

# Nketoana Local Municipality

Mid-Year Budget and Performance  
Assessment 2013

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# BACKGROUND AND THE PURPOSE

- ▶ This report has been prepared as part of the regular financial reporting in terms of section 72 of the Municipal Finance Management Act 2003

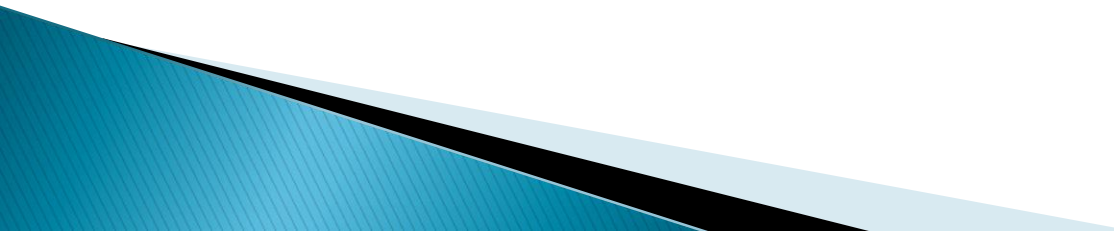
# OVERVIEW AND FINANCIAL PERFORMANCE

DESCRIPTION	BUDGET	ACTUAL	%
<b>Revenue</b>			
Property Rates Tax	13 636 000	18 382 720	135%
Electricity Services	30 548 000	14 225 848	47%
Water Services	30 278 000	15 549 496	51%
Sewer Services	13 149 000	7 227 654	55%
Refuse Services	15 557 000	7 647 620	49%
Grants	81 223 000	93 337 000	115%
Other	19 242 000	9 791 514	51%
<b>Total Revenue</b>	<b>203 633 000</b>	<b>166 161 552</b>	<b>82%</b>
<b>Expenditure</b>			
Employee Related Costs	57 709 000	29 610 262	51%
Bulk Purchases Electricity and water	23 037 000	19 450 935	84%

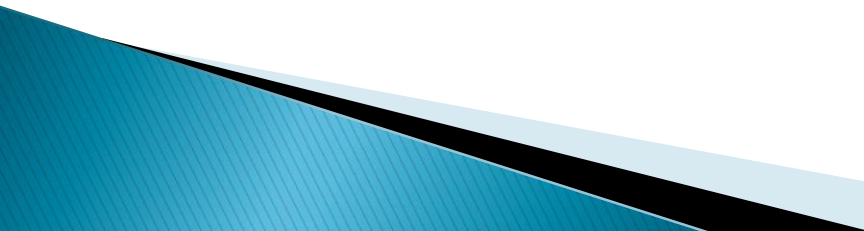
# OVERVIEW AND FINANCIAL PERFORMANCE

DESCRIPTION	BUDGET	ACTUAL	%
Depreciation and debt impairment	71 168 000	57 211	0%
Finance charges	1 080 000	323 167	30%
General and other expenses	39 634 000	24 960 201	63%
<b>Total Expenditure</b>	<b>192 628 000</b>	<b>74 401 776</b>	<b>39%</b>
<b>Surplus/Deficit</b>	11 005 000		

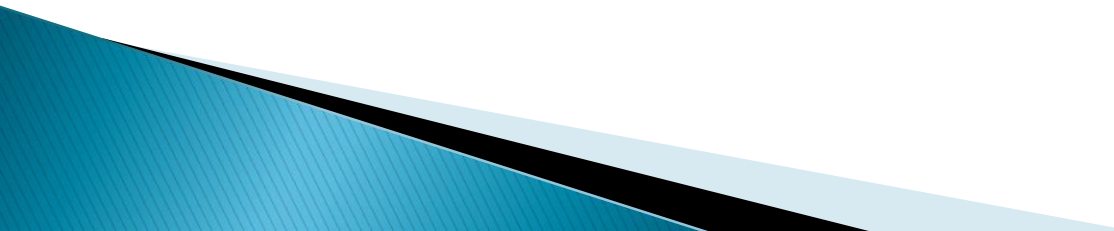
# Mid year Budget analysis (Revenue)

- ▶ Total Revenue collected for the six months R166 ,1M which includes operational grants of R61,3M and MIG of R31,6M
  - ▶ Assessment Rates exceeded its budget, revenue forgone of R6,9 M is not yet accounted, we'll see a realistic assessment rates revenue at the last quarter
  - ▶ We have an average of 85% in revenue
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# Mid year Budget analysis (Expenditure) cont”

- ▶ Total expenditure for this quarter is R74,4M excluding MIG expenditure
  - ▶ Expenditure includes salaries, payments of creditors and third parties
  - ▶ The expenditure reflect 39% due to Depreciation that has not been accounted for, this will drastically change in the next quarter
  - ▶ Total expenditure spent till date is 39%
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# Repairs and Maintenance


- ▶ Repairs and Maintenance total budget amount is R9 633 000 the amount spent to date is R4,1M.
  - ▶ Expenditure to date has increased to 43% of the RM budget
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# Expenditure per Vote

VOTE	ANNUAL BUDGET	ACTUAL EXPENDITURE	%
Executive and council	15 407 000	8 022 254	52%
Finance	35 474 000	14 219 279	40%
Corporate Service	23 246 000	5 930 832	26%
Community service and public safety	6 810 000	4 219 883	62%
Economic and environment	41 867 000	4 910 359	12%
Trading services	69 825 000	38 485 175	55%
<b>Total</b>	<b>192 628 000</b>	<b>75 787 782</b>	<b>39%</b>

# Ananalysis of vote per expenditure

- ▶ Executive and council, consist of MM , Speaker and Mayors' office which met the target in spending 52%
  - ▶ Community service consist of Community service and admin, Library, Youth , Sports and Traffic department total spent 62% of the budget
  - ▶ Economic and Environment consist of Urban and planning and housing, LED Parks and Cemetery and Roads and has less expenditure of 12%
  - ▶ Trading services consisting of Refuse, Water, Electricity Sewerage and Electricity, total expenditure amounting to 55% of the budget
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# Budget and Reporting

- ▶ section 71, quarterly and Bi annually reports has been submitted on time
- ▶ Annual Financial Statement 2012 has been submitted on time,
- ▶ We anticipate to increase the budget on the following items, depreciation, provision for bad debts, lease of fleet, audit fees, bulk purchases and plant and equipment also on revenue trading services.
- ▶ Vat for this financial year is been paid for the six months that we have claimed

# FAR

- ▶ FAR for 2012 has been compiled in line with GRAP
- ▶ The municipality has total book value of Assets amounting to R625 266 787, and WIP of R18 109 715
- ▶ The challenge in FAR is that there is a lot of movable assets that could not be located and we are at a process of following up on those, a detailed report will then be tabled to council should the need arise to write them off

# Personnel and General

- ▶ We have three critical posts that need to be filled as soon as possible which are Manager SCM , Manager Expenditure and Assets officer
- ▶ The above were advertised, we are awaiting the process of interviews
- ▶ The post for Director Technical was filled in the second quarter and this will assist finance as the CFO was focusing on two departments and which was quite a challenge for the municipality.
- ▶ The filling of the above posts will ensure that finance operates effectively efficiently
- ▶ Though we had challenges regarding the shortage of staff in Finance, we managed to maintain the Unqualified Audit report for 2012

# MIG Expenditure

DATE	BUDGET ESTIMATE	RECEIVED	ACTUAL EXPENDITURE
31/07/2012	16 189 000	16 189 000	1 242 861
31/08/2012	0	0	923 469
30/09/2012	0	0	1 066 484
31/10/2012	0	0	1 118 105
30/11/2012	15 474 000	0	2 680 733
31/12/2012	0	15 474 000	1 123 653
<b>Total</b>	<b>31 663 000</b>	<b>31 663 000</b>	<b>8 155 305</b>

# MIG Analysis

- ▶ Total expenditure for the six months is R8,1 M, in percentage equals to 26% of the MIG received thus far
- ▶ MIG for this quarter deposited into the municipal bank account is R 15M
- ▶ From here on we'll be left with the last batch that will be deposited in March depending on the expenditure on MIG
- ▶ We need to ensure that we spend money as budgeted for to prevent National Treasury to with-hold the fund

# Investment register

INSTITUTION	ORIGINAL CAPITAL	INTEREST FOR Q2	MOVEMENTS	BALANCE	MATURITY
STD BANK	3 535 402	38 926	0	3 574 328	03/11/2015
ABSA	7 480 393	92 552	-6 541 172	1 031 773	Call Account
ABSA	20 342	23.00	-20 365	0	07/09/2012
ABSA	10 000 000	83 896	-10 083 896	0	08/10/2012
ABSA	15 000 000	188 260	-15 188 260	0	06/11/2012
FNB	5 000 000			5 000 000	03/01/2013
FNB	10 000 000			10 000 000	04/02/2013
FNB	17 000 000			17 000 000	04/03/2013
VKB	1 018 557	7 479	0	1 026 036	Call
TOTAL	69 054 694	411 136	-31 833 693	37 632 137	



# Investments

- ▶ We have Std bank ABSA, VKB and FNB investments
- ▶ Standard bank is a long term investment of R3 574 420 maturing on 2015/11/03
- ▶ ABSA and FNB bank short term investments of R33 031 774 including call account
- ▶ VKB security investments and shares total amounting to R1 021 036, plus R5 000 of shares
- ▶ Total investments of the municipality is R37 632 230

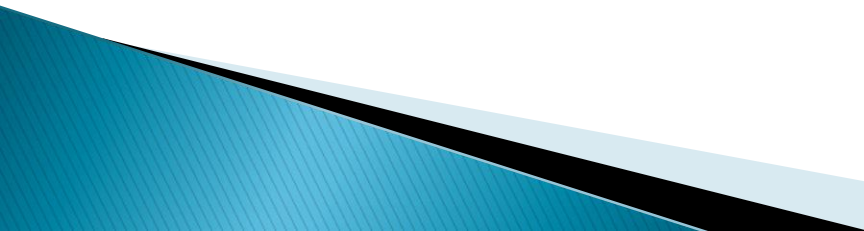
# Bank

INSTITUTION NAME	ACCOUNT NAME	AMOUNT
ABSA	Cheque	13 201 497.83
ABSA	Banktel	421 155.87
<b>Total</b>		<b>13 622 653.70</b>

# Cashflow forecast

	Six month forecast					
Description	'000 Oct 2012	'000 Nov 2012	'000 Dec 2012	'000 Jan 2013	'000 Feb 2013	'000 Mar 2013
Opening bal	-4 802	- 3 671	26 040	-4 240	-10 197	-2 716
Grants	0	26 202	15 474			24 978
Services	3 254	3 014	1 729	5 737	8 385	5 723
Other	10 135	15 231	62	7 044	11 574	1 231
<b>Total Receipts</b>	<b>8 587</b>	<b>40 776</b>	<b>43 083</b>	<b>8 541</b>	<b>9 762</b>	<b>29 216</b>
Salary Cost	5 095	4 194	5 574	4 813	4 483	4 365
Capital Projects	1 252	2 762	1 270	7 802	4 122	3 580
Creditors	5 799	7 556	8 479	5 921	3 670	3 125
Other	112	224	32 000	202	203	5 203
<b>Total Payments</b>	<b>12 258</b>	<b>14 736</b>	<b>47 323</b>	<b>18 738</b>	<b>12 478</b>	<b>16 273</b>
<b>Closing Balance</b>	<b>-3 671</b>	<b>26 040</b>	<b>- 4 240</b>	<b>10 197</b>	<b>-2 716</b>	<b>12 943</b>

# Cashflow and Bank analysis

- ▶ The municipality's cash flow reflects a negative balance at the beginning and end of the quarter, its still very liquid as we have invested R32M at the end of this quarter , which is detailed on investment analysis
  - ▶ We will be able to pay our creditors on time, projects and our salary bill for the next six months
  - ▶ The main bank account reflects a positive balance of R13M,
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# DBSA Loans

Loans	Vote number	Opening Bal	Interest accrued	Repayment	Total
101390/1	303/600082	8 232 658	209 039	-290 200	8 151 497
10390/2	303/600081	1 370 900	30 605	-45 469	1 356 036
<b>Total</b>		<b>9 603 558</b>	<b>239 644</b>	<b>-335 669</b>	<b>9 507 533</b>

# Recommendation

- ▶ That the committee takes note of this report
  - ▶ The municipality will have to adjust on provision for bad debts, depreciation on furniture and equipment and plant and equipment
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