

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

Quarterly Budget Statement September 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 R104.5 million out of the projected R90.4 million giving rise to a variance of 16%. Variance contributing factors are explained in the sub headings of the revenue items.

Total cash receipts on operating revenue excluding grants totals to R9.5 million for the month of July to September 2016 out of the expected R5.9 million. This is due to under budgeting on rates.

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 to September is R328 thousand against the expected R7.9 million.

Refuse Removal

Amount accrued on refuse removal is R319 thousand against the expected R305 thousand.

Total actual cash received on refuse removal from July to September 2016 is R180 thousand out of the expected collection of R305 thousand.

Investment Revenue

This relates to interests received on the call account deposits. Interest received since July amounts to R1 million out of the expected R891 thousand.

Other Revenue

Rental of facilities and Equipment –R12 thousand has been received instead of the expected R11 thousand.

Fines- R14 thousand has been received so far against the expected R17 thousand.

Licenses and permits- R425 thousand has been received, however the municipality expected to receive R379 thousand.

Agency Fees- The amount collected since July amounts to R244 thousand, and the expected budget is R206 thousand.

There has been no pound sales

Operating Expenditure

On operating expenditure, R41.5 million was spent against the expected budget of R58.6 million giving rise to a variance of more than R17 million. This is because on non-cash items like depreciation and debt impairment that have not been accounted for.

Employee Costs

R18.8 million has been spent to date on employee related costs against the expected R21.7 million.

Remuneration of Councillors

Amount spent since July totals to R3.6 million against the budgeted R4.3 million.

Contracted Services

On contracted services, R4.6 thousand has been spent since July. The budgeted amount for this item is R5.2 million giving a variance of R634 thousand.

Other Expenditure

This line item includes all the other operating expenses like accommodation, telephone, electricity etc. Expenditure is R14.3 million against the expected budget of R17.4 million.

Capital Expenditure

On Capital Expenditure the municipality has spent a total of R16 million against the expected R11.9 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 quarter with a positive cash and cash equivalents balance.

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	-	107	319	305	14	5%	1,220
Investment revenue	3,559	3,564	-	301	1,054	891	163	18%	3,564
Transfers recognised - operational	181,888	172,837	-	3,930	69,070	69,135	(65)	-0%	172,237
Other own revenue	4,983	17,705	-	453	2,084	4,426	(2,343)	-53%	17,705
Total Revenue (excluding capital transfers and contributions)	223,606	210,989	-	4,791	104,546	90,420	14,126	16%	210,389
Employee costs	76,014	87,165	-	6,359	18,885	21,791	(2,906)	-13%	87,165
Remuneration of Councillors	16,670	17,293	-	1,316	3,649	4,323	(674)	-16%	17,293
Depreciation & asset impairment	97,691	14,708	-	-	-	3,677	(3,677)	-100%	14,708
Transfers and grants	-	4,233	-	-	-	1,058	(1,058)	-100%	4,233
Other expenditure	94,351	111,015	-	9,366	19,018	27,754	(8,735)	-31%	111,015
Total Expenditure	284,726	234,414	-	17,041	41,553	58,604	(17,051)	-29%	234,414
Surplus/(Deficit)	(61,120)	(23,425)	-	(12,250)	62,993	31,816	31,177	98%	(24,025)
Transfers recognised - capital	38,278	40,828	-	5,908	14,486	16,331	(1,845)	-11%	40,828
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(22,841)	17,403	-	(6,342)	77,479	48,148	29,331	61%	16,803
Surplus/ (Deficit) for the year	(22,841)	17,403	-	(6,342)	77,479	48,148	29,331	61%	16,803
Capital expenditure & funds sources									
Capital expenditure	48,964	49,341	-	6,134	16,028	11,991	4,036	34%	43,208
Capital transfers recognised	48,964	49,341	-	6,134	16,028	8,223	7,804	95%	49,341
Total sources of capital funds	48,964	49,341	-	6,134	16,028	8,223	7,804	95%	49,341
Financial position									
Total current assets	57,489	58,269	-	-	128,478	-	-	-	58,269
Total non current assets	685,523	275,041	-	-	700,779	-	-	-	275,041
Total current liabilities	20,832	20,764	-	-	10,311	-	-	-	20,764
Total non current liabilities	5,684	5,185	-	-	21,207	-	-	-	5,185
Community wealth/Equity	716,495	307,361	-	-	797,739	-	-	-	307,361
Cash flows									
Net cash from (used) operating	58,571	51,180	-	(16,511)	42,518	(42,599)	(85,117)	200%	51,180
Net cash from (used) investing	(48,078)	(49,341)	-	13,703	(45,814)	(12,335)	33,479	-271%	(49,341)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the month/year end	25,870	39,186	-	-	63	(17,587)	(17,650)	100%	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	24,363	96	893	120	10,103	-	-	-	35,576
Creditors Age Analysis									
Total Creditors	(1,049)	103	-	9	(209)	0	(431)	-	(1,577)

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.

Description	Ref	2015/16	Budget Year							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Standard										
<i>Governance and administration</i>		135,498	115,984	-	837	72,759	28,996	43,763	151%	115,393
Executive and council		52,279	54,124	-	-	22,464	13,531	8,933	66%	54,124
Budget and treasury office		54,401	31,597	-	823	37,668	7,899	29,768	377%	31,006
Corporate services		28,819	30,263	-	13	12,627	7,566	5,062	67%	30,263
<i>Community and public safety</i>		16,362	17,155	-	586	6,626	4,289	2,337	54%	17,155
Public safety		16,362	17,155	-	586	6,626	4,289	2,337	54%	17,155
<i>Economic and environmental services</i>		53,506	94,153	-	9,166	29,745	23,538	6,207	26%	94,144
Planning and development		19,839	22,022	-	6	9,159	5,505	3,654	66%	22,013
Road transport		33,668	72,131	-	9,159	20,585	18,033	2,553	14%	72,131
<i>Trading services</i>		18,240	24,526	-	111	9,901	6,131	3,770	61%	24,526
Waste management		18,240	24,526	-	111	9,901	6,131	3,770	61%	24,526
Total Revenue - Standard	2	223,606	251,817	-	10,699	119,032	62,954	56,077	89%	251,218
Expenditure - Standard										
<i>Governance and administration</i>		115,616	137,118	-	8,444	21,918	34,280	(12,362)	-36%	137,118
Executive and council		46,556	54,692	-	5,069	11,262	13,673	(2,411)	-18%	54,692
Budget and treasury office		43,932	54,121	-	1,834	4,703	13,530	(8,827)	-65%	54,121
Corporate services		25,128	28,306	-	1,540	5,952	7,076	(1,124)	-16%	28,306
<i>Community and public safety</i>		18,284	17,019	-	1,836	5,114	4,255	860	20%	17,019
Public safety		18,284	17,019	-	1,836	5,114	4,255	860	20%	17,019
<i>Economic and environmental services</i>		136,169	58,014	-	5,366	10,097	14,504	(4,406)	-30%	58,014
Planning and development		15,646	18,326	-	1,044	3,266	4,581	(1,315)	-29%	18,326
Road transport		120,522	39,688	-	4,323	6,831	9,922	(3,091)	-31%	39,688
<i>Trading services</i>		14,657	22,263	-	1,395	4,423	5,566	(1,142)	-21%	22,263
Waste management		14,657	22,263	-	1,395	4,423	5,566	(1,142)	-21%	22,263
<i>Other</i>		-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	284,726	234,415	-	17,041	41,553	58,604	(17,051)	-29%	234,415
Surplus/ (Deficit) for the year		(61,120)	17,403	-	(6,342)	77,479	4,351	73,128	1681%	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. Unauthorised expenditures occurred in all the departments. However the departmental budgets were not exceed. Close monitoring of expenditures is vital. We might experience challenges on personnel costs with regard to contracted employees and stand by allowance.

Vote Description	Ref	2015/16	Budget Year 2016/17							Full Year Forecas
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue by Vote	1									
Vote 1 - MAYORS OFFICE		2,285	3,085	-	-	1,280	771	509	66.0%	3,085
Vote 2 - COUNCIL		33,941	30,755	-	-	12,765	7,689	5,076	66.0%	30,755
Vote 3 - MUNICIPAL MANAGER'S OFFICE		8,576	12,287	-	-	5,100	3,072	2,028	66.0%	12,287
Vote 4 - STRATEGIC OFFICE		7,477	7,996	-	-	3,319	1,999	1,320	66.0%	7,996
Vote 5 - BUDGERT & TREASURY OFFICE		54,401	31,597	-	823	37,668	7,899	29,768	376.8%	31,597
Vote 6 - CORPORATE SERVICES		28,819	30,263	-	13	12,627	7,566	5,062	66.9%	30,263
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		19,839	22,022	-	6	9,159	5,505	3,654	66.4%	22,022
Vote 8 - COMMUNITY SERVICES		34,601	41,681	-	697	16,527	10,420	6,107	58.6%	41,681
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		33,668	72,131	-	9,159	20,585	18,033	2,553	14.2%	72,131
Total Revenue by Vote	2	223,606	251,817	-	10,699	119,032	62,954	56,077	89.1%	251,817
Expenditure by Vote	1									
Vote 1 - MAYORS OFFICE		1,707	3,085	-	215	570	771	(202)	-26.1%	3,085
Vote 2 - COUNCIL		27,320	30,755	-	2,188	5,789	7,689	(1,900)	-24.7%	30,755
Vote 3 - MUNICIPAL MANAGER'S OFFICE		11,465	12,737	-	2,002	3,547	3,184	363	11.4%	12,737
Vote 4 - STRATEGIC OFFICE		6,064	8,115	-	664	1,357	2,029	(672)	-33.1%	8,115
Vote 5 - BUDGERT & TREASURY OFFICE		43,932	54,121	-	1,834	4,703	13,530	(8,827)	-65.2%	54,121
Vote 6 - CORPORATE SERVICES		25,128	28,306	-	1,540	5,952	7,076	(1,124)	-15.9%	28,306
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		15,646	18,326	-	1,044	3,266	4,581	(1,315)	-28.7%	18,326
Vote 8 - COMMUNITY SERVICES		32,942	39,282	-	3,231	9,538	9,821	(283)	-2.9%	39,282
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		120,522	39,688	-	4,323	6,831	9,922	(3,091)	-31.2%	39,688
Total Expenditure by Vote	2	284,726	234,415	-	17,041	41,553	58,604	(17,051)	-29.1%	234,415
Surplus/ (Deficit) for the year	2	(61,120)	17,403	-	(6,342)	77,479	4,351	73,128	1680.8%	17,403

Table C4- Statement of Financial Performance

EC156 Mhlontlo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q1 First Quarter

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		107	319	305	14	5%	1,220
Rental of facilities and equipment		45	46		4	12	11	0	3%	46
Interest earned - external investments		3,559	3,564		301	1,054	891	163	18%	3,564
Interest earned - outstanding debtors		838	216		-	-	54	(54)	-100%	216
Fines		477	67		2	14	17	(3)	-18%	67
Licences and permits		1,592	1,516		149	425	379	46	12%	1,516
Agency services		854	826		75	244	206	37	18%	826
Transfers recognised - operational		181,888	172,837		3,930	69,070	69,135	(65)	0%	172,237
Other revenue		1,177	15,035		223	1,389	3,759	(2,369)	-63%	15,035
Gains on disposal of PPE		-	-		-	-	-	-		
Total Revenue (excluding capital transfers and contributions)		223,606	210,989	-	4,791	104,546	90,420	14,126	16%	210,389
Expenditure By Type										
Employee related costs		76,014	87,165		6,359	18,885	21,791	(2,906)	-13%	87,165
Remuneration of councillors		16,670	17,293		1,316	3,649	4,323	(674)	-16%	17,293
Debt impairment		12,393	19,876		-	-	4,969	(4,969)	-100%	19,876
Depreciation & asset impairment		97,691	14,708		-	-	3,677	(3,677)	-100%	14,708
Contracted services		21,610	21,189		3,563	4,663	5,297	(634)	-12%	21,189
Transfers and grants		-	4,233		-	-	1,058	(1,058)	-100%	4,233
Other expenditure		59,952	69,950		5,803	14,356	17,488	(3,132)	-18%	69,950
Loss on disposal of PPE		396			-	-				
Total Expenditure		284,726	234,414	-	17,041	41,553	58,604	(17,051)	-29%	234,414
Surplus/(Deficit)										
Transfers recognised - capital		38,278	40,828		5,908	14,486	16,331	(1,845)	(0)	40,828
Contributions recognised - capital										
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		(22,841)	17,403	-	(6,342)	77,479	48,148			16,803
Taxation										
Surplus/(Deficit) after taxation		(22,841)	17,403	-	(6,342)	77,479	48,148			16,803
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		(22,841)	17,403	-	(6,342)	77,479	48,148			16,803
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		(22,841)	17,403	-	(6,342)	77,479	48,148			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.

EC156 Mhlontlo - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - Q1 First Quarter

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	-	-	-	13	(13)	-100%	-
Vote 5 - BUDGET & TREASURY OFFICE		1,774	-	-	-	-	-	-		-
Vote 6 - CORPORATE SERVICES		340	1,957	-	22	74	489	(415)	-85%	-
Vote 7 - LOCAL ECONOMIC DEVELOPMENT		1,111	4,125	-	-	-	688	(688)	-100%	-
Vote 8 - COMMUNITY SERVICES		3,083	2,380	-	-	-	595	(595)	-100%	2,380
Vote 9 - INFRASTRUCTURAL, DEVELOPMENT & PLANING		40,697	40,828	-	6,112	15,908	10,207	5,701	56%	40,828
Total Capital single-year expenditure	4	48,964	49,341	-	6,134	16,028	11,991	4,036	34%	43,208
Total Capital Expenditure		48,964	49,341	-	6,134	16,028	11,991	4,036	34%	43,208
Capital Expenditure - Standard Classification										
Governance and administration		4,073	2,008	-	22	120	502	(382)	-76%	2,008
Executive and council		1,960	50	-	-	46	13	33	264%	50
Budget and treasury office		1,774	-	-	-	-	-	-		-
Corporate services		340	1,957	-	22	74	489	(415)	-85%	1,957
Community and public safety		1,144	117	-	-	-	29	(29)	-100%	117
Community and social services		30	117	-	-	-	29	(29)	-100%	117
Public safety		1,114	-	-	-	-	-	-		-
Economic and environmental services		41,808	44,953	-	6,112	15,908	10,895	5,014	46%	44,953
Planning and development		1,111	4,125	-	-	-	688	(688)	-100%	4,125
Road transport		40,697	40,828	-	6,112	15,908	10,207	5,701	56%	40,828
Trading services		1,939	2,263	-	-	-	566	(566)	-100%	2,263
Waste management		1,939	2,263	-	-	-	566	(566)	-100%	2,263
Total Capital Expenditure - Standard Classification	3	48,964	49,341	-	6,134	16,028	11,991	4,036	34%	49,341
Funded by:										
National Government		48,964	49,341	-	6,134	16,028	8,223	7,804	95%	49,341
Transfers recognised - capital		48,964	49,341	-	6,134	16,028	8,223	7,804	95%	49,341
Total Capital Funding		48,964	49,341	-	6,134	16,028	8,223	7,804	95%	49,341

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

Chart C1 2016/17 Capital Expenditure Monthly Trend: actual v target

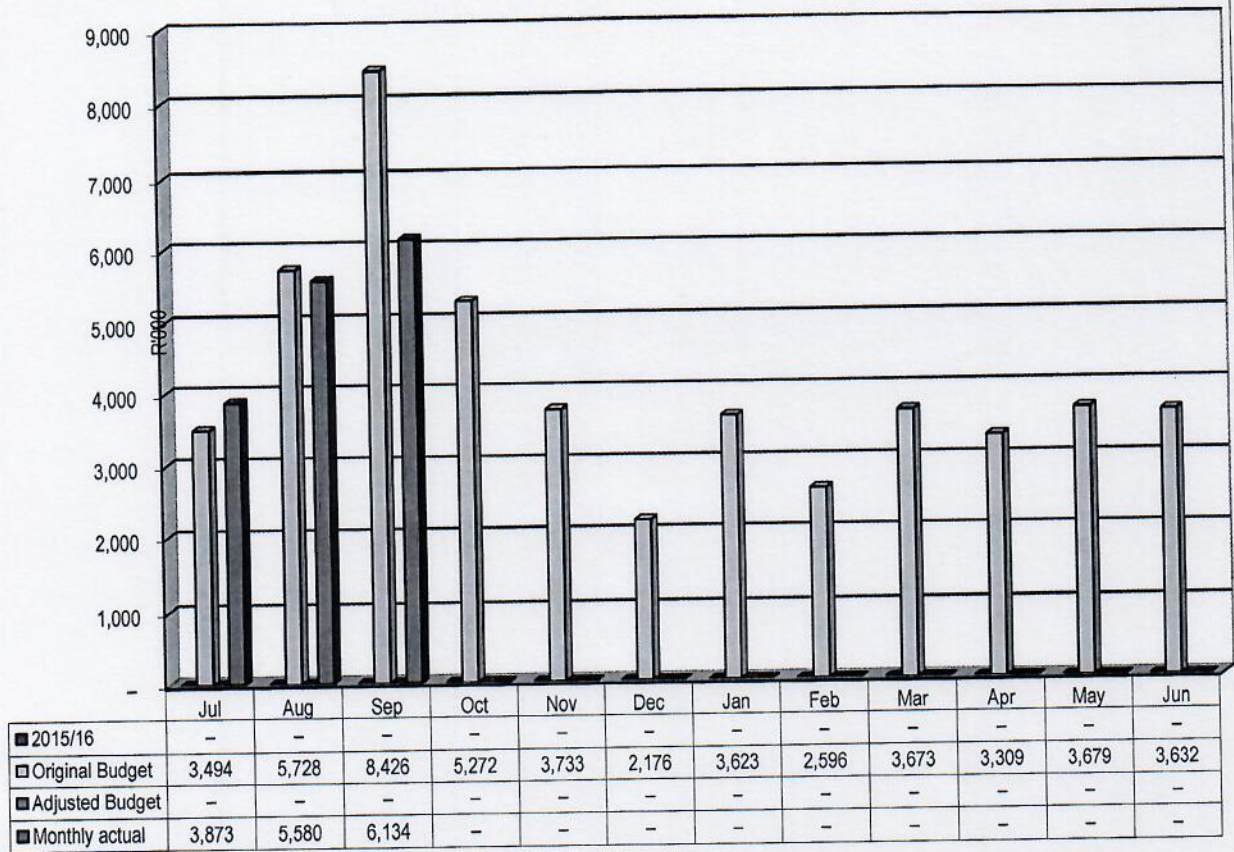


TABLE C6 Financial Position

Description	Ref	2015/16	Budget Year	Adjusted Budget	YearTD actual	Full Year Forecast
		Audited Outcome	2016/17			
R thousands	1					
ASSETS						
Current assets						
Cash		3,359	29,124	-	63	29,124
Call investment deposits		22,567	10,062	-	61,838	10,062
Consumer debtors		18,210	5,365	-	50,119	5,365
Other debtors		2,856	3,221	-	5,961	3,221
Inventory		10,497	10,497	-	10,497	10,497
Total current assets		57,489	58,269	-	128,478	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
Property, plant and equipment		665,619	250,939	-	681,036	250,939
Intangible assets		491	815	-	541	815
Other non-current assets		211	119	-	-	119
Total non current assets		685,523	275,041	-	700,779	275,041
TOTAL ASSETS		743,011	333,310	-	829,257	333,310
LIABILITIES						
Current liabilities						
Trade and other payables		9,439	9,109	-	10,311	9,109
Provisions		11,393	11,655	-	-	11,655
Total current liabilities		20,832	20,764	-	10,311	20,764
Non current liabilities						
Provisions		5,684	5,185	-	21,207	5,185
Total non current liabilities		5,684	5,185	-	21,207	5,185
TOTAL LIABILITIES		26,516	25,949	-	31,518	25,949
NET ASSETS	2	716,495	307,361	-	797,739	307,361
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		716,495	307,361	-	797,739	307,361
TOTAL COMMUNITY WEALTH/EQUITY	2	716,495	307,361	-	797,739	307,361

Table C7: Cash flow

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

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	-	60	164	1,919	(1,754)	-91%	7,675
Service charges			598	-	59	90	149	(59)	-40%	598
Other revenue		4,145	17,489	-	1,457	4,680	4,372	308	7%	17,489
Government - operating		177,973	172,237	-	350	66,965	-	66,965	#DIV/0!	172,237
Government - capital		42,193	49,341	-	-	15,200	-	15,200	#DIV/0!	49,341
Interest		4,397	3,670	-	294	1,002	918	84	9%	3,670
Payments										
Suppliers and employees		(175,312)	(199,830)	-	(18,731)	(45,583)	(49,957)	(4,374)	9%	(199,830)
NET CASH FROM/(USED) OPERATING ACTIVITIES		58,571	51,180	-	(16,511)	42,518	(42,599)	(85,117)	200%	51,180
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Decrease (increase) in non-current investments				-	19,536	(30,506)	-	(30,506)	#DIV/0!	
Payments										
Capital assets		(48,050)	(49,341)	-	(5,833)	(15,307)	(12,335)	2,972	-24%	(49,341)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(48,078)	(49,341)	-	13,703	(45,814)	(12,335)	33,479	-271%	(49,341)
CASH FLOWS FROM FINANCING ACTIVITIES										
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		10,493	1,839	-	(2,809)	(3,296)	(54,935)			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	-		63	(17,587)			5,197

PART 2: SUPPORTING DOCUMENTATION

Table SC1: Material Variances and explanations

EC156 Mhlontlo - Supporting Table SC1 Material variance explanations - Q1 First Quarter

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 a supplemental valuation roll which was completed in June 2016 after the budget had been approved in May	To be corrected in the next adjustment Budget
	Rental of facilities and equipment	3%	We collected more than we anticipated.	
	Interest earned - external investments	18%	over collection	Close monitoring of revenue trends
	Fines	-18%	under collection	
	Licences and permits	12%	over collected	
	Agency services	18%	over collected	
	Transfers recognised - operational	0%		
	Interest earned - outstanding debtors	-100%	No interest charged yet.	Amount includes R10 million from reserves
Other revenue	-63%	under collected		
2	Expenditure By Type			
	Employee related costs	-13%	Increment on Section 56 Managers not yet effected	
	Remuneration of councillors	-16%	Increment on councillors not yet effected Debt impairment provision to be reviewed at year end and the expenditure to be recorded at year end.	
	Debt impairment	-100%		
	Depreciation & asset impairment	-100%	Depreciation not yet processed in the system. Some other items affect by INEP was not yet received from National treasury, and only Security paid for this month .	
	Contracted services	-12%		Close monitoring of expenditure trends
	Other expenditure	-18%	low spending	
3	Capital Expenditure			
	Vote 3 - MUNICIPAL MANAGER'S OFFICE	0%	Only PMU Department spent on capital Assets	
	6.1 - HR	0%	MM,LED,POUND,SOLID WASTE PROJECT HAVE NOT YET STARTED SPENDING.	
	7.1 - LED	0%		
	8.2 - Pound	-100%		
	8.3 - Solid Waste	-100%		
	9.3 - Project Management Unit (PMU)	107%		

Table SC3: Aged Debtors

The municipality is being owed a total amount of R35.5 million of which the biggest portion is on government departments with R21.6 million being owed by this group of debtors.

The second biggest is household debtors that are sitting at R9 million. The last are the businesses owing just over R4.8 thousand.

Description	NT Code	Budget Year 2016/17						
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	Total	Total over 90 days
R thousands								
Debtors Age Analysis By Income Source								
Receivables from Non-exchange Transactions - Property Rates	1400	24,194	2	800	37	4,838	29,869	4,874
Receivables from Exchange Transactions - Waste Management	1600	169	95	93	84	5,265	5,706	5,349
Total By Income Source	2000	24,363	96	893	120	10,103	35,576	10,223
2015/16 - totals only							-	-
Debtors Age Analysis By Customer Group								
Organs of State	2200	21,367	9	9	27	275	21,688	302
Commercial	2300	1,588	26	320	32	2,915	4,881	2,947
Households	2400	1,407	61	564	62	6,913	9,006	6,974
Total By Customer Group	2600	24,363	96	893	120	10,103	35,576	10,223

Table SC4: Aged Creditors

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	(82)	103	-	9	(209)	0	(356)	-	(534)
Auditor General	0800	(968)	-	-	-	-	-	-	-	(968)
Other	0900	-	-	-	-	-	-	(75)	-	(75)
Total By Customer Type	1000	(1,049)	103	-	9	(209)	0	(431)	-	(1,577)

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 September 2016. Total cash available was R53 million.

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	-	0.00%	(0)	2,010	2,010
(MSIG) 62280642416 - FNB		Call	Call Deposit	Call Deposit		0.00%	10	(0)	10
(Equitable Share) 62027945809 - FNB		Call	Call Deposit	Call Deposit		0.00%	46,910	(15,673)	31,238
(MIG) 62170844221 - FNB		Call	Call Deposit	Call Deposit		0.00%	6,116	(5,873)	243
(Gqunu Lots) 62020395390 - FNB		Call	Call Deposit	Call Deposit		0.00%	699	(0)	699
(IDP) 62075570137 - FNB		Call	Call Deposit	Call Deposit		0.00%	309	-	309
(INEP) 74231136926 - FNB		Call	Call Deposit	Call Deposit	-	0.00%	-	-	-
(LED) 62075571713 - FNB		Call	Call Deposit	Call Deposit		0.00%	396	-	396
(Revolving Fund) 61399068117 - FNB		Call	Call Deposit	Call Deposit		0.00%	17,423	-	17,423
(Bulk Housing) 62280645345 - FNB		Call	Call Deposit	Call Deposit		0.00%	736	(0)	736
(7 days Notice) 74366814934- FNB		Call	Call Deposit	Call Deposit	-	0.00%	10	-	10
Municipality sub-total					-	-	72,609	(19,536)	53,073
TOTAL INVESTMENTS AND INTEREST	2				-		72,609	(19,536)	53,073

Table SC6: Grants Receipts

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

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Year TD actual	Year TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		-	170,887	-	5,000	71,918	71,948	(29)	0.0%	170,887
Local Government Equitable Share			154,313		-	64,297	64,297	-		154,313
Municipal Systems Improvement			-		-	-	-			-
Finance Management			2,010		-	2,010	2,010			2,010
EPWP Incentive			1,232		-	308	308			1,232
Integrated National Electrification Programme			12,500		5,000	5,000	5,000			12,500
Municipal Infrastructure Grant (MIG)-operating			832		-	303	333	(29)	-8.8%	832
Provincial Government:		-	350	-	350	350	350	-		350
Library & Subsidies			350		350	350	350	-		350
Total Operating Transfers and Grants	5	-	171,237	-	5,350	72,268	72,298	(29)	0.0%	171,237
Capital Transfers and Grants										
National Government:		-	41,828	-	-	14,897	17,331	(2,435)	-14.0%	40,828
Municipal Infrastructure Grant (MIG)			40,828		-	14,897	16,331	(1,435)	-8.8%	40,828
EPWP Incentive			1,000				1,000	(1,000)	-100.0%	
Total Capital Transfers and Grants	5	-	41,828	-	-	14,897	17,331	(2,435)	-14.0%	40,828
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	213,065	-	5,350	87,165	89,629	(2,464)	-2.7%	212,065

Table SC7: Grants expenditure

The table below reflects on grants' expenditures since July. These amounts are exclusive of VAT.

Finance management grant's expenditure amounts to R458 thousand. This amount was used on interns' salaries and training.

Library grant expenditure amounts to R52 thousand, and was used is paying the librarians' salary.

MIG operating expenditure amounts to R1million.

MIG capital expenditure amounts to R14.4 million

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										
Operating expenditure of Transfers and Grants										
National Government:		-	170,887	-	3,945	4,788	3,231	1,556	48.2%	170,887
Local Government Equitable Share			154,313		-	-		-		154,313
Finance Management			2,010		329	458	804	(346)	-43.1%	2,010
EPWP Incentive			1,232		-	-	205	(205)	-100.0%	1,232
Integrated National Electrification Programme			12,500		3,251	3,251	2,083	1,168	56.1%	12,500
Municipal Infrastructure Grant (MIG)- operating			832		365	1,079	139	940	678.1%	832
Provincial Government:		-	1,350	-	11	52	142	(89)	-63.0%	1,350
Library & Subsidies			350		11	52	58	(6)	-10.1%	350
LED			1,000		-	-	83	(83)	-100.0%	1,000
Total operating expenditure of Transfers and Grants:		-	172,237	-	3,956	4,840	3,373	1,467	43.5%	172,237
Capital expenditure of Transfers and Grants										
National Government:		-	40,828	-	5,921	14,498	16,331	(1,833)	-11.2%	40,828
Municipal Infrastructure Grant (MIG)			40,828		5,921	14,498	16,331	(1,833)	-11.2%	40,828
Total capital expenditure of Transfers and Grants		-	40,828	-	5,921	14,498	16,331	(1,833)	-11.2%	40,828
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	213,065	-	9,876	19,339	19,704	(366)	-1.9%	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 R21.7 million.

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		975	3,061	2,956	104	4%	11,826
Pension and UIF Contributions			1		0	0	0	0	61%	1
Medical Aid Contributions		55	-		2	19	-	19		-
Motor Vehicle Allowance		3,363	3,942		289	645	985	(341)	-35%	3,942
Cellphone Allowance		1,312	1,368		107	207	342	(135)	-40%	1,368
Other benefits and allowances		707	156		46	(88)	39	(127)	-326%	156
Sub Total - Councillors		16,622	17,293	-	1,419	3,843	4,323	(480)	-11%	17,293
% increase	4		4.0%							4.0%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		4,464	3,789		376	1,128	947	180	19%	3,789
Pension and UIF Contributions		11	18		1	3	4	(2)	-39%	18
Motor Vehicle Allowance		1,374	1,507		117	350	377	(27)	-7%	1,507
Cellphone Allowance		77	-		7	22		22		-
Housing Allowances		238	773		20	60	193	(133)	-69%	773
Other benefits and allowances		686	130		5	15	33	(18)	-54%	130
Payments in lieu of leave		112	-							
Sub Total - Senior Managers of Municipality		6,960	6,217	-	526	1,577	1,554	23	1%	6,217
% increase	4		-10.7%							-10.7%
Other Municipal Staff										
Basic Salaries and Wages		71,550	44,937		3,222	9,792	11,234	(1,442)	-13%	44,937
Pension and UIF Contributions			7,784		486	1,492	1,946	(454)	-23%	7,784
Medical Aid Contributions			5,307		397	1,213	1,327	(113)	-9%	5,307
Overtime			-		337	724	-	724		-
Motor Vehicle Allowance			7,096		547	1,702	1,774	(72)	-4%	7,096
Cellphone Allowance			951		56	170	238	(67)	-28%	951
Housing Allowances			2,732		194	591	683	(93)	-14%	2,732
Other benefits and allowances			7,861		491	1,430	1,965	(535)	-27%	7,861
Payments in lieu of leave			4,281		-	-	1,070	(1,070)	-100%	4,281
Sub Total - Other Municipal Staff		71,550	80,948	-	5,731	17,115	20,237	(3,123)	-15%	80,948
% increase	4		13.1%							13.1%
Total Parent Municipality		95,132	104,458	-	7,675	22,534	26,115	(3,580)	-14%	104,458
			9.8%							9.8%
Total Municipal Entities		-	-	-	-	-	-	-		-
TOTAL SALARY, ALLOWANCES & BENEFITS		95,132	104,458	-	7,675	22,534	26,115	(3,580)	-14%	104,458
% increase	4		9.8%							9.8%
TOTAL MANAGERS AND STAFF		78,510	87,165	-	6,256	18,691	21,791	(3,100)	-14%	87,165

Additional Information

Reconciliation of cash available	
	Sep-16
Cash and cash equivalents(excl. call accounts) at month end -30 September 2016	2,808,647.33
Call Accounts	53,073,418.30
Net cash available for internal distribution	55,882,065.63
Less: Conditional Grants	-4,403,084.71
FMG	-2,009,941.00
MIG	-242,760.55
Gqunu Lots	-699,018.26
Municipal idp	-309,000.04
Electrification programme	-
LED	-396,303.88
Bulk housing	-736,060.98
7 Day's notice	-10,000.00
Less: Employee Benefit Reserve	-16,000,000.00
Less: Expected future payments (Operations)	-10,353,439.66
Electricity	-1,000,000.00
Telephone	-1,100,000.00
Vodacom (Laptops & 3G)	-736,196.00
Cleaning Materials	-272,000.00
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	25,125,541.26

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 September 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..... 14/10/2016