

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



SUNDAYS RIVER VALLEY MUNICIPALITY

BUDGET AND TREASURY

Monthly Financial Reports- July 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, taking into account 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 July 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 R54.2 million has been recorded as revenue for the month.

The transfers recognised contributed a significant amount of R30.3 million, followed by property rates at R17.4 million and service charges at R5.2 million.

Equitable Share allocation was received in July at R29 988 000.

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 R4.9 million and R2.1 million respectively.

5. Borrowings

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

6. Revenue Performance

Table below shows revenue recorded for the month ended July 2018:

EC106 Sundays River Valley - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

Description	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Property rates		48,950		17,474	17,474	4,079	13,395	328%	48,950
Property rates - penalties & collection charges									
Service charges - electricity revenue		16,290		2,606	2,606	1,358	1,249	92%	16,290
Service charges - water revenue		14,067		1,746	1,746	1,172	574	49%	14,067
Service charges - sanitation revenue		5,812		142	142	484	(342)	-71%	5,812
Service charges - refuse revenue		9,027		740	740	752	(13)	-2%	9,027
Service charges - other									
Rental of facilities and equipment		68		5	5	6	(1)	-19%	68
Interest earned - external investments		1,843				154	(154)	-100%	1,843
Interest earned - outstanding debtors		9,126		958	958	761	198	26%	9,126
Dividends received									
Fines		3,169		22	22	264	(242)	-92%	3,169
Licences and permits		1,946		1	1	162	(161)	-100%	1,946
Agency services		2,859		179	179	238	(60)	-25%	2,859
Transfers recognised - operational		94,751		30,326	30,326	7,896	22,430	284%	94,751
Other revenue		559		8	8	47	(39)	-83%	559
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	-	208,467	-	54,207	54,207	17,372	36,835	212%	208,467

Material Variance greater than 10 per cent explained:

- Property Rates have a material variance of 328% due to annual billing performed for Government departments, no cause for concern nor remedial action required.
- Service charges have a material variance of 69% due to consumption variations, no cause for concern yet as seasonal usage will neutralise the budget
- Rental of facilities and equipment have a 19% variance due to lower than anticipated rental received, no remedial action required
- Interest received- external has 100% variance due to no interest received from investment being recorded in the financial system. This is concerning and Finance Directorate to ensure all month end procedures are performed before reporting dates.
- Fines have a material variance of 92% due to no fines revenue being recorded in the financial system. This is a concern as it indicates monthly procedures are not performed, Community Services must ensure all month end procedures are adhered to.
- Licences and permits have a material variance of 100% as income from Community Services has not been recorded in the financial system. Community service to ensure all month end procedures are performed so to remedy the situation.
- Agency fees have a material variance of 25%, no cause for concern can be noted and no remedial action required.
- Other income is lower than anticipated by 83%, no cause for concern

- Transfers recognised have a material variance as no capital asset recognition has been performed in the financial system. Finance to ensure all grant recognition is performed as required for effective monitoring.

7. Expenditure Performance

Below table indicates financial expenditure performance for the month ended July 2018:

Description	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								%	
Employee related costs		72,661		4,940	4,940	6,055	(1,115)	-18%	72,661
Remuneration of councillors		7,173		563	563	598	(35)	-6%	7,173
Debt impairment		25,098		26	26	2,091	(2,065)	-99%	25,098
Depreciation & asset impairment		37,803				3,150	(3,150)	-100%	37,803
Finance charges		3,385		28	28	282	(254)	-90%	3,385
Bulk purchases		26,256		2,110	2,110	2,188	(78)	-4%	26,256
Other materials		4,827		4	4	402	(398)	-99%	4,827
Contracted services		29,897		836	836	2,491	(1,655)	-66%	29,897
Transfers and grants		-		-	-	-	-		-
Other expenditure		31,902		169	169	2,659	(2,489)	-94%	31,902
Loss on disposal of PPE									
Total Expenditure	-	239,002	-	8,676	8,676	19,917	(11,240)	-56%	239,002

Material Variance greater than 10 per cent explained:

- Material variance of 18% can be noted for employee cost as a result of no implementation of Grade 3 salaries and increment as collective agreements remained unfinalised. No remedial action required for salary and wage curve dispute underway
- Debt Impairment and Depreciation have material variance; however, no concern is warranted as these items should only be record at year end as per municipal policy
- Finance charges, no cause for concern warranted as a large variance is essential as this is an area for fruitless expenditure. Finance to ensure that creditors are managed according to maintain good relations. Other item for finance lease interest and landfill interest will be recorded at year end, therefore no mitigating action required
- Other material, Contracted Services and Other Expenditure have material variance averaging 86%, despite this variance no cause for concern is warranted yet as these areas will pick up. Finance department to however ensure all received invoices are captured and end user department to submit invoices timeously for better financial management.

8. Capital Expenditure

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

- Moveable assets at R45,939.16
- Infrastructure work in progress was incurred at a cost of R845,808

The costs incurred for infrastructure were towards the following capital projects:

Description	Purchase price at cost
Upgrade of gravel Roads-Msengeni	R845,808

It should be noted, of the R46 thousand recorded in moveable assets - R29.3 thousand were donations made by Province to the Libraries

7. Staff Benefits

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

The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits.

EXPENDITURE ON STAFF BENEFITS FOR THE MONTH ENDED 31 July 2018

Table below show staff benefits for the month:

	EMPLOYEE EARNINGS	COMPANY CONTRIBUTION
Salary and Wages	3.995.276.38	
Overtime	162.630.27	
Unpaid leave	-11.402.62	
Long Service Bonus	21.994.59	
Travelling	155.080.27	
Acting Allowance	28.232.55	
Shift Allowance	6.606.35	
Night Shift Allowance	10.099.68	
Danger Allowance	432.00	
Allowance	48.750.00	
Telephone	86.068.66	
Housing Allowance	50.027.04	
Standby Allowance	35.354.75	
Reimbursement km	47.377.64	
BP Normal	1.000.00	
Subsistence	5.826.41	
Lumpsum	63.20	
UIF		32.914.76
Skills		45.607.05
Pension Fund		239.315.69
Retirement Funding		138.282.47
Provident Fund		105796.66
Medical		238.506.13
Industrial Levy		2.524.50
TOTALS	4.643.417.17	802.947.26

For the month of July 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 July 2018.

Outstanding creditors to the value of R8.6 million existed at the end of July 2018.

TOP TEN CREDITORS AS AT 31 July 2018

Supplier	180 Days	150 Days	120 Days	90 Days	60 Days	30 Days	Current	Balance
ESKOM			90,663.74	51,096.09		273,325.08	2,470,811.88	2,885,896.79
Water and San	485,536.44				5,183.49	653,167.45		1,143,887.38
COG SYSTEMS			1,640.00	35,728.37		1,049,004.00		1,086,372.37
Keith Simon Family T						837,388.00		837,388.00
ZAMAZONDO CONS							830,716.29	830,716.29
BOSCH PROJECTS						646,040.80		646,040.80
IMANI BUSINESS ADV							302,684.49	302,684.49
DERANCO BLOCKS							141,617.90	141,617.90
Environmental Tech						105,514.80		105,514.80
Nelson Mandela B MM							95,898.20	95,898.20

Municipality did not pay all its creditors within 30 days due to invoices not received in time. However stringent measure cash management principals are being applied to ensure recovery and close monitoring of funds.

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 July 2018 is R293.2 million

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

Customer	180 Days	150 Days	120 Days	90 Days	60 Days	30 Days	Current	Balance
001047300 (MUNISIPALITEIT WATERWERKE)	1,508,772.64	73,712.26	73,712.26	74,358.85	74,358.85	74,358.85	181,060.70	2,060,334.41
015057710 (NATIONAL DEPARTMENT OF PUBLIC WORKS)							1,905,932.85	1,905,932.85
002100200 (BONTRUG POMPSTASIE)	1,345,061.92	67,689.24	5,116.82	68,764.69	69,290.10	5,739.92	6,011.57	1,567,674.26
002049700 (LIFE ESIDIMENI (PTY) LTD)	404,971.59	121,734.43	106,604.16	116,901.01	123,522.47	247,994.74	230,686.36	1,352,414.76
025034900 (Republic of South Africa - Not Registered)	893,511.91						395,098.59	1,288,610.50
025084032 (Department of Land Affairs)	731,525.74	2,950.16	3,048.49	2,950.16	2,950.16	2,950.16	266,884.05	1,013,258.92
001070500 (MUNISIPALITEIT)	625,590.35	62,656.11	63,800.85	64,350.47	64,350.47	1,426.71	68,694.93	950,869.89
001065800 (TRAFFIC DEPARTMENT)	814,405.49	25,284.90	22,059.48	21,488.75	12,613.77	13,010.04	16,964.96	925,827.39
015084035 (DEPARTMENT OF LAND AFFAIRS)	701,444.92						217,805.28	919,250.20
002049701 (SUNDAYS RIVER CITRUS CO PTY LT)						31,807.31	834,536.63	866,343.94

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 off 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 taking into account 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 were effected for the customers who took part of the municipal initiative. Based on the response it is recommended that Council performs this process on an on-going basis moving forward.

REPORT ON FREE BASIC SERVICE.

- During the month of July, 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

Table belows, reflects details in terms of assets acquired for the month:

Code	Description	Asset Type	Purchase Price inclusive of VAT	Purchase Price at Cost	Dept. or Cost Centre	Custodian
13001	Cash Drawer	Furniture and Office Equipment	924.45	924.45	Traffic	A.P.Petrus
13002	Cash Drawer	Furniture and Office Equipment	924.45	924.45	Traffic	A.P.Petrus
13003	Cash Drawer	Furniture and Office Equipment	924.45	924.45	Traffic	A.P.Petrus
13004	Cash Drawer	Furniture and Office Equipment	924.45	924.45	Traffic	A.P.Petrus
13006	Cash Drawer	Furniture and Office Equipment	924.45	924.45	Traffic	A.P.Petrus
13345	Keyboard	Computer Equipment	307.52	269.75	Traffic	N.Sali
13347	CPU	Computer Equipment	13 373.46	11 731.11	Traffic	N.Sali
13132	CPU	Computer Equipment	6703.81	6703.81	Library	B.Tyala
13137	CPU	Computer Equipment	6703.81	6703.81	Library	B.Tyala
13134	Keyboard	Computer Equipment	284.27	284.27	Library	B.Tyala
13139	Keyboard	Computer Equipment	284.27	284.27	Library	B.Tyala
13133	Monitor	Computer Equipment	2043.05	2043.05	Library	B.Tyala
13138	Monitor	Computer Equipment	2043.05	2043.05	Library	B.Tyala
13131	Projector	Computer Equipment	5223.18	5223.18	Library	B.Tyala
13130	Roller Door	Furniture and Office Equipment	6030.60	6030.60	Library	B.Tyala
			R47 619.27	R45 939.15		

INFRASTRUCTURE

Code	Description	Supplier	Purchase Price inclusive of VAT	Purchase Price at Cost	Dept. or Cost Centre	Funder
SRVLM07/2011-4A	Upgrading of Gravel Roads Project 4 Emsengeni Phase 1	Zamazondo Constructions	830 716.29	722 361.99	Technical	MIG
SRVLM07/2011-4A	Upgrading of Gravel Roads Project 4 Emsengeni Phase 1	Deranco Blocks	141 617.90	123 146.00	Technical	MIG
			R 972 334.19	R 845 507.99		

14. Inventory

- No inventory was issued during the month.
- Inventory received/ purchases for the month amount to R27,421
- The inventory value on hand at the end of July 2018 amounts to R 187 763.

15. Insurance

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

GRANT	BUDGETED ALLOCATIONS	AMOUNT RECEIVED TO DATE	EXPENDITURE TO DATE	PERCENTAGE OF EXPENDITURE	BALANCE TO DATE	RESPONSIBLE DEPARTMENT
MIG	25 162 000.00	9 555 000.00			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 R1,020,065 at 31 July 2018

Below table reveals municipal call accounts as at July 2018:

ACCOUNT	OPENING BALANCE	TRANSFERS IN	INTEREST RECEIVED	TRANSFERES OUT	BANK CHARGES	CLOSING BALANCE
						-
ELECTRICITYACCOUNT - 62027590589	1,000.00	7,000,000.00	12,220.46	12,220.46	-	7,001,000.00
SRVM-LIBRARY-62314004839	1,000.00	-	0.41	0.41	-	1,000.00
FMG - 62149457708	3,857.86		1.59	1.59	-	3,857.86
EPWP - 62387475009	1,000.00		0.15	0.15	-	1,000.00
MSIG - 62072234041	1,000.00	-	4.03	4.03	-	1,000.00
MIG - 62081228621	1,000.00	11,934,038.80	1,124.49	3,265,742.37	-	8,670,420.92
EMERGENCY RELIEF-62394071204	1,000.00	-	0.42	0.42	-	1,000.00
TOWN PLANNING-62178942580-SMALL TOWN	1,000.00	-	-		-	1,000.00
ENON BERSHEBA- 62408271211	1,000.00		0.39	0.39	-	1,000.00
INTERGRATED ZONING SCHEME-62161489086	1,000.00		0.40	0.40	-	1,000.00
SALARIES SRVM	1,912.70	20,000,000.00	410.44	12,000,410.44	-	8,001,912.70
ROADS & PUBLIC WORKS-62071406542	1,000.00		4.03	4.03	-	1,000.00
ADDO NOLUTHANDO/EQUITABLE-62134438284	1,802.59	-	0.74	-	-	1,803.33
IDP-62051951088 (ACCOUNT CLOSED)	-	-	-	-	-	-
TOA-74539338646	12,058,899.60		56,528.14	-	-	12,115,427.74
TOTAL	12,076,472.75	38,934,038.80	70,295.69	15,278,384.69	-	35,802,422.55
						-