

28 October 2014

MUNICIPAL FINANCE MANAGEMENT ACT: REPORT ON THE IMPLEMENTATION OF THE APPROVED BUDGET AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY - SECTION 52(d) OF THE MFMA - 1st QUARTER OF 2014/15 FINANCIAL YEAR

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ATTACHMENTS

- Attachment 1 – Schedule C Monthly Budget Statements
- Attachment 2 – Grants & Subsidies Reconciliation

28 October 2014

COUNCIL

NATIONAL TREASURY

PROVINCIAL TREASURY

MUNICIPAL FINANCE MANAGEMENT ACT: REPORT ON THE IMPLEMENTATION OF THE APPROVED BUDGET AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY - SECTION 52(d) OF THE MFMA - 1st QUARTER OF 2014/15 FINANCIAL YEAR

1. PURPOSE

The purpose of this report is to inform Council on the implementation of the approved budget and financial state of affairs of the municipality in accordance with Section 52(d) of the Municipal Finance Management Act, Nr. 56 of 2003 and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009.

2. STRATEGIC OBJECTIVES

The strategic objective of this report is to ensure good governance, financial viability and to comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations as promulgated in the Government Gazette Nr. 32141 of 17 April 2009.

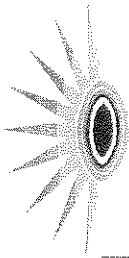
3. BACKGROUND

Section (52) (d), (54) (1) of the MFMA and Section 31(1) of the MBRR

"MFMA section 52(d) states that, the Mayor 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.

MFMA section 54(1) on receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must-

- a) Consider the statement or report;
- b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to be service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;



- d) Issue any appropriate instructions to the accounting officer to ensure –
- i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and
 - ii) that spending of funds and revenue collection proceed in accordance with the budget"

The Municipal Budget and Reporting Regulations Section 31(1) stipulate that:

"The mayor's quarterly report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
- b) consistent with the monthly budget statements for July, August, and September as applicable; and
- c) Submitted to the National Treasury and the relevant provincial treasury within five days of tabling of the report in the council."

4. REPORT SUMMARY FOR THE QUARTER ENDED 30 SEPTEMBER 2014

Attached as annexure **Schedule C for September 2014** and **Conditional Grants Reconciliation**; the schedule C approaches the reporting in the following order:

- Capital Revenue and Expenditure;
- Operating Revenue and Expenditure
- Cash receipts and payments;
- Debtor Age analysis; and
- Creditor Age analysis.

The following information for the quarter ended 30 September 2014 should be noted:

Capital Expenditure

The total capital budget amounts to R 36,231 million and consist of R 28,340 million for Municipal Infrastructure Grant, R 5,000 million for Integrated National Electrification Programme Grant, R 1,800 million budget for modular libraries and R 1,091 million for hawkers facilities, 6m3 Mash truck and trailer.

The municipality has applied to National Treasury for rollover of unspent conditional grants as at 30 June 2014 and the following conditional grants were unspent by the 30 June 2014; MIG unspent amounts to R 10,245 million and INEP unspent amounts to R 991 thousand.

During this quarter, the municipality has spent R 12,823 million which is equivalent to 35.39% compared to the capital budget and 87% spending compared to capital grants received as at 30 September 2014 (including the rollover amounts). Please refer to the attached conditional grants reconciliation.

Operating Revenue and Expenditure

The total operational revenue budget amounts to R 619,064 million and the total operational expenditure budget amounts to R 696,535 million.

For this quarter ended 30 September 2014, an amount of R 179,526 million was recognized as operational revenue for the quarter and this amount is equivalent to 29% of the operational revenue budget.

The operational expenditure for the quarter ended 30 September 2014, amounts to R 110,427 million, 15.85% expenditure compared to the operational budget.

The municipality has realized a surplus of R 69,099 million for the 1st quarter of 2014/2015 financial year.

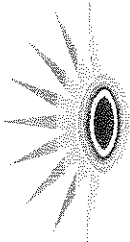
It should be noted that the municipality is applying here the accrual accounting principle. An accounting method that measures the performance and position of an institution by recognizing economic events regardless of when cash transactions occur. The general idea is that economic events are recognized by matching revenues to expenses (the matching principle) at the time in which the transaction occurs rather than when payment is made (or received). This method allows the current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of an institution's current financial condition.

Cash receipts and payments

The cash inflow budget amounts to R 602,721 million (the cash inflow budget takes into account rebates and provisions for bad debts) and the cash outflow budget amounts to R 602,725 million for 2014/2015 financial year.

Included on the R 602,721 million cash inflow budget is R 87,847 million for government operational grants & subsidies and an amount of R 33,340 million for capital grants.

The municipality has realized cash inflow to an amount of R 221,488 million and cash outflow to an amount of R 203,508 million. This means that the municipality has received 36.75% of its cash inflow budget and spent 33.76% of its cash outflow budget for the quarter ended 30 September 2014.



The municipality has received 37% of its operational grants and subsidies budget and 10% of its capital grants budget.

Debtor Age Analysis

The outstanding consumer debtors for the quarter ended 30 September 2014, amounts to R 135,910 million and an amount of R 80,556 million (59.27%) has been outstanding for over 90 days.

Debtors' breakdown by consumer group

- Organs of state R 4,101 million
- Businesses R 13,287 million
- Households R 118,522 million

As at 30 September 2014, the municipality had 7,194 households registered as indigent and R 7,248 million was used to subsidise their accounts and their remaining debt of R 2,072 million was written off.

Creditor Age Analysis

The outstanding creditors for the quarter ended 30 September 2014, amount to R 50,242 million and an amount of R 32,154 million (64%) has been outstanding over 30 days and this is contrary to section 65(2)(e) of the MFMA.

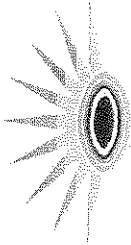
Creditors' breakdown

- Eskom R 15,184 million
- Nelson Mandela Bay Municipality R 7,282 million
- Office of Auditor-General R 4,074 million
- Department of Transport R 17,483 million
- Other Creditors R 6,219 million

Grants and subsidies reconciliation

The total grants and subsidies budgeted for the 2014/2015 financial year amounts to R 121,187 million; consisting of operational grants and subsidies of R 87,847 million and capital grants of R 33,340 million.

The municipality has received 37% of its operational grants and subsidies budget and 10% of its capital grants budget for this quarter ended 30 September 2014.



Please refer to the attached grants and subsidies reconciliation for more details regarding the receipts and spending on grants and subsidies for the quarter ended 30 September 2014.

6. RECOMMENDATIONS

- i. That the Council notes the report on the implementation of the approved budget and financial state of affairs of the municipality in terms of Section 52(d) of the MFMA for the quarter ended 30 September 2014; and
- ii. That the report accordingly submitted to the National Treasury and Provincial Treasury as determined by section 31(1) (c) of the Municipal Budget and Reporting Regulations.

Report submitted by

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Executive Mayor