



Reports: MFMA Section 52 d Report – Quarter 1 2019 – 20
(9//1/2/3) (CFO)

STRICTLY CONFIDENTIAL

EXECUTIVE SUMMARY

SUBMISSION TO : Council

DIVISION REQUESTING THE SUBMISSION : Mayoral Committee

TITLE OF THE SUBMISSION

Item A 10

Reports: MFMA Section 52 d Report – Quarter 1 2019-20 (9/1/2/3) (CFO)

1. **SOLUTION REQUIRED**

Approval	
Information	X

2. **PURPOSE**

To inform the Council 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 **1ST quarter ending 30 September 2019:**

4. **LEGISLATION PROVISION**

MFMA sec. 52(d)

5. **ATTACHMENTS:**

ANNEXURE 115/2019

Annex A – Monthly finance report (sec 52)

Annex B – Salaries report

Annex C – Withdrawals report.

Annexure A: Finance Report

6. **Revenue**

The total revenue recognised for the 1st quarter ending **September 2019** amounts to **R248m** against the year to date budgeted revenue figures of **R222.7m**. This results in revenue figures being ahead of budget by R25.2m (11%) in the 1st quarter due to the main contributing factors:

- Property Rates figures amounted to **R31.2m** against a year to date budget of **R29.2m** resulting in property rates figures being ahead of budget by **R2.5m (9%)**.
- Electricity revenue figures amounted to **R99.5m** against a year to date budget of **R86.2m** resulting in electricity revenue figures being ahead of budget by **R13.3m (15%)**.
- Water revenue figures amounted to **R14.3m** against a year to date budget of **R30.2m** resulting in water revenue figures being behind budget by **R15.9m (53%)**.
- Fines revenue figures at the 1st quarter amounts to **R16k** against a year to date budget of **R11.4m** the reason for the significant variance is that a service provider for speed cameras had been appointed but is failing to implement the project due to some technical challenges, the issue has been escalate to the legal department to put the contractor to terms.

7. **Expenditure & Budget Control.**

The total expenditure at the 1st quarter of 2019/20 amounts to **R226.1m** (including non-cash items i.e depreciation R9.6m and debt impairment R37.6m) against budgeted year to date figures of **R226.1m** resulting in a expenditure being ahead of budget by **R499k (0%)**.

The following are the main expenditure contributors for the 1st Quarter:

- **Employee Related Costs and Councillor Remuneration** – The figures amounted to **R45.9m and R2.7m respectively**. Against a year to date budget of **R52m and R2.9m** respectively.
- **Bulk purchases** – The figures for bulk purchases amounted to **R102.2m** against a year to date budget of **R85m** resulting in the figures being ahead of budget by **R16m** the reason for this is the high ESKOM invoices that were received in the 1st quarter.
- **Contracted Services** – The contracted services expenditure amounts to **R14.4m** against a year to date budget of **R19.4m** this figure is expected to increase as the financial year unfolds and the procurement plan is implemented.
- **Other Materials (repairs & maintenance)** – The repairs and maintenance expenditure amounts to **R8.2m** while the year to date budget is **R12.8m**, resulting in the expenditure being behind budget by **R4.6m**. This figure is also expected to increase as the financial year unfolds and the procurement plan is implemented

8. **Consolidated income and expenditure report Quarter 1 2019**

GT423 Lesedi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September

Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		109 761	116 941		10 579	31 740	29 235	2 504	9%	116 941
Service charges - electricity revenue		289 777	344 987		39 601	99 596	86 247	13 349	15%	344 987
Service charges - water revenue		117 292	121 148		2 455	14 310	30 287	(15 977)	-53%	121 148
Service charges - sanitation revenue		29 023	31 365		12 006	26 761	7 841	18 920	241%	31 365
Service charges - refuse revenue		30 365	31 488		2 751	8 489	7 872	617	8%	31 488
Rental of facilities and equipment		5 563	5 219		309	880	1 305	(424)	-33%	5 219
Interest earned - external investments		5 493	2 957		358	964	739	225	30%	2 957
Interest earned - outstanding debtors		26 070	26 283		2 466	7 230	6 571	659	10%	26 283
Dividends received		-	-		-	-	-	-	-	-
Fines, penalties and forfeits		699	45 919		6	16	11 480	(11 464)	-100%	45 919
Licences and permits		49	41		2	5	10	(5)	-49%	41
Agency services		-	-		-	-	-	-	-	-
Transfers and subsidies		136 344	156 670		1 387	57 122	39 167	17 954	46%	156 670
Other revenue		5 493	8 123		431	918	2 031	(1 113)	-55%	8 123
Gains on disposal of PPE		-	-		-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		755 930	891 140	-	72 352	248 031	222 785	25 246	11%	891 140
Expenditure By Type										
Employee related costs		175 946	209 697		15 282	45 988	52 425	(6 436)	-12%	209 697
Remuneration of councillors		10 851	11 796		921	2 763	2 949	(186)	-6%	11 796
Debt impairment		133 770	150 776		12 565	37 694	37 694	(0)	0%	150 776
Depreciation & asset impairment		33 691	38 769		3 231	9 692	9 692	0	0%	38 769
Finance charges		4 897	7 711		380	1 176	1 928	(752)	-39%	7 711
Bulk purchases		299 121	341 353		63 494	102 257	85 338	16 919	20%	341 353
Other materials		12 705	15 443		2 382	4 388	3 840	548	14%	15 236
Contracted services		70 963	80 284		5 989	14 469	19 429	(4 960)	-26%	76 412
Transfers and subsidies		-	-		-	-	-	-	-	-
Other expenditure		47 932	48 797		2 979	8 229	12 863	(4 634)	-36%	52 875
Loss on disposal of PPE		873	-		-	-	-	-	-	-
Total Expenditure		790 750	904 625	-	107 222	226 656	226 157	499	0%	904 625
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(34 820)	(13 485)	-	(34 870)	21 374	(3 372)	24 747	(0)	(13 485)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		58 282	64 404		831	831	16 101	(15 270)	(0)	64 404
Transfers and subsidies - capital (in-kind - all)		944	-		-	-	-	-	-	-
		9 880	-		-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		34 286	50 919	-	(34 039)	22 206	12 729			50 919
Taxation								-		
Surplus/(Deficit) after taxation		34 286	50 919	-	(34 039)	22 206	12 729			50 919
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		34 286	50 919	-	(34 039)	22 206	12 729			50 919
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		34 286	50 919	-	(34 039)	22 206	12 729			50 919

9. **Capital Expenditure-** The actual expenditure figures at quarter 1 amounts to **R695k** against year to date budget amounts to **R20.5m**, resulting in the capital expenditure being behind budget by **R19.8m**.

List of capital projects and expenditure at Quarter 1: 2019-20

DETAIL REPORT FOR CAPEX AS AT 30 SEPTEMBER 2019								
GRANT FUNDED PROJECTS								
Votenummer	Description	Source of funding	Budget	Curr Mth Exp	Commitment	YTD Movement	Unspend Bud	Perc
31106460420CLC95ZZWM	FURNITURE	Recapitalisation of Community Grant - Libraries	150 000,00	-	43 460,00	-	150 000,00	-
31106470020CLC84ZZWM	COMPUTER HARDWARE	Recapitalisation of Community Grant - Libraries	480 000,00	-	-	-	480 000,00	-
31106473520CLD03ZZW2	MAINTENANCE DEVON	Recapitalisation of Community Grant - Libraries	2 000 000,00	-	-	165 422,83	1 834 577,17	8,27
31106473520CLD08ZZWM	NEW BOOKS	Recapitalisation of Community Grant - Libraries	1 000 000,00	-	-	-	1 000 000,00	-
31106473520CLD38ZZW4	FENCING OF RATANDA PROPER	Library Plan	1 000 000,00	-	-	-	1 000 000,00	-
31106473520CLD39ZZW4	CAR PORT IN RATANDA	Recapitalisation of Community Grant - Libraries	120 000,00	-	-	-	120 000,00	-
37156432420IPC61ZZW4	ELECTRIFICATION- OBED NKOSI	INEP	900 000,00	-	-	-	900 000,00	-
37156433020CFC63ZZWM	STREET LIGHTS (EDDSM)	EEMD	7 000 000,00	365 217,39	-	365 217,39	6 634 782,61	5,21
37156433020IPC65ZZW4	ELECTRIFICATION- OBED NKOSI	INEP	727 600,00	-	-	-	727 600,00	-
37156437020IPD12ZZW7	ELECTRIFICATION- IMPUMELELO - MV	INEP	5 000 000,00	-	-	-	5 000 000,00	-
37156437420IPD11ZZW7	ELECTRIFICATION- IMPUMELELO - LV	INEP	6 372 400,00	-	-	-	6 372 400,00	-
37156437420IPD13ZZWM	INSTALLATION OF HIGHMASTS AT LESEDI	MIG	1 904 000,00	-	-	-	1 904 000,00	-
37306472420FMD01ZZW4	CONST ROADS & S/W RATANDA 1,3;6 & OBED N	MIG	11 500 000,00	-	-	-	11 500 000,00	-
37306472420FMD15ZZW8	CONSTR ROADS & STORMWATER JAMESON PARK	MIG	7 800 000,00	-	-	-	7 800 000,00	-
37306472420FMD16ZZW4	CONSTR ROADS & STORMWATER RATANDA EXT7	MIG	4 000 000,00	-	-	-	4 000 000,00	-
37356449420WGD18ZZWM	UPGR SEWER PIPELINE THOKOLOHONG AGRI VIL	WSIG	7 000 000,00	-	-	-	7 000 000,00	-
37456446020WGD17ZZWM	REPLACEMENT OF ASBESTOS PIPES LESEDI P4	WSIG	8 000 000,00	-	-	-	8 000 000,00	-
Total Grant funded Projects			64 954 000,00	365 217,39	43 460,00	530 640,22	64 423 359,78	-

INTERNAL FUNDED PROJECTS								
Votenummer	Description	Source of funding	Budget	Curr Mth Exp	Commitment	YTD Movement	Unspend Bud	Perc
31156472420CFD30ZZWM	INTERNAL ROADS EKHUTULENI CEMETERY	Internal Funding	1 500 000,00	-	-	-	1 500 000,00	-
31206456420CFD27ZZWM	FIRE ENGINE	Internal Funding	4 500 000,00	-	-	-	4 500 000,00	-
31556456020CFC83ZZWM	BUSH CUTTERS; CHAINSAWS; BLOWERS	Internal Funding	350 000,00	-	-	-	350 000,00	-
32156421020CFD40ZZWM	MAYOR'S CAR	Internal Funding	700 000,00	-	-	-	700 000,00	-
32206421020CFD41ZZWM	SPEAKER'S CAR	Internal Funding	500 000,00	-	-	-	500 000,00	-
34106474020CFC44ZZHO	UPGRADE OF MUNICIPAL BUILDING	Internal Funding	300 000,00	-	-	-	300 000,00	-
35106460420CFC95ZZWM	FURNITURE	Internal Funding	350 000,00	-	-	-	350 000,00	-
35206470020CFC84ZZWM	COMPUTER HARDWARE	Internal Funding	1 000 000,00	-	177 669,25	137 927,80	862 072,20	13,79
37156433020CFC66ZZW4	ELECTRIFICATION- RATANDA EXT 8	Internal Funding	500 000,00	-	-	-	500 000,00	-
37156433020CFD22ZZWM	UPGRADING & REFURBISHMENT OF NETWORK	Internal Funding	500 000,00	-	-	-	500 000,00	-
37156456420CFD24ZZWM	TOOLS & EQUIPMENT	Internal Funding	150 000,00	27 000,00	-	27 000,00	123 000,00	18,00
37306472420CFC87ZZWM	RESEALING OF ROADS	Internal Funding	5 000 000,00	-	-	-	5 000 000,00	-
37356420420CFC91ZZWM	TRAILERS	Internal Funding	350 000,00	-	-	-	350 000,00	-
37356449420FMD14ZZW2	UPGRADING OF DEVON WASTE WATER TREATMENT	Internal Funding	1 200 000,00	-	-	-	1 200 000,00	-
37456456420CFD37ZZW4	UPGRADING TELEMETRY SYSTEM	Internal Funding	500 000,00	-	-	-	500 000,00	-
		Total Internal funded Projects	17 400 000,00	27 000,00	177 669,25	164 927,80	17 235 072,20	0,79
		TOTAL CAPITAL	82 354 000,00	392 217,39	221 129,25	695 568,02	81 658 431,98	0,37

10. Grant Spending for 2019/2020 financial year.

Grant Funding	Allocated	Opening Balance	Approved Roll-Over 18-19	19/20 Amount Received	Total received	Spent	Commitment	% Spent
Equitable Share	133 765 000,00	-	-	55 735 000,00	55 735 000,00	55 735 000,00	-	100,00
MIG	25 204 000,00	3 101 022,00	-	10 562 000,00	13 663 022,00	-	-	-
PMS	-	500 000,00	500 000,00	-	500 000,00	-	-	-
INEP (Municipal)	13 000 000,00	2 526 048,19	2 526 048,19	11 372 000,00	13 898 048,19	-	-	-
EPWP COGTA	1 004 000,00	-	-	1 004 000,00	1 004 000,00	-	-	-
EPWP NT	1 460 000,00	-	-	365 000,00	365 000,00	-	-	-
GRAP 17 Compliance Grant	1 000 000,00	-	-	1 000 000,00	1 000 000,00	-	-	-
Libraries Plan grant	7 000 000,00	1 619 482,55	1 619 482,55	7 000 000,00	8 619 482,55	764 847,70	-	8,87
Recapitalisation: Communication Library grant	10 000 000,00	1 583 870,00	1 484 246,00	5 000 000,00	6 583 870,00	642 036,51	-	9,75
FMG	1 550 000,00	-	-	1 550 000,00	1 550 000,00	201 925,99	12 600,00	13,03
Bontle ke Botho	-	26 043,29	26 043,29	-	26 043,29	-	-	-
WATER SERVICES INFRASTRUCTURE GRANT	15 000 000,00	-	-	5 000 000,00	5 000 000,00	-	-	-
ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT GRANT	6 000 000,00	-	-	2 000 000,00	2 000 000,00	420 000,00	-	21,00
NLDTF - Lotto	-	1 327,96	1 327,96	-	1 327,96	-	-	-
GRAND TOTALS	214 983 000,00	9 357 793,99	6 157 147,99	100 588 000,00	109 945 793,99	57 763 810,20	12 600,00	52,54

11. **Cash and cash equivalents**

Closing operating bank balance as at quarter 1 ending **30 September 2019 was R3.8m**. The funds invested in ABSA were **R22.5m** and Investec **R51.1m (Total cash balance R77.4m)**

12. **Collection and Billing**

The total outstanding debtors as at the 1st quarter amount to is **R700,188,000**.

Months	Billing (R)	Receipts (R)	Collection %
June	47,847,888		
July	57,598,101	42,755,959	89
August	62,159,906	47,365,585	82
September	69,151,084	50,711,355	82
Total excl. June.	188,909,091	140,832,899	84

Below is the report of debtor's level of payment. (Debtors age analysis) at the 1st quarter ending **30 September 2019**

Description	NT Code	Budget Year 2019/20									
		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	Total over 90 days
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	13 945	7 521	6 637	6 839	5 608	5 373	32 810	183 108	261 841	233 738
Trade and Other Receivables from Exchange Transactions - Electricity	1300	36 672	8 489	7 183	4 678	4 230	4 124	23 448	139 596	228 420	176 076
Receivables from Non-exchange Transactions - Property Rates	1400	9 866	4 080	3 340	2 445	2 247	1 994	10 081	52 282	86 336	69 049
Receivables from Exchange Transactions - Waste Water Management	1500	3 040	1 949	1 840	1 563	1 489	1 465	8 427	48 127	67 898	61 070
Receivables from Exchange Transactions - Waste Management	1600	3 159	2 419	2 306	1 829	1 796	1 765	10 320	69 444	93 037	85 154
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	2 566	859	1 698	1 175	978	1 110	8 133	63 707	80 225	75 102
Total By Income Source	2000	69 248	25 318	23 004	18 528	16 347	15 829	93 218	556 265	817 757	700 188
2018/19 - totals only		48 901	19 486	17 898	17 035	18 374	14 978	91 585	520 369	748 627	662 341
Debtors Age Analysis By Customer Group											
Organs of State	2200	12 354	2 021	1 634	1 410	1 161	866	4 249	15 235	38 930	22 921
Commercial	2300	22 301	2 700	2 172	813	671	618	3 321	11 010	43 606	16 433
Households	2400	34 172	20 314	18 948	16 014	14 276	14 107	84 207	500 626	702 664	629 230
Other	2500	421	282	250	291	239	239	1 441	29 394	32 558	31 604
Total By Customer Group	2600	69 248	25 318	23 004	18 528	16 347	15 829	93 218	556 265	817 757	700 188

13. **Accounts Payable**

Outstanding accounts payable inclusive of Goods Received Notes without invoices at the 1st quarter amounts to **R39.2m**

Below is the creditor's age analysis at 1st quarter ending 30 September 2018

Description R thousands	NT Code	Budget Year 2019/20								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	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	23 021	-	-	-	-	-	-	-	23 021
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	2 464	-	-	-	-	-	-	-	2 464
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	2 666	-	-	-	-	-	-	-	2 666
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	10 963	167	-	-	-	-	-	-	11 130
Auditor General	0800	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	39 114	167	-	-	-	-	-	-	39 281

14. **Loan Account DBSA**

The loans with DBSA were acquired in prior years between 2002 and 2004 in order to finance the purchase of municipal infrastructure. The municipality is required to pay an amount of **R4, 5m** bi-annually in June and December for the duration of the loan agreements.

At the 1st quarter ending 30 September 2019, the total amount owing to DBSA amounted to R50.m

15. **Statement of financial position at the quarter ending 30 September 2019**

GT423 Lesedi - Table C6 Monthly Budget Statement - Financial Position - M03 September

Description	Ref	2018/19	Budget Year 2019/20			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		3 751	14 844		1 678	14 844
Call investment deposits		37 880	–		73 158	–
Consumer debtors		204 329	196 459		271 631	196 459
Other debtors		123 908	63 555		135 201	63 555
Current portion of long-term receivables		–	–		–	–
Inventory		5 149	4 920		5 394	4 920
Total current assets		375 017	279 778	–	487 062	279 778
Non current assets						
Long-term receivables						
Investments						
Investment property		182 617	180 158		182 617	180 158
Investments in Associate						
Property, plant and equipment		714 449	740 829		715 503	740 829
Biological						
Intangible		2 916	3 011		2 916	3 011
Other non-current assets		4 663	4 663		4 663	4 663
Total non current assets		904 645	928 660	–	905 698	928 660
TOTAL ASSETS		1 279 663	1 208 439	–	1 392 761	1 208 439
LIABILITIES						
Current liabilities						
Bank overdraft		–	–		–	–
Borrowing		4 358	4 358		4 358	4 358
Consumer deposits		16 693	15 569		16 876	15 569
Trade and other payables		348 972	238 869		391 704	238 869
Provisions		19 422	13 181		19 422	13 181
Total current liabilities		389 445	271 977	–	432 361	271 977
Non current liabilities						
Borrowing		46 597	46 597		47 772	46 597
Provisions		47 171	40 817		46 585	40 817
Total non current liabilities		93 768	87 414	–	94 358	87 414
TOTAL LIABILITIES		483 213	359 391	–	526 719	359 391
NET ASSETS	2	796 450	849 048	–	866 042	849 048
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		796 450	849 048		866 042	849 048
Reserves		–	–		–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	796 450	849 048	–	866 042	849 048

LC.MC-137/09/2019 RESOLUTION

That the MFMA Section 52 d – Quarter 1 2019-20 be noted.