

BLM: AUDIT COMMITTEE	: 18/08/2017
BLM: FINANCE PORTFOLIO COMMITTEE	: 10/08/2017
BLM: MAYORAL COMMITTEE	: 17/08/2017
BLM: COUNCIL	: 24/08/2017

## ***MUNICIPAL MANAGER***

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### **MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): QUARTERLY FINANCIAL REPORT FOR THE MONTH OF APRIL - JUNE 2017**

#### **1. STRATEGIC TRUST**

Fourth Quarterly Budget Statements for 2016/17 FY (April to June 2017).

#### **2. STRATEGIC OBJECTIVE**

- To ensure sound financial sustainability in terms of the Municipal Financial Management Act.
- To comply with **Section 31** of the Municipal Budget & Reporting Regulations, the provision of a quarterly budget statement on the implementation of the budget to the Municipal Manager and the Executive Mayor containing detailed financial particulars, as legislated.

#### **3. PROBLEM STATEMENT**

- The municipality's core challenge is its own revenue collection, which is very low and impact negatively on the municipal budget.
- The enhancement of revenue collection and the reduction of the debt accumulation through the implementation of the Debt and Credit Control Policy and other appropriate measures should be effectively implemented.
- Network connectivity by the regions to access Pastel Financial System still in progress.

The municipality still depends more on government grants in order to provide the services to the communities.

The provision of water v/s bulk water purchase from Rand Water is a major concern.

#### **4. FINANCIAL IMPLICATIONS**

Equitable share grant has been reduced by R 20M, from R652.8M to R632.8M in the current year. The main reasons for reduction was mainly due to the non-approval of roll-over for MWIG unspent funds in 2015/16 FY

The following table below indicates the revenues received, billed and collected for the months April - June 2017 and Operational and Capital expenditures incurred for the said period.

## 5.1 MONTHLY CUMULATIVE FIGURES (JULY 2016 - JUNE 2017) REPORT

Vote Description	2016/17 medium	Total Adjusted budget	Fourth Quarter			Total 4th Quarter	Total Billed / Collected / Spent as at end June 2017	Variance	% Spent
			Apr-17	May-17	Jun-17				
R thousand	Budget Year 2016/17								
Total Revenue by Vote	1 619 299	1 705 102	25 953	16 510	9 706	52 169	1 567 052	31 067	91%
		-					-	-	
Total Expenditure by Vote	879 460	966 008	56 663	65 154	70 812	192 630	822 745	143 263	85%
Capital multi-year expenditure sub-total	728 539	739 095	2 922	56 424	115 587	174 933	554 849	184 246	75%

This report is based upon financial information available from the Pastel System at the time of preparation. Statement of Financial Performance is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by input type.

The **Revenue** for April – June 2017 is made up of the following:

### GRANTS: Transfer recognised Operational and Capital

Property Rates	R 13 941 000
Traffic Income Licensing	R 657 000
Interest on outstanding debtors	R 18 674 000
Interest on Investment	R 4 048 000
Tender documents	R 299 000
Rental Income	R 973 000
Proof of resident	R 616 000
Traffic Fines	R 4 645 000
Income for agency	R 2 423 000
Business Licensing	R 82 000
Services Charges	
Water	R 2 628 000
Sanitation	R 2 178 000
Refuse	R 955 000
Other revenue	50 000
<b>TOTAL REVENUE</b>	<b>R 52 169 000</b>

Major **Operational Expenditures** for **April – June 2017** consist of the following:

Employee related costs / Salaries	R 89 616 000
Councillor related costs	R 6 985 000
Fuel vehicles	R 587 000

Cell Phone	R 175 000
Insurance	R 2 830 000
Conference & workshop	R 374 000
Legal fees	R 529 000
Staff training	R 377 000
Printing stationery	R 1 104 000
Telephone, Fax and Internet	R 1 650 000
Service level agreement	R 661 000
Employee Bursaries	R 559 000
Maintenance Trucks and Heavy Machineries	R 572 000
Audit fees	R 209 000
mSCOA implementation	R 912 000
Bank fees	R 142 000
ICT infrastructure	R 103 000
Advertising	R 109 000
Protective Clothing	R 126 000
Youth Affairs	R 136 000
LED Tourism	R 612 000
Disabled Affairs	R 106 000
Community Bursaries	R 121 000
Summon Books	R 571 000
BBR Information centre	R 210 000
HIV and AIDS	R 334 000
Fire smoke detectors	R 178 000
Library	R 215 000
Children and elderly	R 259 000
Sports arts culture	R 484 000
Security services	R 6 477 000
DLTC Test Materials	R 317 000
Special services	R 557 000
Communication Newsletter	R 471 000
Maintenance of sport facility	R 974 000
Electric payment Public	R 2 235 000
Rental of Plant and Equipment	R 1 604 000
Free Basic Electricity	R 1 553 000
Maintenance Building	R 354 000
Electricity Municipal Offices	R 266 000
Infrastructure Streets	R 2 453 000
Maintenance WTW	R 123 000
Bulk water	R 61 967 000
Infrastructure water reticulation	R 2 466 000

**TOTAL**

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**R 192 630 000**  
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**NOTES / EXPLANATIONS:**

- Employee related costs, includes the Salaries for Employees, and all the contributions such as Medical Aid, Housing, Pensions and other related deductions.
- Councillor remuneration includes Salaries for all Councillors, and all the contributions such as Medical Aid, Housing, Pensions and other related deductions
- Bulk Water Purchase, is for the payment of Rand Water for monthly water billing, and reduction of the debt.

- Boreholes, is mainly for the maintenance of boreholes by the appointed service providers.
- Security services, is mainly for protecting the municipal assets such as buildings, equipments, vehicles. Etc.
- Other expenditure, will includes expenses such as cleaning material, protective clothing, repairs and maintenance, legal fees, stationery, etc.
- Free basic electricity, is mainly for the payment to Eskom for electricity for indigent people.

**SUMMARY OF FINANCIAL PERFORMANCE & REVENUE & EXPENDITURE REPORT  
FOR APRIL – JUNE 2017 PER DEPARTMENT PER VOTE**

**MP325 Bushbuckridge - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	2016/17	Total 1st Quarter	Total 2nd Quarter	Total 3rd Quarter	Fourth Quarter			Total 4th Quarter	Billed / Collected / Spent as at	Variance	% Spent
	medium				Apr-17	May-17	Jun-17				
R thousand	Budget Year 2016/17										
<b>Revenue</b>											
Vote 1 - Dept 001 - Budget & Treasury Office	867 610	424 601	217 184	221 894	25 248	6 906	4 750	36 903	900 582	17 941	74%
Vote 2 - Dept 002 - Corporate Services	4 374	1 274	758	1 261	902	2 160		1 996	5 290	1 219	46%
Vote 3 - Dept 005 - Economic Development, Planning & Infrastructure	1 000	36	59	109	101	(88)	1 001	82	286	714	9%
Vote 4 - Dept 006- Community Support Services	22	5	2	4	1	(1)	(928)	3	13	17	32%
Vote 5 - Dept 008 - Office of the Municipal Manager											
Vote 6 - Dept 009 - Office of the Speaker											
Vote 7 - Dept 010 - Office of the Mayor											
Vote 8 - Dept 013 - Community Support Services	29 241	7 665	2 967	5 291	1 464	3 366		7 402	23 325	10 916	36%
Vote 9 - Dept 014 - Municipal Works - Public Works	9 316	44 957	6 713		8	30		22	51 691	(42 376)	555%
Vote 10 - Dept 015 - Municipal Works - Water Services	335 248	42 346	86 107	51 051	(3 252)	3 302		2 628	182 132	79 536	38%
Vote 11 - Dept 016 - Municipal Works - Roads											
Vote 12 - Dept 017 - Municipal Works - Refuse Removal	6 492	1 111	2 822	581	1 133	512		2 178	6 693	2 559	61%
Vote 13 - Dept 018 - Municipal Works - Sewerage	7 223	453	812	1 047	359	312		955	3 267	(50)	18%
Vote 14 - Dept 020 - Municipal Works - PMU	358 773	100 002	255 416	38 355					393 773	3 355	99%
<b>Total Revenue by Vote</b>	<b>1 619 299</b>	<b>622 450</b>	<b>572 841</b>	<b>319 592</b>	<b>25 953</b>	<b>16 510</b>	<b>4 824</b>	<b>52 169</b>	<b>1 566 902</b>	<b>67 453</b>	<b>74%</b>
<b>Expenditure by Vote</b>											
Vote 1 - Dept 001 - Budget & Treasury Office	103 794	799	50 765	2 855	2 821	(1 909)	660	1 571	55 990	76 754	50%
Vote 2 - Dept 002 - Corporate Services	382 124	89 815	110 522	92 613	29 630	34 140		99 492	392 443	3 602	52%
Vote 3 - Dept 005 - Economic Development, Planning & Infrastructure	12 560	604	2 120	3 473	21	704		1 084	7 281	2 564	22%
Vote 4 - Dept 006- Community Support Services	43 752	7 546	8 663	8 196	2 269	4 407		10 050	34 454	5 931	37%
Vote 5 - Dept 008 - Office of the Municipal Manager	6 950	1 482	1 188	580		638		1 202	4 453	1 387	38%
Vote 6 - Dept 009 - Office of the Speaker	33 641	6 525	6 603	7 247	2 590	2 340		7 202	27 577	4 664	39%
Vote 7 - Dept 010 - Office of the Mayor	1 424	70	322	85		65		232	709	665	28%
Vote 8 - Dept 013 - Community Support Services	7 301	369	310	732	20	643		992	2 404	1 667	9%
Vote 9 - Dept 014 - Municipal Works - Public Works	66 992	5 873	32 144	9 423	16	4 795	82	6 091	53 532	47 260	57%
Vote 10 - Dept 015 - Municipal Works - Water Services	203 234	29 423	73 475	73 384	19 645	17 611	55	61 462	237 744	(4 160)	51%
Vote 11 - Dept 016 - Municipal Works - Roads	9 935	801	561	1 026	(294)	1 718	31	3 253	5 642	(457)	14%
Vote 12 - Dept 017 - Municipal Works - Refuse Removal	1 307		116	53	(53)			(3)	166	790	9%
Vote 13 - Dept 018 - Municipal Works - Sewerage	6 446	85	266						350	2 596	5%
Vote 14 - Dept 020 - Municipal Works - PMU											
	<b>879 460</b>	<b>143 393</b>	<b>287 054</b>	<b>199 668</b>	<b>56 663</b>	<b>65 154</b>	<b>828</b>	<b>192 630</b>	<b>822 745</b>	<b>143 263</b>	<b>49%</b>
	<b>11 300</b>	<b>273 606</b>	<b>147 993</b>	<b>83 254</b>	<b>(35 549)</b>	<b>(104 142)</b>	<b>(61 173)</b>	<b>(200 818)</b>	<b>274 966</b>	<b>(274 966)</b>	

**5.2 GRANTS RECEIVED IN TERMS OF DORA, AND EXPENDITURES INCURRED AS AT THE END OF APRIL – JUNE 2017:**

Grants Allocated in terms of DORA	Amounts Allocated in terms of DORA	Transfers received to date	Roll over approved / Government Gazette allocations	Expenditure	variance / Budget	Variance / Transfer	% Expenditure
<b>Operational Grants</b>	<b>652 888</b>	<b>632 888</b>	<b>- 20 000</b>	<b>607 890</b>	<b>24 998</b>	<b>24 998</b>	<b>96.05%</b>
Equitable Share	647 298	627 298	- 20 000	602 300	24 998	24 998	<b>96.01%</b>
FMG	1 810	1 810		1 810			<b>100.00%</b>
EPWP	3 780	3 780		3 780			<b>100.00%</b>
<b>Capital Grants</b>	<b>633 773</b>	<b>632 773</b>	<b>- 45 000</b>	<b>663 327</b>	<b>- 34 554</b>	<b>10 260</b>	<b>112.66%</b>
MIG	358 773	393 773	35 000	393 773			<b>100.00%</b>
WSIG	130 000	150 000	20 000	143 754	6 246	6 246	<b>95.84%</b>
INEP	5 000	5 000		2 361	2 639	2 639	<b>47.22%</b>
RBIG	140 000	40 000	- 100 000	36 235	3 765	3 765	<b>90.59%</b>
MWIG			40 000	40 814	- 814		<b>101.00%</b>
HSG		44 000		46 391	- 46 391	- 2 391	
<b>Total Grants</b>	<b>1 286 661</b>	<b>1 265 661</b>	<b>- 65 000</b>	<b>1 271 217</b>	<b>- 9 556</b>	<b>35 258</b>	<b>104.06%</b>

**NOTE:**

- *National Treasury has provided the municipality with R 35M additional transfer for MIG .*
- *RBIG has been reduced by R 100M to R40M for the current year.*
- *WSIG has been allocated with additional R 20M, and will increase from R 130M to R150M in the current year.*

**a. CAPITAL EXPENDITURE REPORT**

Capital expenditure for April 2017 to June 2017 amounted to **R 174 933 000**.

The table below will indicate the summary of capital expenditures per department

Vote Description	New multi-year	Total 1st Quarter	Total 2nd Quarter	2016/17 Adjusted Budget	Total 3rd Quarter	Fourth Quarter			Total Spent as at end June 2017	Variance	% Spent
	Budget Year 2016/17					Apr-17	May-17	Jun-17			
<b>Multi-year expenditure appropriation</b>											
Vote 1 - Dept 001 - Budget & Treasury Office	-										
Vote 2 - Dept 002 - Corporate Services	19 250	1 255	1 771	11 350	2 363		236	2 026	2 262	7 651	3 699
Vote 3 - Dept 005 - Economic Development, Planning & Infrastructure	24 450	3 523	4 637	18 050	(1 124)	923	(354)	26	595	7 631	10 419
Vote 4 - Dept 006 - Community Support Services	750		101	120					637	101	19
Vote 8 - Dept 013 - Community Support Services -											
Vote 9 - Dept 014 - Municipal Works - Public Works	5 000	105	1 328	5 000			638			1 538	3 462
Vote 10 - Dept 015 - Municipal Works - Water	461 936	137 675	112 653	562 071	12 673	293	60 600	101 692	162 585	425 587	136 485
Vote 11 - Dept 016 - Municipal Works - Roads	77 350	51 594	5 928	94 121	8 188	1 706	2 941	4 518	9 165	74 874	2 476
Vote 12 - Dept 017 - Municipal Works - Refuse	4 500		423	3 300						423	2 877
Vote 13 - Dept 018 - Municipal Works - Sewerage	60 200	5 426	5 920	21 000	1 548		(7 765)	14 055	6 290	19 185	1 815
Vote 14 - Dept 020 - Municipal Works - PMU	75 103	5 873	5 033	24 082	13 023		128	(6 730)	(6 602)	17 327	6 755
	<b>728 539</b>	<b>205 452</b>	<b>137 793</b>	<b>739 095</b>	<b>36 670</b>	<b>2 922</b>	<b>56 424</b>	<b>115 587</b>	<b>174 933</b>	<b>554 316</b>	<b>24.01%</b>

## CAPITAL EXPENDITURE PER DEPARTMENT & PER PROJECT IS ATTACHED AS ANNEXURE B

## OUTSTANDING DEBTORS REPORT (ANNEXURE C)

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 >30 days balance as at the **end of June 2017** amounts to **R 1 180 647 802**.

The Debtors age analysis as at the end of **June 2017** shows an amount of **R 1 180 647 802** due to the municipality. The main bulk of outstanding debts are due as follows:

- Government R 661 261 898
- Businesses R 163 976 095
- Households R 323 577 789
- Other R 31 831 439(NGO'S, Churches, Public Service Infrastructure)

**Provincial Treasury** and **COGTA** are currently assisting the municipality in collecting the debts that is due by Government departments.

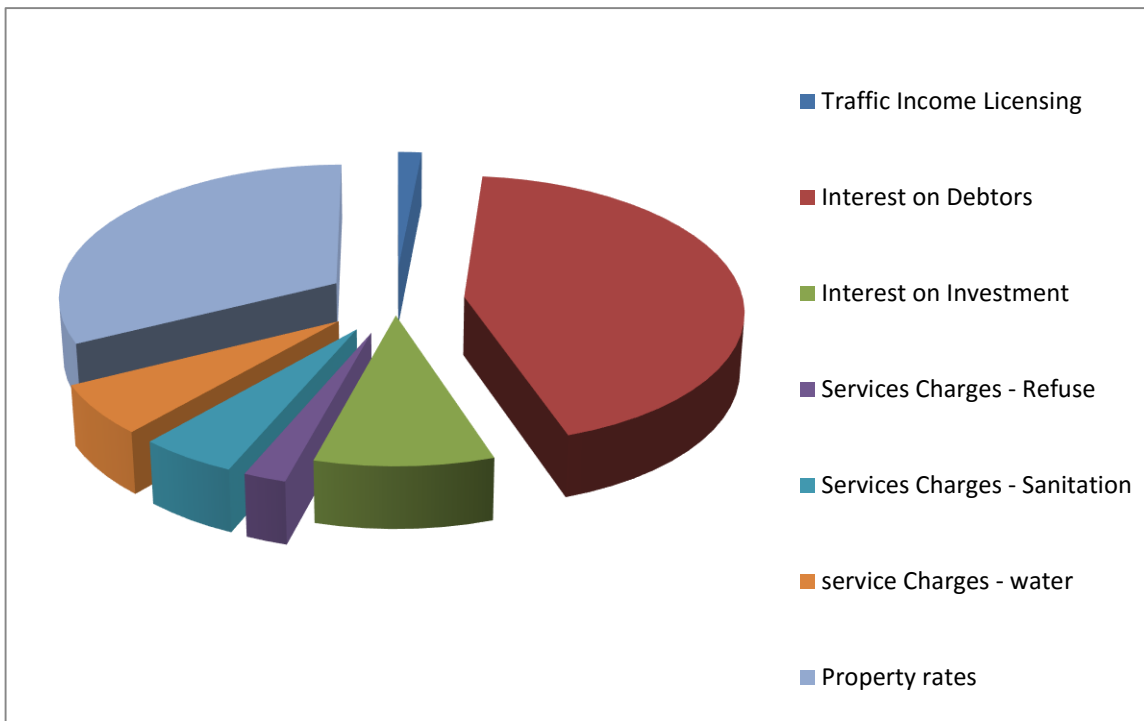
## OUTSTANDING CREDITORS REPORT (ANNEXURE D)

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 age analysis, as well as an age analysis by creditor type.

The creditors age analysis shows an amount of **R 374 724 718** due by the municipality as at the end of June 2017. The Creditors age analysis indicates the drastic decrease in the debt for Rand Water Board, which currently amounts to **R 268 385 401** and it represents **71 percent** of the total creditors due by the municipality, and the other amount is for all the suppliers which amounted to **R 106 339 317** .

The Graph below, indicates the revenues that the municipality has collected, received or billed for the month July 2016 - June 2017, including the grants received from Government.

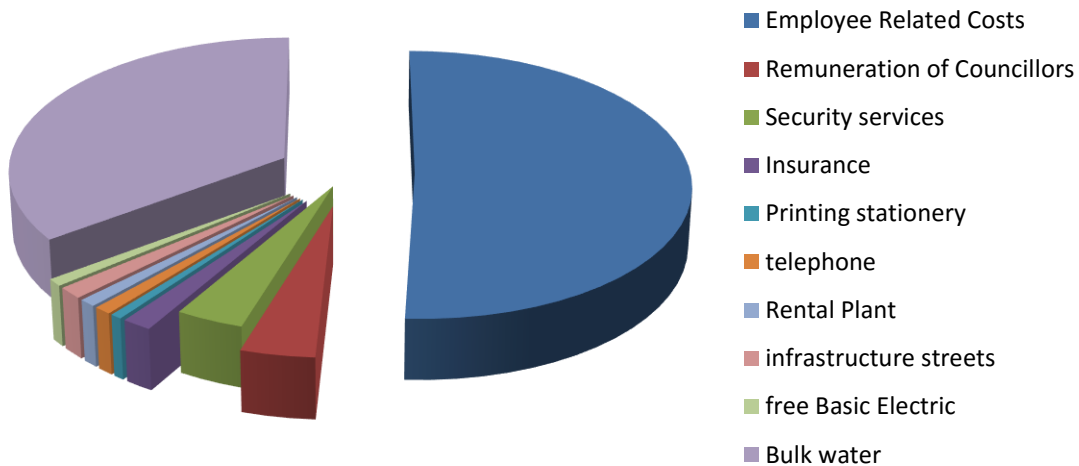
#### REVENUE COLLECTED, BILLED AND RECEIVED PER SERVICES FOR JULY -JUNE 2017.



The graph below indicates the major Operational Expenditures per votes spending



## Operational Expenditures



The above table indicates the spending for operational expenditure for the month of July - June 2017, with bulk water purchase for Rand Water Board indicating the higher spending, and followed by Employee Related Costs

The following are the financial risks which require monitoring:

- Achievement of the capital expenditure budget target;
- Attainment of healthy revenue management targets.
- Monthly cash flow V/S invoices submitted.
- Grants spending patterns.

As at end of **June 2017**, the operating revenue and expenditure 'actual' represented approximately **91 percent on Revenue, 85 percent on operational Expenditure and 75 percent on capital** respectively, of the annual budget.

## 6. LEGAL IMPLICATIONS

- The implication of approval of this report is compliance to legislative requirements (Section 71 of the MFMA).
- DoRA, for unspent conditional grant:
  - Section 18 – Withholding of allocations due to non-spending.
  - Section 19 - Stopping of allocations due to non-spending.
  - Section 20 - Re-allocation of funds to other municipalities.

## **7. IMPLEMENTATION PLAN**

As per the Approved IDP, Budget and SDBIP for 2016/17 FY.

## **8. COMMENTS BY REGIONAL MANAGERS**

- Network connectivity in the regions to access Pastel Evolution Financial System is still in progress.

## **9. COMMENTS BY THE MUNICIPAL MANAGER**

- The revenue collection environment should be strengthened in order to enhance and accelerate service delivery within Bushbuckridge.
- Debt collection and Credit Control Policies should be effective and be implemented in order to boost revenue collection for the municipality.
- Debt collector appointed to assist with collections from households and businesses.
- Network connections should be strengthened to ensure that there is a linkages between the Regions and Head Office.
- Municipal Works should fast track facilitation of the installation of water meters in order to boost the revenue collection.
- Refuse removal should be done on regular basis.

## **10. IT IS RECOMMENDED THAT**

The council takes note of the Fourth Quarterly Financial Report for 2016/17 FY.

**a) C. NKUNA**  
**CFO**  
**AUTHOR OF REPORT**

**b) CLR. P.T SILOWE**  
**CHAIRPERSON PORTFOLIO COMMITTEE**  
**AUTHOR OF REPORT**