

BUDGET STATEMENTS IN TERMS OF SECTION 71 OF THE MFMA FOR THE PERIOD ENDING 31 MAY 2015

(4/11)

Finance Portfolio Committee : 21 July 2015
Mayoral Committee : 29 July 2015

REPORT OF THE BUDGET AND TREASURY OFFICE

PURPOSE

The purpose of this report is to submit to the Executive Mayor monthly budget statements containing financial status of the municipality for the month of May 2015. The report provides a regular update on indicators critical to the municipality's financial viability and serves as an early warning tool where remedial action is required. The aim is to:

- Assist in oversight of financial performance;
- Address shortcomings;
- Improve internal controls and facilitate service delivery;

Promotes fiscal discipline and provides a mechanism for measuring the ongoing performance of the municipality

BACKGROUND

Section 71 of the MFMA requires that the Accounting Officer of a Municipality must by no later than 10 working days after the end of each month, submit to the Mayor of the Municipality, and the relevant 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.

Section 54(1) of the MFMA requires the Mayor to consider the Section 71 report and take appropriate actions to ensure that the approved budget is implemented in accordance with the projections contained in the SDBIP.

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget implementation to the projections contained in the Service Delivery and Budget Implementation Plan. The report contains the following statements:

- Statement of Financial Performance (Table C2, C3 and C4 on Annexure A).
- Actual Capital Acquisition and Funding Sources (Table A1 on this report, Table A2 on Annexure B, Table C5,C5C, SC12, SC13a & SC13b on Annexure A).
- Statement of Financial Position (Table C6).
- Cash Flow Statement (Table C7 & SC9 on Annexure A).
- Debtors Age Analysis (Table SC3 on Annexure A)
- Creditors Age Analysis (Table SC4 on Annexure A).
- External Investments (Table SC5 on Annexure A).
- Transfers and Grants Receipts (Table SC6 on Annexure A).
- Transfers and Grants Expenditure (Table SC7 on Annexure A)
- Councillors and Staff Benefits (Table SC8 on Annexure A).

DISCUSSIONS

This report has been compiled in the required format of in-year monitoring report as required by National Treasury in line with municipal budget and Reporting Regulation of 17 June 2009.

STATEMENT OF FINANCIAL PERFORMANCE

Operating Revenues

The total operating revenue for the month of May 2015 is R159.4 million. The rebates for the month amount to R2.4 million. The total operating revenue to date is R1191 million which is 74.1% of the total operating revenue budget. The rebates amount to R25.9 million to date. The percentage is below the acceptable norm of 91.67% and the rebates are one amongst other contributing factors.

It must be noted that the amount for the services charges indicated below is based on the billing amount and not on the actual payments received from the consumers. This is in accordance with the GRAP standards regarding recognition of revenue. The actual receipts as well as the actual payments are reflected on the cash-flow statement.

Explanations of Material Variances on Operating Revenues

No explanations are provided for some items as the movement is not considered significant. The acceptable norm for the month of May is 91.67%

- I. The sales/billing amount for Property rates to date is R311 million, which is 94.24% of the budget. The amount for the rebates to date is R25.9 million, which is overspending as there was no budget allocation for rebates on the 2014/2015 budget year.
- II. The conventional electricity sales/billing amount to date is R281.8 million, which is 77.85% of the budgeted amount. While the amount for prepaid electricity sales to date is R58.4 million, which is 76% of the budgeted amount. The contributing factor includes amongst others the illegal connections and tampering of electricity meters.
- III. The sales/billing amount for water to date is R92.7 million, which is 92.3% of the budgeted amount. The improvement on number of meters read.
- IV. The billing amount for sanitation to date is R23.2 million, which is 94.53%.
- V. Sales/billing amount on refuse removal to date is R23.6 million, which is 92.82% of the budgeted amount.
- VI. Interest raised on outstanding debtors' amount to R57.9 million, which is 115.27% of the budgeted amount. This is as results of increasing debtor's book.
- VII. The revenue on traffic fines to date is R863 412, which is 79.28%. Credit control measure not fully implemented.
- VIII. The revenue generated on Rental of facilities and equipment to date is R567 195, which is 95.12% of the budget.
- IX. Other revenue amount to R13.3 million, which is 54.49% of the budgeted amount. Credit control measure not implemented accordingly. Items under other revenue includes amongst others:
 - Reconnection fees for electricity is budgeted R8.3 million (32%).
 - Clearance certificates is budgeted R1.2 million (12.44%).
 - Final notice fees is budgeted R4.5 million (36.91%).

Operating Expenditure

The total operating expenditure for the month of May is R147.6 million and the total operating expenditure to date amount to R1207.6 million, which is 86% of the total operating budget.

Explanations of Material Differences on Operating Expenditure

No explanations is provided for some items as the movement is not more than 10% and therefore not considered significant. The acceptable norm is 91.67%, however Spending on other items is been restricted and limited as a results of cash-flow pressure.

- I. Employee related costs 94.14%.
- II. Remuneration of councillors 79.55%.
- III. Repairs and maintenance 80.42%. Low spending on repairs resulting from Cash Flow pressure the Municipality is experiencing.
- IV. Bulk-purchases_ electricity 105.87%. High electricity bill from Eskom.
- V. Bulk-purchases_ water 105.04%. Payment of long outstanding debts, including Sandspruit and Magalies water.
- VI. Contracted Services 100.82%.
- VII. Interest on outstanding loan 217% the repayment of PIC loan not budgeted for (Pending the investigation).
- VIII. Other general expenses 99.71%. The items under general expenses which have exceeded the 91.67% norm are indicated below:
 - o Insurance 98.81%. The annual premium is paid in the beginning of the financial year, which is July 2014.
 - o Leasing: Machinery & Equipment 114%. Disruption to the water supply network in the past months.
 - o Mayoral out-reach programmes 93.03%. The activities of Mayoral outreach programmes undertaken in the Office of the Executive Mayor over the past months.
 - o Medical aid fund: continued members 99.99%. The item is not properly budgeted for.
 - o Mobile chemical toilets 99.24%.
 - o Rental of office machinery & equipments 96.42%. Disruption to the water supply network in the past months.
 - o Rental Office Equipment 88.67%.
 - o Statement: printing & posting: 96.78%. The item is not properly Budgeted for.
 - o Subsistence & travel: councillors 96.12%. The item is not properly monitored in all Directorates.

The detailed summary for both operating revenue and expenditure is attached as "Annexure C"

ACTUAL CAPITAL ACQUISITION PERFORMANCE

Actual Capital Acquisition per funding sources is shown on Table A1 below, Table A2 on Annexure B, Table C5, C5C, SC12, and SC13a & SC13b on Annexure A).

TABLE A1

FUNDING SOURCES	APPROVED BUDGET 2014/2015	ADJUSTMENT BUDGET 2014/2015	MONTH ACTUAL	YTD ACTUAL 31 MAY 2015	% YTD ACTUAL SPENDING
INTERNAL FUNDING	7 827 000	7 100 000	2 120 996	9 486 508	121.2%
MUNICIPAL INFRASTRUCTURE GRANT	238 178 000	230 974 531	24 725 488	177 567 957	76.9%
PROVINCIAL GRANT	1 800 000	1 800 000	9 403	1 143 122	63.5%
DWA	10 000 000	10 000 000	1 634 099	11 604 805	116.0%
INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME	8 000 000	12 000 000	-	1 024 456	12.8%
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	-	0.0%
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	-	3 000 000	-	3 000 000	100.0%
TOTAL	265 805 000	264 874 531	28 489 986	203 826 848	77.0%

The total capital expenditure for the month is *R28.4 million* and the spending to date amount to *R203.8 million*, which is 77% spending on the total capital budget. The capital spending per funding sources is as follows:

- The total spending on MIG against the current year allocation amount to *R177.5 million*, which is 76.9% spending.
- The total spending on DWA against the Budget amounts to *R9.9 million*, which is 116% spending.
- The total spending on INEP against the budgeted amount is R1 million, which is 12.8% of the total budget.
- The total spending on Energy Efficiency & Demand is R3 million, which is a 100% spending.

CASH-FLOW STATEMENT

The total actual cash received for the month is *R210.7 Million* and the total includes R116.8 Million in grants and subsidies. The total cash received to date amount to *R1.508 Billion*, which includes *R887.5 million* from internal revenue and *R620.8 million* for grants and subsidies. The internal revenue received to date represent 58.84%, while grants and subsidies is 41.16%.

The total actual cash-payments made for the month is *R175.1 million* and the total includes *R28.4 million* for capital expenditure. The total payments made to date amount to *R1354.8 million*, which includes *R177.5 million* for capital expenditure.

The closing bank balance on the primary account shows a favourable bank balance of *R42.3 Million*.

DEBTORS AGE ANALYSIS

The total outstanding debtors' amount at the end of the reporting month was standing at over R1 billion at the end of the month.

Table SC3 in "Annexure A", provides additional information

CREDITORS AGE ANALYSIS

The total outstanding creditors' amount for the end of May 2015 was standing at over R118.1 million. Table SC4 in "Annexure A", provides additional information.

Item	Detail	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	Tot
0100	Bulk Electricity	13 059 180	22 545 868	10 883 677	8 640 134	0	0	0	0	55 128 85
0200	Bulk Water	6 137 914	1 269 855	1 788 524	0	628 322	628 322	628 322	35 647 433	46 728 65
0300	PAYE deductions	0	0	0	0	0	0	0	0	
0400	VAT (output less input)	0	0	0	0	0	0	0	0	
0500	Pensions / Retirement deductions	0	0	0	0	0	0	0	0	
0600	Loan repayments	0	0	0	0	0	0	0	0	
0700	Trade Creditors	0	0	0	0	0	0	0	0	
0800	Auditor General	0	0	0	0	0	0	0	0	
0900	Other	3 206 001	3 625 856	3 612 374	2 752 076	1 685 458	1 414 870	0	0	16 296 63
1000	Total	22 403 095	27 441 579	16 284 575	11 392 210	2 313 780	2 043 192	628 322	35 647 433	118 154 11
TP01	Eskom	13 059 180	12 844 217	10 883 677	8 640 134	0	0	0	0	45 427 21
TP02	Department of Water Affairs	0	0	0	0	628 322	628 322	628 322	25 147 433	27 032 31
TP03	Sandspruit	0	0	0	0	0	0	0	10 500 000	10 500 00
TP04	City of Tshwane - Electricity	0	9 701 651	0	0	0	0	0	0	9 701 65
TP05	Magalies Water	1 331 933	1 269 855	1 788 524	0	0	0	0	0	4 390 31
TP06	City of Tshwane - Water	2 960 820	0	0	0	0	0	0	0	2 960 82
TP07	Rand Water	1 845 161	0	0	0	0	0	0	0	1 845 16
TP08	Dijalo	1 271 750	0	0	0	0	0	0	0	1 271 75
TP09	Security Services	0	0	719 881	869 731	0	1 107 343	0	0	2 696 94
TP10	Business Connexion	124 675	193 983	92 243	0	0	0	0	0	410 91
TOT	Total	20 593 519	24 009 706	13 484 325	9 509 865	628 322	1 735 665	628 322	35 647 433	106 237 11

TRANSFERS AND GRANTS RECEIVED

R116.8 Million in grants and subsidies were received in May 2015. The details of the grants and subsidies received are shown below:

GRANTS AND SUBSIDIES RECEIVED	BUDGET 2014-15 R	MONTH ACTUAL R	YTD ACTUAL 31-05-2015 R	% YTD ACTUAL
Equitable-share	367 236 000.00	116 879 000.00	367 236 000.00	100.00%
Financial Management Grant	1 600 000.00	0.00	1 600 000.00	100.00%
Municipal systems Improvement Grant	934 000.00	0.00	934 000.00	100.00%
Municipal Infrastructure Grant	244 694 000.00	0.00	233 615 000.00	95.47%
Expanded Public-Works Programme	2 288 000.00	0.00	1 601 000.00	69.97%
Integrated National Electrification Programme	8 000 000.00	0.00	8 000 000.00	100.00%
DWA-Operating and Maintenance	10 000 000.00	0.00	7 500 000.00	75.00%
Library Grant	400 000.00	0.00	400 000.00	100.00%
	635 152 000.00	116 879 000.00	620 886 000.00	97.75%

EXTERNAL LONG TERM LOANS

The total outstanding PIC loan at the end of March 2015 was standing at R752.1 million.

Borrowed from:	Balance 31/03/2015	Loans Received or Interest Capitalised	Interest Arrears	Interest and Redemption	Balance 31/03/2015
*P.I.C. (Venture Capital)	752 140 821				752 140 821
TOTAL	752 140 821	0	0	0	752 140 821
New Borrowing	2014/2015				
	R				
New Borrowing: 01 March 2015 to 31 March 2015	-				

EXTERNAL INVESTMENTS

The investments amount at the end of the month was standing at R37.6 million at the end of the month. Table SC5 below provides the details

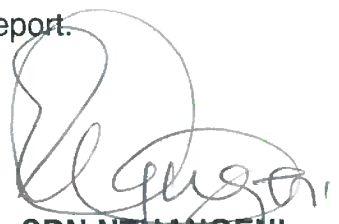
Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
ABSA		Call	Deposit	On call	166	0.0%	43 137	(22 887)	20 41
Standard Bank		Call	Listed Shares	On call	-	0.0%	852	-	85
Sanlam Limited		17 yrs	Listed Shares	On call	-	0.0%	957	-	95
Old Mutual Limited		Call	Unit trust	On call	-	0.0%	2 180	(95)	2 08
Old Mutual Limited		20yrs	Listed Shares	01/12/2013	-	0.0%	1 682	-	1 68
Old Mutual Limited		25yrs	Other Investm	01/07/2007	-	0.0%	8 409	24	8 43
Sanlam Limited		Call	deposit	On call	-	0.0%	119	(13)	10
Momentum		Call	Deposit	On call	12	0.0%	2 228	(1)	2 24
Investec		Call	deposit	On call	4	0.0%	830	(0)	83
Municipality sub-total					181		60 395	(22 972)	37 60
Entities					-		-	-	-

RECOMMENDED

1. That cognisance be taken of the contents of the report;
2. That the Executive May considers the report.



L STEENKAMP
ACTING CHIEF FINANCIAL OFFICER
 LS/ls
 05/06/2015



SDN NTHANGENI
MMC FINANCE

COMMENTS: MUNICIPAL MANAGER

RECOMMENDED

1. That cognisance be taken of the contents of the report.
2. That the Executive Mayor considers the report.

A handwritten signature in black ink, consisting of a large, stylized 'E' or 'M' shape with a vertical line extending upwards from the top right, and a horizontal line extending to the right from the bottom right.

MUNICIPAL MANAGER

EJHF/ef

2015-06-17

MC.0168

BUDGET STATEMENTS IN TERMS OF SECTION 71 OF THE MFMA FOR THE PERIOD ENDING 31 MAY 2015

(4/11)

RECOMMENDATIONS OF THE PC1 COMMITTEE MEETING

1. That cognisance be taken of the contents of the report.

TABLE 2B. DETAILED CAPITAL EXPENDITURE LIST										
PROJECT DESCRIPTION	Approved Budget 2014/2015	Adjustment Budget 2014/2015	Reporting Month Actual	YTD Projected	YTD Actual 31 May 2015	% YTD Actual spending	YTD Variance	Funding Sources		
WATER PROJECTS										
1 Refurbishment of DWA Water Networks	10 000 000	10 000 000	1 634 099	9 166 667	11 604 805	116.0%	-1 604 805	DWA		
2 Water Supply Scheme(Boreholes Ward 1)	11 000 000	8 000 000	637 530	7 333 333	5 230 617	65.4%	2 769 383	MIG		
3 Klipgat Extension Water Supply	25 000 000	20 000 000	519 313	18 333 333	14 727 451	73.6%	5 272 549	MIG		
4 Hebron/Kgabalatsane/Rockville	42 178 000	20 000 000	9 412 999	18 333 333	21 751 786	108.8%	-1 751 786	MIG		
5 SUB-TOTAL	88 178 000	58 000 000	12 203 941	53 166 667	53 314 659	60.5%	34 863 341			
6										
SANITATION PROJECTS										
7 Klipgat Sanitation Project	25 000 000	20 000 000	5 609 441	18 333 333	25 177 963	125.9%	-5 177 963	MIG		
8 Letlhabile Waste Water	5 000 000	1 883 876	-	1 726 886	1 228 084	65.2%	655 792	MIG		
10 Sunway Village Bulk Sewerage	6 800 000	6 800 000	-	6 233 333	-	0.0%	6 800 000	MIG		
11 Brits Sewerage Plant	15 000 000	10 000 000	-	9 166 667	9 327 549	93.3%	672 451	MIG		
12 SUB-TOTAL	51 800 000	38 683 876	5 609 441	35 460 220	35 733 596	69.0%	2 950 280			
13										
ROADS PROJECTS										
14 Fafung to Rasai Road	15 000 000	15 000 000	1 659 066	13 750 000	9 397 922	62.7%	5 602 078	MIG		
16 Cluster Roads(All Wards)	22 300 000	20 034 870	-	18 365 298	17 969 462	89.7%	2 065 408	MIG		
17 Mothutlung Storm Water	8 000 000	8 000 000	1 569 318	7 333 333	6 333 188	79.2%	1 666 812	MIG		
18 Letlhabile Storm Water	7 000 000	11 000 000	612 247	10 083 333	11 798 779	107.3%	-798 779	MIG		
19 Rankotea Road	9 000 000	9 000 000	287 545	8 250 000	287 545	3.2%	8 712 455	MIG		
20 Oukasie Storm Water	11 000 000	11 000 000	527 448	10 083 333	9 736 362	88.5%	1 263 638	MIG		
21 Makgabetlwane to Jericho Road	12 000 000	12 000 000	157 867	11 000 000	6 053 392	50.4%	5 946 608	MIG		
22 SUB-TOTAL	84 300 000	86 034 870	4 813 491	78 865 298	61 576 650	73.0%	24 458 220			
23										
REFUSE										
25 Oskraal Landfill Site	14 000 000	10 000 000	673 022	9 166 667	4 287 815	30.6%	5 712 185	MIG		
26 SUB-TOTAL	14 000 000	10 000 000	673 022	9 166 667	4 287 815	30.6%	5 712 185			
27										
CEMETERY PROJECTS										
29 Oukasie Cemetery	3 000 000	3 000 000	-	2 750 000	-	0.0%	3 000 000	MIG		
30 SUB-TOTAL	3 000 000	3 000 000	0	2 750 000	0	0.0%	3 000 000			
31										
SPORTS & RECREATION										
33 Dithabaneng Multipurpose Centre	4 700 000	4 700 000	-	4 308 333	224 551	4.8%	4 475 449	MIG		
34 SUB-TOTAL	4 700 000	4 700 000	0	4 308 333	224 551	4.8%	4 475 449			

		Approved Budget	Adjusted Budget	Reporting Month Actual	YTD Projected	YTD Actual 31 May 2015	% YTD Actual spending	YTD Variance	Funding Sources
36	ELECTRICITY								
37	Lethabile Electrification: Erven 237	8 000 000	8 000 000	-	7 333 333	1 024 456	12.8%	6 975 544	INEP
38	High Mass Energising Lighting	4 000 000	4 000 000	-	3 666 667	1 703 463	42.6%	2 296 537	MIG
39	Energy Efficiency & Demand Side Management	0	3 000 000	-	2 750 000	3 000 000	100.0%	-	EEDSM
40	SUB-TOTAL	12 000 000	15 000 000	0	13 750 000	5 727 919	47.7%	9 272 081	
41									
42	OTHER								
43	Upgrading of the main Bus & Taxi Rank	1 200 000	600 000		550 000		0.0%	600 000	INTERN
44	Furniture/Office Equipment	3 127 000	1 800 000	848 896	1 650 000	1 617 189	89.8%	182 811	INTERN
45	Ground Floor Partitioning	3 500 000	3 000 000	1 272 100	2 750 000	2 870 430	95.7%	129 570	INTERN
46	Bio Matrix		1 700 000		1 558 333	-	0.0%	1 700 000	INTERN
47	SUB-TOTAL	7 827 000	7 100 000	2 120 996	6 508 333	4 487 619	57.3%	912 381	
48									
49	TOTAL CAPITAL PROJECTS 14/15	265 805 000	222 518 746	25 420 891	203 975 517	165 352 809	62.2%	100 452 191	
50									
51	ROLL-OVER PROJECTS								
52	Rietfontein Waste Water		2 500 000.00	126 898	2 291 667	2 785 471	111.4%	-285 471	MIG
53	Mothutlung Waste Water		1 500 000	147 641	1 375 000	1 263 858	84.3%	236 142	MIG
54	Oukasiie Waste Water		1 800 000	-	1 650 000	280 015	15.6%	1 519 985	MIG
55	Mmakau Waste Transfer Station		2 000 000	-	1 833 333	27 681	1.4%	1 972 319	MIG
56	Hebron Waste Transfer		2 700 000	205 966	2 475 000	2 995 884	111.0%	-295 884	MIG
57	Klipgat Storm Water		550 000	-	504 167	622 942	113.3%	-72 942	MIG
58	Majakaneng Cemetery		300 000	-	275 000	176 944	59.0%	123 056	MIG
59	Lethabile Cemetery		6 600 000	103 781	6 050 000	5 488 932	83.2%	1 111 068	MIG
60	Upgrading of Ward 31 Sport Facility		2 500 000	631 189	2 291 667	2 161 305	86.5%	338 695	MIG
61	Kgabalatsane Sport Facility		600 000	-	550 000	625 556	104.3%	-25 556	MIG
62	Jericho Multipurpose Centre		2 500 000	-	2 291 667	2 514 758	100.6%	-14 758	MIG
63	Shakung Multipurpose Centre		3 309 254	179 469	3 033 483	3 566 231	107.8%	-256 977	MIG
64	Madidi Multipurpose Centre		7 200 000	158 283	6 600 000	508 987	7.1%	6 691 013	MIG
65	Hebron Community Centre		3 700 000	100 310	3 391 667	1 471 578	39.8%	2 228 422	MIG
66	Madibeng Car Wash		1 800 000	9 403	1 650 000	1 143 122	63.5%	656 878	PROV
67	Majakaneng Water Augmentation Project		1 100 000	496 409	1 008 333	1 100 001	100.0%	-1	MIG
68	Community Hall (Ward 17)		3 000 000	344 625	2 750 000	3 173 800	105.8%	-173 800	MIG
69	Community Hall (Ward 25)		5 400 000	565 121	4 950 000	3 568 085	66.1%	1 831 915	MIG
70	Vehicle		2 900 000	-	2 658 333	3 602 358	124.2%	-702 358	INTERN
71	Rescue Boat		1 396 531	-	1 280 153	1 396 531	100.0%	-	
72	Sub-Total	-	53 355 785	3 069 095	48 909 470	38 474 039	72.1%	14 881 746	
73	TOTAL ROLL-OVER	-	53 355 785	3 069 095	48 909 470	38 474 039	72.1%	14 881 746	
74	TOTAL CAPEX (Including roll-over projects)	265 805 000	275 874 531	28 489 986	252 884 987	203 826 848	73.9%	72 047 683	