

21 January 2015

**MUNICIPAL FINANCE MANAGEMENT ACT: REPORT ON THE IMPLEMENTATION OF THE APPROVED BUDGET AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY - SECTION 52(d) & 54(1) OF THE MFMA - 2nd QUARTER OF 2014/15 FINANCIAL YEAR**

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**ATTACHMENTS**

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

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21 January 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) & 54(1) OF THE MFMA - 2nd 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) & 54(1) 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**

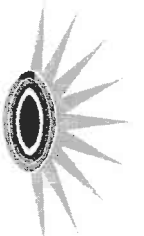
Section (52) (d), (54) (1) of the MFMA and Section 31(1) of the MBRF

"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;

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- 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 37(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 DECEMBER 2014**

Attached as annexure **Schedule C for December 2014 and Conditional Grants Reconciliation**; the approach of this report is as follows:

- Capital expenditure versus approved budget;
- Total revenue and Operational expenditure versus approved budget;
- Grants and subsidies received versus approved budget;
- Debtor Age analysis; and
- Creditor Age analysis.

The following information for the quarter ended 31 December 2014 should be noted:

**Capital Expenditure**

The approved capital budget amounts to R 36,231 million and year-to-date expenditure as at 31 December 2014 amounts to R 19,850 million, 54.79% of the approved capital budget.

National treasury has approved the rollover for the unspent Municipal Infrastructure Grant for an amount R 10,245 million, and Integrated National Electrification Programme for an amount of R 991 thousand and the two conditional grants were unspent as at 30 June 2014.



### Total Revenue and Operating expenditure

The operating revenue budget amounts to R 619,064 million, operating revenue recognized as at 31 December 2014 amounts to R 315,353 million and this amount is equivalent to 50,94% of the total revenue.

The operating budget amounts to R 696,535 million and year-to-date expenditure as at 31 December 2014 amount to R 254,369 million, which is 36,52% of the operating budget.

The Statement of financial performance as at 31 December 2014 can be summarized as follow;

- Property rates income recognized is R 87,709 million, 62,13% of property rates budget.
- Service charges income recognized is R 151,469 million, 42,6% of service charges budget.
- Employee related costs amount to R 105,352 million, 52% of employee related costs budget.
- Remuneration of Councilors amounts to R 4,561 million, 41,8% of remuneration of councilors' budget.
- Bulk purchases amount to R 90,179 million, 47,29% of bulk purchases budget.
- Grants and Subsidies paid to indigent households' amounts to R 15,331 million, 75% of indigent households' budget.
- General expenses (including repairs and maintenance) amount to R 37,269 million, 25% of general expenses budget.

It should be noted that the municipality has made a surplus of R 60,983 million for the period ended 31 December 2014.

### Grants and subsidies received

The municipality has budgeted for R 87,847 million for operating grants and subsidies, and an amount of R 54,510 million (62,05%) has been recognized as revenue to the statement of financial performance.

It should be noted that the conditional grants are recognized as revenue to the statement of financial performance only when all the conditions of that specific grant are met.

An amount of R 74,769 million has been spent as at 31 December 2014, which is 62% of total grants & subsidies budget.

Please refer to the Grants & subsidies recon for more details.

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- 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) and section 54(1) of the MFMA for the mid-year of 2014/15 financial year;
- ii. The accounting officer must revise the capital budget to accommodate the approved unspent conditional grants, revise the revenue and operating budget taking into account the collection rate, the outstanding debtors and creditors;
- iii. The accounting officer must also revise the service delivery targets and performance indicators set in the service delivery and budget implementation plan; and
- iv. 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.

**6. RECOMMENDATIONS**

It should be noted that the Eskom account of R 13,078 million was settled on the 16 January 2015.

- Eskom R 13,078 million (27.42% of creditors)
- Nelson Mandela Municipality R 2,910 million (6.1% of creditors)
- Office of Auditor-General R 1,922 million (4.03% of creditors)
- Department of Transport R 17,483 million (36.66% of creditors)
- Other Creditors R 12,342 million (25.88% of creditors)

Creditors' breakdown

The outstanding creditors as at 31 December 2014 amounts to R 47,695 million and amount of R 32,736 million (68.64%) has been outstanding for more than 30 days and this is contrary to section 65(2)(e) of the MFMA.

**Creditor Age Analysis**

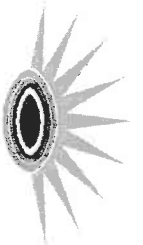
- Organs of state R 2,669 million 2.22% of debtors
- Businesses R 12,583 million 10.47% of debtors
- Households R 104,421 million 86.89% of debtors

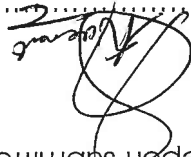
Debtors' breakdown by consumer group

The outstanding consumer debtors as at 31 December 2014, amounts to R 120,187 million and an amount of R 92,105 million (76.63%) have been outstanding for over 90 days.

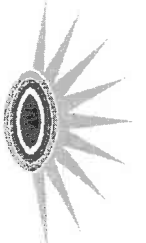
**Debtor Age Analysis**

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Report submitted by  
  
Executive Mayor

**KOUGA**  
Local Municipality  
Prosperity through vision



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