

28 April 2015

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 – 3rd QUARTER OF 2014/15 FINANCIAL YEAR

INDEX

PAGE

1. Purpose	2
2. Strategic Objectives	2
3. Background	2 - 3
4. Report Summary for the quarter ended 31 March 2015	3 - 5
5. Recommendation	6

ATTACHMENTS

- Attachment 1 – Schedule C Monthly Budget Statements

28 April 2015

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 – 3rd 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 31 MARCH 2015

Attached as annexure **Schedule C for March 2015**; 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 31 March 2015 should be noted:

Capital Expenditure

The capital budget was revised from R 36,231 million to R 47,197 million. The revised capital budget of R 47,197 million is funded as follows;

- | | |
|---|------------------|
| • Municipal Infrastructure Grant | R 38,585 million |
| • Integrated National Electrification Programme Grant | R 3,991 million |
| • Library Grant | R 1,800 million |
| • Environmental Health – Subsidy | R 1,091 million |
| • Internal Funding | R 1,730 million |



The R 10,966 million increases in capital budget is due to MIG approved rollover of R 10,245 million, and cut of - R 1,009 million on INEP rollover (originally budgeted overall was R 2,000 million and the actual approved rollover is R 991 thousand) and the R 1,730 million for internally funded capital projects/or equipment.

As at 31 March 2015, the municipality has spent R 29,529 million (63% of the approved revised budget)

Operating Revenue and Expenditure

the total operating revenue budget was revised from R 619,064 million to R 621,907 million and the total operating expenditure budget was revised from R 696,535 million to R 697,644 million.

As at 31 March 2015, an amount of R 448,794 million has been recognized in the statement of financial performance as operating revenue (72% of the approved revised operating revenue budget).

As at 31 March 2015, an amount of R 370,069 million has been recognized in the statement of financial performance as operating expenditure (53% of the approved revised operating budget).

As at 31 March 2015, a surplus of R 78,725 million has been recognized in the statement of financial performance.

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.

Also whilst applying the above mentioned principle, it should be noted that the depreciation is not included on the calculation of the above mentioned surplus due to the fact that the municipality is calculating its depreciation on an annual basis rather than on the monthly basis.



Cash receipts and payments

The cash inflow budget has been revised from R 602,721 million to R 614,797 million and the cash outflow budget has been revised from 602,725 million to R 614,801 million.

The cash inflow includes capital grants for an amount of R 42,576 million and operating grants for R 87,847 million.

As at 31 March 2015, an amount of R 624,438 million has been recognized as cash inflow and amount of R 606,373 million recognized as cash outflow.

It should be noted that the cash flow above includes R 53,317 million received by the municipality from the Department of Human Settlement (DOHS) which is not part of the approved Council budget for 2014/2015 financial year.

The municipality has received 83% of its operating grants revenue and 100% received for the capital grants revenue (including rollover amounts).

Debtor Age Analysis

The outstanding consumer debtors as at 31 March 2015, amounts to R 116,681 million and an amount of R 89,650 million (77%) have been outstanding for more than 90 days.

Debtors' breakdown by consumer group

- Organs of state R 2,296 million
- Businesses R 11,229 million
- Households R103,156 million

As at 31 March 2015, the municipality had 7,397 indigent households registered in our indigent register, and R 22,438 million was used to subsidize their municipal accounts and R 5,528 million used to write-off any outstanding debts from their accounts.

Creditor Age Analysis

the outstanding creditors as at 31 March 2015, amounts to R 38,875 million and an amount of R 26,462 million (68%) has been outstanding for more than 30 days and this is contrary to section 65(2)(e) of the MFMA.



Creditors' breakdown

- Eskom R 11,194 million
- Nelson Mandela Bay Municipality R 943 thousand
- Office of Auditor-General R 1,283 million
- Department of Transport R 17,483 million
- Other Creditors R 7,972 million

It should be noted that the Eskom outstanding account was for the current account for March 2015 (within 30 days period) and was settled on the 16 April 2015.

Grants and subsidies reconciliation

The total operating grants & subsidies remained unchanged during the adjustments budget process to an amount of R 87,847 million. The capital grants have been revised from R 33,340 million to R 42,576 million.

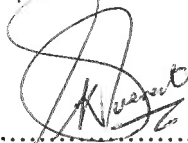
The R 9,236 million increases in capital grants budget was due to MIG approved rollover of R 10,245 million, and cut of - R 1,009 million on INEP rollover (originally budgeted overall was R 2,000 million and the actual approved rollover is R 991 thousand).

The municipality has received 83% of its operating grants revenue and 100% received for the capital grants revenue (including rollover amounts).

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 31 March 2015; 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



.....
Executive Mayor