

**BUDGET AND TREASURY FINANCIAL REPORT FOR THE MONTH
ENDED September 2018**



SUNDAYS RIVER VALLEY MUNICIPALITY

BUDGET AND TREASURY

Monthly Financial Reports- September 2018

PURPOSE OF THIS REPORT

The purpose of this report is to inform Finance and Administration Committee on the implementation of the budget and financial status of the municipality, as per s71 of the Municipal Finance Management Act no 56 of 2003.

BACKGROUND

Sundays River Valley Municipality is highly dependent on grants. It cannot provide for daily operations and capital backlogs from its own revenue source. A review of policies and effective monitoring thereof is crucial to ensure the municipality is rewarded for services rendered.

Even though we have got limited resources we are striving in terms of spending according to our budget as per the requirement of MFMA and report in terms of our budget implementation.

LEGISLATIVE FRAMEWORK

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium-term planning and policy choices on service delivery.

This report has been prepared in terms of the following legislative framework:

- The Municipal Finance Management Act – No. 56 of 2003, Sections 71
- and The Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

28. The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, considering any guidelines issued by the Minister in terms of section 168(1) of the Act.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the

budgeting and reporting process and other relevant matters as required by the Act.

FINANCIAL IMPLICATION

None

LEGAL IMPLICATION

Adherence to the Municipal Finance Management Act – No. 56 of 2003, Sections 71 and the Municipal Budget and Reporting Regulations

RECOMMENDATION

(a) That Finance and Administration Committee note the contents of this report.

1. Introduction

Section 71 of the Municipal Finance Management Act requires the accounting officer to, no later than 10 working days after the end of each month submit to the mayor and relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting a number of particulars including:

- Actual revenue, per revenue source
- Actual borrowings
- Actual expenditure, per vote
- Actual capital expenditure, per vote
- The amount of any allocations received
- Actual expenditure on those allocations, excluding expenditure on –
 - Its share of local government equitable share; and
 - Allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- When necessary, an explanation of –
 - Any material variances from the municipality's projected revenue by source and from the municipality's expenditure projections per vote;
 - Any material variances from the service delivery and budget implementation plan; and
 - Any remedial or corrective taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

- The statement must include-
 - A projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections
- The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the approved budget.

2. Overview

Financial Sustainability

The summary statement of financial performance shows actual operating revenue of R54.2 million and actual operating expenditure of R8.7 million. The municipality for the month ended September 2018, had a net surplus of R45.5 million

Financial sustainability however remains a concern despite the surplus recorded.

3. Financial Performance- Revenue

An amount of R13.8 million has been recorded as revenue for the month.

The transfers recognised contributed a significant amount of R6.5 million, followed by property rates at R2.3 million and service charges at R3.6 million.

No equitable share was received in September 2018.

4. Financial Performance- Expenditure

The actual total expenditure for the month amounts to R8.7 million.

The largest contributor to the expenditure basket is employee cost and bulk purchases at R2.6 million.

5. Borrowings

No borrowings have been budgeted for and none made for the month.

6. Capital Expenditure

The following capital acquisitions were incurred and recorded for the month ended September 2018 per category:

1. Movable and immovable assets

- The of moveable assets bought for the month of September 2018 is R 517 519.69 (Exclusive of VAT).
- The total value of Infrastructure work in progress paid for the month of September 2018 is R 11 709 612.31 (Exclusive of VAT).
- Infrastructure work in progress was incurred at a cost of the costs incurred for infrastructure were towards the following capital projects:

Description	Purchase price at cost
Electrification	R512 844.23
Bulk water	R143 915.20
Grilling of boreholes	R230 115.45
Small town	R
Upgrading of roads	R1 601 140.63
Rehabilitation of parks & playgrounds	R132 308.50

2. Inventory

- The total value of inventory issued made for September is R 17 254.74 and the inventory purchases for the month of September 2018 is R 7 966.70 and the total value of inventory at the end of September 2018 is R 149 925.85.

3. Insurance

- There was an insurance claims for the month of September 2018.

ASSET DESCRIPTION	CUSTODIAN	CLAIM STATUS
Cell phone	Cllr. Rune	Not Approved

MOVEABLES

Cod e	Pay ment Date	Description	Supplier	Asset Type	Purchase Price inclusive of VAT	Purchase Price at Cost	Dept. or Cost Centre	Custodian	Funde r
IA-DM 015	23/08/2018	Electronic Document Management System	Gemini Moon	Intangible Assets	R215625.00	R187500.00	Corporate	Andile M	Equitable Share
IA-DM 014	29/08/2018	Electronic Document Management System	Gemini Moon	Intangible Assets	R266570.00	R231800.00	Corporate	Andile M	Equitable Share
13188	07/09/2018	Office Desk	Cecil Nurse	Furniture	R4955.93	R4309.50	Executive	Bixa	Equitable Share
13162	07/09/2018	Credenza	Cecil Nurse	Furniture	R5427.77	R4719.80	Executive	Bixa	Equitable Share
13189	07/09/2018	Mobile Pedestal	Cecil Nurse	Furniture	R3339.62	R2904.02	Executive	Bixa	Equitable Share
11548	07/09/2018	Wall Unit 2 Glass Doors 2 Wooden Doors	Cecil Nurse	Furniture	R9912.42	R8619.50	Executive	Bixa	Equitable Share
13169	07/09/2018	4 Door Server Unit	Cecil Nurse	Furniture	R10421.66	R9062.31	Executive	Bixa	Equitable Share
13153	07/09/2018	H/B Chair	Cecil Nurse	Furniture	R3266.85	R2840.74	Executive	Bixa	Equitable Share
13170	07/09/2018	Visitors Chair	Cecil Nurse	Furniture	R2356.71	R2049.31	Executive	Bixa	Equitable Share
13171	07/09/2018	Visitors Chair	Cecil Nurse	Furniture	R2356.71	R2049.31	Executive	Bixa	Equitable Share
11547	07/09/2018	Boardroom Table	Cecil Nurse	Furniture & Office Equip	R7625.10	R6630.52	Executive	Bixa	Equitable Share
13149	14/09/2018	Storage Unit with Whirley	Kazin Trading	Buildings	R26450.00	R23000.00	Finance	S. Tanatu	Equitable Share
13150	27/09/2018	Laptop – HP Probook 450	CHM Vuwani Computer	Computer Equipment	R17041.63	R14818.81	Community	S. Greunen	Equitable Share
13148	01/08/2018	Laptop – Vostro 5568	Pinnacle Micro	Computer Equipment	R16600.25	R14435.00	Finance	N.Ponco	Equitable Share
13230	2018/09/21	Microwave	Pepkor Trading	Furniture	R 1 199	R 1 042.61	Technical	M.Nzuzo	Equitable Share
13231	2018/09/21	Bar Fridge	Pepkor Trading	Furniture	R 1 999	R 1 738.26	Technical	M.Nzuzo	Equitable Share
					R 595 147.65	R 517 519.69			

7. Staff Benefits

Section 66 of the MFMA requires disclosure of the Municipalities expenditure on staff benefits as follows:

A total of R8.7 million has been spent for the month of September 2018. This expenditure includes salaries, creditors, capital expenditure and loan repayments.

EXPENDITURE ON STAFF BENEFITS FOR THE MONTH ENDED 30 September 2018

Table below show staff benefits for the month:

	EMPLOYEE EARNINGS	COMPANY CONTRIBUTION
Salary and Wages	4,249,282.34	
Overtime	319,058.44	
Unpaid leave	-774.77	
Termination leave	53,523.89	
Annual bonus	36,905.37	
Long Service Bonus	22,106.51	
Leave Encashment	39,772.16	
Travelling	169,891.86	
Acting Allowance	31,570.40	
Shift Allowance	5,628.77	
Night Shift Allowance	11,479.80	
Danger Allowance	378.00	
Allowance	48,050.00	
Telephone	83,003.26	
Housing Allowance	72,508.89	
Standby Allowance	43,675.31	
Reimbursement km	40,493.69	
BP Normal	47,496.63	
Subsistence	2,300.00	
UIF		34,864.96
Skills		51,713.94
Pension Fund		259,427.17
Retirement Fund		140,456.10
Provident Fund		113202.52
Medical Aid		236,147.80
Salgbc Council Levy		2,660.00
TOTALS	5,276,350.55	838,472.49

For the month of September 2018 an amount of R5.4 million was incurred in relation to employees and Councillors remuneration.

8. Creditors

Below is a table that reflects details in terms of top creditors and age analysis as at 31 September 2018.

Outstanding creditors to the value of R4.4 million existed at the end of September 2018.

TOP TEN CREDITORS AS AT 30 September 2018

Supplier	180 Days	50 Days	120 Days	90 Days	60 Days	30 Days	Current	Balance
Keith Simon Family Trust				837,388.00			13,334.25	850,722.25
ESKOM					388,544.60	154,631.09	273,750.56	816,926.25
LA CONSULTING ENG						205,950.19	246,026.61	451,976.80
AUDIT GENERAL SA						450,662.32		450,662.32
DUCHARME CONSULTING							414,245.32	414,245.32
TELKOM SA					12,134.05	125,794.07	126,397.68	264,325.80
MAXIMUM PROFIT REC							245,242.94	245,242.94
FORT HARE TRAD					130,240.00	65,340.00		195,580.00
MASSIVE DYN BUS SOL							114,553.80	114,553.80
CONLOG					84,060.27			84,060.27

During the month of September, the creditors were paid on time but due to few invoices not received on time there were invoices received at a later stage which belong to the previous months hence the aging is beyond 60 days.

9. Debt Collection and Credit Control

Below are highlights of events with the credit control section in an attempt to improve collection levels:

- Government departments, municipality has a continuous reconciliation that is going on, where PPW has made payments towards the availability for the previous years.
- Department of education has highlighted that there are schools that they are not paying for of which as a department we are trying to contact those schools.
- Reminder notices were sent to customers that resulted to Life Esidimeni to make a payment more than R1m for the month of July.
- Revco our Debt collectors are assisting with the contacting of customers through calling them and sending them section 129 reminders

10. Outstanding Debtors

The total amount owed by debtors as at August 2018 is R244.9 million

Below is a table of outstanding debtors by category as at 31 August 2018.

<u>Customer</u>		<u>180 Days</u>	<u>150 Days</u>	<u>120 Days</u>	<u>90 Days</u>	<u>60 Days</u>	<u>30 Days</u>	<u>Current</u>
003120800 (ADAMS MATEWIS & ELSABIE)		16 927.18	482.45	485.1 9	488.67	489.9 3	574.9 5	576.70
015084012 (DAVIS FAMILY TRUST)		19 770.82	1 120.61	1 122.7 5	1 131.51	1 135.8 8	1 204.8 9	1 209.27
015031500 (DAWID KEMP)		19 299.18	482.77	484.9 4	488.34	489.5 2	573.5 5	575.25
009106300 (ETOM)		7 999.46	496.01	500.1 5	504.03	505.4 5	474.3 8	476.35
001073004 (GIDEON DANIEL & EDWINA WAGENAAR)		26 889.84	463.10	463.1 4	466.13	467.3 0	409.6 8	411.18
008224700 (KETANI HERMANUS MBANBANI)		10 901.11	394.63	397.9 0	400.85	402.1 1	446.2 4	447.73
003115400 (LENA BAARTMAN)		10 130.69	432.16	435.7 1	439.00	440.2 5	524.7 7	526.43
031267501 (LUVUYOCIVIL PHEPHETA)		22 751.91	422.68	424.0 4	426.81	427.9 8	1 400.2 9	509.53
032303086 (MANGCAKA)		138.82	335.12	320.9 7	323.12	323.9 7	337.7 9	338.88
001007501 (NICOLAAS JACOBUS & GERDA TOSEN)		83 685.88	1 275.98	1 271.5 5	1 279.39	1 280.8 9	1 258.8 0	1 262.73
045168200 (NONZWAKAZI BETTIE SOXOKASHE)		57 437.59	582.30	579.5 4	582.49	583.7 5	1 226.3 3	666.28

Include in the top ten outstanding debtors are municipal properties to the value of **R5.2** million. This is an overstatement of trade receivables and the municipal council should consider writing of all billed properties in the name of the municipality to ensure a proper representation of financial statements.

It should also be noted that outstanding debt over 90 days can be considered for write-offs as well considering individual recovery rates. It is common sense and best practice to do so as it is difficult to collect long outstanding debt and no planned financial recovery plans are effected currently.

The debt relief scheme write-offs where effected for the customers who took part of the municipal initiative. Based on the response it is recommend that Council performs this process on an on-going basis moving forward.

REPORT ON FREE BASIC SERVICE.

- During the month of August, a list of verified indigent customers has been sent and approved by the council.
- List and adverts will be done and be sent in all areas for the communities to check on their names.
- During the month of July an amount of R has been paid to Eskom with beneficiaries benefited.
- For prepaid customers' kwh has been issued with beneficiaries
(registration is continuing on a daily basis for the incoming customers)

13. Assets

INFRASTRUCTURE

14. Inventory

- The total value of inventory issued made for August is currently not yet issued from the system (Pastel Evolution) and there were no inventory purchases for the month of August 2018 and the total value of inventory at the end of August 2018 is R 170 237.08

15. Insurance

- There were no insurance claims for the month of August 2018.

16. Asset and Liability

The municipality receives grants for each financial year in order to render the services to the communities. These grants can fund both Capital and Operational expenses. Some of the grants can either be conditional or not a conditional grant. All the grants are spent based on the approved plan for each year either by COGTA, National Treasury, or Sarah Baartman District Municipality (Fire and Environmental Health) and DSRAC.

The expenditure for the grants is reported to the above institutions.

See the table below for the grants received and expenditure to date.

An amount of R 18,9 million has been received as per allocation, no expenditure has been recorded in respect of these grants as ta 30 August 2018.

GRANT	BUDGETED ALLOCATIONS	AMOUNT RECEIVED TO DATE	EXPENDITURE TO DATE	PERCENTAGE OF EXPENDITURE	BALANCE TO DATE	RESPONSIBLE DEPARTMENT
MIG	25 162 000.00	13 828 413.21			9 555 000.00	TECHNICAL
SMALL TOWN	37 320 000.00	2 379 038.80			2 379 038.80	TECHNICAL
INEP	16 731 000.00	7 000 000			7 000 000.00	TECHNICAL

8. Cash and Investment management

The cash flow is managed on a daily basis and the CFO is informed on the daily current account balances and investment on call accounts.

The municipality had a closing bank balance of R653,359.40 at 31 August 2018