



REPORT TO: BUDGET STEERING COMMITTEE

File ref (9/1/2/3)

Collaborator/Item no (6845.3

Date: 14 DECEMBER 2016

SUBJECT: BUDGET IMPLEMENTATION REPORT FOR THE MONTH OF NOVEMBER 2016

REPORT DATED 12 DECEMBER 2016 FROM THE CHIEF FINANCIAL OFFICER TO BUDGET STEERING COMMITTEE

PURPOSE

The purpose of this item is to submit a financial report for the month ending November 2016 to the Council.

LEGAL REQUIREMENTS

In terms of Section 71 of the Municipal Finance Management No.56 of 2003

STATUTORY AUTHORITY

Chapter 24 of the MFMA No. 56 of 2003

BACKGROUND AND REASONING

The monthly Sec 71 reports aims to provide a regular update on indicators critical to the organisation's viability and serve as an early warning indicator where remedial action is required.

The Municipal Manager of the Municipality, is required by Section 71(1) of the Municipal Finance Management Act to submit a report in a prescribed format to the Mayor within 10 working days after the end of each month on the state of the Municipality's budget.

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP). Section 54 of the MFMA requires the Mayor to consider the Section 71 report and take appropriate action to ensure that the approved budget is implemented in accordance with the SDBIP.

1. FINANCIAL IMPLICATIONS

The following table summarises the overall position on the capital and operating budgets. Take note that the Operating Expenditure only reflects the direct expenditure and exclude all indirect expenditure e.g. Administrative Recharges

Description	Original Budget R'000	Adjustment Budget R'000	Actual R'000	Annual Budget %
Operating Revenue (billed)	486 191	-	218 041	45%
Operating Expenditure (accrued/actual mix)	486 191	-	173 321	36%
Capital Expenditure	58 608	-	10 081	17%

1.2 Revenue by Source

Year-to-date Operating Revenue amounts to **45% or R218 041 million** of the operating budget of **R486 191 million**.

The year-to-date Operating Revenue reflects an achievement of **45% or R218 041 million** of the annual budget of R486 191 million, and Operating Expenditure is **36% or R173 321 million** of the annual budget of **R486 191 million**.

1.2.1 Operating Revenue

Major contributors of Operating Revenue to date amounting to R218 041 million are:

- Service Charges-Electricity at R54 783 million or 26%
- Operational Transfers recognised at R56 841 million or 26%.
- Property Rates at R38 397 million or 18%.
- Service Charges-Water R29 243 million or 14%

1.3 Operating expenditure by type

Year-to-date expenditure amounts to **36% or R173 321 million** of the operating budget of **R486 191 million**.

1.3.1 Operating Expenditure

Major contributors of Operating Expenditure to date amounting to **R173 321 million** are:

- Employee-related costs at R67 105 million or 39% *125 000*
- Remuneration of councillors at R4 845 million or 3%.
- Bulk Purchases at R51 730 million or 30%
- Repairs & maintenance at R3 788 million or 3%

1.4 Capital expenditure

Year-to-date expenditure on capital project amounts to **17% or R10 081 million** of the capital budget of **R58 608 million**.

Capital Expenditure of **R58 608 million** disclosed in above table reflects expenditure of grants allocated to the municipality and internally funded projects.

The Municipal Capital Budget is funded from the following Grants:

Grant	Funding Source	Budget
Municipal Infrastructure Grant	Direct Allocation	R34 473 000
Finance Management Grant	Direct Allocation	R350 000
Equitable Share	Direct Allocation	R6 000 000
DSRAC	Direct Allocation	R1 083 000
DWS	Direct Allocation	R820 000
INEP	Direct Allocation	R7 782 000
MIG (Roll-Over)	Direct Allocation	R8 100 000
Total Budget		R58 608 000

The Capital Budget is largely driven by projects emanating from the IDP and projects identified by the community as well as incomplete projects.

1.4.1 The below table summaries roll- over expenditure - MIG allocation

Project Title	Current FY - Total Actual Expenditure- Roll- Over	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
MIG 1 or PMU						
Vukani Taxi Road - A Street extending to B Street	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
Multi-purpose Centre in Ward 7	R 2,634,404.96	R 0.00	R 1,245,127.41	R 465,093.08	R 924,184.47	R 0.00
Replacement of Asbestos Pipes in Grahamstown	R 1,254,943.14	R 0.00	R 77,231.03	R 28,275.15	R 1,149,436.96	R 0.00
Construction of 11 High Mast Lights in Mayfield Housing Project	R 2,527,151.14	R 0.00	R 545,011.20	R 585,164.26	R 1,396,975.68	R 0.00
Upgrading of Roads in Joza Street	R 122,059.87	R 0.00	R 0.00	R 122,059.87	R 0.00	R 0.00
Budget Maintenance: Upgrade of Surfaced Road - Sani Street Grahamstown	R 355,444.33	R 0.00	R 355,444.33	R 0.00	R 0.00	R 0.00
Alicedale Sewerage Reticulation	R 110,832.59	R 0.00	R 0.00	R 192,503.85	-R 81,671.26	R 0.00
PMU: ADMIN	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
	R 7,004,836.03	R 0.00	R 2,222,813.97	R 1,393,096.21	R 3,388,925.85	R 0.00

1.4.2 The below table summaries projects implemented in 2016/17 financial year
MIG allocation

Project Title	Budgeted MIG Funds As per IP	Current FY - Total Actual Expenditure on MIG funds in the 2016/17 FY	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
MIG 1 or PMU							
Alicedale Roads and Improvements Transrivier and Mandela Park	R 1,902,189.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
Multi-purpose Centre in Ward 7	R 3,793,937.00	R 886,818.29	R 0.00	R 0.00	R 0.00	R 886,818.29	R 0.00
Construction of 11 High Mast Lights in Mayfield Housing Project	R 1,297,187.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
Alicedale Sewerage Reticulation	R 15,130,287.00	R 81,671.26	R 0.00	R 0.00	R 0.00	R 81,671.26	R 0.00
Multi-purpose Indoor Sport Centre: Gymnasium	R 13,000,000.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
PMU: ADMIN	R 1,164,400.00	R 907,200.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
	R 36,288,000.00	R 1,875,689.55	R 116,848.72	R 116,249.01	R 104,345.83	R 109,599.00	R 460,157.44
			R 116,848.72	R 116,249.01	R 104,345.83	R 1,078,088.65	R 460,157.44

Section 4 – Allocations for Grant Receipts and Expenditure

5.1 Summary of Grants Received

GRANT	BUDGET	AMOUNT RECEIVED	EXPENDITURE	EXPENDITURE TO DATE
MIG	R36 288 000	R0.00	R460 157.44	R1 875 689.55
MIG – Roll- Over	R8 100 000	R7 973 325.58	R0	R 7 004 836.03
INEP	R7 782 000	R2 000 000.00	R0	R0
FMG	R1 810 000	R1 810 000.00	R131 000.00	R1 485 994.00
EPWP	R1 000 000	R700 000.00	R39 600.00	R185 400.00
DWA	R5 000 000	R3 784 959.95	R679 159.54	R3 874 084.26
TOTAL	R59 980 000	R16 268 285.53	R1 309 916.88	R14 425 954

Year-to-date Grant Expenditure amounts to **25% or R15 043 million** of the Grants budget of **R59 980 million**.

OTHER PARTIES CONSULTED

There were no other parties consulted.

RESOLVED TO RECOMMEND

1. That Section 71 report for the month of November 2016 be noted by the Budget Steering Committee.

FOR FURTHER DETAILS CONTACT:

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