



LESEDI

LOCAL MUNICIPALITY / PLAASLIKE MUNISIPALITEIT

STRICTLY CONFIDENTIAL

EXECUTIVE SUMMARY

SUBMISSION TO : Mayoral Committee

DIVISION REQUESTING THE SUBMISSION : Finance

1. TITLE OF THE SUBMISSION : **Mid-year financial report**

2. PURPOSE

Strategy Endorsement	
Commercial Options	
Approval	
Information	X

3. SOLUTION REQUIRED

The financial report should be noted by the Mayoral Committee.

4. BACKGROUND REASON FOR REQUEST

In terms of the section 72(1)(a)(i) of the Municipal Finance Management Act (Act No.58 of 2003) (MFMA), the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year taking into account the monthly statements referred to in section 71 for the first half of the financial year.

This report is in terms of the above-mentioned section of the MFMA and following herewith are the highlights for the mid-year ended December 2013:

4.1.1 Current Assets

The net cashbook balance as at 31 December 2013 was R17 million. This is an increase of R3 million when compared to the 30 June 2013 financial year end as a result of the municipality receiving the allocated equitable share.

The gross consumer debtors have increased by R31 million when compared to the financial year ended 30 June 2013. Although the debt recovery and credit control policy has been implemented, it should be noted that it is not strictly applied due to attempts by the municipality of getting the community back into the culture of paying for services and hence the current process of encouraging the community to make arrangements of paying their debts. This current process would have to reviewed especially towards the last quarter of the financial year as the municipality would not have the overdraft facility to pay to settle operational commitments.

4.1.2 Current Liabilities

Current liabilities have decreased by 78% from the year ended 30 June 2013. The decrease is mainly equated to the overdraft facility that assists the municipality to meet the operational expenditure and also equitable share allocations that were received during the six (6) months of July and December.

The mid-year current ratio at 31 December 2013 is 1487:1 which is above the norm of 2:1. This is as a result of the bulk of the municipality's current liabilities being settled with equitable share funding.

4.1.3 Non-Current Assets

The municipality acquired new assets to the value of R4,572,034 since the beginning of the financial year made up as follows:

Roads: R3,981,745

Libraries: R26,978.20

4.2 OVERVIEW OF CURRENT FINANCIAL PERFORMANCE

4.2.1 Revenue:

The total billed revenue on all services is 10% below budget due to the following reasons which are the main contributors:

- Electricity revenue is 11% below budget due to lower consumption in affluent areas such as Heidelberg.
- Property rates are also 4% below budget due to township establishment that was not finalised.
- Rental of facilities and equipment is 81% below budget due to rentals not being cost reflective. We are in the process of reviewing all rental properties of the municipality including the rental such that we can realise this revenue.

4.2.2 Expenditure:

The operating expenditure to date is R200,372,000 which is 18% below the planned budget. The underspending on the net operating expenditure versus pro-rata budget is due to debt impairment and depreciation not being done on a monthly basis.

The municipality reported an operational surplus of R29 million year to date.

GT423 Lesedi - Financial Performance (revenue and expenditure) - Quarter 2

Description	Ref	2012/13	Budget Year 2013/14					Full Year Forecast
		Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
Revenue By Source								
Property rates		58 417	64 801	31 176	32 400	(1 224)	-4%	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-
Service charges - electricity revenue		196 217	228 537	101 216	114 269	(13 053)	-11%	-
Service charges - water revenue		59 151	66 714	44 201	33 357	10 844	33%	-
Service charges - sanitation revenue		16 495	19 808	-	9 904	(9 904)	-100%	-
Service charges - refuse revenue		22 103	23 198	12 014	11 599	415	4%	-
Service charges - other		3 360	6 675	1 391	3 338	(1 947)	-58%	-
Rental of facilities and equipment		2 361	9 642	912	4 821	(3 909)	-81%	-
Interest earned - external investments		703	1 569	158	785	(626)	-80%	-
Interest earned - outstanding debtors		4 657	3 068	3 426	1 534	1 892	123%	-
Dividends received		-	-	-	-	-	-	-
Fines		168	500	108	250	(142)	-57%	-
Licences and permits		44	63	20	31	(12)	-38%	-
Agency services		-	-	-	-	-	-	-
Transfers recognised - operational		71 432	81 805	33 365	40 902	(7 537)	-18%	-
Other revenue		194	940	296	470	(174)	-37%	-
Gains on disposal of PPE		-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		435 303	507 321	228 284	253 660	(25 377)	-10%	-
Expenditure By Type								
Employee related costs		92 223	114 306	48 476	57 153	(8 677)	-15%	-
Remuneration of councillors		7 345	8 140	3 624	4 070	(446)	-11%	-
Debt impairment		66 158	52 787	-	26 393	(26 393)	-100%	-
Depreciation & asset impairment		33 431	35 499	-	17 749	(17 749)	-100%	-
Finance charges		6 784	6 373	3 604	3 187	417	13%	-
Bulk purchases		189 258	187 445	112 337	93 723	18 614	20%	-
Other materials		20 884	36 950	7 197	18 475	(11 278)	-61%	-
Contracted services		667	684	241	342	(100)	-29%	-
Transfers and grants		-	-	-	-	-	-	-
Other expenditure		53 947	46 851	24 893	23 426	1 467	6%	-
Loss on disposal of PPE		-	-	-	-	-	-	-
Total Expenditure		470 696	489 035	200 372	244 518	(44 146)	-18%	-
Surplus/(Deficit)		(35 393)	18 286	27 912	9 143	18 769	0	-
Transfers recognised - capital		19 070	43 993	1 764	21 997	(20 233)	(0)	-
Contributions recognised - capital		-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(16 323)	62 279	29 675	31 139			-
Taxation		-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(16 323)	62 279	29 675	31 139			-
Attributable to minorities		-	-	-	-			-
Surplus/(Deficit) attributable to municipality		(16 323)	62 279	29 675	31 139			-
Share of surplus/ (deficit) of associate		-	-	-	-			-
Surplus/ (Deficit) for the year		(16 323)	62 279	29 675	31 139			-

GT423 Lesedi - Financial Performance (standard classification) - Quarter 2

Description	Ref	2012/13	Budget Year 2013/14					Full Year Forecast
		Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands	1							
Revenue - Standard								
<i>Governance and administration</i>		125 079	146 075	65 431	73 037	(7 606)	-10%	-
Executive and council		62 514	69 407	33 001	34 704	(1 703)	-5%	-
Budget and treasury office		59 818	65 691	31 767	32 846	(1 079)	-3%	-
Corporate services		2 747	10 976	664	5 488	(4 824)	-88%	-
<i>Community and public safety</i>		10 232	15 744	1 535	7 872	(6 337)	-81%	-
Community and social services		4 966	5 755	371	2 877	(2 506)	-87%	-
Sport and recreation		50	140	(0)	70	(70)	-100%	-
Public safety		306	885	128	442	(314)	-71%	-
Housing		530	1 468	265	734	(469)	-64%	-
Health		4 381	7 496	770	3 748	(2 979)	-79%	-
<i>Economic and environmental services</i>		20 254	37 223	2 550	18 612	(16 061)	-86%	-
Planning and development		1 105	203	791	102	689	678%	-
Road transport		19 107	36 791	1 764	18 396	(16 632)	-90%	-
Environmental protection		42	229	(4)	114	(118)	-103%	-
<i>Trading services</i>		298 807	348 387	160 115	174 194	(14 079)	-8%	-
Electricity		198 740	237 018	102 896	118 509	(15 613)	-13%	-
Water		60 302	67 615	35 195	33 808	1 387	4%	-
Waste water management		17 092	20 391	9 820	10 195	(375)	-4%	-
Waste management		22 674	23 363	12 203	11 681	522	4%	-
<i>Other</i>	4	-	-	-	-	-	-	-
Total Revenue - Standard	2	454 373	547 429	229 631	273 715	(44 083)	-16%	-
Expenditure - Standard								
<i>Governance and administration</i>		93 523	113 875	32 859	56 937	(24 078)	-42%	-
Executive and council		20 992	21 193	10 496	10 597	(101)	-1%	-
Budget and treasury office		40 956	57 045	10 139	28 522	(18 383)	-64%	-
Corporate services		31 575	35 637	12 225	17 818	(5 594)	-31%	-
<i>Community and public safety</i>		32 996	49 882	19 592	24 941	(5 349)	-21%	-
Community and social services		7 097	9 916	3 838	4 958	(1 120)	-23%	-
Sport and recreation		2 434	2 093	693	1 046	(353)	-34%	-
Public safety		14 266	21 683	8 528	10 841	(2 313)	-21%	-
Housing		2 553	5 191	3 290	2 596	694	27%	-
Health		6 647	10 999	3 243	5 499	(2 256)	-41%	-
<i>Economic and environmental services</i>		39 472	34 705	10 126	17 352	(7 226)	-42%	-
Planning and development		8 459	3 424	666	1 712	(1 046)	-61%	-
Road transport		22 139	20 650	4 879	10 325	(5 446)	-53%	-
Environmental protection		8 874	10 630	4 582	5 315	(734)	-14%	-
<i>Trading services</i>		304 705	283 796	137 379	141 898	(4 520)	-3%	-
Electricity		202 210	197 375	99 933	98 688	1 245	1%	-
Water		61 272	54 862	23 896	27 431	(3 535)	-13%	-
Waste water management		19 433	17 179	6 842	8 590	(1 748)	-20%	-
Waste management		21 791	14 380	6 707	7 190	(483)	-7%	-
<i>Other</i>		-	-	-	-	-	-	-
Total Expenditure - Standard	3	470 696	482 258	199 956	241 129	(41 173)	-17%	-
Surplus/ (Deficit) for the year		(16 323)	65 171	29 675	32 586	(2 910)	-9%	-

4.3 Capital Projects 2013-2014: Mid-year progress (1 July 2013 to 31 December 2013)

Funding	Budgeted Amount	Grants Received	Expenditure	%Spent / vs. Receipts
MIG Funding Projects	R36,524,371.00	R7,000,000.00	R 3,981,745.20	56.88%
Other Grant Funded Projects	R 7,585,504.00	R 6,402,855.00	R 26,798.20	0.41%
Council Funded Projects	R17,901,555.00	0.00	R ,563,490.62	%
Grand Total	52,993,591.00	13,402,855.00	4, 572,034.02	31.87%

It should be noted that council funded projects are not actual money in the bank but depend on the collection levels for municipal services rendered.

- **MIG Funding Projects:**

Lesedi Local Municipality has been allocated MIG funds to an amount of R 26, 649,000.00 for the 2013/2014 financial year, and the rollover of R9, 875,371.00 from the previous financial year was approved. Out of the R 26,649,000.00 allocated, R 7,000,000.00 has been received to date and an amount of R 3,981,745.20 (56.88%) has been spent to date. As a result the November allocation of R9,000,000.00 was withheld and not paid over to the municipality due to underspending on the initial R7,000,000.00.

- **Other Grants:**

Lesedi Local Municipality has received other Grants (Recapitalization of Libraries, Lottery funding for building of sports field, Integrated National Electrification Programme etc.) amounting to R 7,344,036.00 and R 26,978.20 has been spent to date.

4.4 Collection

Payments received a month in arrears see the table below which has an average collection rate of 77.4% for the last six months. The collection rate is low considering that the budget for the year is planned to achieve 82% and as such more needs to be done to enforce credit control on strict basis.

Months	Billing	Receipts	Collection %
June	30 795 044.76		
July	33 594 964.19	-31 685 831.54	103%
August	34 238 229.46	-25 844 825.06	77%
September	32 410 116.46	-28 281 014.54	83%
October	32 130 657.71	-28,161,580.66	86.89%
November	33 101 570.09	-33,725,814.80	104.96%
December	30 477 178.02	-27,824,510.51	84.06%
Total	226,747,760.7	175,523,577.10	77.4%

4.5 Outstanding Debtors

Set out below is a summary of outstanding debtors' age analysis by income source as well as customer group for the mid-year ended 31 December 2013.

GT423 Lesedi - Supporting Table SC3 Monthly Budget Statement - aged debtors - December 2013											
Description	NT Code	Budget Year 2013/14									>90 days
		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	1200	4 269	1 434	985	839	747	707	3 035	22 138	34 154	27 466
Electricity	1300	14 758	3 823	3 242	2 926	2 746	2 508	11 505	40 659	82 166	60 344
Water	1400	6 185	4 080	3 456	2 703	2 637	3 050	13 408	55 905	91 425	77 704
Sewerage / Sanitation	1500	1 683	968	863	809	777	750	3 634	18 349	27 834	24 319
Refuse Removal	1600	2 193	1 512	1 342	1 256	1 215	1 169	6 042	33 726	48 455	43 408
Housing (Rental Revenue)	1700	-	-	-	-	-	-	-	-	-	-
Other	1900	1 369	568	544	907	372	205	778	24 138	28 881	26 401
Total By Revenue Source	2000	30 457	12 385	10 432	9 441	8 494	8 389	38 403	194 915	312 916	259 642
Debtors Age Analysis By Customer Category											
Government	2200	2 107	647	400	313	304	213	742	3 807	8 533	
Business	2300	10 976	721	338	116	56	28	42	211	12 488	
Households	2400	9 534	3 680	2 180	2 075	1 384	1 262	5 382	16 986	42 483	
Other	2500	7 840	7 337	7 514	6 937	6 750	6 886	32 237	173 911	249 411	
Total By Customer Category	2600	30 457	12 385	10 432	9 441	8 494	8 389	38 403	194 915	312 916	

4.6 Creditors Age Analysis

A summary of outstanding creditors as at 31 December 2013 is set out below. As indicated earlier in this report, the municipality is able to pay creditors as they fall due and below is a table that confirms that there are no long outstanding creditors.

GT423 Lesedi - Supporting Table SC4 Monthly Budget Statement - aged creditors - M01 July												
Description	NT Code	Budget Year 2013/14									Total	Prior year totals for chart (same period)
		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	0100	11 002	-	-	-	-	-	-	-	11 002	-	
Bulk Water	0200	3 209	-	-	-	-	-	-	-	3 209	-	
PAYE deductions	0300	1 016	-	-	-	-	-	-	-	1 016	-	
VAT (output less input)	0400	283	-	-	-	-	-	-	-	283	-	
Pensions / Retirement deductions	0500	1 407	-	-	-	-	-	-	-	1 407	-	
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-	
Trade Creditors	0700	19	-	-	-	-	-	-	-	19	-	
Auditor General	0800	-	-	-	-	-	-	-	-	-	-	
Other	0900	-	-	-	-	-	-	-	-	-	-	
Total By Customer Type	2600	16 937	-	-	-	-	-	-	-	16 937	-	

GT423 Lesedi - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M01 July								
Description	Ref	2012/13	Budget Year 2013/14					
		Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1						%	
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other		350 304	338 295	182 932	169 147	13 785	8%	-
Government - operating		72 983	81 805	64 907	40 902	24 004	59%	-
Government - capital		28 070	33 993	13 403	16 997	(3 594)	-21%	-
Interest		5 720	4 024	737	2 012	(1 275)	-63%	-
Dividends		-	-	-	-	-		-
Payments								
Suppliers and employees		(399 225)	(374 409)	(249 817)	(187 205)	62 612	-33%	-
Finance charges		(6 983)	(6 373)	(3 226)	(3 187)	39	-1%	-
Transfers and Grants		-	-	-	-	-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		50 870	77 334	8 936	38 667	(29 730)	-77%	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		2	-	91	-	91	#DIV/0!	-
Decrease (Increase) in non-current debtors		-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-		-
Payments								
Capital assets		(36 520)	(62 493)	(5 016)	(31 247)	(26 230)	84%	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(36 517)	(62 493)	(4 926)	(31 247)	(26 321)	84%	-
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans		-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	253	-	253	#DIV/0!	-
Payments								
Repayment of borrowing		(6 512)	(2 698)	(1 238)	(1 349)	(111)	8%	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(6 512)	(2 698)	(986)	(1 349)	(364)	27%	-
NET INCREASE/ (DECREASE) IN CASH HELD								
		7 840	12 142	3 025	6 071			-
Cash/cash equivalents at beginning:		6 592	3 287	14 432	3 287			14 432
Cash/cash equivalents at month/year end:		14 432	15 429	17 457	9 358			14 432

4.8 LIST OF LONG-TERM LENDERS

									Additional	
			Principal			Interest	Balance	Debt Repaid	Principal	Balance
Municipality	Planned	Debt raised	Loan		% Interest	Paid	at Begin	or redeemed	Accrued	at End
Loan	Start Date	End Date	at the Inception	Source	Rate (2 dec)	This Quarter	of Quarter	This Quarter	This Quarter	of Quarter
Reference No	(ccyy/mm/dd)	(ccyy/mm/dd)	(Rand)		Per Annum	(Rand)	(Rand)	(Rand)	(Rand)	(Rand)
25665	2003/09/30	2013/03/31	24 373 000	Development Bank of SA (03)	13.85	0	0	0		0
61002566/R11	1994/12/31	2014/06/30	140 000	Development Bank of SA (03)	13.56	1 272	18 524	8 963	0	9 561
R 9	1977/06/01	2006/12/31	200 000	Development Bank of SA (03)	9.75	0	0	0	0	0
R 10	1977/06/01	2006/12/31	72 265	Development Bank of SA (03)	10.25	0	0	0	0	0
L211	1978/09/30	2006/03/31	460 000	Infrastructure Finance Corporation (04)	11.50	0	0	0	0	0
61000464/R13	2006/06/30	2021/06/30	5 000 000	Development Bank of SA (03)	9.45	165 802	3 478 713	149 089	0	3 329 624
61000745/R14	2008/06/30	2028/06/30	20 344 975	Development Bank of SA (03)	9.58	896 847	18 554 586	282 531	0	18 272 055
61000746/R15	2008/06/30	2028/06/30	14 000 000	Development Bank of SA (03)	5.00	294 308	11 673 330	263 624	0	11 409 706
61000945/R18	2010/06/04	2030/06/30	223 056	Development Bank of SA (03)	14.24	369 028	5 138 516	36 278	0	5 102 238
61000955/R17	2010/06/04	2030/06/30	3 352 106	Development Bank of SA (03)	6.75	106 504	3 129 096	49 686	0	3 079 410
61000956/R16	2010/06/04	2022/06/30	2 888 000	Development Bank of SA (03)	11.87	204 275	3 412 098	109 521	0	3 302 577
61006830/R19	2011/07/29	2031/12/31	7 807 015	Development Bank of SA (03)	12.00	467 324	7 642 165	51 863	0	7 590 302
61006831/R20	2011/07/29	2031/12/31	16 000 000	Development Bank of SA (03)	6.75	433 106	12 591 300	168 262	0	12 423 038
61006809/R21	2011/07/29	2023/12/29	5 171 700	Development Bank of SA (03)	11.65	287 239	4 828 354	118 415	0	4 709 939

CONCLUSION

We need to face out the process of making arrangements as it may yield negative results from a budget perspective and start applying credit control on strict basis as per the policy. Expenditure is also being monitored so that cost savings can be realized where possible. Capital expenditure should be monitored especially grant funded capital expenditure as the level of expenditure is far below the expected 50%, care should be taken to ensure funds are utilized efficiently in order to avoid rollovers.

5. LEGISLATIVE PROVISIONS

MFMA Section 72(1)(a)(i)

6. RECOMMENDATION

6.1 It is recommended that the mid-year financial report be noted.