6,194	-	-	-	-	45,644
Creditors Age Analysis									
Total Creditors	(76)	71	9	-	(209)	-	(356)	-	(561)

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) - M02 August

Description	Ref	2015/16	Budget Year 2016/17							
		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		135,498	115,984	-	1,526	71,898	19,331	52,567	272%	115,393
Executive and council		52,279	54,124	-	-	22,464	9,021	13,444	149%	54,124
Budget and treasury office		54,401	31,597	-	1,512	36,844	5,266	31,578	600%	31,006
Corporate services		28,819	30,263	-	13	12,590	5,044	7,546	150%	30,263
Community and public safety		16,362	17,155	-	231	6,040	2,859	3,181	111%	17,155
Public safety		16,362	17,155	-	231	6,040	2,859	3,181	111%	17,155
Economic and environmental services		53,506	94,153	-	5,500	20,564	15,692	4,872	31%	94,144
Planning and development		19,839	22,022	-	2	9,138	3,670	5,468	149%	22,013
Road transport		33,668	72,131	-	5,498	11,426	12,022	(596)	-5%	72,131
Trading services		18,240	24,526	-	108	9,791	4,088	5,703	140%	24,526
Waste management		18,240	24,526	-	108	9,791	4,088	5,703	140%	24,526
Total Revenue - Standard	2	223,606	251,817	-	7,364	108,293	41,970	66,323	158%	251,218
Expenditure - Standard										
Governance and administration		115,616	137,118	-	6,131	13,619	22,853	(9,234)	-40%	137,118
Executive and council		46,556	54,692	-	2,567	6,199	9,115	(2,916)	-32%	54,692
Budget and treasury office		43,932	54,121	-	1,319	2,869	9,020	(6,151)	-68%	54,121
Corporate services		25,128	28,306	-	2,245	4,552	4,718	(166)	-4%	28,306
Community and public safety		18,284	17,019	-	1,843	3,280	2,837	443	16%	17,019
Public safety		18,284	17,019	-	1,843	3,280	2,837	443	16%	17,019
Economic and environmental services		136,169	58,014	-	2,177	4,733	9,669	(4,936)	-51%	58,014
Planning and development		15,646	18,326	-	1,034	2,222	3,054	(832)	-27%	18,326
Road transport		120,522	39,688	-	1,143	2,510	6,615	(4,104)	-62%	39,688
Trading services		14,657	22,263	-	1,480	3,033	3,710	(678)	-18%	22,263

Waste management		14,657	22,263	-	1,480	3,033	3,710	(678)	-18%	22,263
Total Expenditure - Standard	3	284,726	234,415	-	11,632	24,665	39,069	(14,405)	-37%	234,415
Surplus/ (Deficit) for the year		(61,120)	17,403	-	(4,268)	83,628	2,900	80,728	2783%	16,803

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 occurs if the total budget in a vote is exceeded by expenditure.

The table below reflects on expenditures per vote. No unauthorised expenditures occurred in the month under review. However close monitoring of expenditures is vital.

EC156 Mhlontlo - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M02 August

Vote Description	Ref	2015/16	Budget Year 2016/17							
		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 - MAYORS OFFICE		2,285	3,085	-	-	1,280	514	766	149.0%	3,085
Vote 2 - COUNCIL		33,941	30,755	-	-	12,765	5,126	7,639	149.0%	30,755
Vote 3 - MUNICIPAL MANAGER'S OFFICE		8,576	12,287	-	-	5,100	2,048	3,052	149.0%	12,287
Vote 4 - STRATEGIC OFFICE		7,477	7,996	-	-	3,319	1,333	1,986	149.0%	7,996
Vote 5 - BUDGERT & TREASURY OFFICE		54,401	31,597	-	1,512	36,844	5,266	31,578	599.6%	31,597
Vote 6 - CORPORATE SERVICES		28,819	30,263	-	13	12,590	5,044	7,546	149.6%	30,263
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		19,839	22,022	-	2	9,138	3,670	5,468	149.0%	22,022
Vote 8 - COMMUNITY SERVICES		34,601	41,681	-	339	15,831	6,947	8,884	127.9%	41,681
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		33,668	72,131	-	5,498	11,426	12,022	(596)	-5.0%	72,131
Total Revenue by Vote	2	223,606	251,817	-	7,364	108,293	41,970	66,323	158.0%	251,817
Expenditure by Vote	1									
Vote 1 - MAYORS OFFICE		1,707	3,085	-	264	355	514	(160)	-31.0%	3,085
Vote 2 - COUNCIL		27,320	30,755	-	1,632	3,606	5,126	(1,520)	-29.6%	30,755
Vote 3 - MUNICIPAL MANAGER'S OFFICE		11,465	12,737	-	315	1,545	2,123	(578)	-27.2%	12,737
Vote 4 - STRATEGIC OFFICE		6,064	8,115	-	356	693	1,352	(659)	-48.7%	8,115
Vote 5 - BUDGERT & TREASURY OFFICE		43,932	54,121	-	1,319	2,869	9,020	(6,151)	-68.2%	54,121
Vote 6 - CORPORATE SERVICES		25,128	28,306	-	2,245	4,552	4,718	(166)	-3.5%	28,306
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		15,646	18,326	-	1,034	2,222	3,054	(832)	-27.2%	18,326
Vote 8 - COMMUNITY SERVICES		32,942	39,282	-	3,323	6,312	6,547	(235)	-3.6%	39,282
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		120,522	39,688	-	1,143	2,510	6,615	(4,104)	-62.0%	39,688
Total Expenditure by Vote	2	284,726	234,415	-	11,632	24,665	39,069	(14,405)	-36.9%	234,415
Surplus/ (Deficit) for the year	2	(61,120)	17,403	-	(4,268)	83,628	2,900	80,728	2783.3%	17,403

Table C4- Statement of Financial Performance

EC156 Mhlontlo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		32,019	15,663		-	32,019	15,663	16,356	104%	15,663
Service charges - refuse revenue		1,158	1,220		106	212	203	9	4%	1,220
Rental of facilities and equipment		45	46		5	8	8	0	4%	46
Interest earned - external investments		3,559	3,564		381	753	594	159	27%	3,564
Interest earned - outstanding debtors		838	216		-	-	36	(36)	-100%	216
Fines		477	67		8	11	11	0	1%	67
Licences and permits		1,592	1,516		135	277	253	24	10%	1,516
Agency services		854	826		76	168	138	31	22%	826
Transfers recognised - operational		181,888	172,837		421	65,140	28,806	36,334	126%	172,237
Other revenue		1,177	15,035		1,091	1,127	2,506	(1,378)	-55%	15,035
Total Revenue (excluding capital transfers and contributions)		223,606	210,989	-	2,223	99,715	48,217	51,498	107%	210,389
Expenditure By Type										
Employee related costs		76,014	87,165		6,217	12,598	14,528	(1,929)	-13%	87,165
Remuneration of councillors		16,670	17,293		1,285	2,424	2,882	(458)	-16%	17,293
Debt impairment		12,393	19,876		-	-	3,313	(3,313)	-100%	19,876
Depreciation & asset impairment		97,691	14,708		-	-	2,451	(2,451)	-100%	14,708
Contracted services		21,610	21,189		727	1,100	3,531	(2,431)	-69%	21,189
Transfers and grants		-	4,233		-	-	705	(705)	-100%	4,233
Other expenditure		59,952	69,950		3,403	8,543	11,658	(3,116)	-27%	69,950
Loss on disposal of PPE		396			-	-	-	-		
Total Expenditure		284,726	234,414	-	11,632	24,665	39,069	(14,405)	-37%	234,414
Surplus/(Deficit)		(61,120)	(23,425)	-	(9,409)	75,051	9,148	65,903	0	(24,025)
Transfers recognised - capital		38,278	40,828		5,141	8,578	6,805	1,773	0	40,828
Contributions recognised - capital								-		
Contributed assets								-		
Surplus/(Deficit) after capital transfers & contributions		(22,841)	17,403	-	(4,268)	83,628	15,953			16,803
Taxation								-		
Surplus/(Deficit) after taxation		(22,841)	17,403	-	(4,268)	83,628	15,953			16,803
Surplus/(Deficit) attributable to municipality		(22,841)	17,403	-	(4,268)	83,628	15,953			16,803
Surplus/ (Deficit) for the year		(22,841)	17,403	-	(4,268)	83,628	15,953			16,803

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

Capital Expenditure reflects a deviation of 15%. Year to date budget is R8.2 million whilst expenditure is sitting at R9.4 million.

Vote Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Single Year expenditure appropriation	2									
Vote 2 - COUNCIL		1,924	-	-	-	46	-	46		-
Vote 3 - MUNICIPAL MANAGER'S OFFICE		36	50	-	-	-	8	(8)	-100%	50
Vote 5 - BUDGET & TREASURY OFFICE		1,774	-	-	-	-	-	-		-
Vote 6 - CORPORATE SERVICES		340	1,957	-	52	52	326	(274)	-84%	1,957
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		1,111	4,125	-	-	-	688	(688)	-100%	4,125
Vote 8 - COMMUNITY SERVICES		3,083	2,380	-	-	-	397	(397)	-100%	2,380
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		40,697	40,828	-	5,528	9,355	6,805	2,550	37%	40,828
Total Capital single-year expenditure	4	48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Capital Expenditure - Standard Classification										
Governance and administration		4,073	2,008	-	52	98	335	(237)	-71%	2,008
Executive and council		1,960	50	-	-	46	8	37	446%	50
Budget and treasury office		1,774	-	-	-	-	-	-		-
Corporate services		340	1,957	-	52	52	326	(274)	-84%	1,957
Community and public safety		1,144	117	-	-	-	20	(20)	-100%	117
Community and social services		30	117	-	-	-	20	(20)	-100%	117
Public safety		1,114	-	-	-	-	-	-		-
Economic and environmental services		41,808	44,953	-	5,528	9,355	7,492	1,863	25%	44,953
Planning and development		1,111	4,125	-	-	-	688	(688)	-100%	4,125
Road transport		40,697	40,828	-	5,528	9,355	6,805	2,550	37%	40,828
Trading services		1,939	2,263	-	-	-	377	(377)	-100%	2,263
Waste management		1,939	2,263	-	-	-	377	(377)	-100%	2,263
Total Capital Expenditure - Standard Classification	3	48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Funded by:										
National Government		48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Transfers recognised - capital		48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341
Total Capital Funding		48,964	49,341	-	5,580	9,453	8,223	1,229	15%	49,341

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

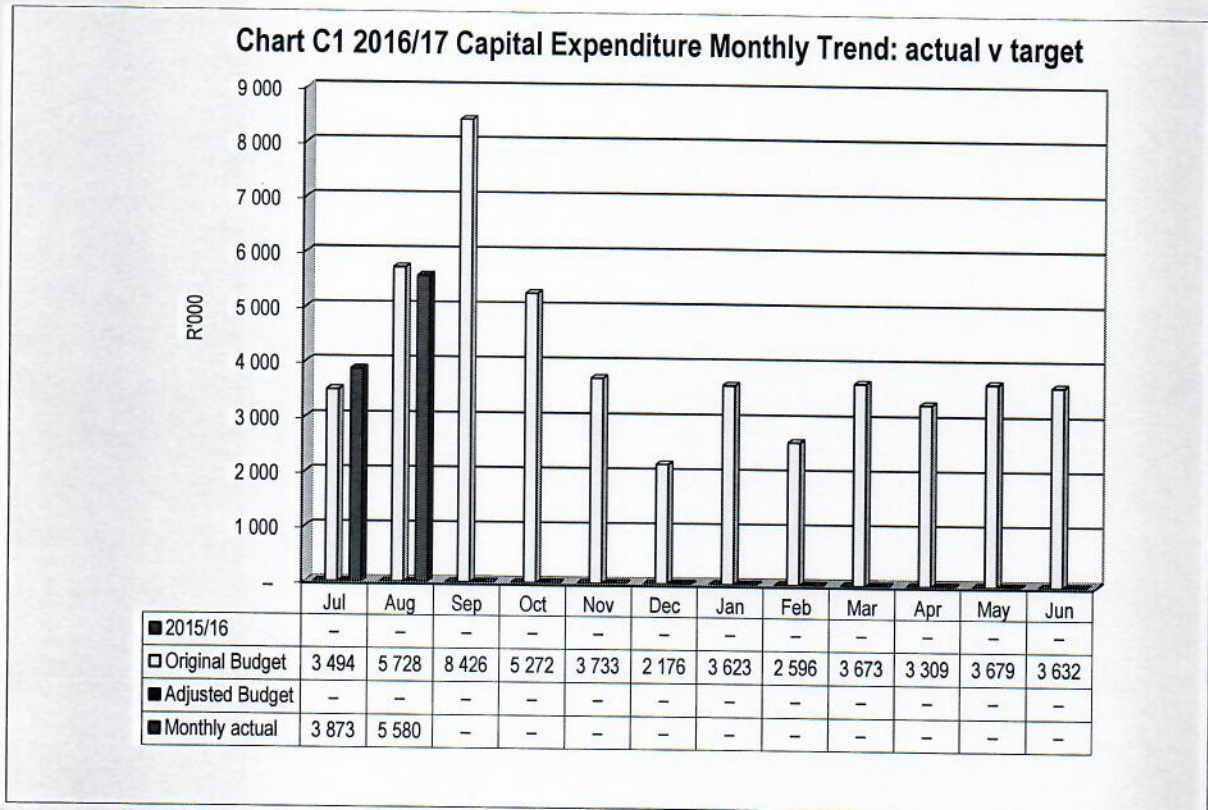


TABLE C6 Financial Position

EC156 Mhlontlo - Table C6 Monthly Budget Statement - Financial Position - M02 August

Description	Ref	2015/16	Budget Year 2016/17			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		3,359	29,124	-	4,113	29,124
Call investment deposits		22,567	10,062	-	76,374	10,062
Consumer debtors		18,210	5,365	-	17,506	5,365
Other debtors		2,856	3,221	-	4,484	3,221
Current portion of long-term receivables		-	-	-	-	-
Inventory		10,497	10,497	-	10,497	10,497
Total current assets		57,489	58,269	-	112,973	58,269
Non current assets						
Long-term receivables		-	(6,944)	-	-	(6,944)
Investments		-	3,000	-	-	3,000
Investment property		19,202	27,112	-	19,202	27,112
Investments in Associate		-	-	-	-	-
Property, plant and equipment		665,619	250,939	-	675,203	250,939
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		491	815	-	543	815
Other non-current assets		211	119	-	-	119
Total non current assets		685,523	275,041	-	694,948	275,041
TOTAL ASSETS		743,011	333,310	-	807,922	333,310
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		-	-	-	-	-
Consumer deposits		-	-	-	-	-
Trade and other payables		9,439	9,109	-	13,288	9,109
Provisions		11,393	11,655	-	21,207	11,655
Total current liabilities		20,832	20,764	-	34,495	20,764
Non current liabilities						
Borrowing		-	-	-	-	-
Provisions		5,684	5,185	-	-	5,185
Total non current liabilities		5,684	5,185	-	-	5,185
TOTAL LIABILITIES		26,516	25,949	-	34,495	25,949
NET ASSETS	2	716,495	307,361	-	773,426	307,361
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		716,495	307,361	-	773,426	307,361
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	716,495	307,361	-	773,426	307,361

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 - M02 August

Description	Ref	2015/16	Budget Year 2016/17							
		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		5,175	7,675	-	48	104	1,279	(1,175)	-92%	7,675
Service charges			598	-	19	31	100	(69)	-69%	598
Other revenue		4,145	17,489	-	1,333	3,223	2,915	308	11%	17,489
Government - operating		177,973	172,237	-	2,010	66,307	-	66,307	#DIV/0!	172,237
Government - capital		42,193	49,341	-	-	15,200	-	15,200	#DIV/0!	49,341
Interest		4,397	3,670	-	378	708	612	96	16%	3,670
Dividends			-	-	-	-	-	-		-
Payments										
Suppliers and employees		(175,312)	(199,830)	-	(11,532)	(25,615)	(33,305)	(7,690)	23%	(199,830)
Finance charges			-	-	-	-	-	-		-
Transfers and Grants			-	-	-	-	-	-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		58,571	51,180	-	(7,744)	59,958	(28,400)	(88,358)	311%	51,180
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		(28)		-	-	-	-	-		
Decrease (Increase) in non-current debtors				-	-	-	-	-		
Decrease (increase) other non-current receivables				-	-	-	-	-		
Decrease (increase) in non-current investments				-	16,138	(50,042)	-	(50,042)	#DIV/0!	
Payments										
Capital assets		(48,050)	(49,341)	-	(4,958)	(9,474)	(9,222)	252	-3%	(49,341)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(48,078)	(49,341)	-	11,180	(59,516)	(9,222)	50,294	-545%	(49,341)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
Payments										
Repayment of borrowing								-		
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		10,493	1,839	-	3,436	442	(37,622)			1,839
Cash/cash equivalents at beginning:		15,377	37,347	-		3,358	37,347			3,358
Cash/cash equivalents at month/year end:		25,870	39,186	-		3,800	(274)			5,197

PART 2: SUPPORTING DOCUMENTATION

Table SC1: Material Variances and explanations

EC156 Mhlontlo - Supporting Table SC1 Material variance explanations - M02 August

Ref	Description R thousands	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	Revenue By Source			
	Property rates	104%	The budget was based on the old valuation, There was asupplemental valuation roll which was completed in May 2016 after the budget had been approved.	Adjust the budget
	Rental of facilities and equipment	4%		
	Interest earned - external investments	27%	over collection	
	Fines	1%		
	Licences and permits	10%	under collected	
	Agency services	22%	under collected	
	Transfers recognised - operational	126%		
	Interest earned - outstanding debtors	-100%	Billing it's not effected on the system	
	Other revenue	-55%	under collected	
2	Expenditure By Type			
	Employee related costs	-13%	Managers' increment not yet effected	
	Remuneration of councillors	-16%	Councillors paid pro-rata	
	Debt impairment	-100%	Debt impairment provision to be reviewed at year end and the expenditure to be recorded at year end.	
	Depreciation & asset impairment	-100%	Depreciation not yet processed in the system. Some other items affect INEP that was not yet received from National treasury, and only Security costs for this month.	
	Contracted services	-69%		
	Transfers and grants	-100%		
	Other expenditure	-27%	low spending	
3	Capital Expenditure			
	Vote 3 - MUNICIPAL MANAGER'S OFFICE	-100%		
	6.1 - HR	-84%		
	7.1 - LED	-100%		
	8.2 - Pound	-100%		
	8.3 - Solid Waste	-100%		
	9.3 - Project Management Unit (PMU)	83%		

Table SC3: Aged Debtors

The municipality is being owed a total amount of R38.6 million. No payments have been received from government departments as billing was performed late. Age analysis is also not reflected as per category. Categories will be reflected separately in September as there were hiccups in billing.

EC156 Mhlontlo - Supporting Table SC3 Monthly Budget Statement - aged debtors - M02 August

Description	NT Code	Budget Year 2016/17					
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	Total	Total over 90 days
R thousands							
Debtors Age Analysis By Income Source							
Receivables from Non-exchange Transactions - Property Rates	1400	6,924	32,019	17	966	39,926	966
Receivables from Exchange Transactions - Waste Management	1600	251	154	85	5,228	5,718	5,228
Total By Income Source	2000	7,175	32,173	101	6,194	45,644	6,194

Table SC4: Aged Creditors

EC156 Mhlontlo - Supporting Table SC4 Monthly Budget Statement - aged creditors - M02 August

Description	NT Code	Budget Year 2016/17								
		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
R thousands										
Creditors Age Analysis By Customer Type										
Trade Creditors	0700	(76)	71	9	-	(209)	-	(356)	-	(561)
Total By Customer Type	1000	(76)	71	9	-	(209)	-	(356)	-	(561)

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 August 2016. Total cash available was R79.5 million.

EC156 Mhlontlo - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M02 August

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	-		(0)	(0)	(0)
(MSG) 62280642416 - FNB		Call	Call Deposit	Call Deposit	0		10	-	10
(Equitable Share) 62027945809 - FNB		Call	Call Deposit	Call Deposit	251		56,434	(9,524)	46,910
(MIG) 62170844221 - FNB		Call	Call Deposit	Call Deposit	4		135	12,902	13,037
(Gqunu Lots) 62020395390 - FNB		Call	Call Deposit	Call Deposit	3		699	(0)	699
(IDP) 62075570137 - FNB		Call	Call Deposit	Call Deposit	1		1	308	309
(INEP) 74231136926 - FNB		Call	Call Deposit	Call Deposit	-		-	-	-
(LED) 62075571713 - FNB		Call	Call Deposit	Call Deposit	1		396	-	396
(Revolving Fund) 61399068117 - FNB		Call	Call Deposit	Call Deposit	80		17,424	(1)	17,423
(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
Municipality sub-total					344	-	75,845	3,685	79,531
TOTAL INVESTMENTS AND INTEREST	2				344		75,845	3,685	79,531

Table SC6: Grants Receipts

The grants that were expected in August were received. The table below reflects on individual grants received.

EC156 Mhlontlo - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M02 August

Description	Ref	2015/16	Budget Year 2016/17						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands									
RECEIPTS:	1,2								
Operating Transfers and Grants									
National Government:		-	170,887	-	2,318	66,615	66,615	-	170,887
Local Government Equitable Share			154,313		-	64,297	64,297	-	154,313
Finance Management			2,010		2,010	2,010	2,010		2,010
EPWP Incentive			1,232		308	308	308		1,232
Integrated National Electrification Programme			12,500						12,500
Municipal Infrastructure Grant (MIG)-operating			832					-	832
Provincial Government:		-	1,350	-	-	-	225	(225)	-100.0%
Library & Subsidies			350				58	(58)	-100.0%
EPWP Incentive	4		1,000				167	(167)	-100.0%
Total Operating Transfers and Grants	5	-	172,237	-	2,318	66,615	66,840	(225)	-0.3%
Capital Transfers and Grants									
National Government:		-	40,828	-	-	15,200	15,200	-	40,828
Municipal Infrastructure Grant (MIG)			40,828			15,200	15,200	-	40,828
Provincial Government:		-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	-	40,828	-	-	15,200	15,200	-	40,828
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	213,065	-	2,318	81,815	82,040	(225)	-0.3%

Table SC7: Grants expenditure

The table below reflects on grants' expenditure for the month of July. These amounts are exclusive of VAT.

Finance management grant's expenditure amounts to R129 thousand. This amount was used on interns' salaries.

Library grant expenditure amounts to R42 thousand, and was used is paying the librarians' salary.

MIG operating expenditure amounts to R714 thousand

MIG capital expenditure amounts to R8.5 million

EC156 Mhlontlo - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M02 August

Description	Ref	2015/16	Budget Year 2016/17							
		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:										
		-	170,887	-	421	843	2,762	(1,919)	-69.5%	170,887
Local Government Equitable Share			154,313		-	-		-		154,313
Finance Management			2,010		64	129	335	(206)	-61.6%	2,010
EPWP Incentive			1,232		-	-	205	(205)	-100.0%	1,232
Integrated National Electrification Programme			12,500		-	-	2,083	(2,083)	-100.0%	12,500
Municipal Infrastructure Grant (MIG)-operating			832		357	714	139	575	415.1%	832
Provincial Government:										
		-	1,350	-	35	42	142	(100)	-70.6%	1,350
Library & Subsidies			350		35	42	58	(17)	-28.7%	350
LED			1,000		-	-	83	(83)	-100.0%	1,000
Total operating expenditure of Transfers and Grants:		-	172,237	-	457	884	2,904	(2,020)	-69.5%	172,237
<u>Capital expenditure of Transfers and Grants</u>										
National Government:										
		-	40,828	3,402	5,141	8,578	3,402	5,175	152.1%	40,828
Municipal Infrastructure Grant (MIG)			40,828	3,402	5,141	8,578	3,402	5,175	152.1%	40,828
Total capital expenditure of Transfers and Grants		-	40,828	3,402	5,141	8,578	3,402	5,175	152.1%	40,828
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	213,065	3,402	5,598	9,462	6,306	3,156	50.0%	213,065

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 R15.4 million.

EC156 Mhlontlo - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M02 August

Summary of Employee and Councillor remuneration	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
	1	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		11,184	11,826		287	2,086	1,971	115	6%	11,826
Medical Aid Contributions		55	-		2	17	-	17		-
Motor Vehicle Allowance		3,363	3,942		87	356	657	(301)	-46%	3,942
Cellphone Allowance		1,312	1,368			99	228	(129)	-56%	1,368
Other benefits and allowances		707	156		3	30	26	4	16%	156
Sub Total - Councillors		16,622	17,293	-	378	2,588	2,882	(294)	-10%	17,293
% increase	4		4.0%							4.0%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		4,464	3,789		376	752	632	120	19%	3,789
Pension and UIF Contributions		11	18		1	2	3	(1)	-39%	18
Motor Vehicle Allowance		1,374	1,507		117	233	251	(18)	-7%	1,507
Cellphone Allowance		77	-		7	15	-	15	#DIV/0!	-
Housing Allowances		238	773		20	40	129	(89)	-69%	773
Other benefits and allowances		686	130		5	10	22	(12)	-54%	130
Payments in lieu of leave		112	-					-		
Sub Total - Senior Managers of Municipality		6,960	6,217	-	526	1,051	1,036	15	1%	6,217
% increase	4		-10.7%							-10.7%
Other Municipal Staff										
Basic Salaries and Wages		69,053	44,937		3,259	6,542	7,489	(948)	-13%	44,937
Pension and UIF Contributions			7,784		488	1,006	1,297	(291)	-22%	7,784
Medical Aid Contributions			5,307		405	817	884	(68)	-8%	5,307
Overtime			-		15	402	-	402	#DIV/0!	-
Motor Vehicle Allowance			7,096		555	1,154	1,183	(28)	-2%	7,096
Cellphone Allowance			951			114	158	(44)	-28%	951
Housing Allowances			2,732		197	396	455	(59)	-13%	2,732
Other benefits and allowances			7,861		694	1,410	1,310	100	8%	7,861
Payments in lieu of leave			4,281				713	(713)	-100%	4,281
Sub Total - Other Municipal Staff		69,053	80,948	-	5,612	11,841	13,491	(1,651)	-12%	80,948
% increase	4		17.2%							17.2%

Total Parent Municipality		92,636	104,458	-	6,516	15,480	17,410	(1,930)	-11%	104,458
			12.8%							12.8%
TOTAL SALARY, ALLOWANCES & BENEFITS		92,636	104,458	-	6,516	15,480	17,410	(1,930)	-11%	104,458
% increase	4		12.8%							12.8%
TOTAL MANAGERS AND STAFF		76,014	87,165	-	6,138	12,892	14,528	(1,636)	-11%	87,165

Additional Information

Reconciliation of cash available	
	Aug-16
Cash and cash equivalents(excl. call accounts) at month end -31 August 2016	2,994,445.52
Call Accounts	79,530,515.17
Net cash available for internal distribution	82,524,960.69
Less: Conditional Grants	-14,879,613.89
FMG	-
MIG	-13,037,135.77
Gqunu Lots	-699,113.26
Municipal IDP	-1,000.00
Electrification programme	-
LED	-396,303.88
Bulk housing	-736,060.98
7 Days' notice	-10,000.00
Less: Employee Benefit Reserve	-16,000,000.00
Less: Expected future payments (Operations)	-10,701,243.66
Electricity	-1,000,000.00
Telephone	-1,200,000.00
Vodacom (Laptops & 3G)	-1,120,000.00
Cleaning Materials	-136,000.00
Printing & Stationery	-240,000.00
Vehicle Repairs	-1,400,000.00
Travelling & Accommodation	-991,678.00
Security costs	-965,565.66
Fuel & Oil	-1,838,000.00
Legal Fees	-500,000.00
Audit Fees	-1,310,000.00
Current Cash Resources available/shortfall	40,944,103.14

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 31 August 2016/2017 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.....19/09/2016