

MONTHLY BUDGET STATEMENT: 31 DECEMBER 2014

MUNICIPAL FINANCE MANAGEMENT ACT NO.56 of 2003(MFMA): MONTHLY FINANCIAL REPORT FOR DECEMBER 2014 (MONTHLY BUDGET STATEMENT)

1. PURPOSE

To comply with section 71 of the MFMA, by the provision of a statement to the Executive Mayor containing certain financial particulars, as legislated.

2. 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 **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.

3. December 2014 REPORT

The financial results for the period ended 31 December 2014 are summarized as follows:

Statement of Financial Performance (SFP)

The SFP shown in Annexure A is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by category.

The summary report indicates the following:

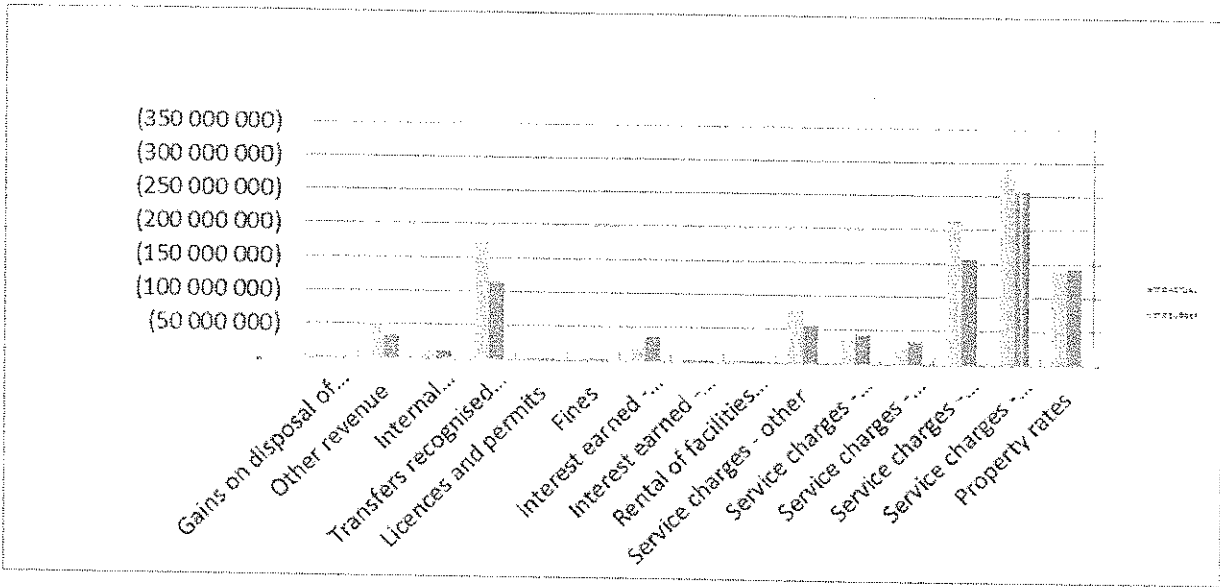
Description	YTD Budget	December Actual 2014	Financial Performance	
			YTD Actual	Variance (Favourable) Unfavourable
Total Revenue By Source	(1,007,552,653)	(128,339,024)	(877,095,471)	130,457,181
Total Operating Expenditure	1,059,942,304	459,007,895	1,109,258,064	49,315,760
(SURPLUS)/ DEFICIT	52,389,652	330,668,871	232,162,593	179,772,942

NB: Total Revenue By source does not include revenue foregone.

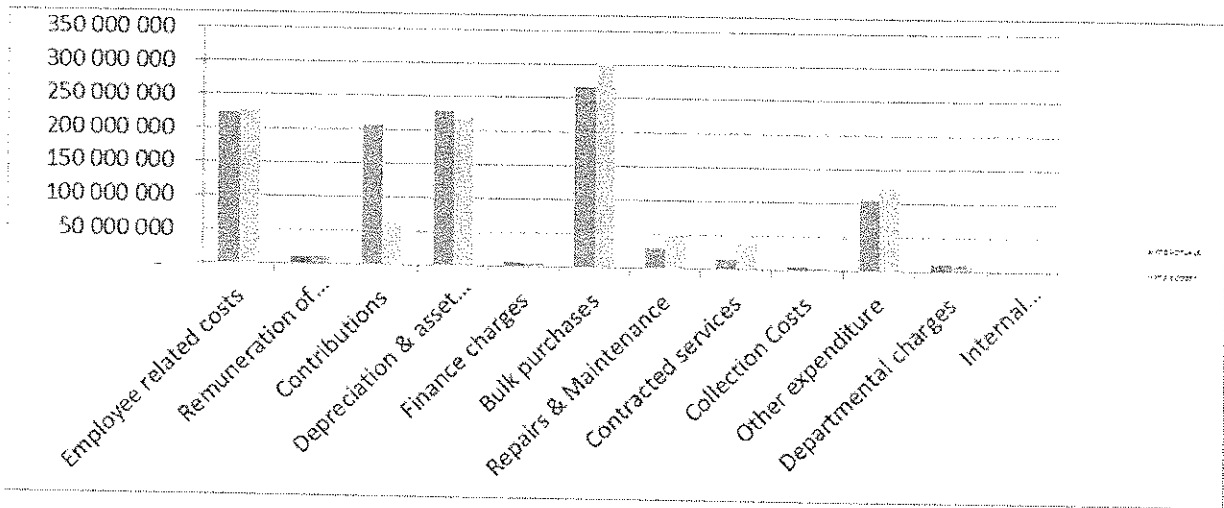
Total operational expenditure is very high, for the month of December, due to the uploading of the past 6 months Depreciation.

Depreciation was updated on the assets register after the assets verification, during the audit process that was completed on 30 November 2014.

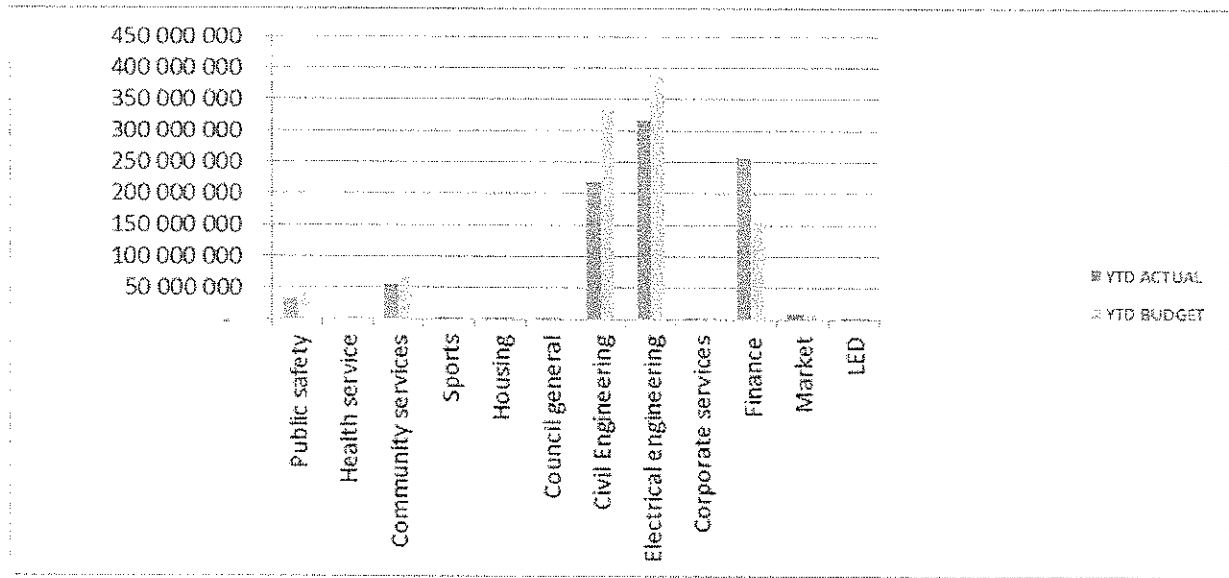
YTD Actual Income vs YTD Budget Income



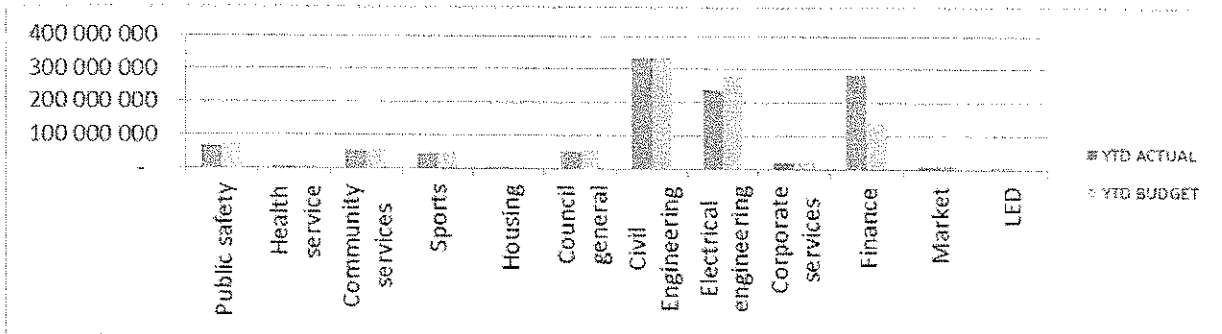
YTD Actual Expenditure vs YTD Budget Expenditure



Operating Income per department



Operating Expenditure per department



GRANTS AND SUBSIDIES

Operational allocation/ Grant received

DESCRIPTION	BUDGET	DECEMBER RECEIVED 2014/15	YTD RECEIVED	YTD%
Equitable shares grants	339,135,990	0	184,375,000	54.37
Finance Management grant	1,600,000	0	1,600,000	100
Municipal System Improvement grant	934,000	0	934,000	100
Improvement of Library services	400,000	400,000	400,000	100
PMU	3,200,000	0	0	0
EPWP	1,913,000	574,000	1,239,000	69.99
TOTAL	347,182,990	974,000	188,648,000	54.34%

CAPITAL GRANT RECEIVED

DESCRIPTION	BUDGET	DECEMBER RECEIVED 2014/15	YTD RECEIVED	YTD%
MIG	90,564,448	0	44,132,000	47.90%
NDPG	21,625,000	0	16,974,000	78.49%
DME	1,100,000	0	1,100,000	100.00 %
PMU	1,566,552	0	0	0
TOTAL	114,856,000	0	62,206,000	54%

Cash Flow Statement (Annexure B)

- Total cash receipts by source reflect an amount of R143.6 million for the December 2014 month includes the Library grant and EPWP
- Total cash payments indicate an amount of R188.6 million for the December month.
- We did not receive any Capital grants this month.

Capital expenditure report (Annexure C)

The summary report indicates the following:

Summary statement of Capital Expenditure				
Description	YTD Budget	December Actual 2014	YTD Actual	Variance Favourable (Unfav)
Total Capital Expenditure	73,150,967	14,595,678	41,595,678	(31,555,289)
Capital funding				
National government	68,295,940	11,428,447	37,806,593	(30,489,346)
Provincial Government				
District Municipality				
Borrowing				
Internal Generated fund	4,855,028	3,349,782	3,789,085	(1,065,943)
Financial Total	73,150,967	14,595,678	41,595,678	(31,555,289)

The spending on MIG new capital is R 10, 2 million.

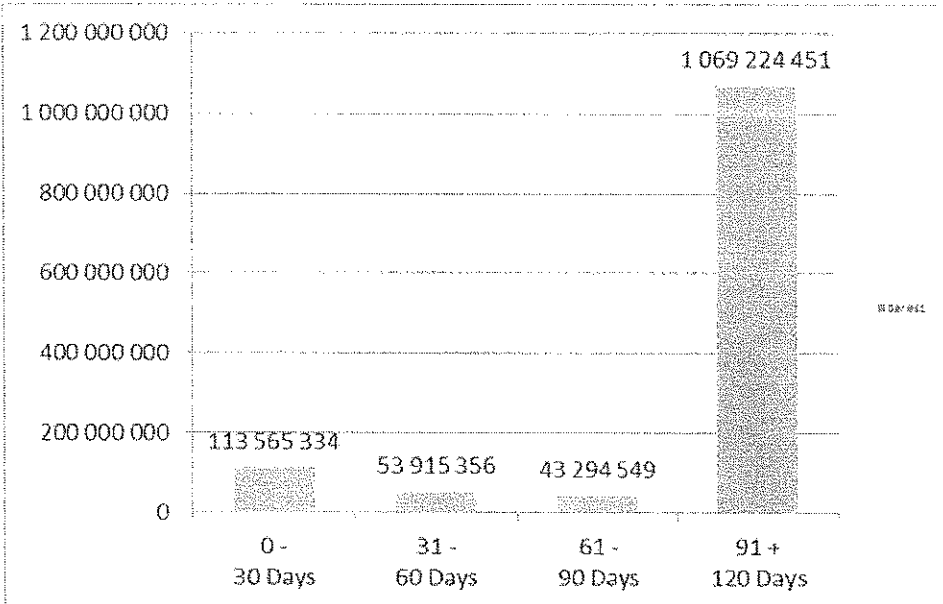
MIG roll over expenditure for December month 2014 amount to R 4, 3 million.

The spending on own funding for December month 2014, amount to R230 420 and year to date of R669 722.

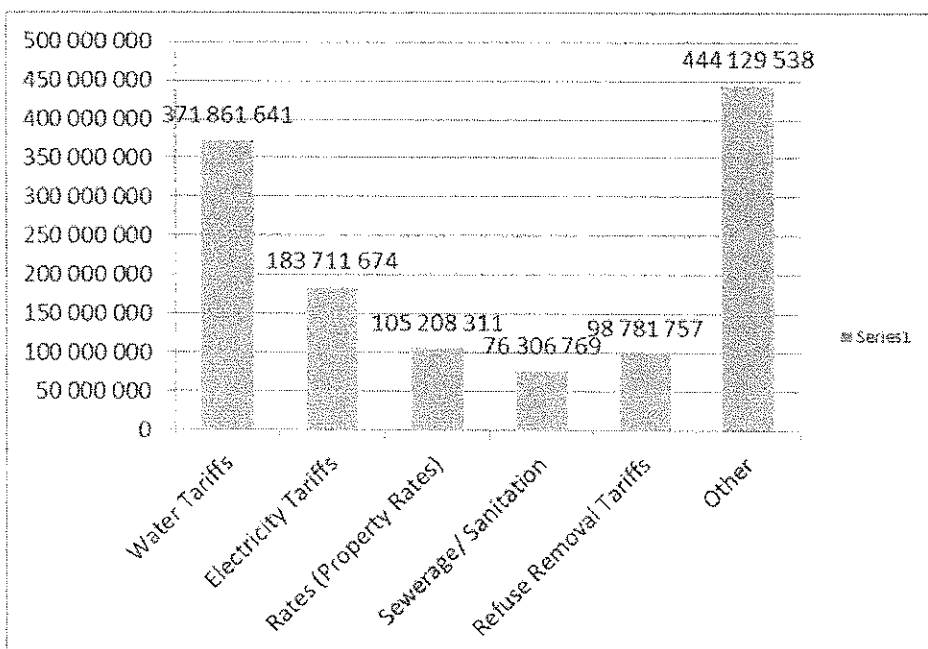
Outstanding Debtors report (Annexure D)

This format provides an extended aged analysis, as well as debtor's type. The summary report indicates that the debtor's greater than 30 days (31-90+days) balance as at 31 December 2014 amounts to R1 166.4 billion.

It increased with R36 million from the previous month. The detailed Age Analysis are on annexure D.

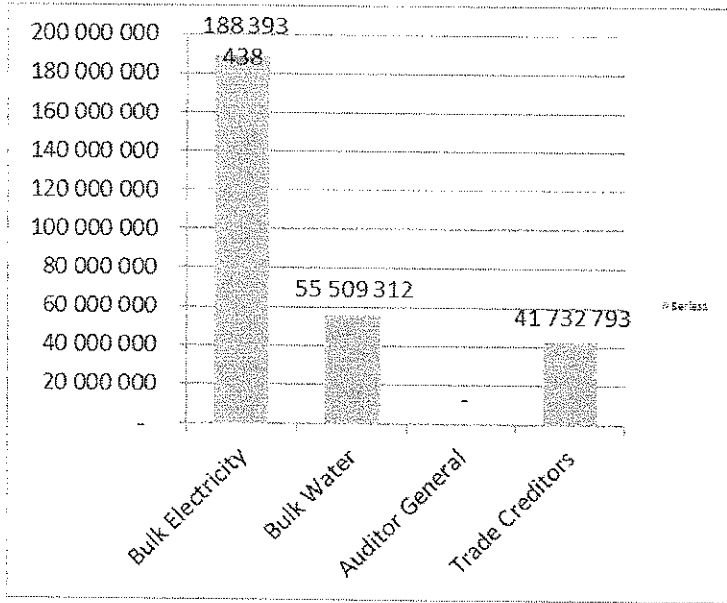


Debtors by Customer group – 31 December 2014



Outstanding Creditors report (Annexure E)

This format provides an extended aged analysis, as well as creditor's type. This month result indicates that (bulk purchase for electricity) have increased by 3%. The detailed Age Analysis are on annexure E.



Investment Portfolio (Annexure F)

The table indicates the status of the investment portfolio and detail of where invested, which amounts to R34, 002,956 as at 31 December 2014.

Institution	Investments				
	Fixed	Call	Long Term	Collateral	Total
	R	R	R	R	R
ABSA		9 894 274			9 894 274
FNB			92,642		92,642
RMB					-
Investec					-
Nedcor				17,131,213	17,131,213
Sanlam (Policy)		6,884,827			6,884,827
	-	16,779,101	92,642	17,131,213	34,002,956

ANNEXURE G (BORROWINGS)

The total amount outstanding on external loans at the end of December 2014 is R102, 854,430.95

FINANCIAL IMPLICATIONS

The report covers the period from 1 July 2014 to 31 December 2014. The actual income and expenditure appears in "Annexure A" reflects detail that relates to the budget actual spending, and actual revenue, per month and year to date. Year to date actual revenue of R877.0 million is below than what is projected of R1 007.5 billion YTD budget (Pro-rata) and vary by R130.4m. This is a huge difference, Council must exhaust all avenues to maximize its revenue.

Year to date actual expenditure of R1 109.2 billion is below the projected expenditure of R1 059.9 billion YTD budget (Pro-rata) and vary by R49.3 m, due to financial constraints as a result of low collection.

- It must be noted that the depreciation has been factored in hence our expenditure is this high.
- It must be noted that the current budget is not fully funded and sustainable, due to current collection.
- Council need to explore new sources of revenue and ensure that all services are paid for.
- Council also need to curb distribution losses and theft to enhance the income.
- Need to minimize unnecessary expenditure.

RECOMMENDATION

That the Accounting Officer submits to the Executive Mayor this statement as per section 71 of the MFMA.

ANNEXURE A - FINANCIAL PERFORMANCE

Budgeted Financial Performance (revenue and expenditure) - December 2014

Current Year 2014/15

Description	Original Budget	December Actual 2012/13	YTD Actual	YTD Budget	Variance	Variance %	YTD %
Revenue By Source							
Property rates	(281 145 162)	(22 005 609)	(142 968 949)	(140 572 581)	(2 396 368)	1.70	50.85
Service charges - electricity revenue	(584 282 257)	(39 714 615)	(258 861 065)	(292 141 129)	33 280 064	(11.39)	44.30
Service charges - water revenue	(426 387 853)	(26 841 450)	(155 429 281)	(213 193 927)	57 764 646	(27.09)	36.45
Service charges - sanitation revenue	(46 507 548)	(5 769 718)	(33 362 120)	(23 253 774)	(10 108 346)	43.47	71.73
Service charges - refuse revenue	(70 563 856)	(7 684 279)	(44 287 106)	(35 281 928)	(9 005 178)	25.52	62.76
Service charges - other	(158 476 644)	(9 514 783)	(55 683 064)	(79 238 322)	23 555 258	(29.73)	35.14
Rental of facilities and equipment	(6 424 778)	(453 867)	(2 627 206)	(3 212 389)	585 183	(18.22)	40.89
Interest earned - external investments	(5 348 000)	(14 284)	(128 400)	(2 674 000)	2 545 600	(95.20)	2.40
Interest earned - outstanding debtors	(38 650 000)	(8 814 872)	(35 775 748)	(19 325 000)	(16 450 748)	85.13	92.56
Fines	(7 500 000)	(56 716)	(759 918)	(3 750 000)	2 990 082	(79.74)	10.13
Licences and permits	(7 000 000)	(428 224)	(3 118 474)	(3 500 000)	381 526	(10.90)	44.55
Transfers recognised - operational	(347 182 990)	(139 949)	(113 735 699)	(173 591 495)	59 855 796	(34.48)	32.76
Internal Departmental Transfers	(24 219 238)	(2 015 933)	(11 729 355)	(12 109 619)	380 264	(3.14)	48.43
Other revenue	(99 855 534)	(4 884 744)	(34 947 487)	(49 927 767)	14 980 280	(30.00)	35.00
Gains on disposal of PPE	(421 600)	-	-	(210 800)	210 800	(100.00)	-
Total Revenue	(2 103 965 460)	(128 339 024)	(893 413 871)	(1 051 982 730)	158 568 859	(15.07)	42.46
Expenditure By Type							
Employee related costs	453 698 224	36 704 154	222 244 516	226 849 112	(4 604 596)	(2.03)	48.99
Remuneration of councillors	21 314 479	1 730 480	10 189 540	10 657 240	(467 700)	(4.39)	47.81
Contributions	127 885 274	82 751 597	206 872 787	63 942 637	142 930 150	223.53	161.76
Depreciation & asset impairment	439 206 526	229 244 847	229 244 847	219 603 263	9 641 584	4.39	52.20
Finance charges	12 533 679	2 534 146	6 471 370	6 266 840	204 531	3.26	51.63
Bulk purchases	605 600 130	73 915 148	268 448 952	302 800 065	(34 351 113)	(11.34)	44.33
Repairs & Maintenance	98 919 123	7 102 153	28 859 666	49 459 562	(20 599 896)	(41.65)	29.18
Contracted services	79 397 968	5 016 353	14 191 363	39 698 984	(25 507 621)	(64.25)	17.87
Collection Costs	7 432 000	454 467	4 639 695	3 716 000	923 695	24.86	62.43
Other expenditure	250 280 502	17 526 802	106 398 930	125 140 251	(18 741 321)	(14.98)	42.51
Departmental charges	23 616 703	2 027 746	11 696 398	11 808 352	(111 954)	(0.95)	49.53
Internal recoveries(amount charge out)	-	-	-	-	-	-	-
Total Expenditure	2 119 884 608	459 007 895	1 109 258 064	1 059 942 304	49 315 760	4.65	52.33
(Surplus)/Deficit	15 919 148	330 668 871	215 844 194	7 959 574	207 884 620		
TOTAL REVENUE	(2 103 965 460)	(128 339 024)	(893 413 871)	(1 051 982 730)	158 568 859		
LESS REVENUE FOREGONE	88 860 155		16 318 399	44 430 078	(28 111 678)	(63.27)	18.36
Revenue forgone on assessment rate	50 666 747	250 163	16 113 315	25 333 374	(9 220 058)	(36.39)	31.80
Revenue forgone on other	38 193 408	-	455 247	19 096 704	(18 641 457)	(97.62)	1.19
TOTAL INCOME	(2 015 105 305)	(128 339 024)	(877 095 471)	(1 007 552 653)	130 457 181	(63)	18
TOTAL EXPENDITURE	2 119 884 608	459 007 895	1 109 258 064	1 059 942 304	49 315 760		-
(Surplus)/ Deficit for the year	104 779 303	330 668 871	232 162 593	52 389 652	179 772 942	343.15	18

OPERATING INCOME PER DEPARTMENT AS AT 31 December 2014

	BUDGET	DEC	YTD ACTUAL	YTD BUDGET	VARIANCE	VARIANCE	YTD %
Public safety	84 708 545	4 715 521	33 326 101	42 354 273	(9 028 171)	-21.32	39.34
Health service	85 000	-	-	32 500	(32 500)	-100.00	-
Community services	139 675 992	11 675 469	55 907 685	69 837 996	(13 930 311)	-19.95	40.03
Sports	1 514 066	121 393	491 994	757 033	(265 039)	-35.01	32.49
Housing	2 584 702	89 089	529 518	1 292 351	(762 833)	-59.03	20.49
Council general	8 802 025	66 212	845 098	4 401 013	(3 555 915)	-80.80	9.80
Civil Engineering	665 477 323	44 325 854	219 872 685	332 738 662	(112 865 977)	-33.92	33.04
Electrical engineering	777 085 456	50 474 468	316 996 331	388 542 728	(71 546 398)	-18.41	40.79
Corporate services	2 711 129	31 328	433 834	1 355 565	(921 730)	-68.00	16.00
Finance	312 887 471	14 054 667	256 352 089	156 443 736	99 908 353	63.86	81.93
Market	19 588 696	2 785 024	8 202 850	9 794 298	(1 591 448)	-16.25	41.88
LED	5 000	-	439	2 500	(2 061)	-	8.77
	2 015 105 305	128 339 024	892 958 623	839 627 210	53 331 413	6.35	44.31

OPERATING EXPENDITURE PER DEPARTMENT

	BUDGET	DEC	YTD ACTUAL	YTD BUDGET	VARIANCE	VARIANCE	YTD %
Public safety	169 953 084	13 183 628	70 617 468	84 976 542	(14 359 075)	-16.90	41.55
Health service	6 134 075	418 346	2 042 190	3 067 038	(1 024 848)	-33.41	33.29
Community services	118 284 237	12 218 795	55 565 249	59 142 119	(3 576 869)	-5.05	46.96
Sports	97 555 184	31 175 966	45 682 415	48 777 592	(3 095 177)	-6.35	46.83
Housing	10 435 082	1 312 033	4 606 474	5 217 541	(611 067)	-11.71	44.14
Council general	115 495 608	11 728 324	54 838 492	57 747 804	(2 909 312)	-5.04	47.48
Civil Engineering	673 315 531	169 451 983	337 693 954	336 657 766	1 036 188	0.31	50.15
Electrical engineering	570 596 379	93 679 775	238 935 038	285 298 190	(46 363 152)	-16.25	41.87
Corporate services	46 542 417	3 450 130	18 937 596	23 271 209	(4 333 613)	-18.62	40.69
Finance	279 959 009	97 664 401	284 031 714	139 979 505	144 052 209	102.91	101.45
Market	21 735 532	4 173 830	9 346 823	10 867 766	(1 520 943)	-13.99	43.00
LED	9 878 470	550 683	2 820 969	4 939 235	(2 118 266)	-42.89	28.56
	2 119 864 608	469 007 895	1 125 118 381	883 285 253	241 833 128	27.38	53.07

GRANTS AND SUBSIDIES - December 2014

Operational allocation/grant received

	BUDGET	DEC	YTD RECEIVED	YTD%
Equitable shares grants	339 135 990	-	184 375 000	54.37
Finance Management Grant	1 600 000	-	1 600 000	100.00
Municipal System Improvement Grant	934 000	-	934 000	100.00
Improvement of library services	400 000	400 000	400 000	100.00
PMU	3 200 000	-	-	-
EPWP (arbour week)	1 913 000	574 000	1 339 000	69.99
Mayoral enviromental grant	-	-	-	-
District assessment(Fire)	-	-	-	-
	-	-	-	-
	347 182 990	974 000	188 648 000	54.34

CAPITAL GRANT RECEIVED

MIG	92 131 000	-	44 132 000	47.90
NDPG	21 625 000	-	16 974 000	78.49
DME/INER	1 100 000	-	1 100 000	100.00
	-	-	-	-
	114 856 000	-	62 206 000	54.16

ANNEXURE B

Cash Flow Statement for the month of December 2014

<u>Cash Receipts by Source</u>	December 2013
Property rates	17 013 214
Service charges - electricity revenue	37 257 429
Service charges - water revenue	25 641 872
Service charges - sanitation revenue	5 385 480
Service charges - refuse revenue	7 207 902
Service charges - other	21 059 335
Rental of facilities and equipment	208 690
Interest earned - external investments	24 822
Interest earned - outstanding debtors	-
Fines	74 284
Licences and permits	400 955
Transfer receipts - operational grants	974 000
Other revenue	28 447 641
Cash Receipts by Source	143 695 625
Transfer receipts - capital grants	-
Proceeds on disposal of PPE	-
Total Cash Receipts by Source	143 695 625
<u>Cash Payments by Type</u>	
Employee related costs	36 704 154
Remuneration of councillors	1 730 480
Collection costs	483 563
Interest paid	2 534 146
Bulk purchases - Electricity	56 295 378
Bulk purchases - Water	17 619 771
Repairs and maintenance	3 007 916
Contracted services	5 016 353
General expenses	50 152 593
Cash Payments by Type	173 514 354
<u>Other Cash Flows/Payments by Type</u>	
Capital assets	14 778 229
Repayment of borrowing	5 469 390
Other Cash Flows/Payments	20 247 619
Investment	-
Total Cash Payments by Type	193 761 973
Net increase/(decrease) in cash held	(50 066 348)

ANNEXURE C CAPITAL EXPENDITURE

NW403 City Of Matlosana - Budgeted Capital Expenditure - December 2014

R (thousand)	Original Budget	December	YTD Actual	YTD Budget	Variance	YTD %
Capital Expenditure						
<i>Council General</i>	-	-	-	-	-	-
Council General Admin	-	-	-	-	-	0
Municipal & Environmental Services	12 032 129	637 541	4 471 003	6 016 065	(1 545 061)	37.16
Community and social services	-	-	-	-	-	-
Sport and recreation	11 863 129	637 541	4 471 003	5 931 565	(1 460 561)	37.69
Refuse removal	-	-	-	-	-	-
Public Safety	169 000	-	-	84 500	(84 500)	0
Health	-	-	-	-	-	0
Cemetery	-	-	-	-	-	0
Finance	1 037 810	230 420	669 723	518 905	150 818	0
ICT Hard/software	1 037 810	230 420	669 723	518 905	150 818	0
Macro city planning & Development	-	-	-	-	-	0
Planning and development	-	-	-	-	-	-
Market	-	-	-	-	-	-
Civil Services & Human Settlements	127 639 034	13 910 268	36 402 007	63 819 517	(27 417 510)	28.52
Water	30 861 587	4 205 442	10 650 330	15 430 794	(4 780 463)	34.51
Waste water management(Sewer)	25 598 124	2 778 494	6 932 943	12 799 062	(5 866 119)	-
Roads	71 179 323	6 926 332	18 818 734	35 589 662	(16 770 928)	-
Housing	-	-	-	-	-	-
PMU Unit	-	-	-	-	-	-
Dumping side	-	-	-	-	-	-
Electrical & Mechanical Engineering	5 592 961	-	52 945	2 796 481	(2 743 536)	-
Electrical	5 592 961	-	52 945	2 796 481	(2 743 536)	-
Total Capital Expenditure	146 301 934	14 778 229	41 595 678	73 150 967	(31 555 289)	28.43

ANNEXURE D

DEBTOR'S AGE ANALYSIS - December 2014

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 + 120 Days	Total
Debtors Age Analysis By Income Source					
Water Tariffs	25 641 872	15 478 513	14 063 824	316 677 432	371 861 641
Electricity Tariffs	37 257 429	9 879 634	7 332 779	129 241 832	183 711 674
Rates (Property Rates)	17 013 214	6 268 406	5 059 116	76 867 575	105 208 311
Sewerage/ Sanitation	5 385 480	2 708 965	1 983 685	66 228 639	76 306 769
Refuse Removal Tariffs	7 338 700	4 548 556	4 145 540	82 748 961	98 781 757
Other	20 928 639	15 031 282	10 709 605	397 460 012	444 129 538
Total By Income Source	113 565 334	53 915 356	43 294 549	1 069 224 451	1 279 999 690
Debtors Age Analysis By Customer Group					
Government	5 249 229	4 895 554	2 440 643	16 818 564	29 403 990
Business	30 038 766	6 862 077	4 839 741	75 495 194	117 035 778
Households	77 465 294	41 783 398	35 430 320	942 271 503	1 096 950 515
Other	812 045	574 327	583 845	34 639 190	36 609 407
Total By Customer Group	113 565 334	53 915 356	43 294 549	1 069 224 451	1 279 999 690

ANNEXURE E
 OUTSTANDING CREDITORS STATEMENT -December 2014

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 +Days	Total
Bulk Electricity	37 108 655	-	37 646 375	39 132 820	74 505 588	188 393 438
Bulk Water	20 046 393	18 919 743	13 202	9 222 306	7 307 668	55 509 312
Auditor General	-	-	-	-	-	-
Trade Creditors	11 005 941	7 054 255	4 421 634	19 250 963	-	41 732 793
Total	68 160 989	25 973 998	42 081 211	67 606 089	81 813 256	285 635 543

Investment Portfolio: 31 December 2014
City of Matlosana

INSTITUTION	INTEREST RATE	PERIOD	November 2014	December 2014	MATURITY DATE	EXPLANATION
Call Investment						
ABSA: 3854	3.30%		25 079 765	8 838 732		
ABSA: 5047	3.25%		43 123	43 123		
ABSA: 6177	4.47%		263 113	264 303		
ABSA: 2264	3.25%		393 059	394 254		
ABSA: 4682	5.15%		185 530	186 396		
ABSA: 4063	2.80%		167 390	167 466		
INVESTEC	4.70%		4 989 128			
TOTAL Call Investment			31 121 108	9 894 274		
Collateral						
SANLAM	Policy	Guaranteed Capital	6 452 932	6 452 932	2018-12-01	Policy
SANLAM	Policy	Guaranteed Capital	431 895	431 895	2019-08-01	Policy
NEDCOR	Minimum 5%		17 131 213	17 131 213	30/06/2019	Security
TOTAL			24 016 041	24 016 041		
Long Term Investment						
FNB	10.00%	1 YEAR	78 642	78 642		Housing Collateral
FNB	9.50%	1 YEAR	14 000	14 000		Housing Collateral
TOTAL			92 642	92 642		
TOTAL INVESTMENTS			55 229 791	34 002 957		

Withdraw R4 989 128.60 from investec on the 01 December 2014
 Withdraw R5 197084 on the 03 December 2014 from ABSA call (MIG)
 Withdraw (R5 197084+ R584742.03) = R5 781 826.03 on the 12 December 2014 from ABSA (MIG)
 Withdraw R3 792 069 on the 18 December 2014 from ABSA call (MIG)
 Withdraw R1 514 576 on the 30 December 2014 from ABSA call (MIG)

Other changes are due to Capitalisation of interest earned for the month

Council to take cognisance that the investments reflected are not as a result of excess funds but grants received for the financial year invested on short term to gain interest while processes on meeting conditions of the grants are unfolding, and to avoid charges once funds are kept on current account

These investments can only be withdrawn when funds are needed for the particular reason they were invested for

DECEMBER					
				Rates	STATED IN THE DEVIATION REPORT
17	MM 40:2014/15	TENDER PS/T/5/2013: EXTENSION OF SCOPE FOR EXTRA SECURITY GUARDS FROM TSHIRELETSO PROFESSIONAL SERVICES.	TSHIRELETSO PROFESSIONAL SERVICES		
18	MM 41:2014/15	DEVIATION FROM THE SCM PROCESS FOR THE REPAIRS CEMETERY GRAVE DIGGING MACHINE REG NO: FWF 769 NW	J.B.S Plant Hire	R 69 766.89	STATED IN THE DEVIATION REPORT
19	MM 44:2014/15	DEVIATION FROM SUPPLY CHAIN MANAGEMENT PROCES FOR THE REPAIRS OF VEHICLES IN THE MUNICIPAL SERVICES	Various Service Providers	Rates	STATED IN THE DEVIATION REPORT
20	MM 45:2014/15	DEVIATION FROM SUPPLY CHAIN MANAGEMENT PROCESS FOR THE REPAIR OF KOMATSU WA 100 LOADER, REGISTRATION	Earthmoving Equipment Services cc	R77 496.13	STATED IN THE DEVIATION REPORT
21	MM 46:2014/15	DEVIATION FROM SUPPLY CHAIN MANAGEMENT PROCESS FOR THE REPAIR OF CAT 920 LOADER REGISTRATION NUMBER	Earthmoving Equipment Services cc	R104 172.06	STATED IN THE DEVIATION REPORT