



14 October 2013

THE MUNICIPAL MANAGER
THE MAYOR

MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING 30 September 2013 (Quarterly BUDGET STATEMENT) – 2013/14 FINANCIAL YEAR

1. PURPOSE

To comply with section 52(d) of the MFMA, by the provision of a statement to the Mayor containing certain financial particulars, as legislated.

2. STRATEGIC OBJECTIVE

The strategic objective of this report is to ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.

Section 52(d) of the MFMA requires that:

The accounting officer of a municipality must by no later than **10 working days** after the end of each Quarter submit to the **mayor of the municipality**, and the relevant **National and Provincial Treasury**, a statement in the prescribed format on the state of the municipality's budget reflecting certain particulars for that month and for the financial year up to the end of that month.

For the reporting period ending 30 September 2013, the ten working day reporting limit expires on **14 October 2013**.

Further explanation of the requirements is described in **Annexure A**.

3. REPORT FOR THE PERIOD ENDING 30 September 2013

This report is based upon financial information available at the time of preparation. The financial results **for the period ended 30 September 2013** are summarised as follows: All variances are calculated against the approved annual budget figures.

Statement of Financial Performance (SFP)

The SFP shown in Annexure B is prepared on a similar basis to the prescribed budget format, detailing revenue by source, excluding capital transfers and contributions, and expenditure by type. The summary report indicates the following:

FS203 Ngwathe - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September

Description	Ref	2012/13	Budget Year 2013/14							
		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		41 150	48 489		3 444	11 440	12 122	(682)	-6%	
Property rates - penalties & collection charges					-	-	-	-		
Service charges - electricity revenue		133 490	133 997		14 809	35 664	33 499	2 164	6%	
Service charges - water revenue		17 663	35 685		605	16 052	8 921	7 131	80%	
Service charges - sanitation revenue		25 701	33 068		2 674	7 986	8 267	(281)	-3%	
Service charges - refuse revenue		18 941	27 971		2 410	7 226	6 993	233	3%	
Service charges - other		6 319	3 817		-	-	954	(954)	-100%	
Rental of facilities and equipment		1 131	2 242		24	95	560	(465)	-83%	
Interest earned - external investments		1	575		228	603	144	460	320%	
Interest earned - outstanding debtors		4 972	9 251		546	4 962	2 313	2 650	115%	
Dividends received		-	1		-	-	0	(0)	-100%	
Fines		1 200	2 430		60	228	608	(379)	-62%	
Licences and permits		-			-	-	-	-		
Agency services		-			-	-	-	-		
Transfers recognised - operational		157 276	159 631		-	58 948	39 908	19 040	48%	
Other revenue		2 530	834		113	451	209	243	116%	
Gains on disposal of PPE		1 578			-	-	-	-		
Total Revenue (excluding capital transfers and contributions)		411 951	457 992	-	24 913	143 657	114 498	29 159	25%	-
Expenditure By Type										
Employee related costs		126 210	132 068		13 655	40 535	33 017	7 518	23%	
Remuneration of councillors		9 138	9 793		762	2 287	2 448	(161)	-7%	
Debt impairment		12 325	43 198		-	-	10 799	(10 799)	-100%	
Depreciation & asset impairment		2 118	2 200		-	-	550	(550)	-100%	
Finance charges		3 707	2 900		1 399	1 599	725	874	121%	
Bulk purchases		142 203	152 157		1 611	24 664	38 039	(13 375)	-35%	
Other materials										
Contracted services		14 458	15 880		1 364	3 765	3 970	(205)	-5%	
Transfers and grants		36 006	38 526				9 632	(9 632)	-100%	
Other expenditure		72 133	61 271		4 867	15 676	15 318	358	2%	
Loss on disposal of PPE										
Total Expenditure		418 297	457 992	-	23 659	88 526	114 498	(25 972)	-23%	-
Surplus/(Deficit)		(6 346)	(0)	-	1 254	55 130	(0)	55 130	(494)	-
Transfers recognised - capital		50 441	67 889		-	11 890	16 972	(5 082)	(0)	
Contributions recognised - capital		-	-							
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions		44 095	67 889	-	1 254	67 020	16 972			-
Taxation										
Surplus/(Deficit) after taxation		44 095	67 889	-	1 254	67 020	16 972			-
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		44 095	67 889	-	1 254	67 020	16 972			-
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		44 095	67 889	-	1 254	67 020	16 972			-

The major revenue variances against the budget are:

- As at the end of the first quarter of the 2013/14 financial year, Ngwathe local municipality had billed a total of R 16.1 million for *service charges: water*. The total YTD budget for *service charges water* as at the end of the first quarter amounted to R8.9 million, compared to the total billed for water services this results in a variance of R 7.2 million or 80 percent. The variance is largely due to an amount of R 10.9 million that was billed for *service charges: water* in July 2013. This amount is extremely high for one month's billing for services provided in connection to water. The revenue department needs to investigate the accuracy of the July billing and make the necessary corrections.

- *Interest earned on outstanding debtors* indicates that the municipality anticipated to receive an amount of R 546 350 in interest on overdue accounts for the month of September 2013. The YTD interest billed as at the end of the third quarter amounted to R 4.9 million thus resulting in a variance of R 2.6 million or 115 percent when compared to the YTD budget figure of R 2.3 million. *Interest earned on outstanding debtors* is directly linked to the billing for the year. The interest levied on outstanding debtors may be incorrect due to the reason given above for the variance identified under *service charges water*. The revenue unit must also investigate the correctness of the amount disclosed at the end of the first quarter;
- During the month of September 2013, Ngwathe local municipality issued traffic fines amounting to R 60 000 and R228 000 for the first quarter of the 2013/14 financial year. The variance of negative 62 percent is largely due to the fact that the fines budget is not only based on traffic fines but also on other fines. After investigating the variance it has been concluded that the figures disclosed under *fines* were only for traffic fines and that the other fines that should be included in the *fines* line item have been erroneously disclosed under the *other revenue* line item. The disclosure will be corrected in the next reporting period's (month) report.
- The municipality did not receive any *operating grants* during the month of September 2013. The municipality is expecting to receive its second tranche of the equitable share in November 2013.
- An amount of R 113 00 was recognised under other revenue during the month of September 2013, the total YTD other revenue amounted to R 451 000 as at the end of the first quarter against a YTD budget of R 209 000, this resulted in a variance of 116 percent. As indicated above there is a misallocation under the *other revenue* line item, where a portion of *fines* were recognised as *other revenue*. This will be corrected in the October 2013 report.

In total the municipality anticipated to collect an amount of R 24.9 million in September 2013. The total YTD anticipated revenue as at the end of the first quarter amounted to R143.7 million whilst the total YTD budget amounted to R 114.5 million resulting in a variance of R29.2 million or 25 percent. Essentially this means that as at the end of the first quarter of the 2013/14 financial year, Ngwathe local municipality has billed R 29.2 million or 25 percent more than what was planned.

The major operating expenditure variances against budget are:

- Year-to-Date *Employee related costs* amounted to R 40.5 million against a YTD budget of R 33 million. The variance between the YTD budget and actual figure amounts to 23 percent suggesting that the municipality needs to look at its *employee related costs* closely and implement control measures, especially on overtime worked. The variance may be due the absorption of temporary employees by the municipality, although the municipality adjusted the *salaries and wages* into account, the municipality did not take into account the newly absorbed employees cost in terms of *medical aid, bonuses, overtime* etc. The over expenditure on the *employee related costs* will further be exacerbated by the implementation of notches in October 2013 as these notches were not taken into consideration during the 2013/14 MTREF Budget process.
- Finance charges for the month of September 2013 amounted to R 1.4 million thus resulting to an YTD figure of R1.6 million. The variance of 121 percent was as a result of the municipality having to pay INCA an amount of R 794 100 in penalty interest which was not budgeted for.
- During September 2013, Ngwathe local municipality only made commitments amounting to R 1.6 million in relation to *Bulk purchase*. The commitments were as follows; R1 million for *water* and only R 578 567 for *electricity*. This was due to the fact that the municipality did not capture the August Eskom statement for payment in September. The municipality must ensure that the budgeted monthly amount of R 11 million is paid over to Eskom and that all statements are captured on a timely basis.

Year-to-Date *expenditure* amounted to R 88.5 million against a YTD budget of R 114.5 million. The variance between the YTD budget and actual figure amounts to negative 23 percent.

The municipality must ensure that whatever payments are processed is in line with the council approved budget, IDP and SDBIP to ensure that the municipality is at all time service delivery driven.

Councillor Allowances and Employee Benefits

FS203 Ngwathe - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M03 September

Summary of Employee and Councillor remuneration	Ref	2012/13	Budget Year 2013/14							
		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)										
Basic Salaries and Wages		6 375	6 821		527	1 580	1 705	(125)	-7%	
Pension and UIF Contributions		487	521		26	78	130	(52)	-40%	
Medical Aid Contributions		72	77		8	24	19	5	24%	
Motor Vehicle Allowance		1 678	1 796		150	451	449	2	0%	
Cellphone Allowance		526	563		51	154	141	13	9%	
Housing Allowances										
Other benefits and allowances			15				4	(4)	-100%	
Sub Total - Councillors		9 138	9 793	-	762	2 287	2 448	(161)	-7%	-
% increase	4		7.2%							
Senior Managers of the Municipality										
Basic Salaries and Wages		6 194	6 618		529	1 267	1 654	(387)	-23%	
Pension and UIF Contributions		321	343		57	102	86	17	19%	
Medical Aid Contributions		204	218		21	37	55	(18)	-33%	
Overtime		-	-							
Performance Bonus		-	-		63	63	-	63	#DIV/0!	
Motor Vehicle Allowance		1 816	1 940		146	324	485	(161)	-33%	
Cellphone Allowance		148	158				39	(39)	-100%	
Housing Allowances		-	-		1	1	-	1	#DIV/0!	
Other benefits and allowances		436	466		36	69	116	(48)	-41%	
Payments in lieu of leave					94	94	-	94	#DIV/0!	
Long service awards										
Post-retirement benefit obligations	2									
Sub Total - Senior Managers of Municipality		9 118	9 743	-	947	1 956	2 436	(480)	-20%	-
% increase	4		6.8%							
Other Municipal Staff										
Basic Salaries and Wages		73 298	78 319		7 750	23 744	19 580	4 164	21%	
Pension and UIF Contributions		11 914	12 730		1 665	4 855	3 182	1 673	53%	
Medical Aid Contributions		3 984	4 257		529	1 613	1 064	549	52%	
Overtime		7 093	6 409		956	2 814	1 602	1 212	76%	
Performance Bonus		-	6 989		723	1 927	1 747	180	10%	
Motor Vehicle Allowance		2 583	2 360		250	884	590	294	50%	
Cellphone Allowance		-			1	3	-	3	#DIV/0!	
Housing Allowances		268	313		24	73	78	(5)	-7%	
Other benefits and allowances		17 952	7 283		794	2 332	1 821	511	28%	
Payments in lieu of leave			2 897		96	279	724	(445)	-62%	
Long service awards					29	170	-	170	#DIV/0!	
Post-retirement benefit obligations	2		768				192	(192)	-100%	
Sub Total - Other Municipal Staff		117 091	122 325	-	12 817	38 694	30 581	8 113	27%	-
% increase	4		4.5%							
Total Parent Municipality		135 348	141 861	-	14 526	42 937	35 465	7 472	21%	-

Councillors allowances

The table above shows total councillors remuneration or allowances, senior management and other municipal staff for the month of September 2013.

Total councillors' remuneration/allowances for September 2013 amounted to R762 000.

Spending on *councillor allowances* is on track. Total year to date actual councillor remuneration amounts to R 2.3 million or 23.4 percent of the *councillor allowances* budget of R 9.8 million. Using the straight line budget projection method, the municipality should have spent R2.5million or 25 percent of the budget by the end of September 2013.

Senior Managers of the municipality

Year to Date spending on senior managers' salaries and allowances amounts to R1.9 million or 20.1 percent of the budget (R9.7 million). Senior manager salaries and allowances for September 2013 amounted to R 947 000. The total *salaries and allowance* amount is made up of *basic salaries (R529 000)*, *pension and UIF (R57 000)*, *Medical aid contributions (R21 000)*, *travel allowances(R 146 000)*, *Housing allowance (R 1000)*, *other benefits and allowances (R 36 000)*, *leave bonus (R 94 000)* and *annual bonus (63 000)*.

Other Municipal staff

Remuneration of other municipal staff amounted to R 12.8 million for the month of September 2013. Total YTD expenditure on *remuneration of other municipal staff* amounts to R 38.7 million or 31.6 percent of the *remuneration of other municipal employees* budget (R 122.3 million). This indicates that the YTD *remuneration of other municipal employees* budget of R 30.6 million has been overspent by R 8.1 million or 27 percent.

Total spending on Employee Related costs for the month of September 2013 amounted to R 14.5 million.

The total YTD budget for total municipal remuneration amounted to R 35.5 million while the total YTD spending R 42.9 million. This indicates that the municipality has over spent its YTD budget by R7.5 million or 21 percent. Internal controls over salaries and overtime need to be vigorously enforced to ensure that the municipality stays within its 2013/14 salaries budget. Further the municipality need to identify savings from other expenditure votes that can assist in funding the notches to be implemented in October 2013.

Capital expenditure report (Annexure B – Table C5)

The Capital expenditure report shown in Annexure B has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised per standard classification'. The summary report indicates the following:

FS203 Ngwatho - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M03 September

Vote Description	Ref	2012/13	Budget Year 2013/14							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		1 300	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social services		-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		450	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		-	-	-	-	-	-	-	-	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		10 913	-	-	-	-	-	-	-	-
Vote 10 - Road Transport		-	-	-	-	-	-	-	-	-
Vote 11 - Water		37 000	-	-	-	-	-	-	-	-
Vote 12 - Electricity		-	-	-	-	-	-	-	-	-
Vote 13 - Technical Services and PMU		2 528	-	-	-	-	-	-	-	-
Vote 14 - Other		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	52 191	-	-	-	-	-	-	-	-
Single Year expenditure appropriation	2									
Vote 1 - Executive and council		4 000	-	-	-	-	-	-	-	-
Vote 2 - Finance and Admin		-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social services		-	-	-	-	-	-	-	-	-
Vote 5 - Housing		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation		7 825	8 604	-	51	715	2 151	(1 436)	-67%	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		8 913	13 596	-	559	4 708	3 399	1 309	39%	-
Vote 10 - Road Transport		-	9 602	-	3 807	3 807	-	3 807	#DIV/0!	-
Vote 11 - Water		32 094	19 693	-	-	-	4 923	(4 923)	-100%	-
Vote 12 - Electricity		12 500	20 000	-	-	2 465	5 000	(2 535)	-51%	-
Vote 13 - Technical Services and PMU		2 522	2 394	-	12	35	599	(563)	-94%	-
Vote 14 - Other		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	67 854	73 889	-	4 429	11 730	16 072	(4 342)	-27%	-
Total Capital Expenditure		120 045	73 889	-	4 429	11 730	16 072	(4 342)	-27%	-
Capital Expenditure - Standard Classification										
Governance and administration		4 000	-	-	-	-	-	-	-	-
Executive and council		4 000	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-
Community and public safety		7 825	8 604	-	51	715	2 151	(1 436)	-67%	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		7 825	8 604	-	51	715	2 151	(1 436)	-67%	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	9 602	-	3 807	3 807	2 400	1 406	59%	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	9 602	-	3 807	3 807	2 400	1 406	59%	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		53 507	53 289	-	559	7 174	13 322	(6 149)	-46%	-
Electricity		12 500	20 000	-	-	2 465	5 000	(2 535)	-51%	-
Water		8 913	19 693	-	-	-	4 923	(4 923)	-100%	-
Waste water management		32 094	13 596	-	559	4 708	3 399	1 309	39%	-
Waste management		-	-	-	-	-	-	-	-	-
Other		2 522	2 394	-	12	35	599	(563)	-94%	-
Total Capital Expenditure - Standard Classification	3	67 854	73 889	-	4 429	11 730	18 472	(6 742)	-36%	-
Funded by:										
National Government		63 854	67 889	-	4 429	11 730	16 972	(5 242)	-31%	-
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		63 854	67 889	-	4 429	11 730	16 972	(5 242)	-31%	-
Public contributions & donations	5	-	-	-	-	-	-	-	-	-

The table above indicates that the municipality spent R 4.4 million of its capital projects budget during the month of September 2013. The R 4.4 million spent was financed by grants.

Total YTD spending on capital projects amounts to R 11.7 million against a total capital budget of R 73.9 million. At the current rate at which the municipality is utilising its capital budget, the planned capital projects for the 2013/14 financial year will not be completed. The municipality needs to implement measures that will ensure that the current expenditure rate is increased.

Going forward, the municipality needs to plan for the following financial year's capital projects in March of the current financial year. The early planning will ensure that when the new financial year begins, contractors would have been appointed and on site and thus minimise any unnecessary delays which are currently hindering the municipality's ability to complete planned capital projects on time and deliver on its service delivery mandate.

Cash Flow Statement (CFS) (Annexure A – Table C7)

The CFS report for the period ending 30 September 2013 indicates that there was a net increase in cash held of R 1.1 million.

FS203 Ngwathe - Table C7 Monthly Budget Statement - Cash Flow - M03 September

Description	Ref	2012/13	Budget Year 2013/14							
		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										
Ratepayers and other		248 125	187 547		37 263	105 588	46 887	58 701	125%	
Government - operating		157 276	159 631		-	58 948	39 908	19 040	48%	
Government - capital		50 441	67 889		-	11 890	16 972	(5 082)	-30%	
Interest		4 972	6 588		86	360	1 647	(1 287)	-78%	
Dividends			1	-			0	(0)	-100%	
Payments										
Suppliers and employees		(366 176)	(341 148)		(30 869)	(161 670)	(85 287)	76 383	-90%	
Finance charges		-					-	-		
Transfers and Grants		(36 006)	(38 526)				(9 632)	(9 632)	100%	
NET CASH FROM/(USED) OPERATING ACTIVITIES		58 632	41 982	-	6 480	15 116	10 496	4 620	44%	-
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		1 578			-	-	-	-		
Decrease (Increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments								-		
Payments										
Capital assets		(67 854)	(73 889)		(4 785)	(12 792)	(18 472)	(5 680)	31%	
NET CASH FROM/(USED) INVESTING ACTIVITIES		(66 276)	(73 889)	-	(4 785)	(12 792)	(18 472)	(5 680)	31%	-
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts										
Short term loans			6 000				1 500	(1 500)	-100%	
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
Payments										
Repayment of borrowing		(3 707)	(2 900)		(600)	(800)	(725)	75	-10%	
NET CASH FROM/(USED) FINANCING ACTIVITIES		(3 707)	3 100	-	(600)	(800)	775	1 575	203%	-
NET INCREASE/ (DECREASE) IN CASH HELD		(11 351)	(28 807)	-	1 096	1 523	(7 202)			-
Cash/cash equivalents at beginning:		29 900	29 900			95 450	29 900			95 450
Cash/cash equivalents at month/year end:		18 549	1 093			96 973	22 698			95 450

Under the cash receipts by source category:

- Revenue generated from *Ratepayers and other* amounted to R 37.3 million for the month of September 2013. The total YTD (after three months of the current financial year) amount collected for *ratepayers and other* amounted to R 105.6 million against a total YTD Budget of R 46.9 million

resulting in a variance of R 58.7 million or 125 percent. In other words the municipality has, after three months, over collected its budgeted revenue by 125 percent for the same period.

- Ratepayers and other can be broken down as follows
 - Property rates – The municipality collected R 2.2 million suggesting a collection rate of 64.3 percent
 - Service charges-Electricity – R 4.3 million suggesting a collection rate of 29.2 percent
 - Service charges-Water – R 953 814 suggesting a collection rate of 157.7percent
 - Service Charges-Sanitation – R 658 058 suggesting a collection rate of 24.6 percent
 - Service charges-Refuse – R 491 229 suggesting a collection rate of 20.4 percent
 - Service charges-Other – R 3.9 million service charges other is largely made up of sundry income and water irrigation levies.
 - Rental of facilities and equipment – R 46
 - Fines – R60 280
 - Interest income – R 85 874
 - Other revenue – R 24.6 million

With regard to cash payments by type:

- Total YTD payments to suppliers and employees amount to R 161.7 million against a YTD budget of R 85.3 million thus resulting in the YTD variance of R 76.4 million or 90 percent.
- Ngwathe local Municipality reported total operating cash payments for the month of September 2013 amounting to R 30.7 million.
- Total cash payments for the month of September 2013 were solely incurred for *suppliers and employees*. *Suppliers and employees* can be broken down as follows;
 - Employee Related Costs – R 12.1 million
 - Remuneration of councillors – R 762 334
 - Collection costs – R 0 million
 - Bulk purchases-electricity – R 10.6 million
 - Bulk purchases-water – R 1.2 million
 - Other materials – R 52 075
 - Contracted services – R 61 140
 - General expenses – R 4.4 million
- The municipality recorded payments in lieu of capital assets amounting to R4.8million

Outstanding Debtors report (Annexure B – Table SC3)

FS203 Ngwathe - Supporting Table SC3 Monthly Budget Statement - aged debtors - M03 September

Description	NT Code	Budget Year 2013/14									Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.L.O Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total			
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	9 002	4 736	3 473	116 781					133 992	116 781		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	13 804	4 343	3 304	69 784					91 236	69 784		
Receivables from Non-exchange Transactions - Property Rates	1400	3 654	2 589	2 105	51 780					60 128	51 780		
Receivables from Exchange Transactions - Waste Water Management	1500	2 657	2 543	2 335	52 970					60 505	52 970		
Receivables from Exchange Transactions - Waste Management	1600	2 385	2 259	2 231	48 992					55 867	48 992		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-					-	-		
Interest on Arrear Debtor Accounts	1810	2 707	2 022	1 909	56 834					63 472	56 834		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-					-	-		
Other	1900	3 061	78	94	(8 753)					(5 520)	(8 753)		
Total By Income Source	2000	37 269	18 571	15 451	388 389	-	-	-	-	459 680	388 389	-	-
2012/13 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	851	271	1 073	10 794					12 989	10 794		
Commercial	2300	6 441	2 804	1 979	38 340					49 563	38 340		
Households	2400	21 619	13 296	11 516	314 652					361 083	314 652		
Other	2500	8 358	2 200	883	24 603					36 044	24 603		
Total By Customer Group	2600	37 269	18 571	15 451	388 389	-	-	-	-	459 680	388 389	-	-

The Debtors report has been prepared on the basis of the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by debtor type. The summary report indicates that the debtors *Over 90* days balance as at 30 September 2013 amounts to **R 388.4million**, against a total amount of **R 459.6 million**. In comparison to the previous month (August 2013), total outstanding debtors have increased **by R 11.7 million**.

Outstanding Creditors report (Annexure B – Table SC4)

The Creditors report has been prepared on the basis of the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by creditor type. Total creditors amounted to R229.7 million compared to an amount of R221.6 million in August 2013. As shown in the chart below the top creditor for Ngwathe Municipality is Bulk Electricity (Eskom) with an amount of R 192.9 million or 83.9 percent of total creditors. From the table below it is evident that the municipality is not able to pay its creditors consistently after 30 days receipt of invoice.

The municipality needs to make use of the demand management tool, where a forecaste of monthly expenditure is to be projected based on the budget, the creditors must be incorporated into the forecaste.

FS203 Ngwathe - Supporting Table SC4 Monthly Budget Statement - aged creditors - M03 September

Description	NT Code	Budget Year 2013/14								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	14 821	3	21 929	21 985	134 145	-			192 883
Bulk Water	0200	1 201	-	-	-	-	-			1 201
PAYE deductions	0300	1 740	1 694	1 689	1 515	4 929	17 985			29 553
VAT (output less input)	0400	-	-	-	-	-	-			-
Pensions / Retirement deductions	0500	2 104	-	-	-	-	-			2 104
Loan repayments	0600	799	-	-	-	-	-			799
Trade Creditors	0700	1 360	-	-	-	-	-			1 360
Auditor General	0800	782	0	963	20	-	-			1 765
Other	0900									-
Total By Customer Type	1000	22 807	1 697	24 582	23 521	139 074	17 985	-	-	229 664

Key performance indicators (Annexure B – Table SC2)

The table refers to the agreed objectives as contained within the Restructuring Grant conditions and the actual percentages achieved.

Conditional Grants (Annexure B – Table SC6)

MIG

An amount of R 4.8 million was spent during the month of September 2013. As at the end of the first quarter of the 2013/14 financial year, Ngwathe local municipality had spent R9.9 million or 20.8 percent of its MIG allocation (R47.9 million). The municipality needs to speed up processes of appointing contractors and ensure that allocated funds are spent

FMG

The spending rate on the FMG is extremely slow, the municipality has only spent R 97 000 or 6.3 percent of the current years FMG allocation (R1.55 million). The municipality must start to implement the FMG plan in order to ensure that the spending rate is increased and that FMG is effectively utilised.

MSIG

No expenditure was incurred during the month of September 2013. The municipality needs to implement the MSIG plan to ensure that the allocation for the current financial year is utilized. CoGTA has raised concerns over the slow rate of expenditure.

4. FINANCIAL IMPLICATIONS

The report for the period ending 30 September 2013 indicates various financial risks which require monitoring:

- Achievement of the operating expenditure and revenue budget;
- Achievement of the capital expenditure budget;
- The municipality's collection rate from municipal services and
- The management of the municipality's cash flow on a daily basis.

As at the end of September 2013 the actual operating revenue and expenditure represented 31.4 percent (excluding capital grants) and 19.3 percent, respectively of the annual 2013/14 budget, **against a benchmark of 25 percent.**- a variance of 6.4 percent (over) and 4.7 percent (under) respectively.

The municipality's collection rate from property rates and municipal services was 64.3 percent after accounting for revenue forgone and 50.8 percent, respectively, for the month of September 2013.

The Council's cash flow situation is still a cause for concern if one looks at the outstanding creditors, the outstanding debtors, the under collection of municipal revenue, the over spending on operating expenditure and under expenditure on capital expenditure.

5. KEY May 2013 PERFORMANCE (FINANCIAL) INDICATORS

The favourable result relating to the various source groups totalling revenue is having an impact on a number of indicators, which are based on total revenue. The under expenditure on the capital budget has also an additional influence on the indicators. The various 'Debtors' ratios are also a cause for concern.

6. INTERDEPARTMENTAL AND CLUSTER IMPACT

This report is prepared to achieve MFMA compliance.

7. COMMENTS OF THE HEAD: LEGAL SERVICES

The abovementioned report as such does not call for legal clarification.

8. IMPLICATIONS

- Finances (budget and value for money)

This report is an overview of the financial results for the period ended 30 September 2013 (Quarter 1), as well as any Operating and Capital Budget variances.

- Constitution and legal factors

The implication of approval of this report is compliance to legislative requirements (Section 52(d) of the MFMA).

- Communication

In compliance to legislative requirements (Section 52(d) of the MFMA) this document is provided to all stakeholders by placing it on the Municipality's website.

- Previous Mayoral Committee Resolutions

Not applicable.

9. CONCLUSION

This report is in compliance of Section 52(d) of the MFMA, by providing a statement to the Mayor containing certain financial particulars.

RECOMMENDED

That, in compliance with Section 52(d) of the MFMA:

- (1) The Accounting Officer submits to the Mayor this statement reflecting certain particulars for the period ending 30 September 2013; and
- (2) In order to comply with Section 52(d) of the MFMA, the Accounting Officer ensure that this statement be submitted to National Treasury and the Provincial Treasury, in both a signed document format and in electronic format.

PREPARED BY:

Acting Budget and Expenditure Manager

DATE: _____

SUBMITTED BY:

Chief Financial Officer

DATE: _____

Municipal Manager's quality certification

I, **Adv. Thabo S. Mokoena**, the Municipal Manager of the Ngwathe Local Municipality, hereby certify that -

- the monthly report on the implementation of the budget and financial state affairs of the municipality for the period ending **30 September 2013** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name:

Municipal Manager of the Ngwathe Local Municipality

Signature: _____

Date: _____

ANNEXURE A

NGWATHE C SCHEDULE MONTHLY BUDGET STATEMENT

General Information and Contact Information

Main Tables	Consolidated Quarterly Budget Statements
Table C1-SUM	Summary
Table C2-FinPer SC	Financial Performance (standard classification)
Table C2C	Financial Performance (standard classification)
Table C3-Fin Per V	Financial Performance (revenue and expenditure by municipal vote)
Table C3C	Financial Performance (revenue and expenditure by municipal vote) - A
Table C4-FinPer RE	Financial Performance (revenue and expenditure)
Table C5-Capex	Capital Expenditure (municipal vote, standard classification and funding)
Table C5C	Capital Expenditure (municipal vote, standard classification and funding) - A
Table C6-FinPos	Financial Position
Table C7-Cflow	Cash Flow
Supporting Tables	
Table SC1	Material variance explanations
Table SC2	Monthly Budget Statement - Performance indicators
Table SC3	Monthly Budget Statement - Aged debtors
Table SC4	Monthly Budget Statement - aged creditors
Table SC5	Monthly Budget Statement - Investment portfolio
Table SC6	Monthly Budget Statement - Transfers and grant receipts
Table SC7	Monthly Budget Statement - Transfers and grant expenditure
Table SC8	Monthly Budget Statement - Councillor and staff benefits
Table SC9	Monthly Budget Statement - Actual and revised targets for cash receipts
Table SC10	Monthly Budget Statement - Parent Municipality Financial Performance (revenue and expenditure)
Table SC11	Monthly Budget Statement - Summary of municipal entities
Table SC12	Consolidated Monthly Budget Statement - Capital expenditure trend
Table SC13a	Consolidated Monthly Budget Statement - Capital expenditure on new assets by asset class
Table SC13b	Consolidated Monthly Budget Statement - Capital expenditure on renewal of existing assets by asset class
Table SC13c	Consolidated Monthly Budget Statement - Expenditure on repairs and maintenance by asset class
SC71charts	

