



MANGAUNG
METRO MUNICIPALITY
METRO MUNISIPALITEIT
LEKGOTLA LA MOTSE

DIRECTORATE
FINANCE

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DIRECTORATE
FINANCE

11 JUNE 2014

THE CITY MANAGER
THE EXECUTIVE MAYOR

MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2014 (MONTHLY BUDGET STATEMENT) – 2013/14 FINANCIAL YEAR

1. PURPOSE

To comply with section 71 of the MFMA, by providing a monthly statement on the implementation of the budget and financial state of affairs of the municipality to the Executive Mayor, as legislated.

2. STRATEGIC OBJECTIVE

The strategic objective of this report is to ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.

Section 71 of the MFMA requires that:

The accounting officer of a municipality must by no later than **10 working days** after the end of each month submit to the **mayor of the municipality**, and the relevant **National and Provincial Treasury**, a statement in the prescribed format on the state of the municipality's budget reflecting certain details for that month and for the financial year up to the end of that month.

For the reporting period ending 31 May 2014, the ten working day reporting limit expires on **13 June 2014**.

Further explanation of the requirements is described in **Annexure A**.

National Treasury have indicated that they wish to continue to directly monitor municipalities that have a significant impact on the South African economy. For this purpose the required electronic reports were progressively lodged with the National Treasury. Material variances will be briefly referred to in this report.

3. REPORT FOR THE PERIOD ENDING 31 MAY 2014

This report is based upon financial information, as at 31 May 2014 and available at the time of preparation. All variances are calculated against the approved adjustments budget figures.

The financial results for the period ended 31 May 2014 are summarised as follows:

Statement of Financial Performance (SFP) (Annexure B – Table C4)

The SFP shown in Annexure B is prepared on a similar basis to the prescribed budget format, detailing revenue by source, excluding capital transfers and contributions, and expenditure by type. The summary report indicates the following:

MAN Mangaung - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M11 May

Description	2012/13	Budget Year 2013/14							
	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	514,177	568,624	750,767	75,624	904,443	688,228	216,215	31%	750,767
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	1,646,868	2,102,667	2,102,667	135,632	1,637,132	1,927,505	(290,374)	-15%	2,102,667
Service charges - water revenue	514,367	589,873	622,487	46,616	709,714	670,634	139,080	24%	622,487
Service charges - sanitation revenue	143,927	143,043	145,540	16,933	189,528	133,416	56,111	42%	145,540
Service charges - refuse revenue	59,877	97,396	113,844	9,247	103,051	104,360	(1,309)	-1%	113,844
Service charges - other	6,296	-	-	-	-	-	-	-	-
Rental of facilities and equipment	17,707	25,908	28,025	1,644	14,725	23,657	(9,132)	-38%	26,026
Interest earned - external investments	33,381	177,902	180,902	16,027	160,836	185,833	(14,996)	-9%	180,902
Interest earned - outstanding debtors	134,576	146,843	146,843	14,691	130,008	134,611	4,397	3%	146,843
Dividends received	-	-	-	-	-	-	-	-	-
Fines	3,829	13,208	13,408	741	7,834	12,291	(4,457)	-36%	13,408
Licences and permits	431	843	843	47	412	773	(361)	-47%	843
Agency services	8,603	3,631	3,631	-	-	3,328	(3,328)	-100%	3,631
Transfers recognised - operational	795,376	654,372	707,396	-	640,949	646,470	(7,521)	-1%	707,396
Other revenue	110,442	970,388	965,816	61,648	674,019	885,383	(211,364)	-24%	965,816
Gains on disposal of PPE	2,851	900	900	-	-	825	(825)	-100%	900
Total Revenue (excluding capital transfers and contributions)	3,991,688	5,495,487	5,781,057	378,747	5,171,651	5,289,495	(127,844)	-2%	5,781,057
Expenditure By Type									
Employee related costs	977,491	1,191,122	1,170,377	91,336	1,000,740	1,072,885	(72,145)	-7%	1,170,377
Remuneration of councillors	43,610	49,886	49,886	3,966	44,229	46,731	(1,502)	-3%	49,886
Debt Impairment	339,654	260,837	175,837	14,653	161,184	161,189	(6)	0%	175,837
Depreciation & asset impairment	376,477	449,683	430,683	11,290	320,925	394,716	(73,791)	-19%	430,683
Finance charges	41,531	200,445	198,745	12,290	138,350	182,189	(45,839)	-25%	198,745
Bulk purchases	1,401,993	1,802,367	1,802,367	91,698	1,355,131	1,468,890	(113,759)	-8%	1,602,367
Other materials	161,778	306,900	354,186	19,896	195,708	324,682	(128,973)	-40%	354,186
Contracted services	210,727	303,081	348,435	34,905	243,714	319,411	(76,697)	-24%	348,435
Transfers and grants	7,476	121,889	129,889	(864)	83,267	119,069	(35,812)	-30%	129,889
Other expenditure	448,220	879,353	968,817	116,777	630,997	678,946	(47,950)	-28%	968,817
Loss on disposal of PPE	706	-	-	-	-	-	-	-	-
Total Expenditure	4,011,663	5,368,473	5,419,122	395,946	4,172,234	4,967,709	(795,475)	-16%	5,419,122
Surplus/(Deficit)	(19,977)	127,014	361,935	(17,199)	998,417	331,786	667,631	201%	361,935
Transfers recognised - capital	590,476	686,388	662,422	-	8,000	780,582	(782,582)	-89%	662,422
Contributions recognised - capital	-	11,888	17,576	-	7,228	16,204	(8,976)	-55%	17,576
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	570,499	825,280	1,242,033	(17,199)	1,014,645	1,138,572	-	-	1,242,033
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	570,499	825,280	1,242,033	(17,199)	1,014,645	1,138,572	-	-	1,242,033
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	570,499	825,280	1,242,033	(17,199)	1,014,645	1,138,572	-	-	1,242,033
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	570,499	825,280	1,242,033	(17,199)	1,014,645	1,138,572	-	-	1,242,033

The major revenue variances against the adjustments budget are:

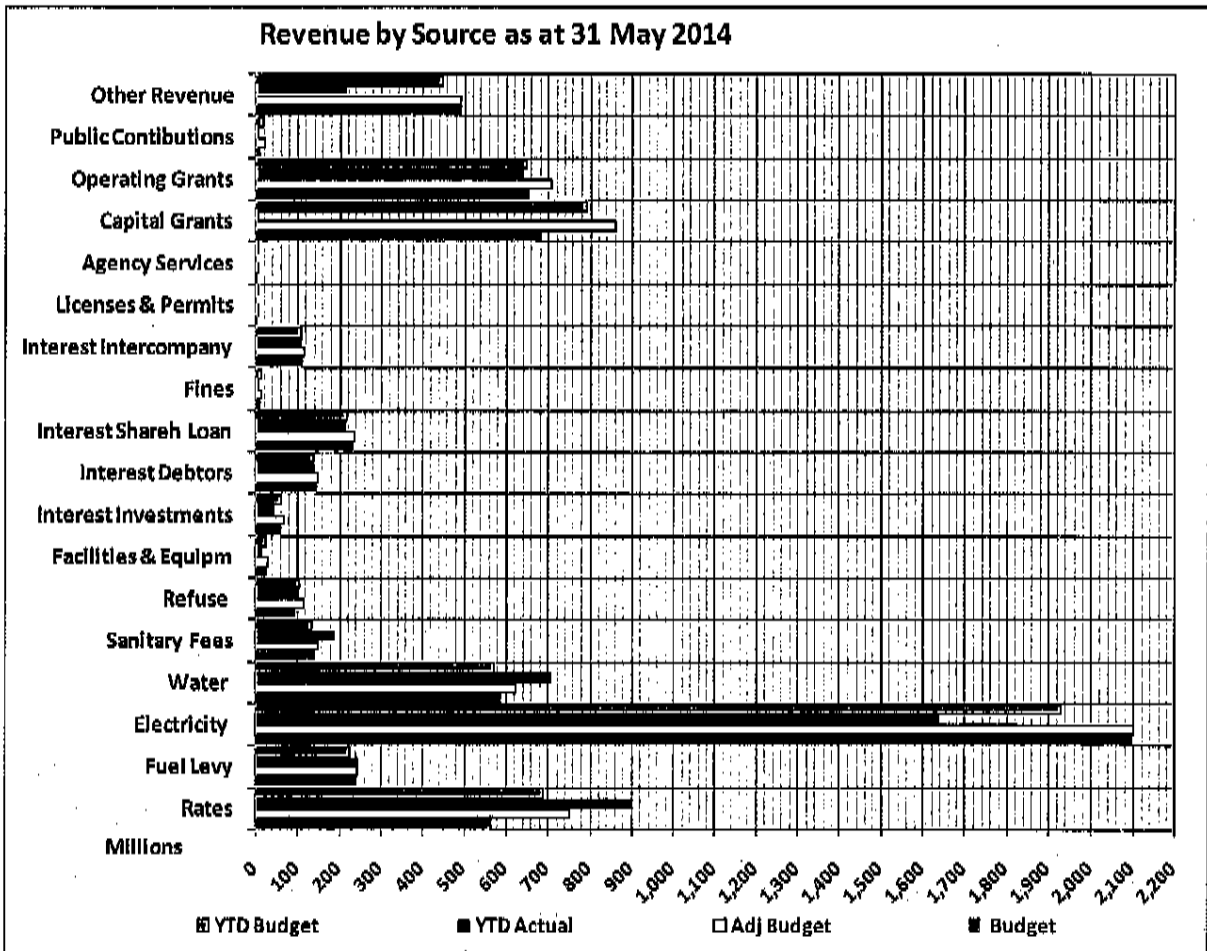
- Property rates – Favourable variance of R216.215 million due to the higher property values following implementation of the new valuation roll as of 1 July 2013 and the outstanding finalization of the objection process thereof. Adjustments for adjudicated appeal valuations are to be effected in the month of June 2014.
- Electricity revenue – Unfavourable variance of R290.374 million due to lower actual sales than budgeted, less electricity billed and sold for the period;
- Water revenue - Favourable variance of R139.080 million due to an increase in billing, more water billed for the period due to an incorrect billing of approximately R156.726 million which is already identified and still has to be corrected. Also see remark under Outstanding Debtors Report – Page 9;
- Services charges – Sanitation revenue - Favourable variance of R56.111 million mainly as a result of outstanding processing of revenue foregone expenditure due to indigent beneficiaries and the implementation of the new valuation roll – objections not finalised;
- Services charges – Refuse revenue - Unfavourable variance of R1.309 million cushioned by the outstanding processing of revenue foregone expenditure due to indigent beneficiaries;
- Interest earned – External investments – Unfavourable variance of R14.996 million due to the over-estimation on the interest revenue budget and lower investment balances;
- Government Grants and subsidies – Operating (R7.521 million) unfavourable due to the non recognition of unspent balances from the previous financial year;

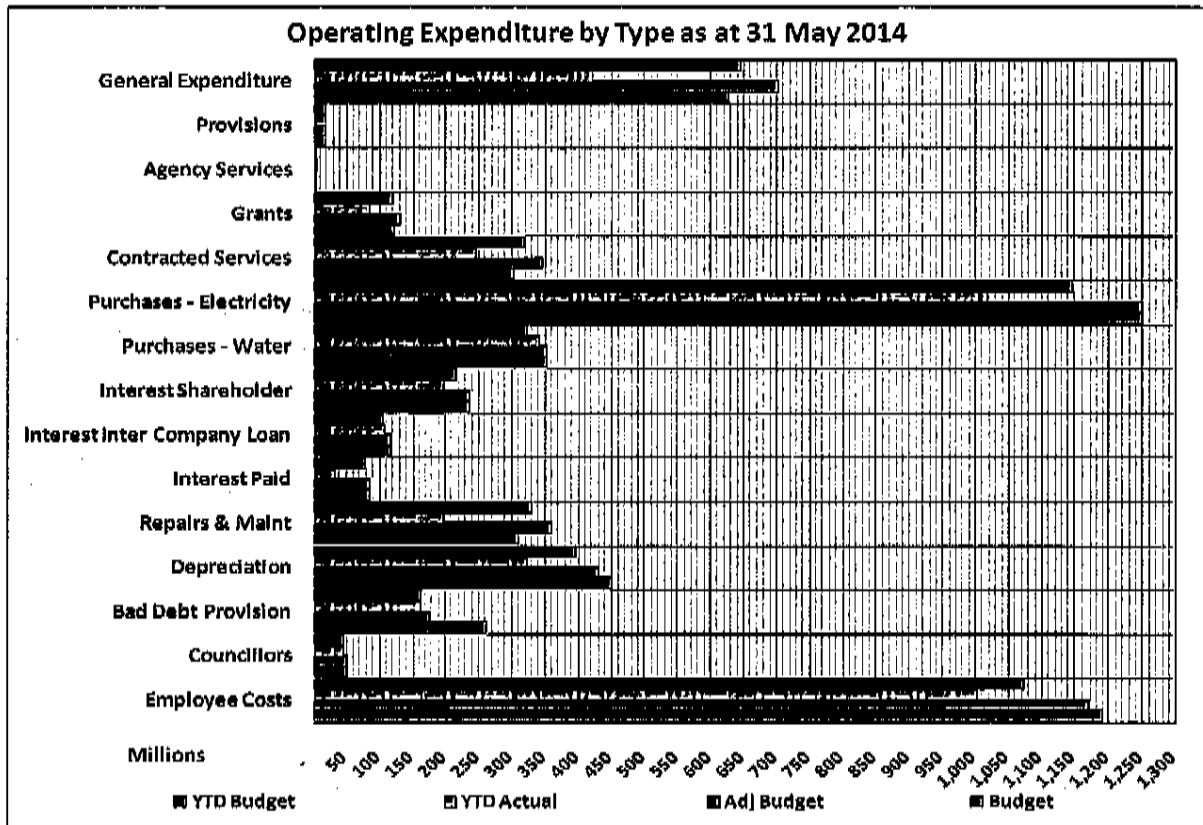
- Other revenue (R211.344 million) unfavourable due to under collection on various revenue items, non-cash items and GRAP issues only accounted for when finalising the financial statements and
- Transfers recognised – Capital: R782.582 million unfavourable due the fact that most of the capital expenditure projects are work in progress and the non recognition of capital grants for the period, effected only at the end of the financial year.

The major operating expenditure variances against the adjustments budget are:

- Employee related costs – Favourable variance of R72.145 million due to unfilled vacancies;
- Debt impairment – On target;
- Depreciation – Favourable variance of R73.791 million due to the entity that has reduced their depreciation provision to bring it in line with their annual financial statements for 2012/13 and the non-accrual of depreciation for three months by the parent municipality;
- Finance charges – Favourable variance of R45.839 million, mainly due to non- accrual of finance leases;
- Bulk purchases (R113.759 million) favourable due to seasonal fluctuation and outstanding electricity account;
- Other materials (R128.973 million) favourable due to under-spending;
- Contracted services (R75.697 million) favourable due to cost containment measures and under spending;
- Transfers and grants (R35.812 million) favourable due to grants not yet paid over to the entity and the non-recognition of it and
- Other expenditure (R247.950 million) favourable due to under spending, GRAP and non-cash issues only accounted for at year end.

The following charts compare the actual revenue and expenditure against the approved original and adjustments budgets;



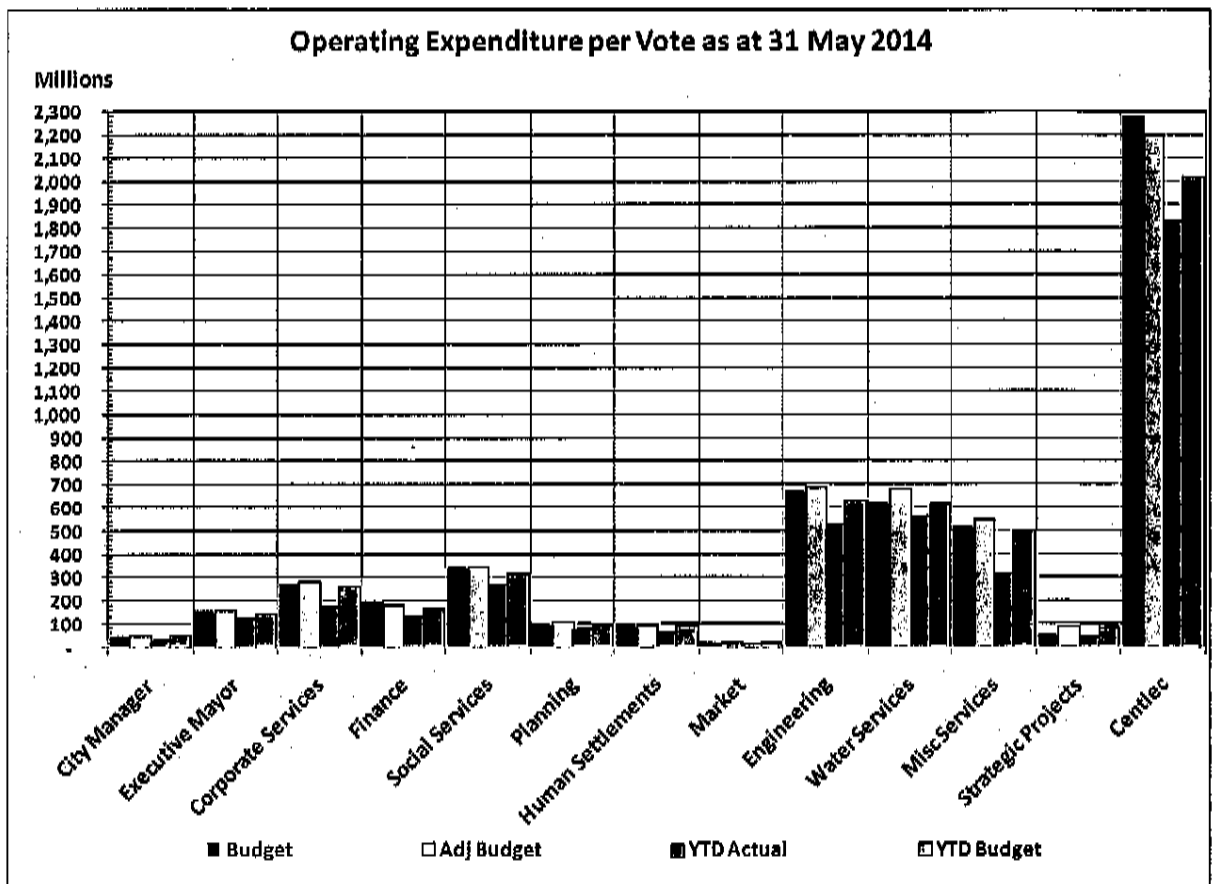
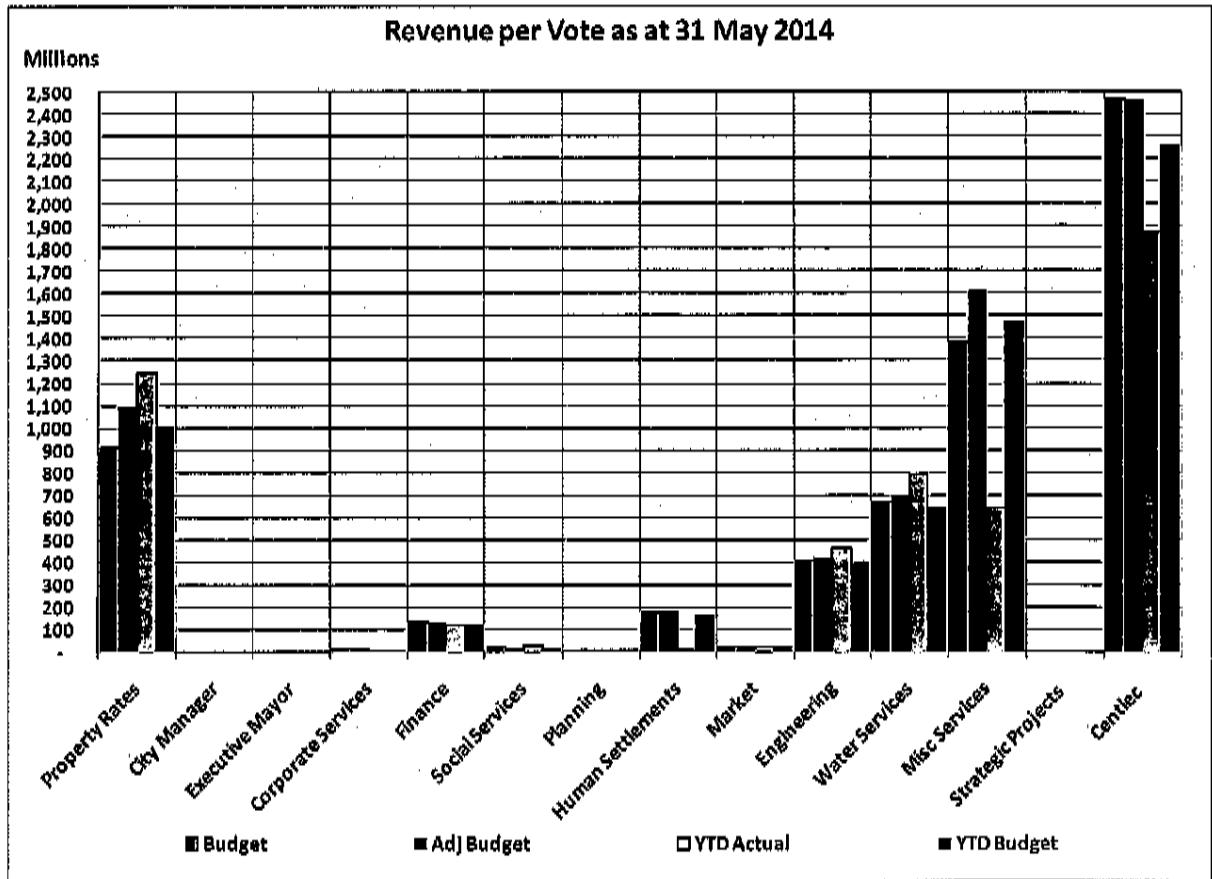


The table below shows the revenue and expenditure per vote:

MAN Mangaung - Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M11 May

Vote Description	2012/13	Budget Year 2013/14							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue by Vote									
Vote 1 - City Manager	0	-	-	-	1	-	1	#DIV/0!	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services	5,780	11,512	11,512	1,833	5,662	10,553	(4,891)	-46.3%	11,512
Vote 4 - Finance	1,822,468	1,042,442	1,224,885	88,029	1,366,862	1,122,668	244,193	21.8%	1,224,885
Vote 5 - Social Services	12,933	15,575	17,415	1,519	24,197	15,964	8,232	51.6%	17,415
Vote 6 - Planning	4,773	5,910	6,910	794	6,285	6,335	(49)	-0.8%	6,910
Vote 7 - Human Settlement and Housing	14,665	175,611	175,611	1,536	1,842	160,962	(169,140)	-98.9%	175,611
Vote 8 - Fresh Produce Market	18,746	19,143	20,198	1,656	19,426	18,615	811	4.9%	20,198
Vote 9 - Engineering Services	295,492	405,548	424,493	26,603	467,747	389,133	88,614	17.6%	424,493
Vote 10 - Water Services	582,423	668,129	700,743	47,061	789,362	642,371	146,991	22.9%	700,743
Vote 11 - Miscellaneous Services	882	1,383,898	1,811,958	32,879	640,873	1,477,880	(837,007)	-58.8%	1,811,958
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	-
Vote 14 - Electricity - Centlec (Soc) Ltd	1,824,109	2,465,995	2,467,634	177,039	1,874,822	2,262,080	(387,257)	-17.1%	2,467,634
Total Revenue by Vote	4,582,162	6,193,763	6,661,155	378,747	5,188,679	6,106,281	(919,402)	-15.1%	6,661,155
Expenditure by Vote									
Vote 1 - City Manager	30,345	47,614	47,614	2,525	30,815	43,666	(12,741)	-29.3%	47,614
Vote 2 - Executive Mayor	123,087	157,524	157,524	9,431	127,800	144,402	(16,602)	-11.5%	157,524
Vote 3 - Corporate Services	210,014	273,911	279,444	16,499	176,568	256,167	(78,599)	-31.1%	279,444
Vote 4 - Finance	137,656	187,575	174,901	14,718	129,809	160,332	(30,523)	-19.0%	174,901
Vote 5 - Social Services	274,561	340,418	341,868	23,592	286,762	313,390	(46,628)	-14.9%	341,868
Vote 6 - Planning	63,084	100,934	106,054	11,727	77,232	97,219	(19,987)	-20.6%	106,054
Vote 7 - Human Settlement and Housing	64,679	94,279	97,279	7,733	66,056	89,178	(23,120)	-25.9%	97,279
Vote 8 - Fresh Produce Market	16,853	18,428	18,428	847	12,870	16,893	(4,223)	-25.0%	18,428
Vote 9 - Engineering Services	498,989	668,370	666,629	36,274	630,712	629,433	(98,721)	-16.7%	666,629
Vote 10 - Water Services	571,643	823,748	874,403	36,495	585,497	618,225	(52,728)	-8.5%	874,403
Vote 11 - Miscellaneous Services	551,818	520,734	544,434	18,748	315,143	499,082	(183,939)	-36.9%	544,434
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	21,789	54,562	91,062	1,665	45,538	83,477	(37,939)	-45.4%	91,062
Vote 14 - Electricity - Centlec (Soc) Ltd	1,459,244	2,280,477	2,199,582	215,894	1,827,633	2,016,357	(188,724)	-9.4%	2,199,582
Total Expenditure by Vote	4,011,893	5,388,473	5,419,122	396,948	4,172,234	4,967,709	(795,475)	-18.0%	5,419,122
Surplus/ (Deficit) for the year	570,269	825,290	1,242,033	(17,199)	1,016,445	1,138,572	(123,927)	-10.9%	1,242,033

The following charts compare the actual revenue and expenditure per vote against the approved original and adjustments budget;



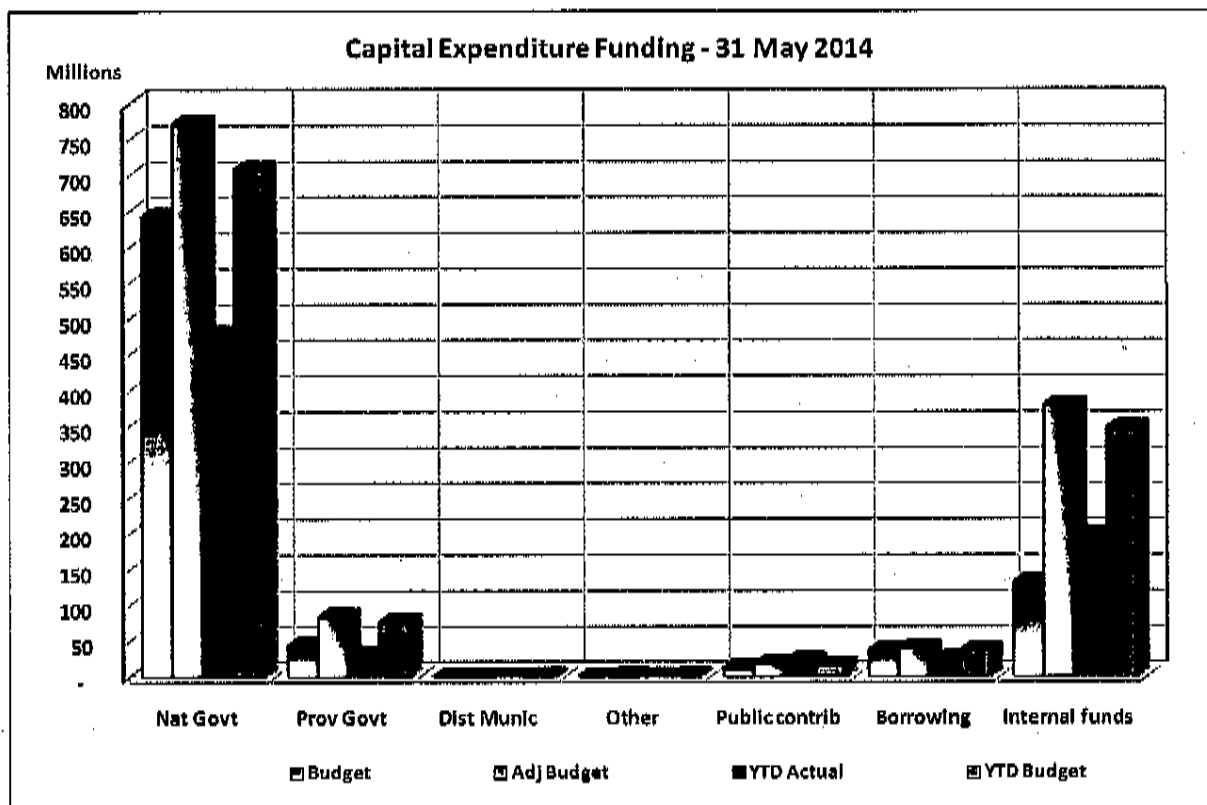
Capital expenditure report (Annexure B – Table C5)

The Capital expenditure report shown in Annexure B has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised into major output 'type'. The actual spending to date is **63.65%** (R753.703 million) on the year to date target of **R1 184,209 million**. For the year to date period we have only spent **58.34%** of the approved adjustments budget, as against the target of **91.67%**. The summary report indicates the following:

Summary Statement of Capital Expenditure - Financing

Description	Adj Budget 2013/14 R'000	YTD Adj Budget May 2014 R'000	YTD Actual May 2014 R'000	Variance YTD Fav/(Unfav) R'000
Capital Expenditure	1 291 818	1 184 209	753 703	(430 507)
Capital Financing				
National Government	772 227	707 901	477 970	(229 931)
Provincial Government	83 469	76 516	31 597	(44 919)
District Municipality	500	458	0	(458)
Other transfers and Grants	85	78	20	(58)
Public Contributions	17 676	16 204	21 936	5 732
Borrowing	39 406	36 123	24 145	(11 979)
Internally Generated Funds	378 454	346 929	198 035	(148 894)
Financing Total	1 291 818	1 184 209	753 703	(430 507)

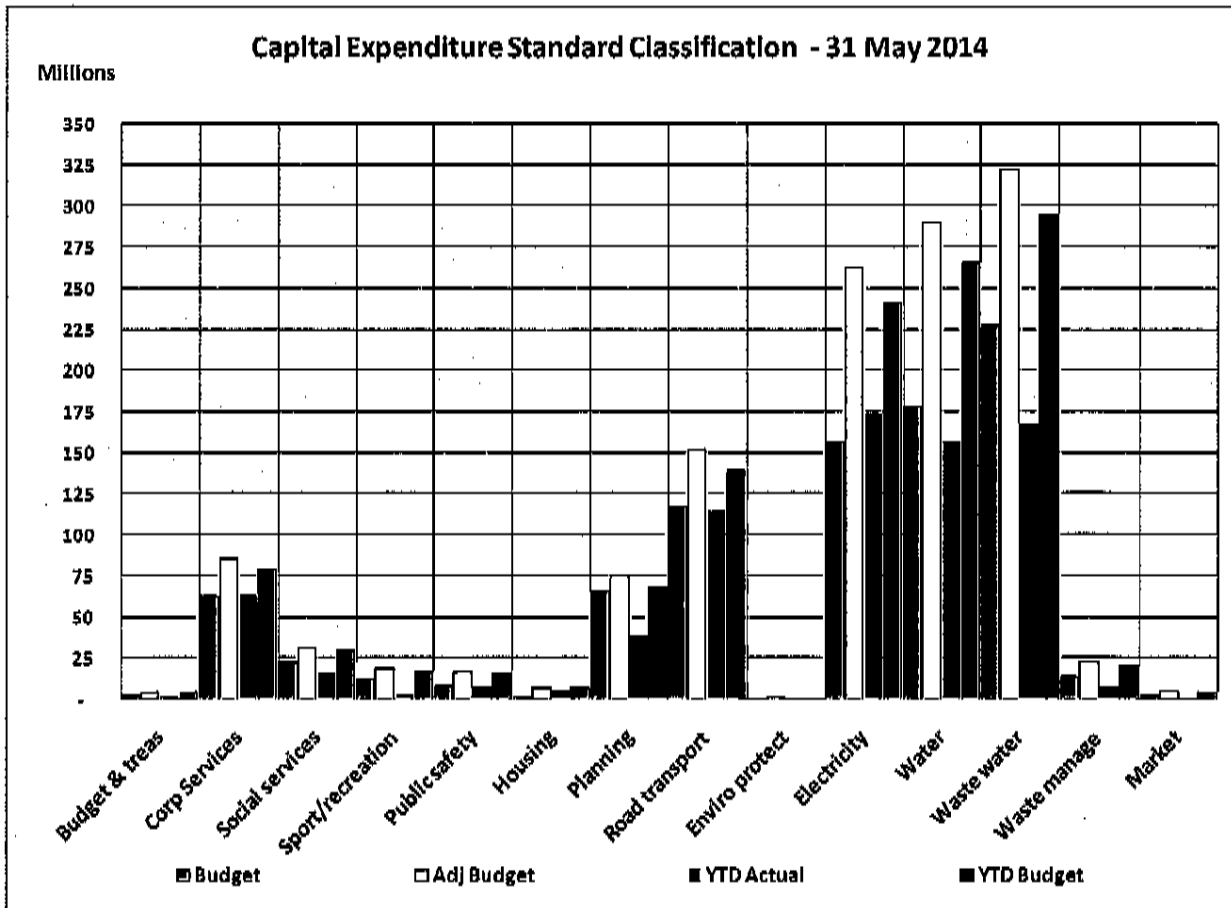
The following chart indicates the capital expenditure financing.



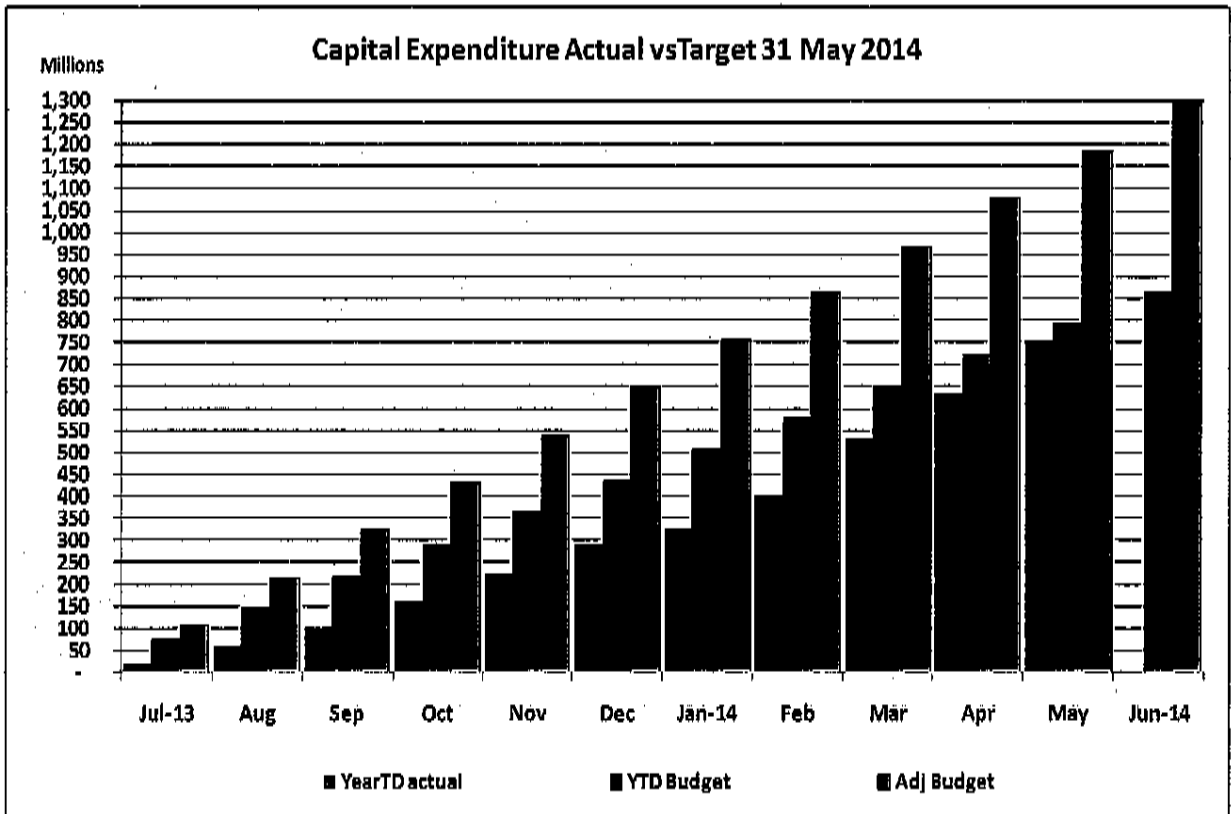
The status of year-to-date capital expenditure, compared to the standard classification for the key Infrastructure items as indicated in Annexure B – Table C5 are:

Economic and environmental services	(R56.214 million less than budget target)
Electricity	(R67.010 million less than budget target)
Waste water management	(R126.942 million less than budget target)
Waste management	(R13.717 million less than budget target)
Water	(R108.649 million less than budget target)
Community and public safety	(R37.498 million less than budget target)
Governance and administration	(R16.983 million less than budget target)

The following chart compares the year to date actual expenditure per standard classification with the year to date budget and the approved original and adjustments budgets.



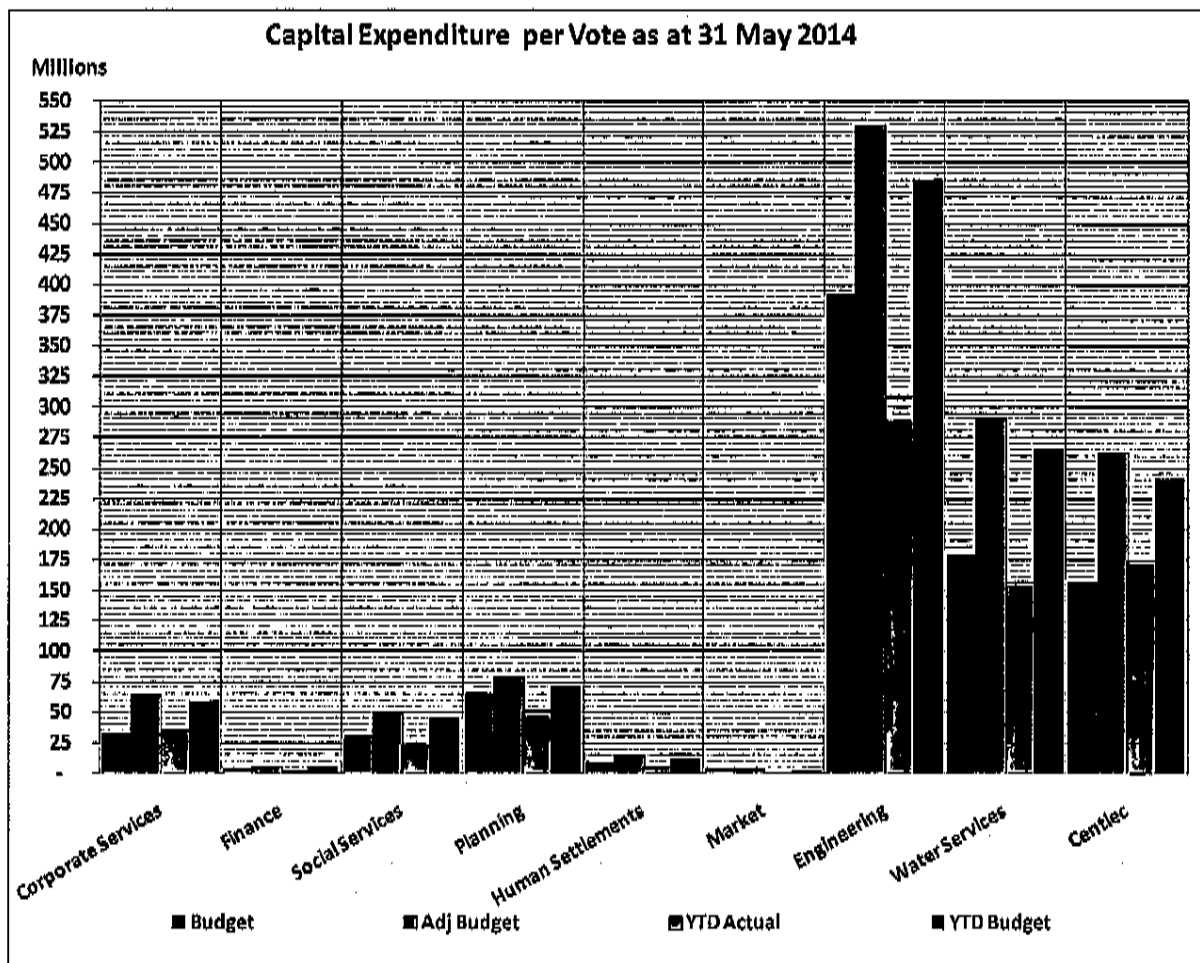
The following chart compares the year to date actual expenditure with the year to date original and adjustments budgets (target).



The table below outlines the performance per vote status of the year-to-date capital expenditure:

Capital Expenditure per Vote	Budget	Adj Budget	YTD Actual	YTD Budget	Percentage
Corporate Services	32,584,540	63,914,946	35,639,544	58,590,831	55.76%
Finance	2,000,000	4,000,000	1,364,505	3,666,800	34.11%
Social Services	29,784,000	48,572,061	22,463,791	44,526,008	46.25%
Planning	65,245,000	77,599,512	50,381,514	71,135,473	64.93%
Human Settlements	8,500,000	13,251,353	5,203,198	12,147,515	39.27%
Market	1,700,000	1,700,000	-	1,558,390	0.00%
Engineering	391,198,457	530,359,350	307,905,596	486,180,416	58.06%
Water Services	178,388,347	289,833,229	157,041,335	265,690,121	54.18%
Centlec	156,588,364	262,587,391	173,703,410	240,713,861	66.15%
	865,988,708	1,291,817,842	753,702,894	1,184,209,416	58.34%

The following chart compares the year to date actual expenditure with the year to date original and adjustments budget (target) per vote (Directorate):



The under expenditure on all services is due to the slow implementation and spending of projects.

Cash Flow Statement (CFS) (Annexure A – Table C7)

The CFS report for the period ending 31 May 2014 indicates a closing balance (cash and cash equivalents) of R954.418 million (April 2014 – R1 138.350 million) which comprises of the following:

- Bank balance and cash R53.349 million (Mangaung)
- Bank balance and cash R9.110 million (Centlec)
- Bank balance and cash R2.282 million (Market)
- Investment deposits R406.300 million (Mangaung)
- Investment deposits R483.377 million (Centlec)

The abovementioned figures as well as the figures below include cash from the entity according to figures submitted.

Under the cash flow from operating activities category:

- Ratepayers and other reflect a year to date amount of **R3 708.590 million**, resulting in a R477.730 million unfavourable variance, as compared to a year to date target of **R4 186.320 million**;
- Operating grants and subsidies show a year to date amount of **R642.133 million** compared to a year to date target of **R648.469 million** (R6.336 million unfavourable variance) and
- Capital grants and subsidies show a year to date amount of **R759.446 million** compared to a year to date target of **R660.552 million** (R98.894 million favourable variance) due to the Urban Settlements Development Grant received in advance.

With regard to payments:

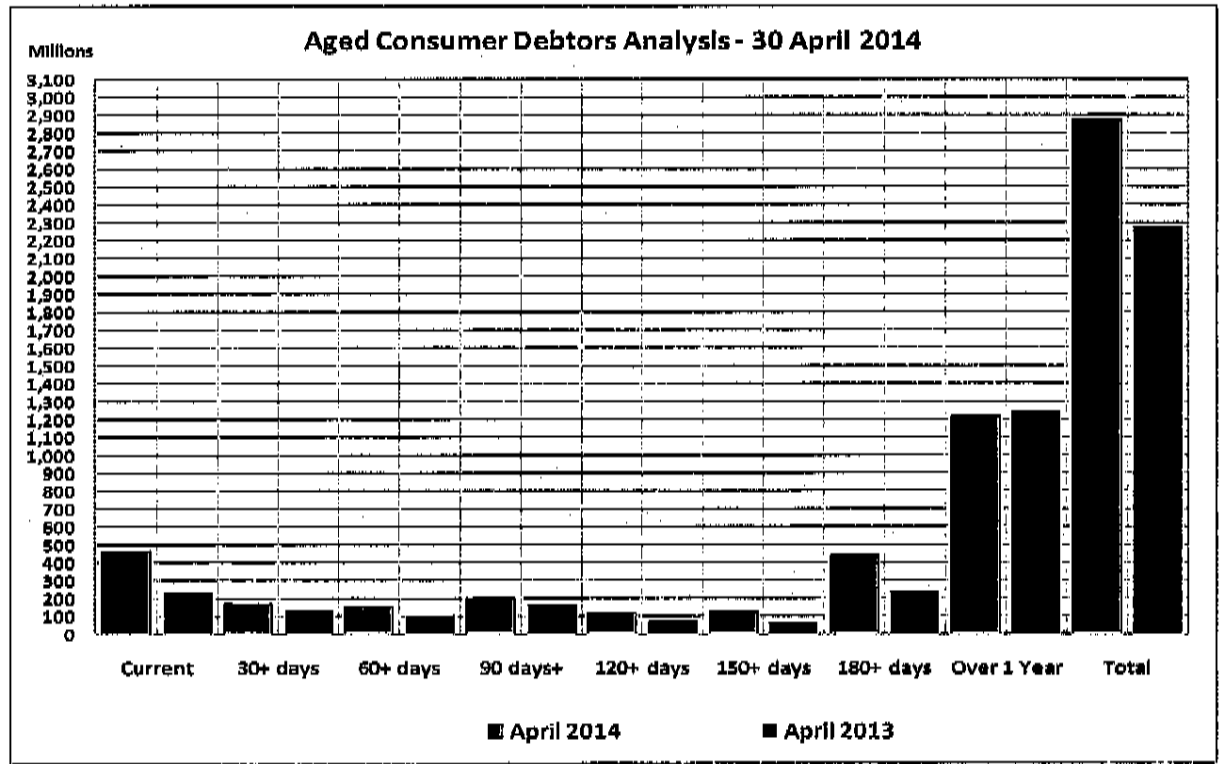
- Suppliers and employee payments indicate a year to date amount of **R3 736.066 million** (R629.690 million favourable variance) compared to a target of **R4 365.756 million** due to under spending during the period;
- Capital payments indicate a year to date amount of **R796.227 million** (R164.592 million unfavourable variance) compared to a target of **R959.818 million**.
- Increase in non-current investments – Centlec has made investments to the value of R185.444 million for a period longer than three months, which was not budgeted for.

Outstanding Debtors Report (Annexure B – Table SC3)

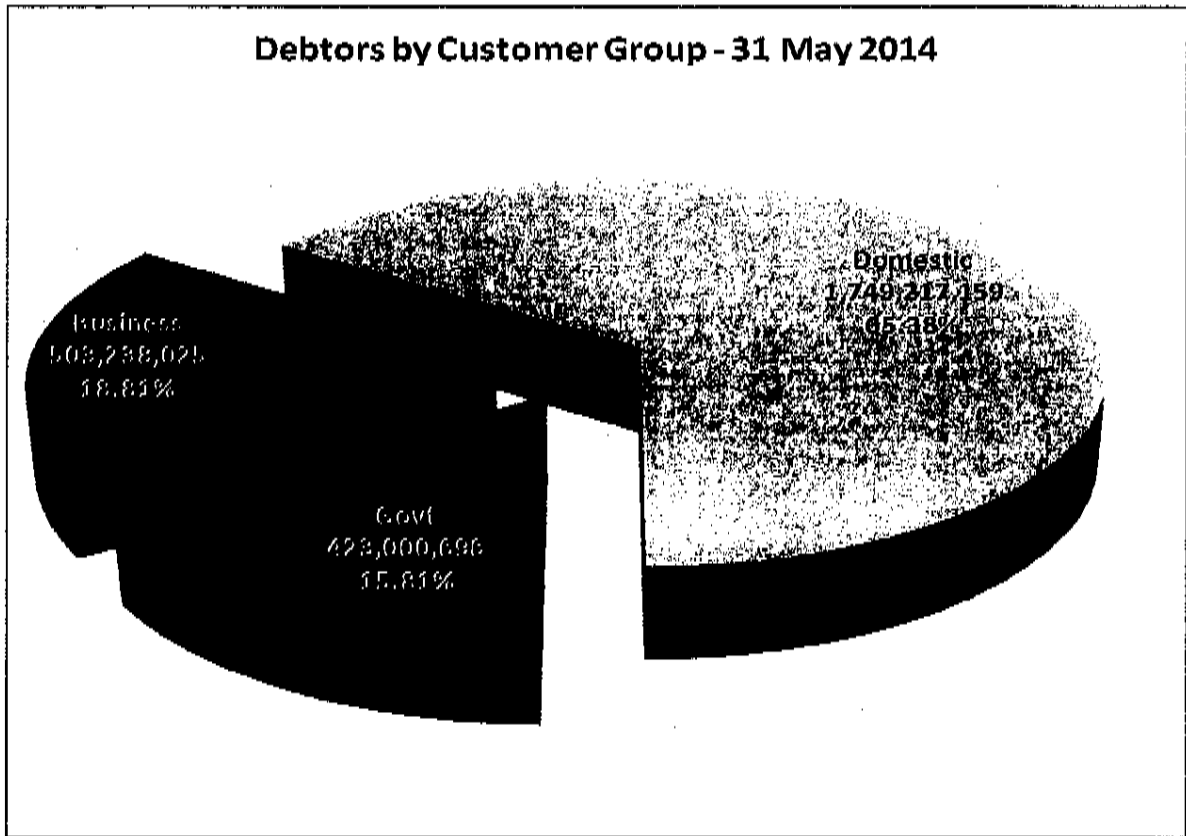
The debtors report has been prepared on the basis of the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by debtor type.

The net debtors balance is **R2 675.456 million** (April 2014 – R2 871.082 million) after excluding R179.270 million (April 2014 – R172.870 million) for electricity owed to Centlec and R8.152 million (April 2014 – R8.621 million) for other departmental charges. The decrease in the debtors figures are due to R156.726 million that has been corrected on the debtors' balances but not against the revenue.

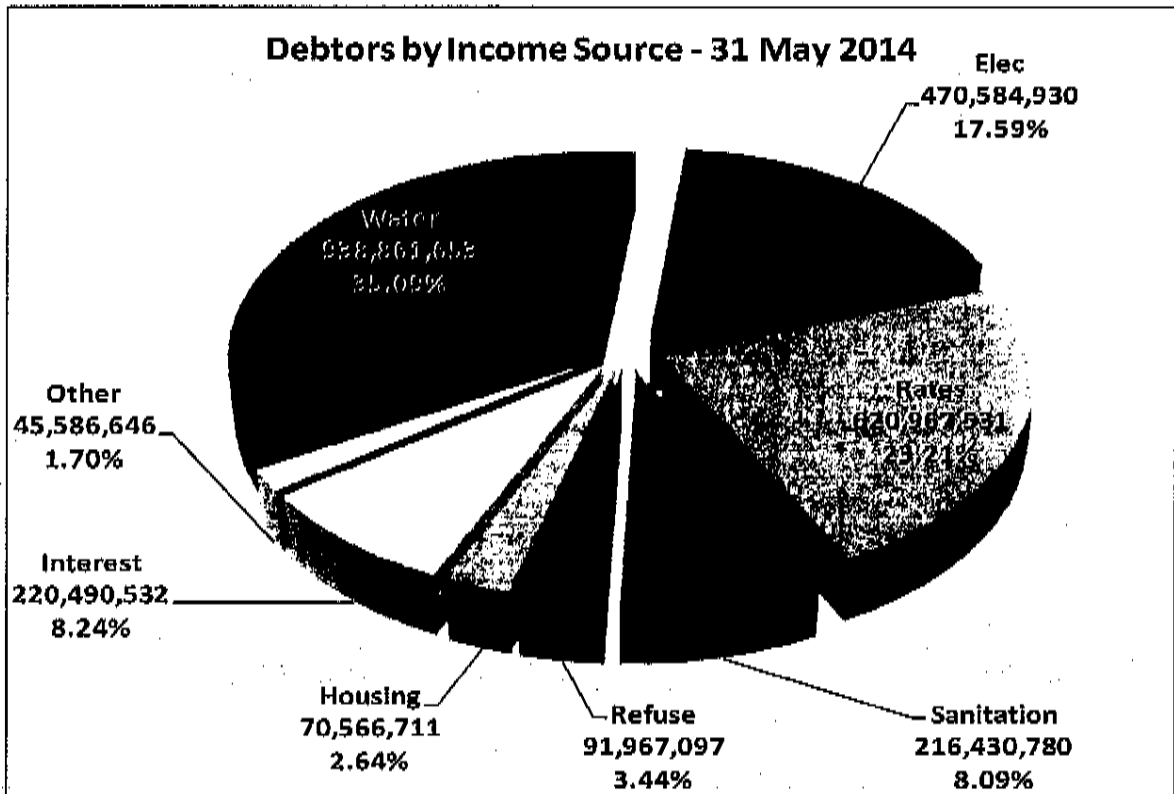
The following chart illustrates that the major debt is reflected in the over 1 year category. An amount of **R1 268.829 million** (R1 240.800 million – May 2013) is outstanding in this category, with **R888.398 million** attributable to households, a decrease of R44.522 million from the balance of R932.920 million in May 2013.



The following chart indicates the outstanding debtors per customer group (excluding electricity owned to Centlec and other departmental charges as explained above).



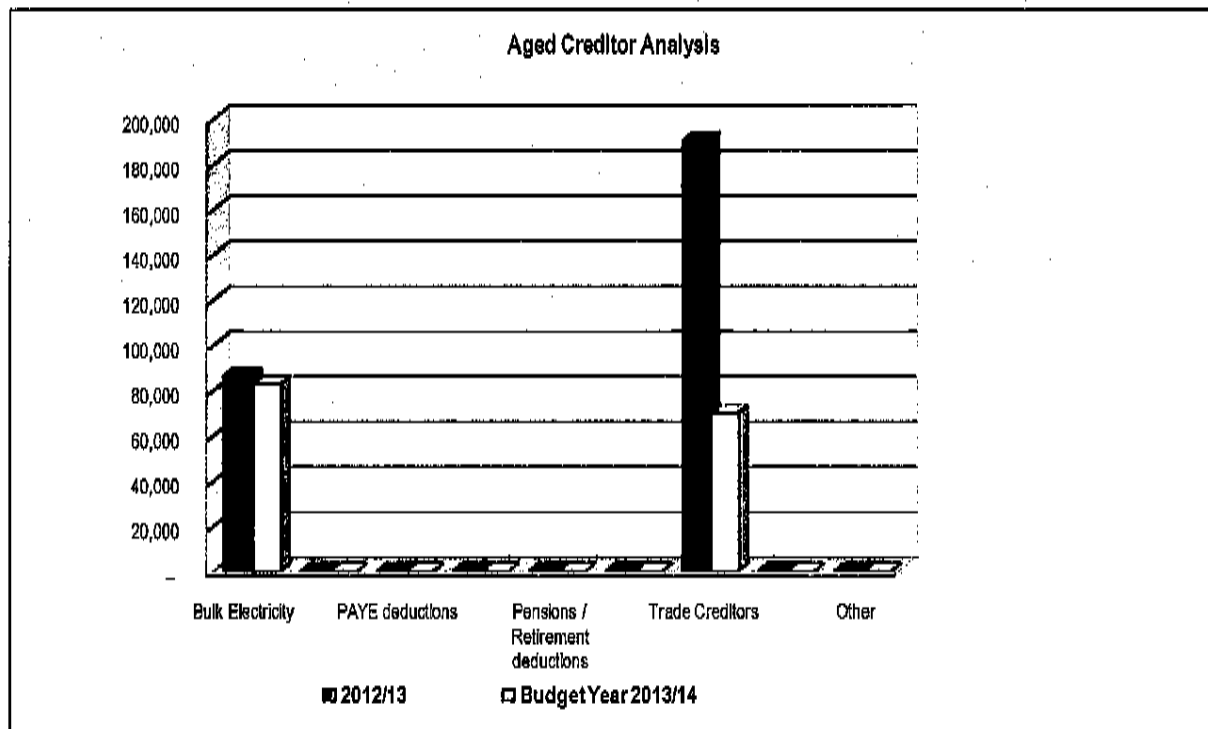
The following chart indicates the outstanding debtors by income source (excluding electricity owned to Centlec and other departmental charges as explained above).



Outstanding Creditors report (Annexure B – Table SC4)

The Creditors report has been prepared on the basis of the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by creditor type. The total trade creditors amounted to R152.775 million compared to an amount of R144.441 million in April 2014. The net increase is in trade creditors that increased with R8.646 million and electricity that decreased with R312 148.

The following chart compares this month's results with the previous financial year.



Key performance indicators (Annexure B – Table SC2)

The table refers to the agreed objectives as contained within the Restructuring Grant conditions and the actual percentages achieved.

Investment Portfolio (Annexure B – Table SC5)

The table indicates the status of the investment portfolio and detail of the Instruments of where the funds are invested, which amounts to R889.676 million as at 31 May 2014 against R973.585 million at 30 April 2014.

4. FINANCIAL IMPLICATIONS

The report for the period ending 31 May 2014 indicates various financial risks which require monitoring:

- Achievement of the operating expenditure and revenue budget;
- Achievement of the capital expenditure budget and
- The management of our cash flow on a daily basis.

As at the end of May 2014 the operating revenue (excluding capital grants) and expenditure actual represented 89.46% and 76.99%, respectively of the adjustments budget. The outcome reflects a variance of 2.21% (unfavourable) and 14.68% (favourable) respectively, when compared to the target of 91.67%. However, considering the under collection of debtors, outstanding creditors and under spending on capital projects and operating expenditure and the equitable share and fuel levy received in advance, expenditure has to be restrained to ensure a positive cash flow.

The actual year to date capital expenditure until 31 May 2014 represents only 58.34% when compared to the benchmark projection of 91.67%, a variance of 33.33% for the year.

5. KEY MAY 2014 PERFORMANCE (FINANCIAL) INDICATORS

The outcome in terms of the performance indicators is as outlined on the Supporting Table SC2 of the report pack. The various 'Debtors' ratios are also a cause for concern and are impacted by the size of the debtor's book.

6. INTERDEPARTMENTAL AND CLUSTER IMPACT

This report is prepared to achieve MFMA compliance.

7. COMMENTS OF THE HEAD: LEGAL SERVICES

The abovementioned report as such does not call for legal clarification.

8. IMPLICATIONS

- Human Resources
Not applicable.
- Finances (budget and value for money)

This report is an overview of the financial results for the period ended 31 May 2014, as well as any Operating and Capital Budget variances.

- Constitution and legal factors

The implication of approval of this report is compliance to legislative requirements (Section 71 of the MFMA).

- Communication
In compliance to legislative requirements (Section 71 of the MFMA) this document is provided to all stakeholders by placing it on the Mangaung website.
- Previous Mayoral Committee Resolutions
Not applicable.

9. CONCLUSION

This report is in compliance of Section 71 of the MFMA, by providing a statement to the Executive Mayor containing certain financial particulars.

RECOMMENDED

That, in compliance with Section 71 of the MFMA:

1. The Accounting Officer submits to the Executive Mayor this statement reflecting the implementation of the budget and the financial state of affairs of the municipality for the period ending 31 May 2014 and
2. In order to comply with Section 71(4) of the MFMA, the Accounting Officer ensure that this statement be submitted to National Treasury and the Provincial Treasury, in both a signed document format and in electronic format.

PREPARED BY:


M J KHUNONG
GENERAL MANAGER
FINANCIAL MANAGEMENT

DATE: 2014/06/12

SUBMITTED BY:


E M MORLAHLO
CHIEF FINANCIAL OFFICER

DATE: 2014/6/17


City Manager's quality certification

I, **S M Mazibuko**, the City Manager of the Mangaung Metropolitan Municipality, hereby certify that -

- the monthly report on the implementation of the budget and financial state affairs of the municipality for the period ending **31 May 2014** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name:

City Manager of the Mangaung Metropolitan Municipality

Signature: 
Date: 2014/06/18