

STRICTLY CONFIDENTIAL

EXECUTIVE SUMMARY

SUBMISSION TO : Mayoral Committee

DIVISION REQUESTING THE SUBMISSION : Finance

TITLE OF THE SUBMISSION

MFMA Section 52(d) Report – Quarter 1 2016/17

1. SOLUTION REQUIRED

Strategy Endorsement	
Commercial Options	
Approval	
Information	X

2. PURPOSE

To inform the mayoral committee of the financial performance and position as required by Section 52(d) of the MFMA.

3. BACKGROUND

In terms of the section 52(d) of the Municipal Finance Management Act (Act No.58 of 2003) (MFMA), the mayor of a municipality must within 30 days of the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

Furthermore in terms of section 11(4) (a) of the MFMA, the accounting officer must within 30 days after the end of each quarter table in the municipal council a consolidated report of all withdrawals made in terms of subsection 1(b) to (j) during that quarter.

This report is in terms of the above-mentioned sections of the MFMA and following herewith are the highlights for the quarter ended 30 September 2016:

OVERVIEW OF FINANCIAL PERFORMANCE

4. Revenue

- The total revenue for the quarter ending of **30 September 2016** is **R66.2m**, the year to date revenue amounts **R187.5m**, the year to date budget is **R181.6m** resulting in revenue figures being ahead of budget by **R5.9m** due to the following main contributing factors:

- Electricity revenue is R5.8m ahead of budget, the high consumption is due to the cool weather patterns experienced in July and August.

5. Expenditure & Budget Control.

The total expenditure for the quarter ending of **September 2016** amounts to **R67.7m**, the year to date actual amounts to **R164.4m** (year to date budgeted **R177.3m**) resulting in a variance of **R12.8m**.

The main expenditure items for the month of September are:

- **Employee Related Costs and Councillor Remuneration** – The total employee costs at the quarter ending **September 2016** and councillors remuneration is **R38.5m** and **R1.8m** respectively (year to date budget R38.7m) this results in a slight underspending of R124k. (Refer to annexure A for detailed employee costs).
- **General Expenses** – The operational expenditure for the 1st quarter amounts to **R16m** (Year to date budget is **R23.m**). Operational expenditure is expected to rise as the financial months unfold and service delivery is executed.
- **Other Materials** – The total repairs and maintenance expenditure for the 1st quarter **2016** is **R3.3m** and the year to date budget is **R6.6m**
- **Capital Expenditure-** The actual expenditure on capital projects for the 1st quarter 2016 amounts amounts to R3.4m (year to date budget:R9.6m) resulting in a variance of **R5.6m**.
- **Fruitless and wasteful expenditure:** The fruitless and wasteful expenditure for the quarter ending 30 September 2016 **R309 302.06** and is due to interest on outstanding ESKOM invoices

List of capital projects and expenditure to date

Description	Budget	Sept. Exp	Commitment	YTD Movement	Balance
EQUIPMENT - Library	1,390,000.00	-	-	-	1,390,000.00
TOYS LIBRARIES	60,000.00	-	-	-	60,000.00
LIBRARY BOOKS	1,500,000.00		858,620.44		1,500,000.00
SOFTWARE (ICT)	350,000.00		289,549.22		350,000.00
RFID TECHNOLOGY	107,000.00				107,000.00
FENCING EKUPHUMULENI & KWA-ZENZELE	1,500,000.00				1,500,000.00
FENCING OF RATANDA ADMIN BLOCK PALISADE	1,000,000.00				1,000,000.00
MOTOR VEHICLE	900,000.00			759,198.26	140,801.74
MAYOR'S HOUSE	500,000.00			257,262.55	242,737.45
INFRASTRUCTURE INFORMAL TRADERS	1,000,000.00				1,000,000.00
COMPUTER HARDWARE	2,300,000.00	17,416.15		17,416.15	2,282,583.85
EQUIPMENT - Electrical	100,000.00				100,000.00

JAMESON PARK SUBSTATION	1,800,000.00				1,800,000.00
RELOCATION OF METERS	2,400,000.00				2,400,000.00
ELECTRICAL RET. 2000 STANDS KAYDALE	3,325,000.00				3,325,000.00
ELECTRICAL RET. 6000STANDS (OBED NKOSI)	2,675,000.00				2,675,000.00
HIGHMAST LIGHTS OBED NKOSI	704,000.00				704,000.00
ROADS - LESEDI	4,000,000.00				4,000,000.00
ROAD RESEALING	5,000,000.00				5,000,000.00
ROADS - LESEDI	5,500,000.00	821,765.78		2,015,081.30	3,484,918.70
EQUIPMENT - Sewer	400,000.00				400,000.00
RETICULATION OF BUCKET SYSTEM	1,500,000.00				1,500,000.00
UPGRADE SEWER PLANT KWA-ZENZELE	10,000,000.00				10,000,000.00
REFUSE TRUCK	1,500,000.00				1,500,000.00
WATER RET.: UPGRADE WATER FEEDER PIPELINE	7,500,000.00	135,765.00		414,855.55	7,085,144.63
	57,011,000.00	974,946.93	1,148,169.66	3,463,813.63	53,547,186.37

6. Consolidated income and expenditure report: for quarter ending 30 September 2016

GT423 Lesedi - Financial Performance (revenue and expenditure) - September 2016								
Description	2015/16	Budget Year 2016/17						
	Pre-Audit Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands								
Revenue By Source								
Property rates	84,459	98,270	-	7,987	24,176	24,568	(391)	-2%
Property rates - penalties & collection charges	-	-	-	-	-	-	-	
Service charges - electricity revenue	216,219	288,970	-	3,611	78,128	72,243	5,885	8%
Service charges - water revenue	70,209	110,353	-	7,914	26,563	27,588	(1,025)	-4%
Service charges - sanitation revenue	20,711	25,317	-	2,086	6,814	6,329	485	8%
Service charges - refuse revenue	25,598	30,193	-	2,549	7,607	7,548	58	1%
Service charges - other	1,150	1,217	-	131	357	304	53	17%
Rental of facilities and equipment	3,512	4,331	-	696	1,197	1,083	114	10%
Interest earned - external investments	1,039	1,000	-	117	257	250	7	3%
Interest earned - outstanding debtors	10,482	13,700	-	389	1,000	3,425	(2,425)	-71%
Dividends received	-	-	-	-	-	-	-	
Fines	30,212	46,516	-	1,608	1,620	11,629	(10,009)	-86%

Licences and permits	41	62	-	-	-	15	(15)	-100%
Agency services	-	-	-	-	-	-	-	
Transfers recognised - operational	84,719	103,606	-	39,211	39,266	25,901	13,364	52%
Other revenue	20,013	2,880	-	(14)	532	720	(188)	-26%
Gains on disposal of PPE	558	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	568,923	726,416	-	66,285	187,516	181,604	5,912	3%
Expenditure By Type								
Employee related costs	128,403	154,838	-	11,425	38,585	38,710	(124)	0%
Remuneration of councillors	8,433	9,819	-	755	1,890	2,455	(564)	-23%
Debt impairment	75,844	110,039	-	9,170	27,510	27,510	0	0%
Depreciation & asset impairment	41,688	41,808	-	3,484	10,452	10,452	0	0%
Finance charges	11,478	10,368	-	1,417	1,417	2,592	(1,175)	-45%
Bulk purchases	217,375	262,961	-	31,537	65,158	65,740	(583)	-1%
Other materials	24,475	26,516	-	2,108	3,368	6,629	(3,260)	-49%
Contracted services	526	636	-	74	99	159	(60)	-38%
Transfers and grants	-	-	-	-	-	-	-	
Other expenditure	85,916	92,247	-	6,650	16,000	23,062	(7,061)	-31%
Loss on disposal of PPE	4,145	-	-	-	-	-	-	
Total Expenditure	598,283	709,232	-	66,621	164,480	177,308	(12,828)	-7%
Surplus/(Deficit)	(29,360)	17,184	-	(336)	23,037	4,296	18,741	436%
Transfers recognised - capital	58,164	40,374	-	2,315	2,315	10,094	(7,778)	-77%
Contributions recognised - capital	-	-	-	-	-	-	-	
Contributed assets	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	28,803	57,558	-	1,979	25,352	14,390		
Taxation	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation	28,803	57,558	-	1,979	25,352	14,390		
Attributable to minorities	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality	28,803	57,558	-	1,979	25,352	14,390		
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	28,803	57,558	-	1,979	25,352	14,390		

7. Cash and cash equivalents

Closing operating bank balance as at the quarter ending 30 September 2016 is R930.8k
The funds invested in ABSA were R13.6m and Investec R14.7 total R28.4m.

Bank Reconciliation at 30 September 2016

Opening cash book balance at 1 September 2016		-R2,371,211
Add: Income received		R47,137,236.75
Income	R47,020,620.80	
Interest	R116,615.95	
Less: RD Cheques	-	
Less: Expenditure		-R49,247,840.93
Expenditure	-R49,184,527.20	
Bank charges	-R63,313.73	
Closing cash book balance at 30 September 2016		-R4,818,815.56
Add: unprocessed transactions		
Opening bank statement balance C/F		R795,824.79
Add: Outstanding cheques		R258,736.56
Minus: Cash on hand		-R578,732.66
Plus: Deposits		R305,996.81
Minus: miscellaneous charges		-R184.98
Closing bank balance as per bank statement 30 September 2016.		R930,832.76

9. Collection and Billing

Cash collected in September 2016 is for the billing of the month of August 2016; Cash collection in August 2016 is for the billing of July 2016 and cash collected in July 2016 is for the billing of June 2016. The average collection rate for the 1st quarter is 78%

Months	Billing (R)	Receipts (R)	Collection %
June	44 241 326		
July	48 958 588	33 789 062	76
August	53 235 658	40 896 031	83
September	50 050 620	41 919 764	79
Total excl. June	152 244 866	116 604 857	79

Below is the report of debtor's level of payment. (Debtors age analysis) for the quarter ending **30 September 2016**

GT423 Lesedi - Aged Debtors - September 2016									
Description	Budget Year 2016/17								
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
R thousands									
Debtors Age Analysis By Revenue Source									
Rates	7,399	2,694	2,163	1,673	1,400	1,283	6,921	33,717	57,250
Electricity	26,750	5,918	3,925	2,995	2,718	2,538	15,574	81,101	141,519
Water	9,302	7,604	7,169	6,849	5,337	1,592	17,733	97,843	153,430
Sewerage / Sanitation	2,106	1,173	1,050	931	912	836	4,788	29,260	41,056
Refuse Removal	2,375	1,583	1,382	1,211	1,246	1,198	6,118	46,278	61,393
Housing (Rental Revenue)	-	-	-	-	-	-	-	-	-
Other	3,554	443	222	152	394	447	2,429	27,443	35,083
Total By Revenue Source	51,487	19,414	15,912	13,811	12,008	7,894	53,563	315,642	489,731
Debtors Age Analysis By Customer Category									
Government	4,629	1,931	1,224	896	700	683	3,397	7,962	21,421
Business	20,629	1,766	874	478	473	351	2,349	3,928	30,848
Households	23,478	15,638	13,789	12,415	10,818	6,850	47,758	303,445	434,190
Other	2,751	78	26	22	17	11	59	308	3,273
Total By Customer Category	51,487	19,414	15,912	13,811	12,008	7,894	53,563	315,642	489,731

10. Accounts Payable

Outstanding accounts payable inclusive of Goods Received Notes without invoices total at the quarter ending 30 September R46m.

GT423 Lesedi - Aged Creditors - September 2016									
Description	Budget Year 2016/17								Total
	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	
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity	47	29,538	6,265	-	-	-	-	-	35,849
Bulk Water	-	-	-	-	-	-	-	-	-
PAYE deductions	1,722	-	-	-	-	-	-	-	1,722
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	2,149	-	-	-	-	-	-	-	2,149
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	2,681	269	-	209	-	-	-	-	3,159
Auditor General	-	474	-	-	-	-	-	-	474
Other	-	521	296	1,848	-	-	-	-	2,664
Total By Customer Type	6,599	30,802	6,561	2,056	-	-	-	-	46,018

The current ratio for the quarter ending 30 September 2016 is 1.13: 1 this is below the norm of 2:1. The reason for this poor ratio is due to the increasing debt book which mean that the municipality is not converting debtors into cash quickly enough to pay off its short term liabilities timeously.

GT423 Lesedi - Financial Position - September 2016

Description	Ref	2014/15	Budget Year 2016/17			
		Pre Audit Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		18,976	21,390	-	29,607	-
Call investment deposits		-	-	-	-	-
Consumer debtors		57,320	56,558	-	125,769	-
Other debtors		38,619	31,048	-	69,992	-
Current portion of long-term receivables		-	-	-	-	-
Inventory		3,261	5,174	-	2,995	-

Total current assets		118,176	114,170	-	228,363	-
Non current assets						
Long-term receivables		-	-	-	(3,091)	-
Investments		-	-	-	-	-
Investment property		220,980	192,619	-	208,605	-
Investments in Associate		-	-	-	-	-
Property, plant and equipment		592,273	718,883	-	606,036	-
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		4,635	3,100	-	3,918	-
Other non-current assets		158	158	-	-	-
Total non current assets		818,046	914,759	-	815,469	-
TOTAL ASSETS		936,222	1,028,929	-	1,043,831	-
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	4,482	-
Borrowing		3,063	3,372	-	-	-
Consumer deposits		8,239	9,446	-	9,828	-
Trade and other payables		122,000	76,389	-	172,186	-
Provisions		62,581	11,460	-	14,845	-
Total current liabilities		195,884	100,667	-	201,341	-
Non current liabilities						
Borrowing		61,994	55,266	-	61,994	-
Provisions		4,748	61,184	-	62,956	-
Total non current liabilities		66,742	116,449	-	124,950	-
TOTAL LIABILITIES		262,625	217,116	-	326,291	-
NET ASSETS	2	673,597	811,813	-	717,540	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		673,597	793,641	-	717,540	-
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	673,597	793,641	-	717,540	-

11. LEGISLATIVE PROVISION

Section 71 of the MFMA.

Section 96 of the Municipal Systems Act (Act No. 32 of 2000).

- 12. ATTACHMENTS:**
Annex A – Employee costs report
Annex B – Withdrawals report

13. RECOMMENDATION

That Council takes note of the financial report for the quarter ending 30 September 2016.