



8 April 2014

THE MUNICIPAL MANAGER  
THE MAYOR

**MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING 31 March 2014 (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 31 March 2014, the ten working day reporting limit expires on **14 April 2014**

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

**3. REPORT FOR THE PERIOD ENDING 31 March 2014**

This report is based upon financial information available at the time of preparation. The financial results **for the period ended 31 March 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:

**FS203 Ngwathe - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March**

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
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		41,150	48,489	48,489	3,938	31,960	36,367	(4,407)	-12%	
Property rates - penalties & collection charges										
Service charges - electricity revenue		133,490	133,997	113,997	11,833	96,503	85,498	11,005	13%	
Service charges - water revenue		17,663	35,685	35,685	(3,797)	64,882	26,764	38,118	142%	
Service charges - sanitation revenue		25,701	33,068	33,068	2,696	23,745	24,801	(1,056)	-4%	
Service charges - refuse revenue		18,941	27,971	27,971	2,460	21,706	20,978	727	3%	
Service charges - other		6,319	3,817	2,317			1,738	(1,738)	-100%	
Rental of facilities and equipment		1,131	2,242	1,742	21	243	1,306	(1,063)	-81%	
Interest earned - external investments		1	575	2,275	101	1,495	1,706	(211)	-12%	
Interest earned - outstanding debtors		4,972	9,251	2,251	2,809	19,246	1,688	17,558	1040%	
Dividends received			1	1			1	(1)	-100%	
Fines		1,200	2,430	730	73	597	548	49	9%	
Licences and permits										
Agency services										
Transfers recognised - operational		157,276	159,631	159,631	39,047	147,282	119,723	27,559	23%	
Other revenue		2,530	834	834	164	1,262	626	636	102%	
Gains on disposal of PPE		1,578								
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>411,951</b>	<b>457,992</b>	<b>428,992</b>	<b>59,346</b>	<b>408,920</b>	<b>321,744</b>	<b>87,176</b>	<b>27%</b>	<b>-</b>
<b>Expenditure By Type</b>										
Employee related costs		126,210	132,068	131,270	13,828	128,798	98,453	30,345	31%	
Remuneration of councillors		9,138	9,793	9,793	915	7,582	7,345	238	3%	
Debt impairment		12,325	43,198	43,198			32,398	(32,398)	-100%	
Depreciation & asset impairment		2,118	2,200	2,200			1,650	(1,650)	-100%	
Finance charges		3,707	2,900	2,900	600	3,199	2,175	1,024	47%	
Bulk purchases		142,203	152,157	152,157	11,790	110,919	114,118	(3,199)	-3%	
Other materials					1,456	16,088		16,088	#DIV/0!	
Contracted services		14,458	15,880	16,880	227	2,504	12,660	(10,156)	-80%	
Transfers and grants		36,006	38,526	18,526			13,895	(13,895)	-100%	
Other expenditure		72,133	61,271	60,989	7,557	52,561	45,741	6,820	15%	
Loss on disposal of PPE										
<b>Total Expenditure</b>		<b>418,297</b>	<b>457,992</b>	<b>437,913</b>	<b>36,373</b>	<b>321,652</b>	<b>328,434</b>	<b>(6,783)</b>	<b>-2%</b>	<b>-</b>
<b>Surplus/(Deficit)</b>										
		(6,346)	(0)	(8,921)	22,973	87,268	(6,690)	93,959	(0)	
Transfers recognised - capital		50,441	67,889	67,889	24,555	67,889	50,917	16,972	0	
Contributions recognised - capital										
Contributed assets										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>44,095</b>	<b>67,889</b>	<b>58,968</b>	<b>47,528</b>	<b>155,157</b>	<b>44,226</b>			<b>-</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>		<b>44,095</b>	<b>67,889</b>	<b>58,968</b>	<b>47,528</b>	<b>155,157</b>	<b>44,226</b>			<b>-</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>		<b>44,095</b>	<b>67,889</b>	<b>58,968</b>	<b>47,528</b>	<b>155,157</b>	<b>44,226</b>			<b>-</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/ (Deficit) for the year</b>		<b>44,095</b>	<b>67,889</b>	<b>58,968</b>	<b>47,528</b>	<b>155,157</b>	<b>44,226</b>			<b>-</b>

### Operating Revenue:

- As at the end of the third quarter of the 2013/14 financial year, Ngwathe local municipality had billed a total of R 64.9 million for *service charges: water*. The total YTD adjusted budget for *service charges water* as at the end of the third quarter only amounts to R26.8 million, compared to the total billed for water services this results in a variance of R 38.1 million or 132 percent. This amount billed in March 2014 is shown as negative, this is due to the correction of over-billing in the month previous month (February 2014). The revenue department still needs to investigate the accuracy of the billing and make the necessary corrections.
- Interest earned on outstanding debtors* indicates that the municipality anticipated to receive an amount of R 2.8 million in interest on overdue accounts for the month of March 2014. The YTD interest billed as at the end

of the third quarter amounted to R 19.2 million thus resulting in a variance of R 17.6 million or 1040 percent when compared to the YTD adjusted budget figure of R 1.7 million. *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 third quarter;

- During the month of March 2014, Ngwathe local municipality received income from fines amounting to R 73 421 and R213 730 for the third quarter of the 2013/14 financial year. There is only a variance of 9 percent between the YTD actual collected amount and the YTD adjusted budget amount.
- The municipality received *operating grants* amounting to R41.1 million during the month of March 2014. The amount received in March 2014 was in respect of the municipality's final tranche of the equitable share.

In total the municipality anticipated to collect an amount of R 61.4 million in March 2014. The total YTD anticipated revenue as at the end of the third quarter amounted to R411.0 million whilst the total YTD adjusted budget amounted to R 321.7 million resulting in a variance of R89.3 million or 28 percent. Essentially this means that as at the end of the third quarter of the 2013/14 financial year, Ngwathe local municipality has billed R 89.3 million or 28 percent more than what was planned. This variance is mainly due to the receipt of the final tranche of equitable share.

#### **Operating Expenditure:**

- Year-to-Date *Employee related costs* amounted to R 128.8 million against a YTD adjusted budget of R 98.5 million. The variance between the YTD adjusted budget and actual figure amounts to 31 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*, the municipality did not take into account the newly absorbed employees cost in terms of *medical aid, bonuses, overtime* etc. Supporting table SC8 has a breakdown of the operating expenditure.
- Finance charges for the month of March 2014 amounted to R 600 000. As at the end of the third quarter the actual YTD amounted to R3.2 million. The variance of 47 percent was as a result of the municipality having to pay INCA an amount of R 794 100 in penalty interest during September 2013 which was not budgeted for. The municipality only has one loan (DBSA) that needs to be serviced.

Year-to-Date *expenditure* amounted to R 321.7 million against a YTD adjusted budget of R 328.4 million. The variance between the YTD adjusted budget and actual figure amounts to negative 2 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 - M09 March										
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
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		6,375	6,821	6,821	656	5,399	5,116	283	6%	
Pension and UIF Contributions		487	521	521	34	247	391	(144)	-37%	
Medical Aid Contributions		72	77	77	6	67	58	10	17%	
Motor Vehicle Allowance		1,678	1,796	1,796	148	1,348	1,347	1	0%	
Cellphone Allowance		526	563	563	72	526	422	104	25%	
Housing Allowances										
Other benefits and allowances			15	15			11	(11)	-100%	
<b>Sub Total - Councillors</b>		<b>9,138</b>	<b>9,793</b>	<b>9,793</b>	<b>916</b>	<b>7,587</b>	<b>7,345</b>	<b>242</b>	<b>3%</b>	<b>-</b>
% increase	4		7.2%	7.2%						
<b>Senior Managers of the Municipality</b>										
Basic Salaries and Wages		6,194	6,618	6,618	466	4,739	4,963	(224)	-5%	
Pension and UIF Contributions		321	343	343	54	526	257	268	104%	
Medical Aid Contributions		204	218	218	23	218	164	55	33%	
Overtime										
Performance Bonus						343		343	#DIV/0!	
Motor Vehicle Allowance		1,816	1,940	1,940	139	1,367	1,455	(88)	-6%	
Cellphone Allowance		148	158	158			118	(118)	-100%	
Housing Allowances						5		5	#DIV/0!	
Other benefits and allowances		436	466	466	44	329	349	(21)	-6%	
Payments in lieu of leave						95		95	#DIV/0!	
Long service awards										
Post-retirement benefit obligations	2									
<b>Sub Total - Senior Managers of Municipality</b>		<b>9,118</b>	<b>9,743</b>	<b>9,743</b>	<b>727</b>	<b>7,623</b>	<b>7,307</b>	<b>316</b>	<b>4%</b>	<b>-</b>
% increase	4		6.8%	6.8%						
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		73,298	78,319	78,159	7,493	69,710	58,619	11,091	19%	
Pension and UIF Contributions		11,914	12,730	12,962	1,655	16,452	9,722	6,730	69%	
Medical Aid Contributions		3,984	4,257	4,286	619	5,418	3,214	2,204	69%	
Overtime		7,093	6,409	6,409	990	9,243	4,807	4,436	92%	
Performance Bonus			6,989	6,825	612	6,327	5,119	1,209	24%	
Motor Vehicle Allowance		2,583	2,360	2,069	110	2,211	1,552	660	43%	
Cellphone Allowance						5		5	#DIV/0!	
Housing Allowances		268	313	285	23	208	213	(5)	-2%	
Other benefits and allowances		17,952	7,283	8,055	799	9,416	6,041	3,375	56%	
Payments in lieu of leave			2,897	1,556	159	2,989	1,167	1,822	156%	
Long service awards			768	786	28	508	589	(81)	-14%	
Post-retirement benefit obligations	2		768				448	(448)	-100%	
<b>Sub Total - Other Municipal Staff</b>		<b>117,091</b>	<b>123,093</b>	<b>121,391</b>	<b>12,488</b>	<b>122,488</b>	<b>91,492</b>	<b>30,996</b>	<b>34%</b>	<b>-</b>
% increase	4		5.1%	3.7%						
<b>Total Parent Municipality</b>		<b>135,348</b>	<b>142,629</b>	<b>140,927</b>	<b>14,131</b>	<b>137,698</b>	<b>106,143</b>	<b>31,555</b>	<b>30%</b>	<b>-</b>

## Councillors allowances

The table above shows total councillors remuneration or allowances, senior management and other municipal staff for the month of March 2014.

Total councillors' remuneration/allowances for March 2014 amounted to R916 000.

Spending on *councillor allowances* is on track. Total year to date actual councillor remuneration amounts to R 7.6 million or 77.47 percent of the *councillor allowances* adjusted budget of R 9.8 million. The slight over expenditure is due to overpayment of councillors during January 2014. The municipality incorrectly used the draft upper limits circular from SALGA to implement the councillors' increases. It must be noted that the municipality is currently correcting the error.

### Senior Managers of the municipality

Year to Date spending on senior managers' salaries and allowances amounts to R7.63 million or 78.2 percent of the adjusted budget (R9.7 million). Senior manager salaries and allowances for March 2014 amounted to R 727 000. The total *salaries and allowance* amount is made up of *basic salaries (R466 000)*, *pension and UIF (R54 000)*, *Medical aid contributions (R23 000)*, *travel allowances(R 139 000)*, *other benefits and allowances (R 44 000)*.

The slight over spending on the senior manager's *salaries and allowances* adjusted budget is due to officials receiving their bonuses and leave encashment during the months of December and January 2014.

### Other Municipal staff

Remuneration of other municipal staff amounted to R 12.5 million for the month of March 2014. Total YTD expenditure on *remuneration of other municipal staff* amounts to R 122.5 million or 109.7 percent of the *remuneration of other municipal employees* adjusted budget (R 122.3 million). This indicates that the YTD *remuneration of other municipal employees* adjusted budget of R 91.5 million has been overspent by R 30.9 million or 34 percent.

Total spending on Employee Related costs for the month of March 2014 amounted to R 14.1 million.

The total YTD adjusted budget for total municipal remuneration amounted to R 106.1 million while the total YTD spending R 137.7 million. This indicates that the municipality has over spent its YTD adjusted budget by R31.6 million or 30 percent. Internal controls over salaries and overtime need to be vigorously enforced to ensure that the municipality stays within its 2013/14 salaries adjusted 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:

**FS203 Ngwathe - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M09 March**

Vote Description	Ref	Budget Year 2013/14								
		2012/13 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>Multi-Year expenditure appropriation</b>	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]		-	-	-	-	-	-	-	-	-
<b>Total Capital Multi-year expenditure</b>	4,7	<b>52,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Single Year expenditure appropriation</b>	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	8,604	329	4,774	6,453	(1,678)	-26%	-
Vote 8 - Waste Management		-	-	-	-	-	-	-	-	-
Vote 9 - Waste Water Management		8,913	13,596	13,596	-	7,707	10,197	(2,490)	-24%	-
Vote 10 - Road Transport		-	9,602	31,002	653	4,506	2,701	1,805	67%	-
Vote 11 - Water		32,094	19,693	19,693	1,842	12,225	14,769	(2,544)	-17%	-
Vote 12 - Electricity		12,500	20,000	20,000	4,664	12,844	15,000	(2,156)	-14%	-
Vote 13 - Technical Services and PMU		2,522	2,394	2,394	80	241	1,796	(1,554)	-87%	-
Vote 14 - Other		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Capital single-year expenditure</b>	4	<b>67,854</b>	<b>73,889</b>	<b>95,289</b>	<b>7,568</b>	<b>42,298</b>	<b>50,917</b>	<b>(8,619)</b>	<b>-17%</b>	<b>-</b>
<b>Total Capital Expenditure</b>		<b>120,045</b>	<b>73,889</b>	<b>95,289</b>	<b>7,568</b>	<b>42,298</b>	<b>50,917</b>	<b>(8,619)</b>	<b>-17%</b>	<b>-</b>
<b>Capital Expenditure - Standard Classification</b>										
<b>Governance and administration</b>		<b>4,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council		4,000	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>7,825</b>	<b>8,604</b>	<b>8,604</b>	<b>329</b>	<b>4,774</b>	<b>6,453</b>	<b>(1,678)</b>	<b>-26%</b>	<b>-</b>
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		7,825	8,604	8,604	329	4,774	6,453	(1,678)	-26%	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>-</b>	<b>9,602</b>	<b>31,002</b>	<b>653</b>	<b>4,506</b>	<b>23,251</b>	<b>(18,745)</b>	<b>-81%</b>	<b>-</b>
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	9,602	31,002	653	4,506	23,251	(18,745)	-81%	-
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>53,507</b>	<b>53,289</b>	<b>53,289</b>	<b>6,506</b>	<b>32,776</b>	<b>39,967</b>	<b>(7,191)</b>	<b>-18%</b>	<b>-</b>
Electricity		12,500	20,000	20,000	4,664	12,844	15,000	(2,156)	-14%	-
Water		8,913	19,693	19,693	1,842	12,225	14,769	(2,544)	-17%	-
Waste water management		32,094	13,596	13,596	-	7,707	10,197	(2,490)	-24%	-
Waste management		-	-	-	-	-	-	-	-	-
<b>Other</b>		<b>2,522</b>	<b>2,394</b>	<b>2,394</b>	<b>80</b>	<b>241</b>	<b>1,796</b>	<b>(1,554)</b>	<b>-87%</b>	<b>-</b>
<b>Total Capital Expenditure - Standard Classification</b>	3	<b>67,854</b>	<b>73,889</b>	<b>95,289</b>	<b>7,568</b>	<b>42,298</b>	<b>71,467</b>	<b>(29,169)</b>	<b>-41%</b>	<b>-</b>
<b>Funded by:</b>										
National Government		63,854	67,889	89,289	7,568	42,298	50,917	(8,619)	-17%	-
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		<b>63,854</b>	<b>67,889</b>	<b>89,289</b>	<b>7,568</b>	<b>42,298</b>	<b>50,917</b>	<b>(8,619)</b>	<b>-17%</b>	<b>-</b>
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	6,000	6,000	-	-	4,500	(4,500)	-100%	-
<b>Internally generated funds</b>		<b>4,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>		<b>67,854</b>	<b>73,889</b>	<b>95,289</b>	<b>7,568</b>	<b>42,298</b>	<b>55,417</b>	<b>(13,119)</b>	<b>-24%</b>	<b>-</b>

The table above indicates that the municipality spent R 7.6 million of its capital projects budget during the month of March 2014. The R 7.6 million spent was financed entirely by grants.

Total YTD spending on capital projects amounts to R 42.3 million against a total adjusted capital budget of R 95.2 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. It must however be noted that the municipality's application for rollover of funds was only approved in February 2014.

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 31 March 2014 indicates that there was a net increase in cash held of R 27.9 million.

FS203 Ngwathe - Table C7 Monthly Budget Statement - Cash Flow - M09 March										
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
<b>R thousands</b>										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Ratepayers and other		248,125	187,547	172,142	68,569	351,549	129,107	222,442	172%	
Government - operating		157,276	159,631	159,631	41,147	148,712	119,723	28,989	24%	
Government - capital		50,441	67,889	89,289	24,555	67,889	66,967	922	1%	
Interest		4,972	6,588	3,738	108	1,143	2,804	(1,660)	-59%	
Dividends			1	1			1	(1)	-100%	
<b>Payments</b>										
Suppliers and employees		(366,176)	(341,148)	(354,157)	(93,459)	(490,846)	(265,618)	225,228	-85%	
Finance charges		-		-			-	-		
Transfers and Grants		(36,006)	(38,526)	(18,526)	-	-	(13,895)	(13,895)	100%	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>58,632</b>	<b>41,982</b>	<b>52,118</b>	<b>40,920</b>	<b>78,447</b>	<b>39,089</b>	<b>39,359</b>	<b>101%</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
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								-		
<b>Payments</b>										
Capital assets		(67,854)	(73,889)	(95,289)	(8,536)	(47,328)	(71,467)	(24,138)	34%	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(66,276)</b>	<b>(73,889)</b>	<b>(95,289)</b>	<b>(8,536)</b>	<b>(47,328)</b>	<b>(71,467)</b>	<b>(24,138)</b>	<b>34%</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans			6,000	6,000			4,500	(4,500)	-100%	
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
<b>Payments</b>										
Repayment of borrowing		(3,707)	(2,900)	(2,900)	(600)	(3,199)	(2,175)	1,024	-47%	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(3,707)</b>	<b>3,100</b>	<b>3,100</b>	<b>(600)</b>	<b>(3,199)</b>	<b>2,325</b>	<b>5,524</b>	<b>238%</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(11,351)</b>	<b>(28,807)</b>	<b>(40,071)</b>	<b>31,783</b>	<b>27,919</b>	<b>(30,053)</b>			<b>-</b>
Cash/cash equivalents at beginning:		29,900	29,900	29,900		91,586	29,900			91,586
Cash/cash equivalents at month/year end:		18,549	1,093	(10,171)		119,506	(153)			91,586

Under the cash receipts by source category:

- Revenue generated from *Ratepayers and other* amounted to R 68.6 million for the month of March 2014.

The total YTD (after nine months of the current financial year) amount collected for *ratepayers and other* amounted to R 351.5 million against a total YTD adjusted Budget of R 129.1 million resulting in a variance of R 222.4million or 172 percent. In other words the municipality has, after nine months, over collected its budgeted revenue by 172 percent for the same period. This revenue includes transfers between bank accounts, the municipality must ensure that when compiling the cash flow statement, transfers between bank accounts are correctly accounted for.

- Ratepayers and other can be broken down as follows
  - Property rates – The municipality collected R 2.3 million suggesting a collection rate of 59.6 percent
  - Service charges-Electricity – R 2.5 million suggesting a collection rate of 20.9 percent
  - Service charges-Water – R 1.1 million
  - Service Charges-Sanitation – R 772 024 suggesting a collection rate of 24.6 percent
  - Service charges-Refuse – R 541 614 suggesting a collection rate of 28.6 percent
  - Service charges-Other – R 38 062 service charges other is largely made up of sundry income and water irrigation levies.
  - Rental of facilities and equipment – R 15,668
  - Fines – R73 421
  - Other revenue – R 61.3 million

With regard to cash payments by type:

- Total YTD payments to suppliers and employees amount to R 490.8 million against a YTD budget of R 265.6 million thus resulting in the YTD variance of R 225.2million or 85 percent.
- Ngwathe local Municipality reported total operating cash payments for the month of march 2014 amounting to R 102.6 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 12.3 million
  - Remuneration of councillors – R 915 314
  - Collection costs – R 0 million
  - Bulk purchases-electricity – R 620 319
  - Bulk purchases-water – R 900 000
  - Other materials – R 43 218
  - Contracted services – R 32 604
  - General expenses – R 6.8 million
- The municipality recorded payments in lieu of capital assets amounting to R8.5 million



## Outstanding Debtors report (Annexure B – Table SC3)

FS203 Ngwathe - Supporting Table SC3 Monthly Budget Statement - aged debtors - M09 March

Description	NT Code	Budget Year 2013/14								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				
<b>R thousands</b>													
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	4,362	35,336	2,585	136,670					178,953	136,670		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	10,405	6,597	2,018	89,677					108,697	89,677		
Receivables from Non-ex change Transactions - Property Rates	1400	3,325	2,319	1,820	49,226					56,691	49,226		
Receivables from Exchange Transactions - Waste Water Management	1500	2,578	2,254	2,025	61,612					68,470	61,612		
Receivables from Exchange Transactions - Waste Management	1600	2,307	2,068	1,920	58,767					65,063	58,767		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-					-	-		
Interest on Arrear Debtor Accounts	1810	2,823	2,720	2,566	68,269					76,378	68,269		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-					-	-		
Other	1900	597	236	39	(6,078)					(5,206)	(6,078)		
<b>Total By Income Source</b>	<b>2000</b>	<b>26,397</b>	<b>51,531</b>	<b>12,974</b>	<b>458,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>549,045</b>	<b>458,143</b>	<b>-</b>	<b>-</b>
<b>2012/13 - totals only</b>													
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	1,014	894	908	8,828					11,643	8,828		
Commercial	2300	6,074	1,998	1,464	41,774					51,309	41,774		
Households	2400	15,955	46,832	9,323	353,156					425,266	353,156		
Other	2500	3,354	1,806	1,280	54,386					60,825	54,386		
<b>Total By Customer Group</b>	<b>2600</b>	<b>26,397</b>	<b>51,531</b>	<b>12,974</b>	<b>458,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>549,045</b>	<b>458,143</b>	<b>-</b>	<b>-</b>

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 31 March 2014 amounts to **R 458.1 million**, against a total amount of **R 549.05 million**. In comparison to the previous month (February 2014), total outstanding debtors have increased by R 4.3 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 R247.6 million compared to an amount of R245.1 million in February 2014.

As shown in the chart below the top creditor for Ngwathe Municipality is Bulk Electricity (Eskom) with an amount of R 217.6 million or 87.9 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 - M09 March**

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	
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100	11,170	12,241	11,730	11,691	170,821	-	-	-	217,652
Bulk Water	0200	447	1,166	-	-	-	-	-	-	1,613
PAYE deductions	0300	1,772	1,417	2,435	2,203	11,616	3,540	-	-	22,985
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	213	-	-	-	-	-	-	-	213
Auditor General	0800	464	62	857	19	1,036	2,689	-	-	5,127
Other	0900	-	-	-	-	-	-	-	-	-
<b>Total By Customer Type</b>	<b>1000</b>	<b>14,066</b>	<b>14,887</b>	<b>15,022</b>	<b>13,913</b>	<b>183,473</b>	<b>6,229</b>	<b>-</b>	<b>-</b>	<b>247,590</b>

### 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 3.2 million was spent during the month of March 2014. As at the end of the third quarter of the 2013/14 financial year, Ngwathe local municipality had spent R32.8 million or 68.4 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 has picked up significantly, the municipality has spent R 808 293.11 or 52.1 percent of the current years FMG allocation (R1.55 million). With the appointment of five additional interns, the municipality will be able to spend the current years FMG allocation as per the implementation plan.

#### MSIG

An amount of R518 600 was spent during the month of March 2014. To date the municipality has spent 67.8 percent of the total MSIG allocation of R890 000.

## Investments (Annexure B – Table SC5)

Current investments held by the municipality amount to R 75.5 million as at end of March 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;

<b>Ngwathe local Municipality</b>			
<b>Statement of investments</b>			
<b>31-Mar-14</b>			
<b>As at March 2014</b>			
<b>Mar-14</b>			
<b>Investment Body/Institution</b>	<b>Name/Acc Number</b>	<b>Type/security</b>	<b>Balance at Year end</b>
ABSA [Equitable Share]	9253832988	Call Investment	R 30,478,337.25
ABSA [MIG]	9253833502	Call Investment	R 34,865,408.74
ABSA [MSIG]	9253833764	Call Investment	R 996,335.43
ABSA [ELECT INCOME]*	9253835643	Call Investment	R 23,151.19
ABSA [FMG]	9286271167	Call Investment	R 1,020,266.05
ABSA [?]	9286271086	Call Investment	R 6,865,003.14
Pays-First National Bank	71037431386	Fixed Deposit	R 14,992.29
Pays-First National Bank	71038146801	Fixed Deposit	R 41,769.34
Heilbron Sanlam policy	11209914X8	Life Policy	R 79,623.00
Heilbron Sanlam policy	040571573X1	Policy	R 332,039.00
Heilbron Mometum policy	091420370	Life Policy	R 444,178.28
Sanlam shares	U0063385252	Shares	R 194,580.00
Sanlam shares	U0059209593	Shares	R 112,792.00
Senwes	S02295	Shares	R 45,454.50
SenwesBel	SB02295	Shares	R 33,200.00
			<b>R 75,547,130.21</b>



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 31 March 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 March 2014 the actual operating revenue and expenditure represented 95.8 percent (excluding capital grants) and 73.5 percent, respectively of the adjusted 2013/14 budget, **against a benchmark of 75 percent.**- a variance of 20.8 percent (over) and 1.5 percent (under) respectively.

The municipality's collection rate from property rates and municipal services was 59.6 percent after accounting for revenue forgone and 36.9 percent, respectively, for the month of March 2014.

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 March 2014 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 31 March 2014 (Quarter 3), 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 31 March 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, **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 **31 March 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

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SC71charts	

