



MAKANA
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Report To: **FINANCE ADMINISTRATION MONITORING AND EVALUATION PORTFOLIO COMMITTEE**

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Date: **APRIL 2016**

SUBJECT: MONTHLY REPORT: FEBRUARY 2016

REPORT DATED APRIL 2016 FROM THE ACTING CHIEF FINANCIAL OFFICER TO THE FINANCE ADMINISTRATION, MONITORING AND EVALUATION PORTFOLIO COMMITTEE

PURPOSE:

The purpose of this item is to submit a financial report for the month ending FEBRUARY 2016 to the Finance Administration, Monitoring and Evaluation Portfolio Committee for **APPROVAL**.

LEGAL COMPLIANCE:

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

BACKGROUND:

It is the role of the Finance Department to table, on a monthly basis, financial report indicating the financial performance of the institution at a given point in time. The attached report attempts to comply with that requirement, for the period ending FEBRUARY.

DISCUSSION:

Annexure 1 - Operating Income and Expenditure as at end FEBRUARY 2016.

Annexure 2 – Capital Expenditure per Vote as at end FEBRUARY 2016.

Annexure 3 – 12 Supporting Documents



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In-Year Report of the Municipality

Prepared in terms of the Local Government: Municipal Finance
Management Act (56/2003): Municipal Budget and Reporting
Regulations, Government Gazette 32141, 17 May 2009.

Monthly Budget Statement FEBRUARY 2016

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Glossary

| |
|---|
| Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year. |
| Allocations – Money received from Provincial or National Government or other municipalities. |
| Budget – The financial plan of the Municipality. |
| Budget related policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy, credit control and debt collection policy. |
| Capital expenditure - Spending on assets such as land, buildings and machinery. |
| Any capital expenditure must be reflected as an asset on the Municipality's balance sheet. |
| Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period. |
| DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government. |
| Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services. |
| Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised. |
| GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities. |
| GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting. |
| IDP – Integrated Development Plan. The main strategic planning document of the Municipality. |
| IHHS – Informal Housing and Human Settlements, provincial grant. |
| KEDA – Entity of Makana Municipality, Makana Economic Development Agency. |
| MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations. |
| MDMG – Municipal Disaster Management Grant. |
| MFMA – Local Government: Municipal Finance Management Act (56/2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act. |
| MIG – Municipal Infrastructure Grant. |
| MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position. |
| NDPG – Neighbourhood Development Partnership Grant. |
| Operating expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages |
| Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand. |
| SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates. |
| Strategic objectives – The main priorities of the Municipality as set out in the IDP. |
| Budgeted spending must contribute towards the achievement of the strategic objectives. |
| Unauthorised expenditure – Generally, is spending without, or in excess of, an approved budget. |
| Virement – A transfer of budget. |
| Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget. |
| Vote – One of the main segments into which a budget. In Makana Municipality this means at directorate level. |

PART 1 – IN-YEAR REPORT

Section 1 – Mayor’s Report

1.1 In-Year Report - Monthly Budget Statement

The monthly budget statement for February 2016 has been prepared to meet the legislative requirements of the Municipal Budget and Reporting Regulations

1.1.1 Financial problems or risks facing the municipality

The municipality continues to experience challenges regarding liquidity. This is mainly due to the under-collection of revenue and large outstanding debt owed to creditors carried over from previous financial years. These financial challenges continue to persist but some headway has been made in ensuring financial stability. A revenue enhancement strategy has been formulated and presented to council for approval. As a result a debt collection company (REVCO) was appointed and commenced work on 01 February 2015. The scope of work for work entails debt collection and data cleansing. The implementation of these functions should improve the debtors' information used to bill customers and the revenue collection rate thus reducing the liquidity challenges. The REVCO performance report is included under section 5 of this report.

Section 2 – IN-YEAR REPORTS 2015/2016

RECOMMENDATION:

(a) That Budget Steering Committee notes the monthly budget statement and supporting documentation for February 2016.

Section 3 – Executive Summary

3.1 Introduction

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.

3.2 Consolidated Performance

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.

| | Original Budget R'000 | Adjustment Budget R'000 | Actual R'000 | Annual Budget % |
|-----------------------|--------------------------|-------------------------------|-----------------|-----------------------|
| Operating Revenue | 427 637 | 440 053 | 252 822 | 57% |
| Operating Expenditure | 427 637 | 437 920 | 202 792 | 46% |
| Capital Expenditure | 191 857 | 62 942 | 14 719 | 23% |

Revenue by Source

Year-to-date Operating Revenue amounts to **57% or R252, 822 million** of the adjusted operating budget of **R440 053 million**.

Refer to – Table C4 for further details on both revenue by source and expenditure by type.

Operating expenditure by type

Year-to-date expenditure amounts to **46% or R202, 792 million** of the adjusted operating budget of **R437 920 million**.

Refer to – Table C4 for further details on both revenue by source and expenditure by type

Capital expenditure

Year-to-date expenditure on capital project amounts to **23% or R14 719 million** of the capital budget of **R62 942 million**.

Refer to – Table C5 for more detail.

Section 4 – In-year budget statement tables

4.1 Monthly budget statements

4.1.1 Table C1: s71 Monthly Budget Statement Summary

EC104 Makana - Table C1 Monthly Budget Statement Summary - M08 February

| Description | 2014/15 | Budget Year 2015/16 | | | | |
|--|-----------------|---------------------|------------------|----------------|----------------|-----------------|
| | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget |
| R thousands | | | | | | |
| Financial Performance | | | | | | |
| Property rates | 49,813 | 52,695 | 52,694 | 3,334 | 40,256 | 35,130 |
| Service charges | 197,214 | 261,748 | 277,532 | 27,629 | 134,098 | 174,363 |
| Investment revenue | 12,392 | 500 | 500 | 1,711 | 10,851 | 7,928 |
| Transfers recognised - operational | 81,144 | 84,920 | 80,361 | 452 | 63,033 | 61,876 |
| Other own revenue | 5,400 | 27,774 | 28,966 | 157 | 4,584 | 5,508 |
| Total Revenue (excluding capital transfers and contributions) | 345,963 | 427,637 | 440,053 | 33,284 | 252,822 | 284,804 |
| Employee costs | 129,931 | 121,519 | 131,969 | 12,002 | 96,817 | 81,011 |
| Remuneration of Councillors | 9,458 | 9,723 | 9,723 | 1,052 | 6,032 | 6,481 |
| Depreciation & asset impairment | 55,486 | 31,502 | 31,502 | 1,876 | 15,006 | 21,692 |
| Finance charges | 8,707 | 478 | 478 | (150) | 4,652 | 1 |
| Materials and bulk purchases | 79,094 | 94,427 | 82,857 | 3,611 | 33,633 | 58,668 |
| Transfers and grants | 25,328 | 48,997 | 48,997 | 32 | 2,954 | 49,623 |
| Other expenditure | 55,757 | 120,991 | 132,394 | 4,178 | 43,697 | 60,843 |
| Total Expenditure | 363,763 | 427,637 | 437,920 | 22,602 | 202,792 | 278,319 |
| Surplus/(Deficit) | (17,799) | 0 | 2,133 | 10,682 | 50,030 | 6,486 |
| Transfers recognised - capital | 215 | 1,185 | 254,849 | - | - | 790 |
| Contributions & Contributed assets | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - |
| Surplus/ (Deficit) for the year | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |
| Capital expenditure & funds sources | | | | | | |
| Capital expenditure | 36,197 | 191,857 | - | (2,131) | 48,786 | 127,905 |
| Capital transfers recognised | - | - | - | - | - | - |
| Public contributions & donations | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - |
| Internally generated funds | - | - | - | - | - | - |
| Total sources of capital funds | - | - | - | - | - | - |
| Financial position | | | | | | |
| Total current assets | 211,810 | - | 406,361 | | 202,320 | |
| Total non current assets | 1,111,381 | 191,857 | 951,199 | | 1,124,296 | |
| Total current liabilities | 247,697 | (903) | 111,932 | | 218,500 | |
| Total non current liabilities | 114,816 | - | 2,673 | | 114,816 | |
| Community wealth/Equity | 960,678 | (250) | 964,753 | | 993,301 | |
| Cash flows | | | | | | |
| Net cash from (used) operating | 102,194 | 32,463 | (201,689) | 9,937 | 31,413 | 28,366 |
| Net cash from (used) investing | (43,844) | (191,857) | - | 2,066 | (56,514) | (56,449) |
| Net cash from (used) financing | 23 | - | - | (15) | 59 | - |
| Cash/cash equivalents at the month/year | 44,502 | (159,394) | (194,769) | - | 15,792 | (21,163) |

The table above indicates that total municipality's own revenue recognised, consisting of Property Rates at R40, 256 million, Service Charges at R134, 098 million, interest from outstanding debtors and investments at R10, 851 million and other Own Revenue at R4, 584 million. The total internally generated revenue amounts to R189, 789 million or 80%, while revenue from transfers amounts to R63, 033 million or 20% of the total of R252, 822 million to date.

4.1.2 Table C2: Monthly Budget Statement – Financial Performance (standard classification)

This table reflects the operating budget (Financial Performance) in the standard classifications which are the Government Finance Statistics Functions and Sub-functions. These are used by National Treasury to assist the compilation of national and international accounts for comparison purposes, regardless of the unique organisational structures used by the different institutions.

The main functions are Governance and administration; Community and public safety; Economic and environmental services; and Trading services.

4.1.3 Table C3: Monthly Budget Statement – Financial Performance (revenue and expenditure by municipal vote)

The operating expenditure budget is approved by Council on the municipal vote level.

The municipal votes reflect the organisational structure of the municipality which is made up of the following directorates: Technical and Infrastructure; Corporate Services; Financial Services; Community and Social Services; Executive Mayor; Municipal Manager; Local Economic Development; Housing; Electricity; Water.

EC104 Makana - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M08 February

| Vote Description | Ref | 2014/15 | Budget Year 2015/16 | | | | | | | |
|--------------------------------------|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|--------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance | Full Year Forecast |
| R thousands | | | | | | | | | % | |
| Revenue by Vote | 1 | | | | | | | | | |
| Vote 1 - TECHNICAL SERVICES | | 35,407 | 38,567 | 38,567 | 1,171 | 25,840 | 26,555 | (715) | -2.7% | 38,563 |
| Vote 2 - CORPORATE SERVICES | | 403 | 929 | 929 | 109 | 205 | 519 | (314) | -60.5% | 729 |
| Vote 3 - FINANCIAL SERVICES | | 83,700 | 98,799 | 98,799 | 5,304 | 68,095 | 68,517 | (421) | -0.6% | 98,172 |
| Vote 4 - COMMUNITY & SOCIAL SERVICES | | 28,469 | 27,316 | 27,716 | 728 | 18,341 | 18,669 | (328) | -1.8% | 27,317 |
| Vote 5 - EXECUTIVE & COUNCIL | | 4,209 | 5,069 | 3,988 | – | 3,056 | 3,758 | (702) | -18.7% | 5,066 |
| Vote 6 - MUNICIPALITY MANAGER | | 740 | 3,431 | 4,508 | – | – | 2 | (2) | -100.0% | 3 |
| Vote 7 - LOCAL ECONOMIC DEVELOPMENT | | 109 | 6,336 | 1,376 | 6 | 127 | 850 | (723) | -85.1% | 1,275 |
| Vote 8 - HOUSING | | – | – | – | – | – | – | – | – | – |
| Vote 9 - ELECTRICITY | | 116,556 | 174,087 | 191,063 | (1,014) | 90,714 | 116,622 | (25,908) | -22.2% | 174,087 |
| Vote 10 - WATER | | 76,715 | 73,101 | 73,101 | 26,979 | 46,443 | 50,101 | (3,658) | -7.3% | 73,098 |
| Vote 11 - DOG TAX | | – | 1 | 1 | – | – | 1 | (1) | -100.0% | 1 |
| Vote 12 - PARKING METERS | | – | – | – | – | – | – | – | – | – |
| Total Revenue by Vote | 2 | 346,308 | 427,637 | 440,050 | 33,284 | 252,822 | 285,594 | (32,772) | -11.5% | 418,312 |
| Expenditure by Vote | 1 | | | | | | | | | |
| Vote 1 - TECHNICAL SERVICES | | 44,396 | 49,834 | 50,054 | 130 | 29,496 | 33,218 | (3,722) | -11.2% | 49,829 |
| Vote 2 - CORPORATE SERVICES | | 25,738 | 30,744 | 38,016 | (1,072) | 26,360 | 20,840 | 5,519 | 26.5% | 31,262 |
| Vote 3 - FINANCIAL SERVICES | | 60,708 | 59,180 | 50,605 | 2,313 | 21,688 | 43,102 | (21,414) | -49.7% | 64,653 |
| Vote 4 - COMMUNITY & SOCIAL SERVICES | | 58,543 | 67,402 | 87,102 | 4,611 | 39,452 | 43,095 | (3,643) | -8.5% | 64,645 |
| Vote 5 - EXECUTIVE & COUNCIL | | 11,099 | 16,824 | – | 1,366 | 9,623 | 11,216 | (1,593) | -14.2% | 16,824 |
| Vote 6 - MUNICIPALITY MANAGER | | 4,158 | 13,193 | 2,973 | 7,065 | 1,295 | 3,496 | (2,201) | -63.0% | 5,244 |
| Vote 7 - LOCAL ECONOMIC DEVELOPMENT | | 4,866 | 18,197 | 16,433 | 1,007 | 5,997 | 8,757 | (2,760) | -31.5% | 13,136 |
| Vote 8 - HOUSING | | 48 | 26 | 26 | 14 | 38 | 35 | 3 | 7.7% | 53 |
| Vote 9 - ELECTRICITY | | 106,402 | 120,032 | 116,744 | 4,443 | 48,186 | 79,756 | (31,569) | -39.6% | 119,634 |
| Vote 10 - WATER | | 48,304 | 52,203 | 55,849 | 2,725 | 20,680 | 34,801 | (14,122) | -40.6% | 52,203 |
| Vote 11 - DOG TAX | | – | 1 | – | – | – | 1 | (1) | -100.0% | 1 |
| Vote 12 - PARKING METERS | | – | – | – | – | – | – | – | – | – |
| Total Expenditure by Vote | 2 | 364,262 | 427,637 | 417,803 | 22,602 | 202,815 | 278,319 | (75,503) | -27.1% | 417,484 |
| Surplus/ (Deficit) for the year | 2 | (17,954) | (0) | 22,247 | 10,682 | 50,007 | 7,276 | 42,731 | 587.3% | 827 |

4.1.4 Table C4: Monthly Budget Statement – Financial Performance (revenue and expenditure)

EC104 Makana - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M08 February

| Description | Ref | 2014/15 | Budget Year 2015/16 | | | | |
|---|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget |
| R thousands | | | | | | | |
| Revenue By Source | | | | | | | |
| Property rates | | 49,813 | 52,695 | 52,694 | 3,334 | 40,256 | 35,130 |
| Property rates - penalties & collection charges | | – | – | – | – | – | – |
| Service charges - electricity revenue | | 112,430 | 168,727 | 185,703 | (1,029) | 87,974 | 112,349 |
| Service charges - water revenue | | 53,344 | 54,900 | 54,900 | 26,979 | 26,344 | 36,600 |
| Service charges - sanitation revenue | | 21,525 | 26,037 | 26,016 | 1,082 | 15,015 | 17,358 |
| Service charges - refuse revenue | | 9,813 | 11,783 | 10,913 | 597 | 4,750 | 7,856 |
| Service charges - other | | 102 | 301 | – | – | 15 | 201 |
| Rental of facilities and equipment | | 1,012 | 3,176 | 3,176 | 94 | 816 | 103 |
| Interest earned - external investments | | 12,392 | 500 | 500 | 1,711 | 10,851 | 7,928 |
| Interest earned - outstanding debtors | | – | 11,893 | 11,393 | – | – | – |
| Dividends received | | – | – | – | – | – | – |
| Fines | | 55 | 1,089 | 1,089 | 0 | 29 | 726 |
| Licences and permits | | 2,344 | 3,448 | 3,448 | 3 | 841 | 1,529 |
| Agency services | | 850 | 1,300 | – | (369) | (719) | 867 |
| Transfers recognised - operational | | 81,144 | 84,920 | 80,361 | 452 | 63,033 | 61,876 |
| Other revenue | | 1,138 | 6,868 | 9,860 | 429 | 3,617 | 2,283 |
| Gains on disposal of PPE | | – | – | – | – | – | – |
| Total Revenue (excluding capital transfers and contributions) | | 345,963 | 427,637 | 440,053 | 33,284 | 252,822 | 284,804 |
| Expenditure By Type | | | | | | | |
| Employee related costs | | 129,931 | 121,519 | 131,969 | 12,002 | 96,817 | 81,011 |
| Remuneration of councillors | | 9,458 | 9,723 | 9,723 | 1,052 | 6,032 | 6,481 |
| Debt impairment | | – | – | – | – | – | – |
| Depreciation & asset impairment | | 55,486 | 31,502 | 31,502 | 1,876 | 15,006 | 21,692 |
| Finance charges | | 8,707 | 478 | 478 | (150) | 4,652 | 1 |
| Bulk purchases | | 79,094 | 87,574 | 81,258 | 3,611 | 33,633 | 58,668 |
| Other materials | | – | 6,853 | 1,600 | – | – | – |
| Contracted services | | 4,302 | 8,734 | 10,128 | 401 | 4,926 | 3,046 |
| Transfers and grants | | 25,328 | 48,997 | 48,997 | 32 | 2,954 | 49,623 |
| Other expenditure | | 51,455 | 112,257 | 122,265 | 3,777 | 38,771 | 57,797 |
| Loss on disposal of PPE | | – | – | – | – | – | – |
| Total Expenditure | | 363,763 | 427,637 | 437,920 | 22,602 | 202,792 | 278,319 |
| Surplus/(Deficit) | | (17,799) | 0 | 2,133 | 10,682 | 50,030 | 6,486 |
| Transfers recognised - capital | | 215 | 1,185 | 254,849 | – | – | 790 |
| Contributions recognised - capital | | – | – | – | – | – | – |
| Contributed assets | | – | – | – | – | – | – |
| Surplus/(Deficit) after capital transfers & contributions | | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |
| Taxation | | – | – | – | – | – | – |
| Surplus/(Deficit) after taxation | | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |
| Attributable to minorities | | – | – | – | – | – | – |
| Surplus/(Deficit) attributable to municipality | | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |
| Share of surplus/ (deficit) of associate | | – | – | – | – | – | – |
| Surplus/ (Deficit) for the year | | (17,585) | 1,185 | 256,982 | 10,682 | 50,030 | 7,276 |

The negative R1 029 million from Electricity line item is due to account 3666 Republic Of South Africa Blind Library that was billed 8 435 483.72 in error in January 2016 and the account was reversed on the February billing.

The year-to-date Operating Revenue reflects an achievement of **57% or R252, 822 million** of the adjusted annual budget of R440, 053 million, and Operating Expenditure is **46% or R202, 792 million** of the adjusted annual budget of R437, 920 million.

Operating Revenue

Major contributors of Operating Revenue to date amounting to R252, 822 million are:

- Service Charges-Electricity at R87, 974 million or 34%
- Operational Transfers recognised at R63, 033 million or 24%.
- Property Rates at R40, 256 million or 16%.
- Service Charges-Water R26, 344 million or 10%
-

Operating Expenditure

Major contributors of Operating Expenditure to date amounting to R202, 792 million are:

- Employee-related costs at R96, 817 million or 48%
- Bulk purchases at R33, 633 million or 17%.
- Remuneration of councillors at R6, 032 million or 3%.

4.1.5 Table C5: Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding

EC104 Makana - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M08 February

| Vote Description | Ref | 2014/15 | Budget Year 2015/16 | | | | | | | |
|--|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | 1 | | | | | | | | | |
| Multi-Year expenditure appropriation | 2 | | | | | | | | | |
| Vote 1 - TECHNICAL SERVICES | | 20,937 | 153,683 | - | (2,277) | 5,174 | 102,455 | (97,281) | -95% | 153,683 |
| Vote 2 - CORPORATE SERVICES | | 915 | 600 | - | (568) | 1,825 | 400 | 1,425 | 356% | 600 |
| Vote 3 - FINANCIAL SERVICES | | (3) | - | - | - | (3) | - | (3) | 0% | - |
| Vote 4 - COMMUNITY & SOCIAL SERVICES | | 1,078 | 14,286 | - | (156) | 2,489 | 9,524 | (7,035) | -74% | 14,286 |
| Vote 5 - EXECUTIVE & COUNCIL | | - | - | - | - | - | - | - | - | - |
| Vote 6 - MUNICIPALITY MANAGER | | - | - | - | - | - | - | - | - | - |
| Vote 7 - LOCAL ECONOMIC DEVELOPMENT | | 344 | - | - | - | 344 | - | 344 | 0% | - |
| Vote 8 - HOUSING | | - | - | - | - | - | - | - | - | - |
| Vote 9 - ELECTRICITY | | 1,904 | 6,724 | - | - | 2,269 | 4,483 | (2,214) | -49% | 6,724 |
| Vote 10 - WATER | | 10,804 | 15,000 | - | (274) | 2,621 | 10,000 | (7,379) | -74% | 15,000 |
| Vote 11 - DOG TAX | | - | - | - | - | - | - | - | - | - |
| Vote 12 - PARKING METERS | | - | - | - | - | - | - | - | - | - |
| Vote 13 - | | - | - | - | - | - | - | - | - | - |
| Vote 14 - | | - | - | - | - | - | - | - | - | - |
| Vote 15 - | | - | - | - | - | - | - | - | - | - |
| Total Capital Multi-year expenditure | 4,7 | 35,980 | 190,292 | - | (3,275) | 14,719 | 126,861 | (112,142) | -88% | 190,292 |
| Capital Expenditure - Standard Classification | | | | | | | | | | |
| Governance and administration | | 1,130 | 1,200 | 1,150 | (182) | 1,855 | 800 | 1,055 | 132% | 800 |
| Executive and council | | - | - | - | - | - | - | - | - | - |
| Budget and treasury office | | 215 | - | - | - | 3 | - | 3 | #DIV/0! | - |
| Corporate services | | 915 | 1,200 | 1,150 | (182) | 1,852 | 800 | 1,052 | 132% | 800 |
| Community and public safety | | 1,080 | 13,983 | 1,300 | 158 | 2,499 | 9,322 | (6,823) | -73% | 9,322 |
| Community and social services | | - | 3,574 | 996 | 143 | 745 | 2,383 | (1,638) | -69% | 2,383 |
| Sport and recreation | | 1,078 | 10,409 | 304 | 14 | 1,744 | 6,939 | (5,195) | -75% | 6,939 |
| Public safety | | 2 | - | - | 1 | 10 | - | 10 | #DIV/0! | - |
| Housing | | - | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 18,174 | 14,801 | 1,201 | (1,271) | 3,190 | 9,867 | (6,677) | -68% | 9,867 |
| Planning and development | | 344 | - | - | - | 344 | - | 344 | 0% | - |
| Road transport | | 17,830 | 14,683 | 1,201 | (1,271) | 2,846 | 9,788 | (6,942) | -71% | 9,788 |
| Environmental protection | | - | 118 | - | - | - | 79 | (79) | -100% | 79 |
| Trading services | | 15,815 | 161,674 | 59,291 | (1,980) | 7,175 | 107,783 | (100,608) | -93% | 107,783 |
| Electricity | | 1,904 | 7,674 | 5,114 | - | 2,269 | 5,116 | (2,847) | -56% | 5,116 |
| Water | | 10,804 | 15,000 | 26,000 | (274) | 2,621 | 10,000 | (7,379) | -74% | 10,000 |
| Waste water management | | 3,107 | 139,000 | 28,177 | (1,706) | 2,285 | 92,667 | (90,382) | -98% | 92,667 |
| Waste management | | - | - | - | - | - | - | - | - | - |
| Other | | - | 200 | - | - | - | 133 | (133) | -100% | 133 |
| Total Capital Expenditure - Standard Classification | 3 | 36,199 | 191,857 | 62,942 | (3,275) | 14,719 | 127,905 | (113,186) | -88% | 127,905 |
| Funded by: | | | | | | | | | | |
| National Government | | | 178,780 | 56,890 | 3,275 | 14,133 | 37,943 | (23,810) | -63% | 56,890 |
| Provincial Government | | | 996 | 996 | - | 440 | 664 | (224) | -34% | 996 |
| District Municipality | | | - | - | - | - | - | - | - | - |
| Other transfers and grants | | | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | | - | 179,776 | 57,886 | 3,275 | 14,573 | 38,607 | (24,034) | -62% | 57,886 |
| Public contributions & donations | 5 | | | | | | | | | |
| Borrowing | 6 | | | | | | | | | |
| Internally generated funds | | | 12,081 | 5,056 | - | 146 | 3,371 | (3,225) | -96% | 5,056 |
| Total Capital Funding | | - | 191,857 | 62,942 | 3,275 | 14,719 | 41,977 | (27,259) | -65% | 62,942 |

4.1.6 Table C6: Monthly Budget Statement - Financial Position

EC104 Makana - Table C6 Monthly Budget Statement - Financial Position - M08 February

| Description | Ref | 2014/15 | Budget Year 2015/16 | | | |
|--|----------|------------------|---------------------|------------------|------------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | YearTD actual | Full Year Forecast |
| R thousands | 1 | | | | | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash | | 10,391 | – | 6,920 | 21,995 | – |
| Call investment deposits | | – | – | 6,344 | – | – |
| Consumer debtors | | 153,086 | – | 353,302 | 136,279 | – |
| Other debtors | | 34,256 | – | 30,124 | 28,800 | – |
| Current portion of long-term receivables | | – | – | – | – | – |
| Inventory | | 14,078 | – | 9,671 | 15,245 | – |
| Total current assets | | 211,810 | – | 406,361 | 202,320 | – |
| Non current assets | | | | | | |
| Long-term receivables | | – | – | – | – | – |
| Investments | | 25,579 | – | 7,186 | 25,642 | – |
| Investment property | | 230,233 | – | 252,039 | 230,233 | – |
| Investments in Associate | | – | – | – | – | – |
| Property, plant and equipment | | 847,533 | 190,292 | 661,804 | 859,144 | 190,292 |
| Agricultural | | – | – | – | – | – |
| Biological assets | | – | – | – | – | – |
| Intangible assets | | 4,357 | 1,565 | 1,004 | 5,597 | 1,565 |
| Other non-current assets | | 3,679 | – | 29,166 | 3,679 | – |
| Total non current assets | | 1,111,381 | 191,857 | 951,199 | 1,124,296 | 191,857 |
| TOTAL ASSETS | | 1,323,191 | 191,857 | 1,357,560 | 1,326,616 | 191,857 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Bank overdraft | | – | – | – | 22,034 | – |
| Borrowing | | 3,888 | – | 2,500 | 3,888 | – |
| Consumer deposits | | 2,321 | – | 2,451 | 2,443 | – |
| Trade and other payables | | 238,122 | – | 102,863 | 186,769 | – |
| Provisions | | 3,365 | (903) | 4,118 | 3,365 | (903) |
| Total current liabilities | | 247,697 | (903) | 111,932 | 218,500 | (903) |
| Non current liabilities | | | | | | |
| Borrowing | | 50,117 | – | – | 50,117 | – |
| Provisions | | 64,699 | – | 2,673 | 64,699 | – |
| Total non current liabilities | | 114,816 | – | 2,673 | 114,816 | – |
| TOTAL LIABILITIES | | 362,513 | (903) | 114,606 | 333,315 | (903) |
| NET ASSETS | 2 | 960,678 | 192,760 | 1,242,955 | 993,301 | 192,760 |
| COMMUNITY WEALTH/EQUITY | | | | | | |
| Accumulated Surplus/(Deficit) | | 955,232 | (250) | 959,325 | 987,841 | (250) |
| Reserves | | 5,447 | – | 5,428 | 5,459 | – |
| TOTAL COMMUNITY WEALTH/EQUITY | 2 | 960,678 | (250) | 964,753 | 993,301 | (250) |

The year to date actual on overdraft line is due to overdraft in cash at bank vote number. Since January this vote closing balance is a negative amount.

The value reflected in the Financial Position will not reconcile to the Debtors Age Analysis shown on Table C1 and SC3. The financial position includes the total annual billing to date, whereas the age analysis only includes those

amounts which have become due and not the 'future' amounts which will only fall due in coming months for consumers who have chosen to pay for their rates and fixed charges on an instalment bases.

4.1.7 Table C7: Monthly Budget Statement - Cash Flow

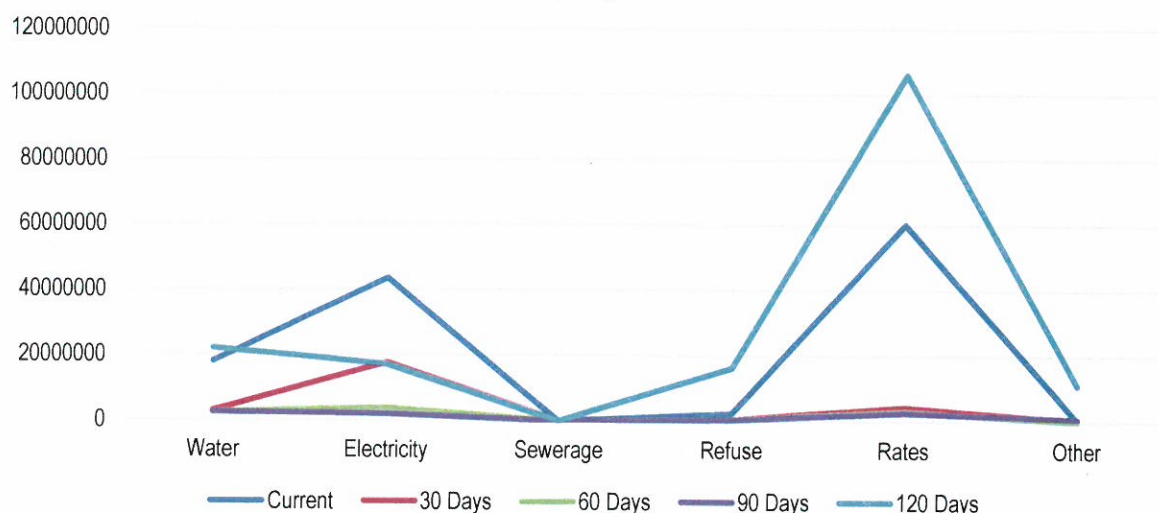
EC104 Makana - Table C7 Monthly Budget Statement - Cash Flow - M08 February

| Description | Ref | 2014/15 | Budget Year 2015/16 | | | | | | | |
|---|----------|-----------------|---------------------|-----------------|----------------|---------------|-----------------|-----------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | 1 | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Ratepayers and other | | 222,670 | 322,501 | 322,501 | 21,565 | 201,201 | 215,000 | (13,799) | -6% | 322,501 |
| Government - operating | | 81,144 | 82,734 | 82,734 | 452 | 63,033 | 61,876 | 1,157 | 2% | 82,734 |
| Government - capital | | 215 | 1,185 | 1,185 | - | - | 790 | (790) | -100% | 1,185 |
| Interest | | 12,392 | 11,893 | 7,393 | 1,711 | 10,851 | 7,928 | 2,922 | 37% | 11,893 |
| Dividends | | - | - | - | - | - | - | - | | - |
| Payments | | | | | | | | | | |
| Suppliers and employees | | (180,191) | (311,413) | (259,776) | (15,824) | (236,066) | (207,605) | 28,461 | -14% | (311,413) |
| Finance charges | | (8,707) | (1) | (1,713) | (150) | (4,652) | (1) | 4,651 | -700454% | (1) |
| Transfers and Grants | | (25,328) | (74,434) | (75,589) | (1,624) | (2,954) | (49,623) | (46,669) | 94% | (74,434) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 102,194 | 32,463 | 76,734 | 6,130 | 31,413 | 28,366 | (3,047) | -11% | 32,463 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Proceeds on disposal of PPE | | (5,054) | - | - | - | (5,054) | (5,054) | - | | - |
| Decrease (Increase) in non-current debtors | | - | - | - | - | - | - | - | | - |
| Decrease (increase) other non-current receivables | | - | - | - | - | - | - | - | | - |
| Decrease (increase) in non-current investments | | 8 | - | - | (63) | (64) | - | (64) | #DIV/0! | - |
| Payments | | | | | | | | | | |
| Capital assets | | (38,799) | (191,857) | (62,942) | (3,275) | 14,719 | (51,396) | (66,115) | 129% | (62,942) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (43,844) | (191,857) | (62,942) | (3,338) | 9,601 | (56,449) | (66,050) | 117% | (62,942) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | |
| Receipts | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | | - |
| Borrowing long term/refinancing | | - | - | - | - | - | - | - | | - |
| Increase (decrease) in consumer deposits | | 23 | - | - | (15) | 59 | - | 59 | #DIV/0! | - |
| Payments | | | | | | | | | | |
| Repayment of borrowing | | - | - | - | - | - | - | - | | - |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | 23 | - | - | (15) | 59 | - | (59) | #DIV/0! | - |
| NET INCREASE/ (DECREASE) IN CASH HELD | | 58,374 | (159,394) | 13,792 | 2,776 | 41,073 | (28,083) | | | (30,479) |
| Cash/cash equivalents at beginning: | | (13,872) | - | 6,920 | | 6,920 | 6,920 | | | 6,920 |
| Cash/cash equivalents at month/year end: | | 44,502 | (159,394) | 20,712 | | 47,993 | (21,163) | | | (23,559) |

PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Debtors' Analysis

Debtor's Age Analysis per service rendered

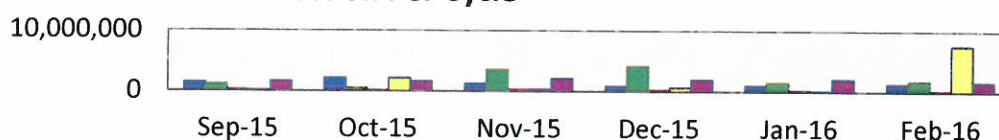


The age analysis for debtors only includes those amounts which are currently or past due. It does not include amounts which are due in future months for consumers who have chosen to pay rates and annual charges on an instalment basis.

REVCO Performance Report

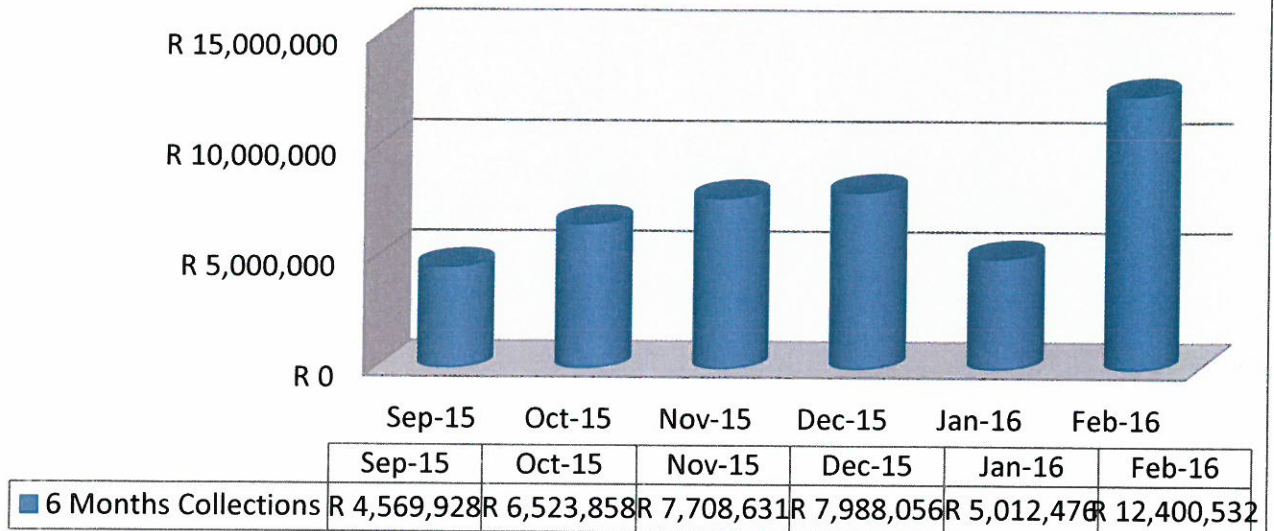
| Average Payment Value Per Month | | | | | |
|---------------------------------|-------------------------|-------------------|-------------------------|--------------------------------|-----------------------|
| Month | Active Accounts Balance | Actual Collection | Number of Accounts Paid | % Yield Achieved on Collection | Average Payment Value |
| July | R134 846 307.00 | R6 464 294.00 | 7 162 | 4.79% | R903.00 |
| August | R114 034 939.00 | R5 165 886.00 | 7 051 | 4.53% | R733.00 |
| September | R106 588 019.00 | R4 569 928.00 | 7 195 | 4.29% | R635.00 |
| October | R106 323 064.00 | R6 523 858.00 | 7 354 | 6.4% | R887.00 |
| November | R109 363 386.00 | R7 708 631.00 | 7 386 | 7.05% | R1 044.00 |
| December | R138 811 075.00 | R7 988 056.00 | 7 280 | 5.75% | R1 097 |
| January | R128 915 320.00 | R5 012 476.00 | 2 645 | 3.89% | R1 895 |

6 Month Collection Per Cycle



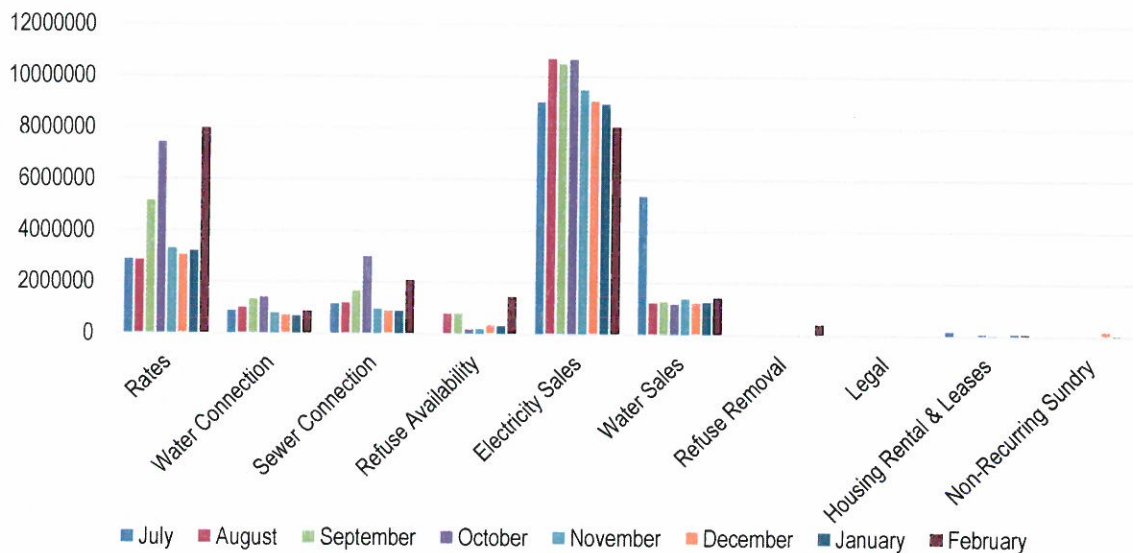
| | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Business | 1,450,887 | 2,158,644 | 1,292,512 | 877,261 | 1,099,440 | 1,304,199 |
| Colleges & Universities | 1,153,855 | 470,246 | 3,656,148 | 4,216,360 | 1,541,777 | 1,742,317 |
| Farms & Trust | 173,023 | 104,903 | 274,972 | 228,029 | 174,779 | 158,755 |
| Government | 154,017 | 2,116,187 | 310,237 | 638,672 | 126,160 | 7,588,311 |
| Residential | 1,638,146 | 1,673,878 | 2,174,762 | 2,027,734 | 2,070,320 | 1,606,950 |

6 Month Collections



Analysis of Revenue Collected

Revenue Collected July- February



For the month of February the municipality collected 68% of electricity charges in. The negative billing amount for electricity sales is due to the reversal of a billing error. The collection of municipal rates currently sits at 80% for February. These above average collection rates, when compared to billed amounts, could be attributed to payments made on arrear debts. The collection rate is 81%.

Section 6 – Creditors' Analysis

6.1 Supporting Table SC4

Summary of all creditor's paid at 29 FEBRUARY 2016

| <u>DESCRIPTION</u> | <u>TOTAL PAID IN FEBRUARY</u> |
|--------------------|-------------------------------|
| Total payments | R10 499 447.88 |

Top 10 Payments made in JANUARY 2016

| <u>DESCRIPTION</u> | <u>AMOUNT PAID</u> |
|---------------------------------|----------------------|
| ESKOM | R5 021 199.96 |
| SARS | R1 450 612.78 |
| Telkom SA | R419 188.04 |
| Mso-Ndili Trading CC | R255 908.30 |
| Ikhaya Development Trust | R290 606.52 |
| Development and Engineering Co. | R273 600.00 |
| EP Mufflers | R197 256.86 |
| Suwankazi General Trading | R162 756.75 |
| Hedraweb Investment | R127 500.00 |
| Syntell Networks | R103 283.66 |
| TOTAL | R8 301 912.87 |

Summary of payables at 29 FEBRUARY 2016

Age analysis

| <u>TOTAL</u> | <u>CURRENT</u> | <u>30 DAYS</u> | <u>60 DAYS</u> | <u>90 DAYS</u> | <u>120 DAYS</u> |
|----------------|----------------|----------------|----------------|----------------|-----------------|
| R91 159 454.80 | R5 383 876.89 | R2 506 784.21 | R1 536 021.87 | R2 967 277.91 | R78 765 493.92 |

Top 10 Creditors

| <u>COMPANY NAME</u> | <u>CURRENT</u> | <u>30 DAYS</u> | <u>60 DAYS</u> | <u>90 DAYS</u> | <u>120 DAYS</u> |
|-----------------------------|--------------------|----------------------|--------------------|----------------------|-----------------------|
| Eskom | | | | | R52 753 117.80 |
| Department of Water Affairs | | R559 690.91 | | | R5 893 725.00 |
| B.R.O Civils | | R817 541.37 | R847 091.26 | R1 921 927.45 | R1 304 334.44 |
| Ducharme Consulting | | | | | R1 404 716.94 |
| Sibanye Valuers | | | | | R1 324 698.00 |
| MBB Consulting | | | | | R931 658.92 |
| Royal Haskoning | | | | | R792 281.70 |
| Master Maize | | R207 822.00 | | R406 504.30 | |
| North & Robertson | R165 542.25 | | | | R440 105.12 |
| Ballenden & Robb | | | | | R474 969.14 |
| TOTAL | R165 542.25 | R1 585 054.28 | R847 091.26 | R2 328 431.75 | R65 319 334.06 |

The outstanding creditors have increased by **R7 603 835.60** from the previous month to **R91 159 454.80** in the current month. Although the municipality has entered into payment arrangements with all major creditors, it is imperative that austerity measures be strictly adhered to, in order not to incur further debt.

Section 7 – Allocations for Operating Grant Receipts and Expenditure

Summary of Grants Received

| <u>GRANT</u> | <u>BUDGET</u> | <u>AMOUNT RECEIVED TO DATE</u> | <u>EXPENDITURE IN FEBRUARY</u> | <u>EXPENDITURE YEAR-TO-DATE</u> |
|--------------|-----------------------|--------------------------------|--------------------------------|---------------------------------|
| MIG | R23 270 948.00 | R0.00 | R0.00 | R778 877.00 |
| MSIG | R930 000.00 | R930 000.00 | R4 900.00 | R582 708.00 |
| FMG | R1 675 000.00 | R1 675 000.00 | R230 631.00 | R1 299 597.00 |
| EPWP | R1 002 000.00 | R1 002 000.00 | R119 760.00 | R976 373.00 |
| TOTAL | R26 877 948.00 | R3 607 000.00 | R355 291.00 | R3 637 550.00 |

Section 8 – Expenditure on councillor allowances and employee benefits

Section 9 – Capital Programme Performance

EC104 Makana - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M08 February

| Vote Description | Ref | 2014/15 | Budget Year 2015/16 | | | | | | | Full Year Forecast |
|----------------------------------|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|-----------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | |
| R thousands | 1 | | | | | | | | % | |
| Funded by: | | | | | | | | | | |
| National Government | | | 178,780 | 56,890 | 3,275 | 14,133 | 37,943 | (23,810) | -63% | 56,890 |
| Provincial Government | | | 996 | 996 | - | 440 | 664 | (224) | -34% | 996 |
| District Municipality | | | | | | | | - | | |
| Other transfers and grants | | | | | | | | - | | |
| Transfers recognised - capital | | - | 179,776 | 57,886 | 3,275 | 14,573 | 38,607 | (24,034) | -62% | 57,886 |
| Public contributions & donations | 5 | | | | | | | - | | |
| Borrowing | 6 | | | | | | | - | | |
| Internally generated funds | | | 12,081 | 5,056 | - | 146 | 3,371 | (3,225) | -96% | 5,056 |
| Total Capital Funding | | - | 191,857 | 62,942 | 3,275 | 14,719 | 41,977 | (27,259) | -65% | 62,942 |

Total expenditure to-date amounts to R14.7 million.

Section 10 – Supply Chain Management

Tenders awarded for the month

No tenders were awarded.