



25 October 2014

THE MUNICIPAL MANAGER
THE MAYOR

MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING 30 September 2014 (Quarterly BUDGET STATEMENT) – 2014/15 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 **30 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 quarter and for the financial year up to the end of that quarter.

For the reporting period ending 30 September 2014, the ten working day reporting limit expires on **31 October 2014**

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

3. REPORT FOR THE PERIOD ENDING 30 September 2014

This report is based upon financial information available at the time of preparation. The financial results **for the period ended 30 September 2014** 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:

Free State: Ngwathe(FS203) - Table C4 Quarterly Budget Statement - Financial Performance (revenue and expenditure) for 1st Quarter ended 30 September 2014

Description	Ref	2013/14	Budget year 2014/15										
		Audited Outcome	Original Budget	Adjusted Budget	M01 July Actual	M02 Aug Actual	M03 Sept Actual	Q1 Sept Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
Revenue By Source													
Property rates	-	-	51 297	51 297	5 217	5 221	5 434	15 872	15 872	12 824	3 048	23,77	51 297
Property rates - penalties and collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	145 557	145 557	12 157	11 041	15 250	38 448	38 448	36 389	2 059	5,66	145 557
Service charges - water revenue	-	-	40 111	40 111	(13 898)	3 693	4 604	(5 601)	(5 601)	10 028	(15 628)	(155,85)	40 111
Service charges - sanitation revenue	-	-	37 057	37 057	2 812	2 895	2 874	8 581	8 581	9 264	(683)	(7,38)	37 057
Service charges - refuse revenue	-	-	35 148	35 148	2 654	2 731	2 700	8 084	8 084	8 787	(703)	(8,00)	35 148
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	1 420	1 420	1 637	19	114	1 770	1 770	355	1 415	398,61	1 420
Interest earned - external investments	-	-	2 757	2 757	64	111	56	230	230	689	(459)	(66,56)	2 757
Interest earned - outstanding debtors	-	-	2 500	2 500	3 058	3 171	3 382	9 612	9 612	625	8 987	1 437,84	2 500
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	1 000	1 000	96	52	79	228	228	250	(22)	(8,94)	1 000
Licences and permits	-	-	1	1	-	-	-	-	-	0	(0)	(100,00)	1
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	-	-	163 765	163 765	65 023	1 334	-	66 357	66 357	40 941	25 416	62,08	163 765
Other own revenue	-	-	3 074	3 074	127	198	216	541	541	769	(227)	(29,60)	3 074
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue (excl. capital transfers and contributions)	-	-	483 685	483 685	78 946	30 467	34 710	144 122	144 122	120 921	23 201	19,19	483 685
Expenditure By Type													
Employee related costs	-	-	138 928	138 928	14 863	14 687	15 303	44 853	44 853	34 732	10 121	29,14	138 928
Remuneration of councillors	-	-	10 442	10 442	842	844	843	2 529	2 529	2 610	(82)	(3,12)	10 442
Debt impairment	-	-	40 000	40 000	-	-	-	-	-	10 000	(10 000)	(100,00)	40 000
Depreciation and asset impairment	-	-	95 000	95 000	-	-	-	-	-	23 750	(23 750)	(100,00)	95 000
Finance charges	-	-	3 000	3 000	100	100	1 500	1 700	1 700	750	950	126,67	3 000
Bulk purchases	-	-	163 401	163 401	37 443	1 339	500	39 281	39 281	40 850	(1 569)	(3,84)	163 401
Other Materials	-	-	10 100	10 100	1 639	516	3 018	5 173	5 173	2 525	2 648	104,87	10 100
Contracted services	-	-	15 300	15 300	310	51	130	492	492	3 825	(3 333)	(87,15)	15 300
Transfers and grants	-	-	38 526	38 526	-	-	-	-	-	9 632	(9 632)	(100,00)	38 526
Other expenditure	-	-	72 764	72 764	11 209	8 706	6 518	26 433	26 433	18 191	8 242	45,31	72 764
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	-	-	587 461	587 461	66 406	26 243	27 812	120 461	120 461	146 865	(26 404)	(17,98)	587 461
Surplus/(Deficit)													
Transfers recognised - capital	-	-	(103 776)	(103 776)	12 539	4 225	6 898	23 661	23 661	(25 944)	49 605	(191,20)	(103 776)
Contributions recognised - capital	-	-	44 881	44 881	-	-	-	-	-	11 220	(11 220)	(100,00)	44 881
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	-	-	(58 895)	(58 895)	12 539	4 225	6 898	23 661	23 661	(14 724)	38 385	(260,70)	(58 895)
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	-	-	(58 895)	(58 895)	12 539	4 225	6 898	23 661	23 661	(14 724)	38 385	(260,70)	(58 895)
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	-	-	(58 895)	(58 895)	12 539	4 225	6 898	23 661	23 661	(14 724)	38 385	(260,70)	(58 895)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	-	(58 895)	(58 895)	12 539	4 225	6 898	23 661	23 661	(14 724)	38 385	(260,70)	(58 895)

Operating Revenue:

- *Property rates* levied for the first quarter of the 2014/15 financial year amounted to R 15.9 million; this compared to the Year-To-Date budget (R 12.8 million) results in a variance of R 3 million or 23.8 per cent.
- The table above indicates that as at the end of the first quarter of the 2014/15 financial year, Ngwathe local municipality had billed a total of negative R 5.6 million for *service charges: water*. The total YTD budget for *service charges water* as at the end of the first quarter only amounts to R 10 million, compared to the total billed for water services this results in a variance of negative R 15.7 million or negative 155.9 per cent. During the months of June and July 2014, the municipality had over levied consumers on their water consumption. To correct these over levies, the municipality has posted correcting journals and reversed the over levies, thus resulting in a negative "billing" figure in July 2014. The revenue department still needs to investigate the accuracy of the billing and make the necessary corrections.
- The variance of R 1.4 million between the *rental of facilities and equipment* YTD actual (R 1.8 million) and the YTD budget (R 355 000) is due to the fact that the July figure incorrectly includes an amount of R 1.5 million which was for the financial year ending June 2014. The correct amount for July is R 126 159.

- *Interest earned on external investments* received by the municipality for the first quarter of the 2014/15 financial year amounted to R 230 000 against an YTD budget of R 689 000. The resultant variance of R 459 000 or 66.2 per cent is largely due to a shorter than anticipated investment period. The municipality exhausted a considerable amount of its equitable share in early August 2014 due to payments made to outstanding creditors, this meant that the municipality had less money to invest and thus received less interest than anticipated.
- *Interest earned on outstanding debtors* indicates that the municipality anticipated receiving an amount of R 2.5 million in interest on overdue accounts for the 2014/15 financial year. The YTD interest billed as at the end of the first quarter amounted to R 9.6 million thus resulting in a variance of R 18.9 million or 1437.9 per cent when compared to the YTD budget figure of R 625 000. *Interest earned on outstanding debtors* is directly linked to the billing for the year. The interest levied on outstanding debtors may be incorrect, the revenue unit must also investigate the correctness of the amount disclosed at the end of the first quarter;
- The municipality received *operating grants* amounting to R 66.4million during the first quarter of the 2014/15 financial year. The operating grants were received in line with the 2014 Division of Revenue bill and the National Treasury payments schedule.

The total YTD anticipated revenue as at the end of the first quarter amounted to R 144.1 million whilst the total YTD budget amounted to R 120.9 million resulting in a variance of R 23.2 million or 19.9 per cent. Essentially this means that as at the end of the first quarter of the 2014/15 financial year, Ngwathe local municipality has billed R 23.2 million or 19.9 per cent more than what was planned.

Operating Expenditure:

- Year-to-Date *Employee related costs* amounted to R 44.9 million against a YTD adjusted budget of R 34.9 million. The variance between the YTD budget and actual figure amounts to 29.1 percent suggesting that the municipality needs to look at its *employee related costs* closely and implement control measures, especially on overtime worked.

After investigating the variance, it was established that it is caused by under budgeting during the 2014/15 budgeting process. The under budgeting was caused by the municipality using the adjusted *employee related costs* budget as the base for calculation of the 2014/15 *employee related costs* instead of using the actual figures for the 2013/14 financial year.

The municipality has already started to correct the under budgeting, on the Electricity payment plan forwarded to Council, Provincial Treasury and Eskom the corrected *employee related costs* figures have been used.

- Finance charges for the first quarter of the 2014/15 financial year amounted to R 800 000. The September 2014 figure of R1.5 million incorrectly includes an amount of R900 000 in relation to *Bulk water purchases* which were incorrectly classified. This has been corrected.
- No debt was written off for the period under review. Municipality has appointed a debt collection company and before any bad debts are written off the service provider must conduct a thorough investigation of the municipality's debt book.
- Depreciation journals for July, August and September 2014 were not processed. Asset Management staff were busy finalising the asset register with the assistance of the turn - around strategy team.

Year-to-Date *expenditure* amounted to R 120.5 million against a YTD adjusted budget of R 146.9 million. The variance between the YTD adjusted budget and actual figure amounts to negative 17.9 percent.

The Municipality needs to ensure that payments made are in line with the approved IDP, Budget and SDBIP.

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 R thousands	Ref	2013/14	Budget Year 2014/15							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
	1	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages			7 284	–	574	1 723	1 821	(98)	-5%	7 284
Pension and UIF Contributions			556	–	27	80	139	(59)	-42%	556
Medical Aid Contributions			82	–	8	23	20	3	13%	82
Motor Vehicle Allowance			1 918	–	158	475	479	(4)	-1%	1 918
Cellphone Allowance			601	–	76	228	150	78	52%	601
Housing Allowances			–	–	–	–	–	–	–	–
Other benefits and allowances			–	–	–	–	–	–	–	–
Sub Total - Councillors			10 442	–	843	2 530	2 610	(81)	-3%	10 442
% increase	4		#DIV/0!							#DIV/0!
Senior Managers of the Municipality										
Basic Salaries and Wages			7 067	–	426	1 311	1 767	(456)	-26%	7 067
Pension and UIF Contributions			366	–	66	197	92	106	115%	366
Medical Aid Contributions			233	–	26	71	58	13	23%	233
Overtime			–	–	–	–	–	–	–	–
Performance Bonus			–	–	–	56	–	56	#DIV/0!	–
Motor Vehicle Allowance			2 072	–	110	337	518	(181)	-35%	2 072
Cellphone Allowance			–	–	–	–	–	–	–	–
Housing Allowances			–	–	1	3	–	3	#DIV/0!	–
Other benefits and allowances			498	–	97	267	124	143	115%	498
Payments in lieu of leave			–	–	–	–	–	–	–	–
Long service awards			–	–	–	–	–	–	–	–
Post-retirement benefit obligations			–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality			10 236	–	725	2 243	2 559	(316)	-12%	10 236
% increase	4		#DIV/0!							#DIV/0!
Other Municipal Staff										
Basic Salaries and Wages			83 466	–	8 374	25 737	20 866	4 870	23%	83 466
Pension and UIF Contributions			13 817	–	1 799	5 398	3 454	1 944	56%	13 817
Medical Aid Contributions			4 577	–	632	1 913	1 144	769	67%	4 577
Overtime			6 844	–	1 317	3 757	1 711	2 046	120%	6 844
Performance Bonus			7 288	–	925	2 265	1 822	443	24%	7 288
Motor Vehicle Allowance			2 209	–	251	749	552	197	36%	2 209
Cellphone Allowance			–	–	–	–	–	–	–	–
Housing Allowances			304	–	25	72	76	(4)	-6%	304
Other benefits and allowances			7 653	–	1 070	2 516	1 913	602	31%	7 653
Payments in lieu of leave			1 662	–	108	287	415	(129)	-31%	1 662
Long service awards			–	–	–	–	–	–	–	–
Post-retirement benefit obligations			872	–	46	155	218	(63)	-29%	872
Sub Total - Other Municipal Staff			128 692	–	14 547	42 849	32 173	10 676	33%	128 692
% increase	4		#DIV/0!							#DIV/0!
Total Parent Municipality			149 370	–	16 115	47 622	37 342	10 279	28%	149 370

Councillors allowances

The table above shows total councillors remuneration or allowances, senior management and other municipal staff for the month of September 2014 and the first quarter of the 2014/15 financial year.

Total councillors' remuneration/allowances for the period under review amounted to R 2.5 million.

Spending on *councillor allowances* is on track. Total Year-to-Date actual councillor remuneration amounts to R 2.5 million or 24.2 percent of the *councillor allowances* budget of R 10.4 million.

Senior Managers of the municipality

Year-to-Date spending on senior managers' salaries and allowances amounts to R 2.2 million or 21.9 percent of the budget (R 10.2 million). Senior manager salaries and allowances for September 2014 amounted to R 725 000. The total *salaries and allowance* amount is made up of *basic salaries* (R426 000), *pension and UIF*

(R66 000), Medical aid contributions (R26 000), travel allowances(R 110 000), other benefits and allowances (R 97 000) and Housing subsidy (R 1000).

Other Municipal staff

Remuneration of other municipal staff amounted to R 14.5 million for the month of September 2014. Total YTD expenditure on *remuneration of other municipal staff* amounts to R 42.8 million or 33.3 percent of the *remuneration of other municipal employees* budget (R 128.7 million). This indicates that the YTD *remuneration of other municipal employees* budget of R 32.2 million has been overspent by R 10.7 million or 33 percent.

The total YTD budget for total municipal remuneration amounted to R 37.3 million while the total YTD spending R 47.6 million. This indicates that the municipality has over spent its YTD budget by R 10.2 million or 28 per cent. Internal controls over salaries and overtime need to be vigorously enforced to ensure that the municipality stays within its 2014/15 salaries budget.

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:

Free State: Ngwathe(FS203) - Table C5 Quarterly Budget Statement - Capital Expenditure by Standard Classification and Funding for 1st Quarter ended 30 September 2014

Description	Ref	2013/14	Budget year 2014/15										
		Audited Outcome	Original Budget	Adjusted Budget	M01 July Actual	M02 Aug Actual	M03 Sept Actual	Q1 Sept Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %	Full Year Forecast
Capital Expenditure - Standard													
<i>Governance and Administration</i>	-	7 500	7 500	82	236	79	396	396	1 875	(1 479)	(78,89)	7 500	
Executive & Council		5 500	5 500						1 375	(1 375)	(100,00)	5 500	
Budget & Treasury Office		2 000	2 000	76	227	72	375	375	500	(125)	(24,96)	2 000	
Corporate Services				5	8	7	21	21		21			
<i>Community and Public Safety</i>	-	12 241	12 241	900	-	-	900	900	3 060	(2 160)	(70,58)	12 241	
Community & Social Services		6 000	6 000						1 500	(1 500)	(100,00)	6 000	
Sport And Recreation		5 981	5 981	900			900	900	1 495	(595)	(39,79)	5 981	
Public Safety		260	260						65	(65)	(100,00)	260	
Housing													
Health													
<i>Economic and Environmental Services</i>	-	2 878	2 878	-	-	162	162	162	720	(557)	(77,43)	2 878	
Planning and Development													
Road Transport		2 878	2 878				162	162	720	(557)	(77,43)	2 878	
Environmental Protection													
<i>Trading Services</i>	-	42 078	42 078	10 099	1 992	728	12 819	12 819	7 752	5 067	65,36	31 009	
Electricity		8 000	8 000	198	1 954	(544)	1 609	1 609	495	1 114	224,96	1 980	
Water		12 676	12 676	5 057	38	767	5 863	5 863	1 906	3 956	207,52	7 626	
Waste Water Management		12 100	12 100	4 843		505	5 348	5 348	3 025	2 323	76,79	12 100	
Waste Management		9 303	9 303						2 326	(2 326)	(100,00)	9 303	
Other		1 994	1 994						499	(499)	(100,00)	1 994	
Total Capital Expenditure - Standard	3	-	66 691	66 691	11 080	2 228	969	14 278	14 278	13 905	372	2,68	55 622
Funded by:													
National Government		44 881	44 881	9 980	1 934	(12)	11 902	11 902	9 970	1 932	19,37	39 882	
Provincial Government													
District Municipality													
Other transfers and grants													
Transfers recognised - capital		-	44 881	44 881	9 980	1 934	(12)	11 902	11 902	9 970	1 932	19,37	39 882
Public contributions and donations	5												
Borrowing	6												
Internally generated funds		21 810	21 810	1 101	293	981	2 376	2 376	3 935	(1 559)	(39,63)	15 740	
Total Capital Funding	-	-	66 691	66 691	11 080	2 228	969	14 278	14 278	13 905	372	2,68	55 622

The table above indicates that the municipality spent R 14.3 million of its capital projects budget during the first quarter of the 2014/15 financial year. The R 14.3 million spent was financed by both grants (R11.9 million) and internal funds (R 2.4 million).

Total YTD spending on capital projects amounts to R 14.3 million against a total capital budget of R 66.7 million.

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 2014 indicates that there was a net decrease in cash held of R 3.4 million.

Free State: Ngwathe(FS203) - Table C7 Quarterly Budget Statement - Cash Flows for 1st Quarter ended 30 September 2014

Description	Ref	2013/14	Budget year 2014/15										
			Audited Outcome	Original Budget	Adjusted Budget	M01 July Actual	M02 Aug Actual	M03 Sept Actual	Q1 Sept Actual	YTD Actual	YTD Budget	YTD Variance	YTD variance %
CASH FLOW FROM OPERATING ACTIVITIES													
Receipts													
Ratepayers and other			235 998	235 998	19 116	16 063	20 690	55 868	55 868	57 393	(1 525)	(2,66)	235 998
Government - operating			163 765	163 765	65 023	1 334		66 357	66 357	57 051	9 306	16,31	163 765
Government - capital			44 881	44 881	17 549			17 549	17 549	22 441	(4 892)	(21,80)	44 881
Interest			4 632	4 632	296	500	424	1 220	1 220	1 056	164	15,51	4 632
Dividends													
Payments													
Suppliers and employees			(247 978)	(247 978)	(54 845)	(42 742)	(27 320)	(124 908)	(124 908)	(69 617)	(55 290)	79,42	(247 978)
Finance charges			(135 786)	(135 786)						(48 556)	48 556	(100,00)	(135 786)
Transfers and grants			(38 526)	(38 526)						(9 632)	9 632	(100,00)	(38 526)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	26 986	26 986	47 138	(24 846)	(6 206)	16 086	16 086	10 136	5 950	58,70	26 986
CASH FLOW FROM INVESTING ACTIVITIES													
Receipts													
Proceeds on disposal of PPE													
Decrease in non-current debtors													
Decrease in other non-current receivables													
Decrease (increase) in non-current investments													
Payments													
Capital assets			(66 691)	(66 691)	(15 288)	(2 112)	(1 278)	(18 678)	(18 678)	(21 571)	2 893	(13,41)	(66 691)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(66 691)	(66 691)	(15 288)	(2 112)	(1 278)	(18 678)	(18 678)	(21 571)	2 893	(13,41)	(66 691)
CASH FLOW FROM FINANCING ACTIVITIES													
Receipts													
Short term loans													
Borrowing long term/refinancing													
Increase (decrease) in consumer deposits													
Payments													
Repayment of borrowing			(3 000)	(3 000)	(100)	(100)	(600)	(800)	(800)	(800)			(3 000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(3 000)	(3 000)	(100)	(100)	(600)	(800)	(800)	(800)	-	-	(3 000)
NET INCREASE/(DECREASE) IN CASH HELD		-	(42 705)	(42 705)	31 750	(27 058)	(8 084)	(3 391)	(3 391)	(12 235)	8 843	(72,28)	(42 705)
Cash/cash equivalents at the year begin:			46 315	46 315	14 437	46 187	19 129	14 437	14 437	46 315	(31 878)	(68,83)	46 315
Cash/cash equivalents at the year end:			3 610	3 610	46 187	19 129	11 045	11 045	11 045	34 080	(23 035)	(67,59)	3 610

Under the cash receipts by source category:

- The total YTD (after three months of the current financial year) amount collected for *ratepayers and other* amounted to R 55.9 million against a total YTD adjusted Budget of R 57.4 million resulting in a variance of R 1.5 million or 2.7 per cent.

With regard to cash payments by type:

- Total YTD payments to suppliers and employees amount to R 124.9 million against an YTD budget of R 69.6 million thus resulting in the YTD variance of R 55.3 million or 79.4 per cent.
- Ngwathe local Municipality reported total operating cash payments for the month of September 2014 amounting to R 27.3 million.
- The municipality recorded payments in lieu of capital assets amounting to R 18.7 million

Outstanding Debtors report (Annexure B – Table SC3)

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

Description	NT Code	Budget Year 2014/15								Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.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				
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	5 557	13 066	18 171	189 988					226 782	189 988		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	11 565	6 529	6 950	91 266					116 310	91 266		
Receivables from Non-exchange Transactions - Property Rates	1400	4 853	3 532	3 664	51 503					63 552	51 503		
Receivables from Exchange Transactions - Waste Water Management	1500	2 837	2 374	2 475	65 738					73 423	65 738		
Receivables from Exchange Transactions - Waste Management	1600	2 522	2 223	2 484	63 025					70 254	63 025		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-					-	-		
Interest on Arrear Debtor Accounts	1810	3 407	3 239	3 063	78 468					88 177	78 468		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-					-	-		
Other	1900	855	167	131	(8 781)					(7 628)	(8 781)		
Total By Income Source	2000	31 597	31 129	36 939	531 207	-	-	-	-	630 871	531 207	-	-
2013/14 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	1 659	1 507	1 485	18 121					22 772	18 121		
Commercial	2300	7 856	2 091	1 575	47 046					58 568	47 046		
Households	2400	19 931	26 006	32 626	430 991					509 554	430 991		
Other	2500	2 151	1 524	1 253	35 048					39 977	35 048		
Total By Customer Group	2600	31 597	31 129	36 939	531 207	-	-	-	-	630 871	531 207	-	-

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 2014 amounts to **R 531.2 million**, against a total amount of **R 630.9 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 R 317.2million.

Year on year the aged creditors have increased by R 87.5 million or 27.6 per cent.

As shown in the chart below the top creditor for Ngwathe Municipality is Bulk Electricity (Eskom) with an amount of R 275.3 million or 86.7 per cent 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 2014/15								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	17 018	-	25 820	26 323	206 100	-	-	-	275 261
Bulk Water	0200	1 380	826	-	-	-	-	-	-	2 206
PAYE deductions	0300	2 128	1 959	1 963	1 950	5 878	11 490	-	-	25 368
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	2 250	-	-	-	-	-	-	-	2 250
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	7 183	-	-	-	-	-	-	-	7 183
Auditor General	0800	1 079	214	40	69	26	2 148	-	-	3 577
Other	0900	1 342	-	-	-	-	-	-	-	1 342
Total By Customer Type	1000	32 380	2 998	27 824	28 342	212 004	13 638	-	-	317 186

Conditional Grants (Annexure B – Table SC6)

1st Quarter Ended 30 September 2014

CONDITIONAL GRANTS TRANSFERRED FROM NATIONAL DEPARTMENTS AND ACTUAL PAYMENTS MADE BY MUNICIPALITIES: PRELIMINARY RESULTS

Free State: Ngwathe(FS203)

	Division of revenue Act No. 3 of 2013	Adjustment (Mid year)	Other Adjustments	Total Available 2014/15	Year to date		First Quarter		YTD Expenditure		% Changes from 1st to 1st Q		% Changes for the 1st Q		Approved Roll Over	
					Approved payment schedule	Transferred to municipalities for direct grants	Actual expenditure National Department by 30 September 2014	Actual expenditure by municipalities by 30 September 2014	Actual expenditure National Department	Actual expenditure by municipalities	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities	Total Available 2014/15	YTD expenditure by municipalities
R thousands																
National Treasury (Vote 10)																
Local Government Financial Management Grant	1 600			1 600				340		340				21,3%		
Infrastructure Skills Development Grant				-				-		-				-		
Integrated City Development Grant				-				-		-				-		
Neighbourhood Development Partnership (Schedule 5B)				-				-		-				-		
Neighbourhood Development Partnership (Schedule 6B)				-				-		-				-		
Sub-Total Vote	1 600	-	-	1 600	-	-	-	340	-	340	-	-	-	21,3%	-	-
Cooperative Governance (Vote 3)																
Municipal Systems Improvement Grant	934			934				295		295				31,5%		
Municipal Disaster Grant				-				-		-				-		
Municipal Disaster Recovery Grant				-				-		-				-		
Sub-Total Vote	934	-	-	934	-	-	-	295	-	295	-	-	-	31,5%	-	-
Transport (Vote 37)																
Public Transport Infrastructure and Systems Grant				-				-		-				-		
Public Transport Network Operations Grant				-				-		-				-		
Rural Road Assets Management Systems Grant				-				-		-				-		
Sub-Total Vote	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works (Vote 6)																
Expanded Public Works Programme Integrated Grant (Municipality)	1 000			1 000				129		129				12,9%		
Sub-Total Vote	1 000	-	-	1 000	-	-	-	129	-	129	-	-	-	12,9%	-	-
Energy (Vote 29)																
Integrated National Electrification Programme (Municipal) Grant	5 000			5 000				853		853				17,1%		
Integrated National Electrification Programme (Allocation in-kind) Grant	80			80				-		-				-		
Backlogs in the Electrification of Clinics and Schools (Allocation in-kind)				-				-		-				-		
Energy Efficiency and Demand Side Management (Municipal) Grant				-				-		-				-		
Energy Efficiency and Demand Side Management (Eskom) Grant				-				-		-				-		
Sub-Total Vote	5 080	-	-	5 080	-	-	-	853	-	853	-	-	-	17,1%	-	-
Water Affairs (Vote 30)																
Backlogs in Water and Sanitation at Clinics and Schools Grant				-				-		-				-		
Regional Bulk Infrastructure Grant	14 000			14 000				-		-				-		
Water Services Operating and Transfer Subsidy Grant (Schedule 5B)				-				-		-				-		
Water Services Operating and Transfer Subsidy Grant (Schedule 6B)				-				-		-				-		
Municipal Water Infrastructure Grant (Schedule 5B)				-				-		-				-		
Municipal Water Infrastructure Grant (Schedule 6B)				-				-		-				-		
Sub-Total Vote	14 000	-	-	14 000	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation South Africa (Vote 19)																
2013 Africa Cup of Nations Host City Operating Grant				-				-		-				-		
2014 African Nations Championship Host City Operating Grant				-				-		-				-		
Sub-Total Vote	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Human Settlements (Vote 31)																
Rural Households Infrastructure Grant (Schedule 5B)				-				-		-				-		
Rural Households Infrastructure Grant (Schedule 6B)				-				-		-				-		
Municipal Human Settlements Capacity Grant				-				-		-				-		
Sub-Total Vote	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	22 614	-	-	22 614	-	-	-	1 618	-	1 618	-	-	-	19,8%	-	-
Cooperative Governance (Vote 3)																
Municipal Infrastructure Grant	39 881			39 881				12 131		12 131				30,4%		
Sub-Total Vote	39 881	-	-	39 881	-	-	-	12 131	-	12 131	-	-	-	30,4%	-	-
Sub-Total	39 881	-	-	39 881	-	-	-	12 131	-	12 131	-	-	-	30,4%	-	-
Total	62 495	-	-	62 495	-	-	-	13 749	-	13 749	-	-	-	28,4%	-	-

MIG

MIG expenditure for the period under review amounted to R 12.1 million or 30.4 per cent of the 2014/15 MIG allocation (R 39.9 million).

INEG

The table above indicates that the municipality has, up to end of September 2014 spent R 853 000 or 17.1 per cent of its 2014/15 INEG allocation of R 5 million. The slow rate of expenditure is due to the fact that the INEG allocation was only received in September 2014.

FMG

For the period under review the municipality spent an amount of R 340 000 or 21.3 per cent of its annual FMG allocation (R 1.6 million).

MSIG

During the first quarter of the 2014/15 financial year the municipality spent an amount of R 295 000 or 31.6 per cent of its annual MSIG allocation (R 934 000).

EPWPG

The municipality only spent R 129 000 or 12.9 per cent of its annual EPWPG allocation (R 1 million).

Investments (Annexure B – Table SC5)

Current investments held by the municipality amount to R 7.1 million as at end of September 2014. The Municipality has an investments register in place, where all investment activities are recorded and maintained.

To support the register, the municipality keeps an additional file with all the source documents that inform the register.

The municipality also has shares and life policies in its portfolio of investments, these were taken up before amalgamation and before the promulgation of the Municipal Finance Management Act no 56 of 2003.

In terms of regulation 13 of the Municipal Investment Regulations, *“there is nothing that compels a municipality or a municipal entity to liquidate an investment which existed when the regulations took effect merely because such investment does not comply with a provision of these regulations.”*

Investments held by the municipality are as follows;

IM: INVESTMENT MONITORING														
Municipality	Year End	Quarter	Investments							Accrued	Balance	Partial / Prer	Investment	Balance
FS203	2015	Q1 July-Sept	Yes											
Investment No	Investment Reference No	Start Date (ccyy/mm/dd)	End Date (ccyy/mm/dd)	Year/Month/ Day	Term (no)	Investment Institution (max 40 chars)	Type of Interest	Timing of payment	% Interest Rate (2 dec)	Interest This Quarter (Rand)	Balance at Begin of Quarter (Rand)	Withdraw als This Quarter (Rand)	Top Up This Quarter (Rand)	Balance at End of Quarter (Rand)
1	71037431386	2002-08-10	2014-06-30	Y	12	FNB	Fixed (01)	Annually (01)	5,90	765	14 992	0	0	15 757
2	71038146801	2002-08-10	2014-06-30	Y	12	FNB	Fixed (01)	Annually (01)	5,00	0	41 769	0	0	41 769
3	11209914X8	2000-12-01	2014-06-30	Y	14	Sanlam	Fixed (01)	Annually (01)	6,00	0	79 623	0	0	79 623
4	040571573X1	2003-04-01	2018-04-01	Y	15	Sanlam	Fixed (01)	Annually (01)	6,00	0	332 039	0	0	332 039
5	091420370	2005-03-01	2014-06-30	Y	9	Momentum	Fixed (01)	Annually (01)	5,57	0	444 178	0	0	444 178
6	9253832988	2010-10-12	2014-06-30	Y	4	Absa	Variable (02)	Monthly (04)	0,30	95 421	184 368	-60 274 901	60 000 000	4 888
7	9253833502	2010-10-12	2014-06-30	Y	4	Absa	Fixed (01)	Monthly (04)	0,30	76 159	3 873 907	-17 618 630	17 549 000	3 880 436
8	9253833764	2010-10-12	2014-06-30	Y	4	Absa	Fixed (01)	Monthly (04)	0,30	7 939	488 316	0	943 000	1 439 255
9	9253835643	2010-10-12	2014-06-30	Y	4	Absa	Fixed (01)	Monthly (04)	0,30	241	23 382	0	0	23 623
10	U0063385252	2003-04-12	2014-06-30	Y	11	Sanlam	Fixed (01)	Annually (01)	0,00	0	194 580	0	0	194 580
11	U005920953	2003-04-12	2014-06-30	Y	11	Sanlam	Fixed (01)	Annually (01)	0,00	0	112 792	0	0	112 792
12	S02295	1996-12-11	2014-06-30	Y	18	Senwes	Fixed (01)	Quarterly (03)	0,00	0	45 455	0	0	45 455
13	SB02295	1997-04-10	2014-06-30	Y	17	Senwes	Fixed (01)	Quarterly (03)	0,00	0	33 200	0	0	33 200
14	1130000041	1978-07-01	2014-06-30	Y	36	Absa	Fixed (01)	Monthly (04)	0,30	5 620	92 858	-11 197 723	11 100 000	755
15	9286271167	2013-07-25	2014-06-30	M	11		Fixed (01)	Monthly (04)	0,30	20 465	1 029 257	-2 298 930	1 600 000	350 792
16	9286271086	2013-07-25	2014-06-30	M	11		Fixed (01)	Monthly (04)	0,30	17 566	2 283 507	-2 195 786	0	105 287

It is proposed that all the smaller investments (shares, fixed deposits and life policies) be cashed and that the proceeds be invested in one call account.

4. FINANCIAL IMPLICATIONS

The report for the period ending 30 September 2014 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 2014 the actual operating revenue and expenditure represented 29.8 per cent (excluding capital grants) and 20.5 per cent, respectively of the 2014/15 budget, **against a benchmark of 25 per cent.** - a variance of 4.8 per cent (over) and 4.5 per cent (under) respectively.

The municipality's collection rate from property rates and municipal services was 50.2 percent after accounting for revenue forgone and 78.4 per cent, respectively, for the first quarter.

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

5. KEY Quarter one 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 2014 (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 2014; 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, **Mr KD Kamolane**, 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 2014** 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	

