



DIRK PELSER
FINANCE

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DIRECTORATE
FINANCE

9 APRIL 2014

THE CITY MANAGER
THE EXECUTIVE MAYOR

MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 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 March 2014, the ten working day reporting limit expires on **14 April 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 MARCH 2014

This report is based upon financial information, as at 31 March 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 March 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) - M09 March

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	568,524	750,767	81,614	747,188	583,075	184,093	33%	750,767
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	1,646,868	2,102,657	2,102,657	93,599	1,368,273	1,576,992	(218,720)	-14%	2,102,657
Service charges - water revenue	514,367	589,873	622,487	39,219	453,988	466,665	(12,677)	-3%	622,487
Service charges - sanitation revenue	143,927	143,043	145,540	17,488	155,178	109,155	46,021	42%	145,540
Service charges - refuse revenue	59,877	97,396	113,844	9,262	84,544	85,383	(839)	-1%	113,844
Service charges - other	5,296	-	-	-	-	-	-	-	-
Rental of facilities and equipment	17,707	25,908	28,025	(7,305)	11,771	19,518	(7,747)	-40%	28,025
Interest earned - external investments	33,381	177,902	180,902	28,605	119,685	135,676	(15,991)	-12%	180,902
Interest earned - outstanding debtors	134,576	146,843	146,843	13,657	111,312	110,132	1,180	1%	146,843
Dividends received	-	-	-	-	-	-	-	-	-
Fines	3,829	13,208	13,408	562	6,328	10,056	(3,728)	-37%	13,408
Licences and permits	431	843	843	29	326	632	(307)	-48%	843
Agency services	6,603	3,631	3,631	-	-	2,723	(2,723)	-100%	3,631
Transfers recognised - operational	795,376	854,372	707,396	172,276	640,949	630,547	110,402	21%	707,396
Other revenue	110,442	970,388	965,816	115,282	578,169	724,362	(146,193)	-20%	965,816
Gains on disposal of PPE	2,851	900	900	-	-	675	(875)	-100%	900
Total Revenue (excluding capital transfers and contributions)	3,991,688	5,495,487	5,781,057	582,288	4,287,690	4,335,793	(68,103)	-2%	5,781,057
Expenditure By Type									
Employee related costs	977,491	1,191,122	1,170,377	89,678	816,714	877,783	(61,069)	-7%	1,170,377
Remuneration of councillors	43,610	49,886	49,886	3,886	36,383	37,416	(1,032)	-3%	49,886
Debt impairment	339,854	280,837	175,837	41,320	131,877	131,877	(0)	0%	175,837
Depreciation & asset impairment	378,477	449,583	430,583	11,496	298,345	322,937	(24,592)	-8%	430,583
Finance charges	41,531	200,445	196,745	10,262	111,663	149,069	(37,195)	-25%	196,745
Bulk purchases	1,401,993	1,602,367	1,602,367	108,393	1,160,926	1,201,776	(40,660)	-3%	1,602,367
Other materials	161,778	309,900	364,186	18,108	160,733	266,639	(114,906)	-43%	364,186
Contracted services	210,727	303,081	348,435	18,984	185,883	261,326	(75,443)	-29%	348,435
Transfers and grants	7,476	121,889	129,889	6,175	57,290	97,417	(40,127)	-41%	129,889
Other expenditure	448,220	879,363	958,817	52,670	468,331	719,113	(250,782)	-35%	958,817
Loss on disposal of PPE	706	-	-	-	-	-	-	-	-
Total Expenditure	4,011,663	5,366,473	5,419,122	357,967	3,416,346	4,064,342	(645,996)	-16%	5,419,122
Surplus/(Deficit)									
Transfers recognised - capital	590,476	696,388	862,422	-	8,000	646,816	(638,816)	-99%	862,422
Contributions recognised - capital	-	11,888	17,676	-	-	13,267	(13,267)	-100%	17,676
Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	570,499	825,290	1,242,033	204,302	857,345	931,525			1,242,033
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	570,499	825,290	1,242,033	-204,302	857,345	931,525			1,242,033
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	570,499	825,290	1,242,033	204,302	857,345	931,525			1,242,033
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	570,499	825,290	1,242,033	204,302	857,345	931,525			1,242,033

The major revenue variances against the adjustments budget are:

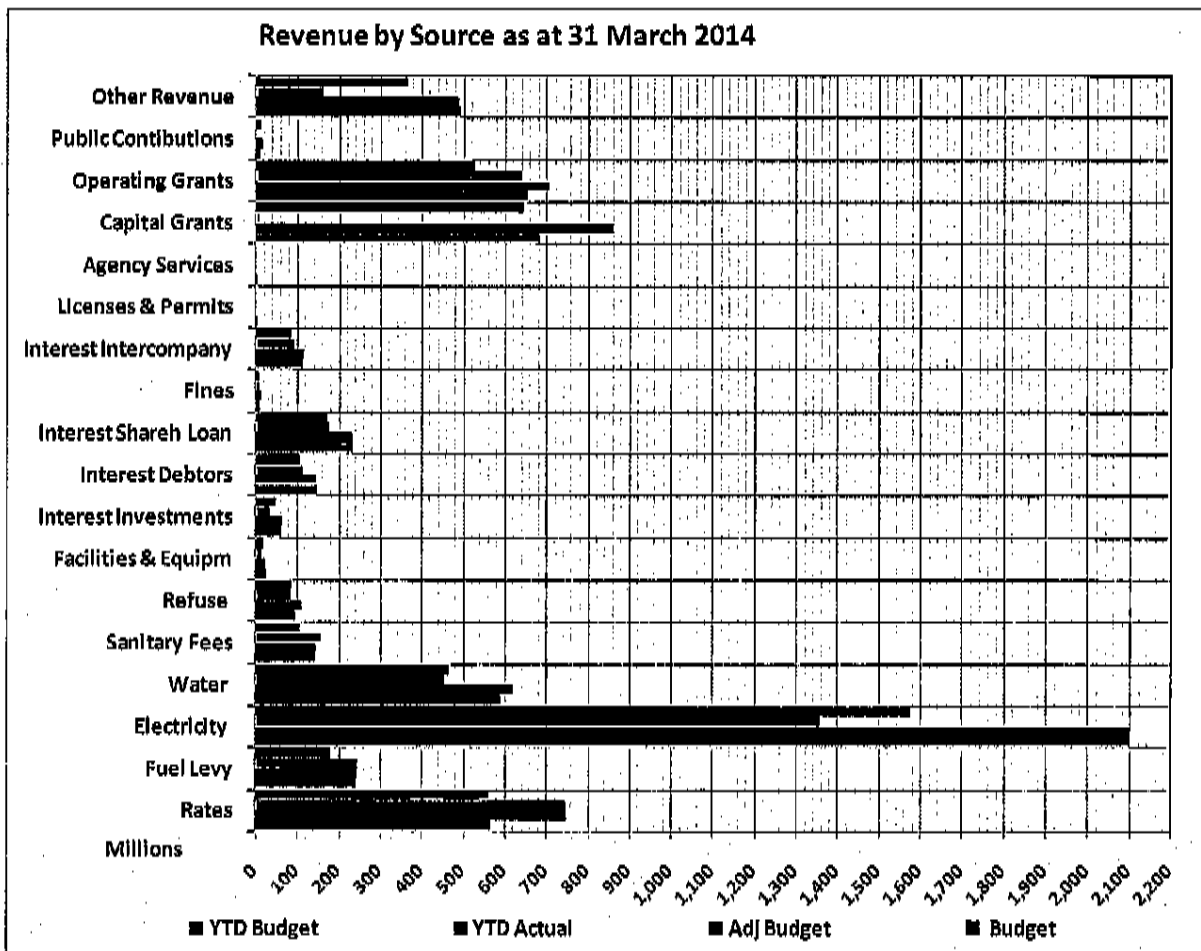
- Property rates – Favourable variance of R184.093 million due to the higher property values following implementation of the new valuation roll as of 1 July 2013 and the outstanding finalization of the objection process thereof;
- Electricity revenue – Unfavourable variance of R218.720 million due to lower actual sales than budgeted, less electricity billed and sold for the period;
- Water revenue - Unfavourable variance of R12.877 million due to a decrease in billing (seasonal fluctuation), less water billed for the period, which has been cushioned by the outstanding processing of revenue foregone expenditure due to indigent beneficiaries;
- Services charges – Sanitation revenue - Favourable variance of R46.021 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 R839 000 cushioned by the outstanding processing of revenue foregone expenditure due to indigent beneficiaries;
- Interest earned – External investments – Unfavourable variance of R15.991 million due to the over-estimation on the interest revenue and lower investment balances;
- Government Grants and subsidies – Operating (R110.402 million) favourable due to the equitable share and fuel levy received in advance;

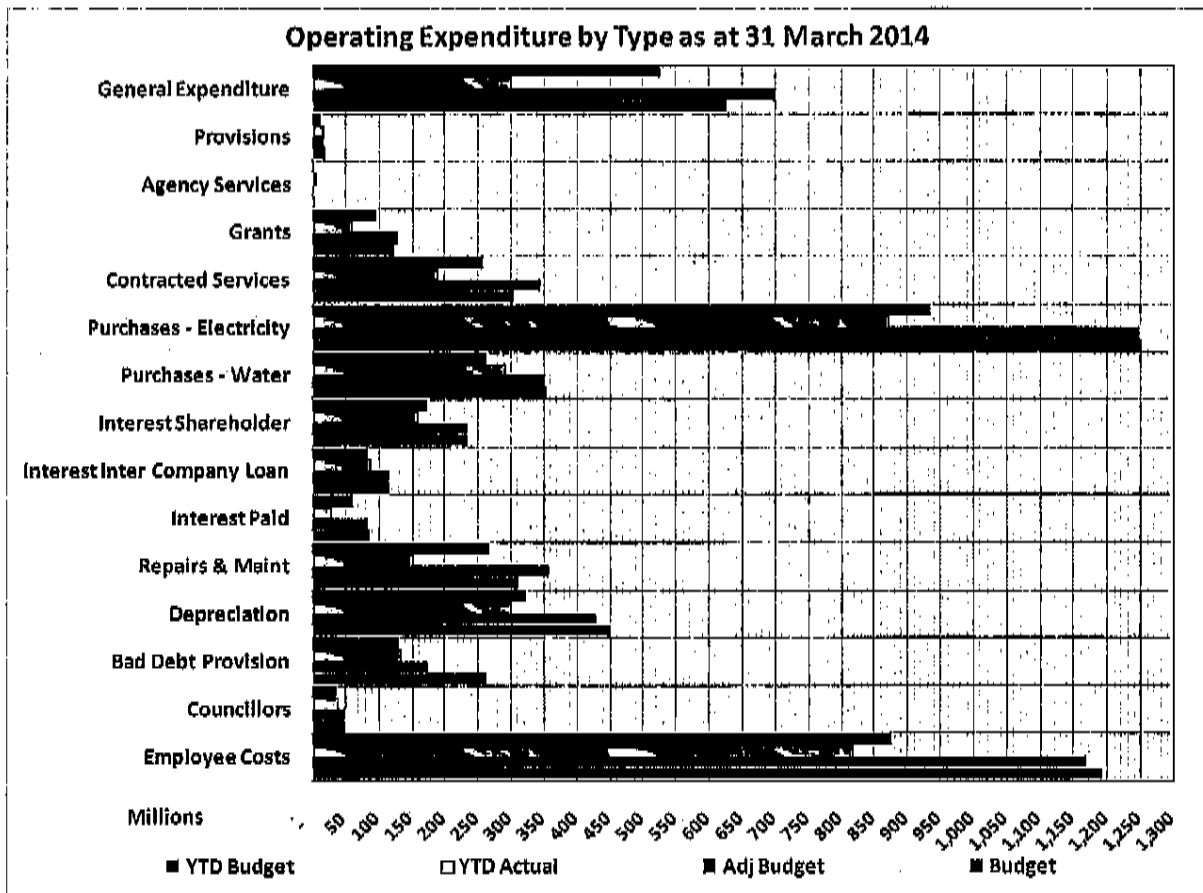
- Other revenue (R146.193 million) unfavourable due to under collection on various revenue items, non-cash items and GRAP issues only accounted for when finalising the financial statements and
- Transfers recognised – Capital: R638.816 million unfavourable due the fact that most of the capital expenditure 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 R61.069 million due to unfilled vacancies;
- Debt impairment – On target;
- Depreciation – Favourable variance of R24.592 million due to the entity that has reduced their depreciation provision to bring it in line with their annual financial statements for 2012/13;
- Finance charges – Favourable variance of R37.195 million, mainly due to non- accrual of finance leases charges and DBSA loan not fully taken up;
- Bulk purchases (R40.850 million) favourable due to seasonal fluctuation and outstanding electricity account;
- Other materials (R114.906 million) favourable due to under-spending;
- Contracted services (R75.443 million) favourable due to cost containment measures and under spending;
- Transfers and grants (R40.127 million) favourable due to grants not yet paid over to the entity and the non-recognition of it and
- Other expenditure (R250.782 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;



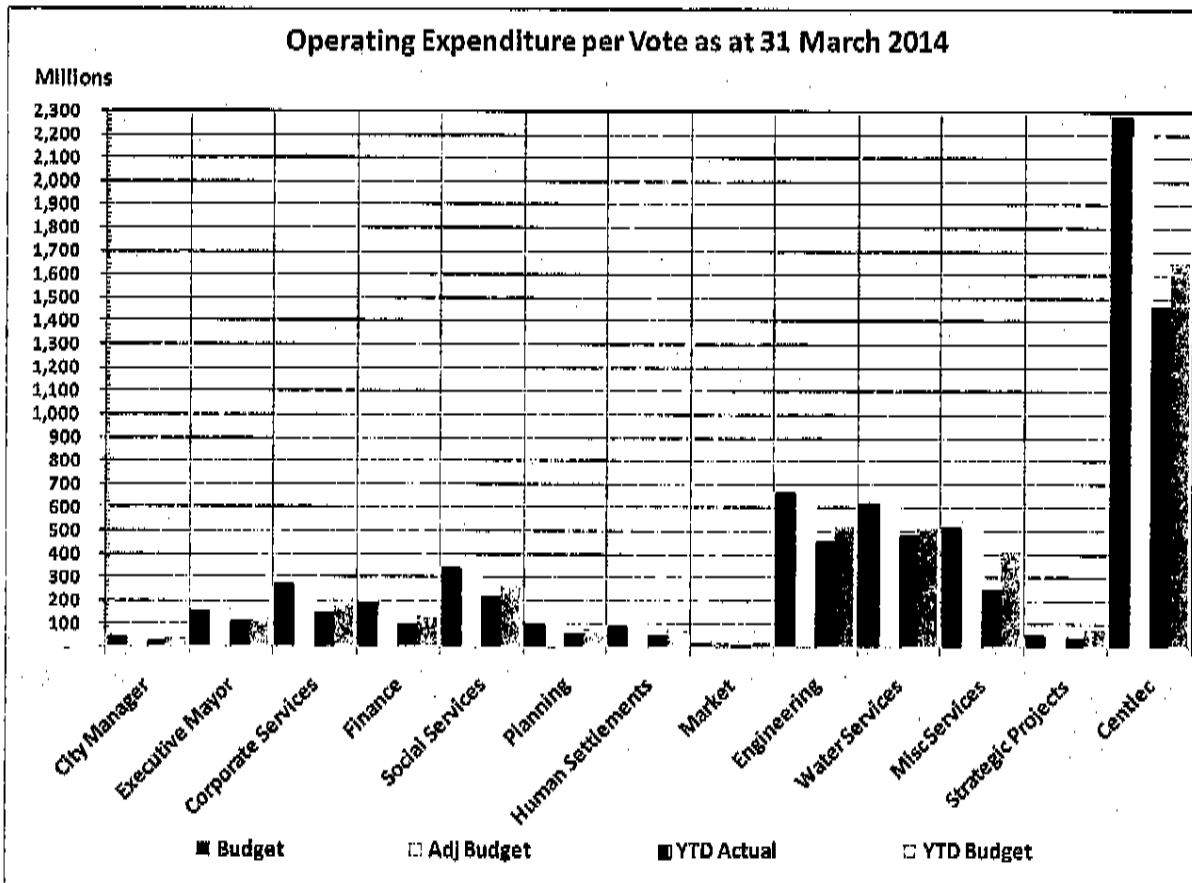
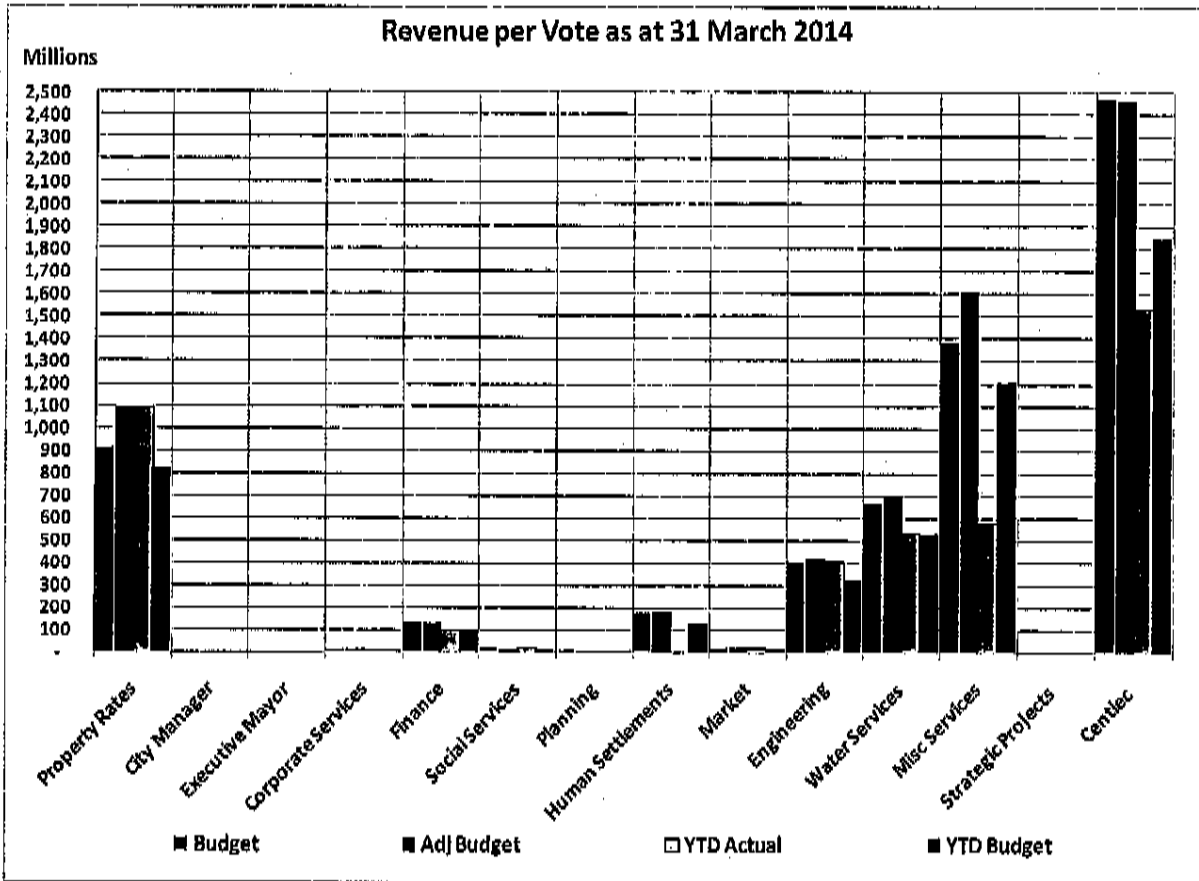


The table below shows the revenue and expenditure per vote:

MAN Mangaung - Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M09 March

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	-	1	#DIV/0!	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services	5,790	11,512	11,512	329	3,573	8,634	(5,061)	-58.6%	11,512
Vote 4 - Finance	1,822,468	1,042,442	1,224,685	188,448	1,185,303	918,514	266,789	29.0%	1,224,685
Vote 5 - Social Services	12,933	15,575	17,415	1,273	21,275	13,081	8,214	62.9%	17,415
Vote 6 - Planning	4,773	5,910	6,910	348	5,144	5,183	(39)	-0.7%	6,910
Vote 7 - Human Settlement and Housing	14,566	175,611	175,611	(7,776)	(539)	131,708	(132,247)	-100.4%	175,611
Vote 8 - Fresh Produce Market	18,746	19,143	20,198	1,779	16,037	15,148	889	5.9%	20,198
Vote 9 - Engineering Services	295,492	405,548	424,493	71,448	404,407	318,370	86,037	27.0%	424,493
Vote 10 - Water Services	582,423	668,129	700,743	60,891	533,039	525,557	7,482	1.4%	700,743
Vote 11 - Miscellaneous Services	862	1,383,899	1,611,956	125,082	578,317	1,208,987	(632,650)	-52.3%	1,611,956
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	-
Vote 14 - Electricity - Centlec (Soo) Ltd	1,824,109	2,465,995	2,487,634	120,848	1,531,135	1,850,725	(319,591)	-17.3%	2,487,634
Total Revenue by Vote	4,582,162	6,193,763	6,681,155	562,269	4,275,890	4,995,887	(720,178)	-14.4%	6,681,155
Expenditure by Vote									
Vote 1 - City Manager	30,348	47,514	47,514	2,544	25,743	35,638	(9,893)	-27.8%	47,514
Vote 2 - Executive Mayor	123,987	157,524	157,524	10,709	108,882	118,143	(9,261)	-7.8%	157,524
Vote 3 - Corporate Services	210,014	273,911	279,444	11,850	145,092	208,583	(64,492)	-30.8%	279,444
Vote 4 - Finance	137,858	187,676	174,901	16,637	100,809	131,176	(30,367)	-23.1%	174,901
Vote 5 - Social Services	274,561	340,418	341,868	25,182	219,889	258,401	(38,512)	-14.2%	341,868
Vote 6 - Planning	63,084	100,934	108,054	4,228	58,488	79,540	(21,072)	-26.5%	108,064
Vote 7 - Human Settlement and Housing	64,579	94,279	97,279	5,133	53,209	72,959	(19,750)	-27.1%	97,279
Vote 8 - Fresh Produce Market	16,853	18,428	18,428	740	11,276	13,821	(2,545)	-18.4%	18,428
Vote 9 - Engineering Services	486,988	686,370	686,629	38,845	455,528	514,972	(59,444)	-11.5%	686,629
Vote 10 - Water Services	571,643	623,746	674,403	55,128	480,756	505,802	(25,046)	-5.0%	674,403
Vote 11 - Miscellaneous Services	551,818	520,734	544,434	24,886	250,308	408,325	(158,017)	-38.7%	544,434
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	-
Vote 13 - Strategic Projects and Service Delivery Regulation	21,789	64,582	91,082	3,788	41,616	68,297	(26,781)	-39.2%	91,082
Vote 14 - Electricity - Centlec (Soo) Ltd	1,469,244	2,290,477	2,199,582	168,898	1,466,871	1,848,687	(382,816)	-11.1%	2,199,582
Total Expenditure by Vote	4,011,883	5,388,473	5,419,122	357,987	3,418,348	4,064,342	(645,996)	-15.9%	5,419,122
Surplus (Deficit) for the year	570,279	825,290	1,262,033	204,282	857,542	931,525	(74,180)	-8.0%	1,242,033

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



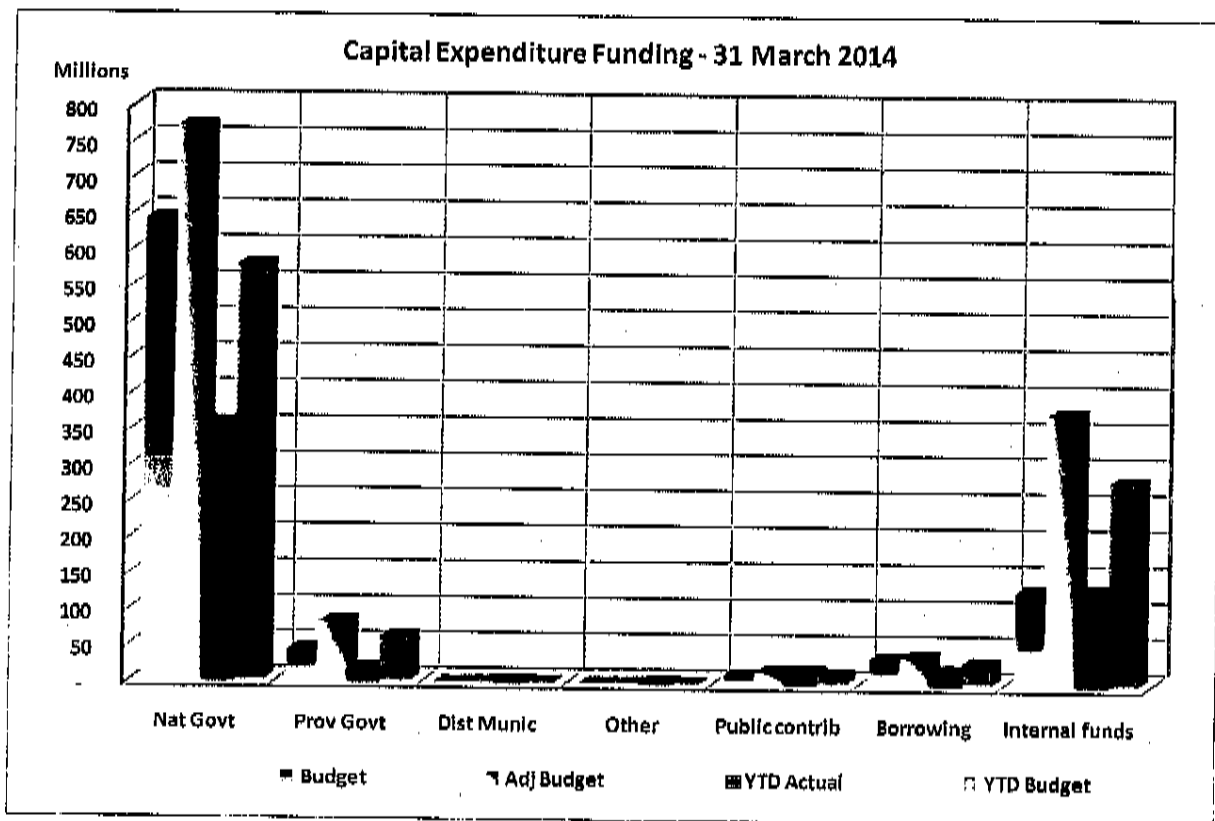
Capital expenditure report (Annexure B – Table C5)

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 **54.82%** (R531.161 million) on the year to date target of R968.863 million). For the period we have only spent **41.12%** of the approved adjustments budget, as against the target of 75%. The summary report indicates the following:

Summary Statement of Capital Expenditure - Financing

Description	Adj Budget 2013/14 R'000	YTD Adj Budget Mar 2014 R'000	YTD Actual Mar 2014 R'000	Variance YTD Fav/(Unfav) R'000
Capital Expenditure	1 291 818	968 863	531 161	(437 702)
Capital Financing				
National Government	772 227	579 170	355 613	(223 557)
Provincial Government	83 469	62 602	14 796	(47 806)
District Municipality	500	375	0	(375)
Other transfers and Grants	85	64	20	(43)
Public Contributions	17 676	13 257	15 287	2 030
Borrowing	39 406	29 554	16 342	(13 213)
Internally Generated Funds	378 454	283 841	129 103	(154 738)
Financing Total	1 291 818	968 863	531 161	(437 702)

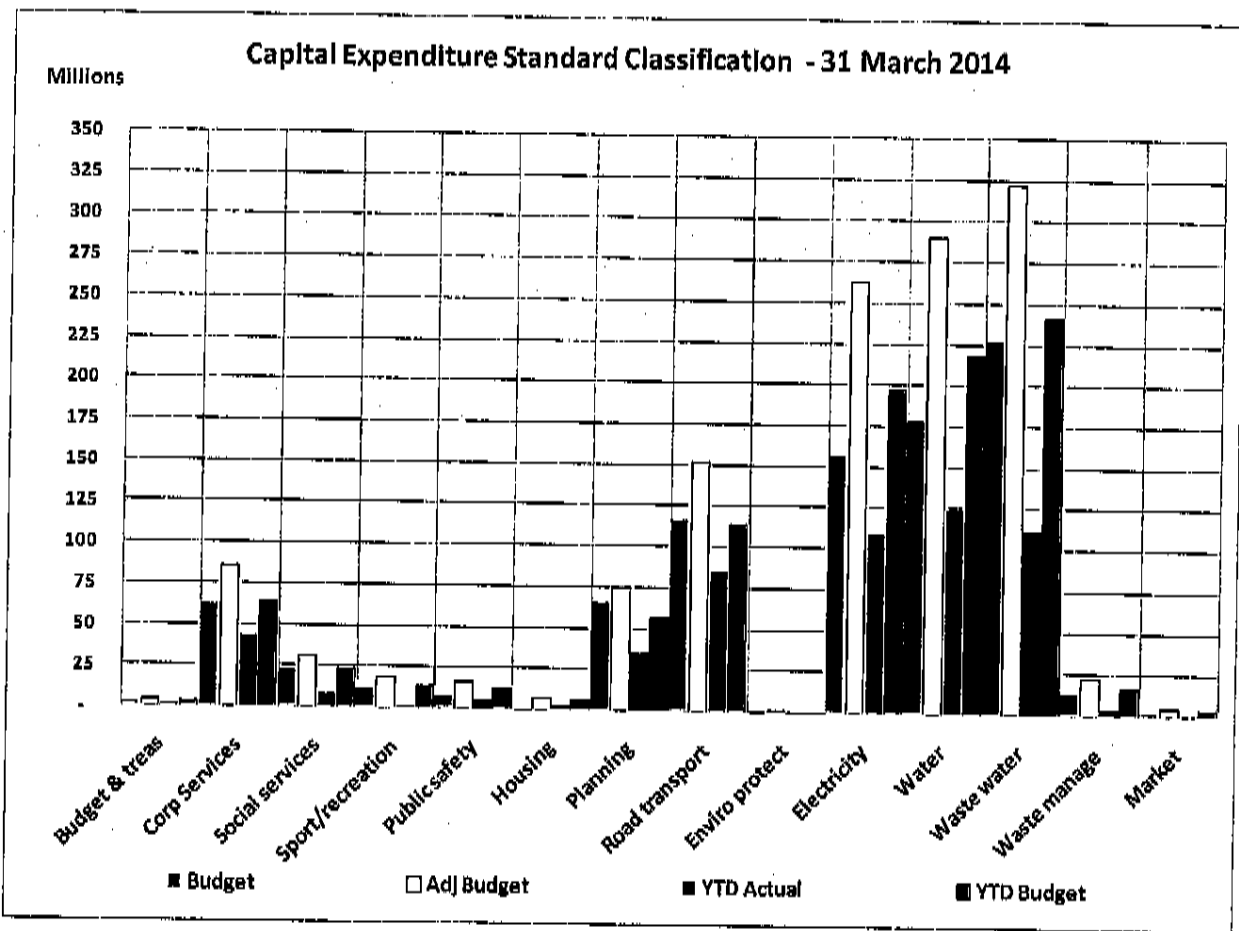
The following chart indicates the capital expenditure financing.



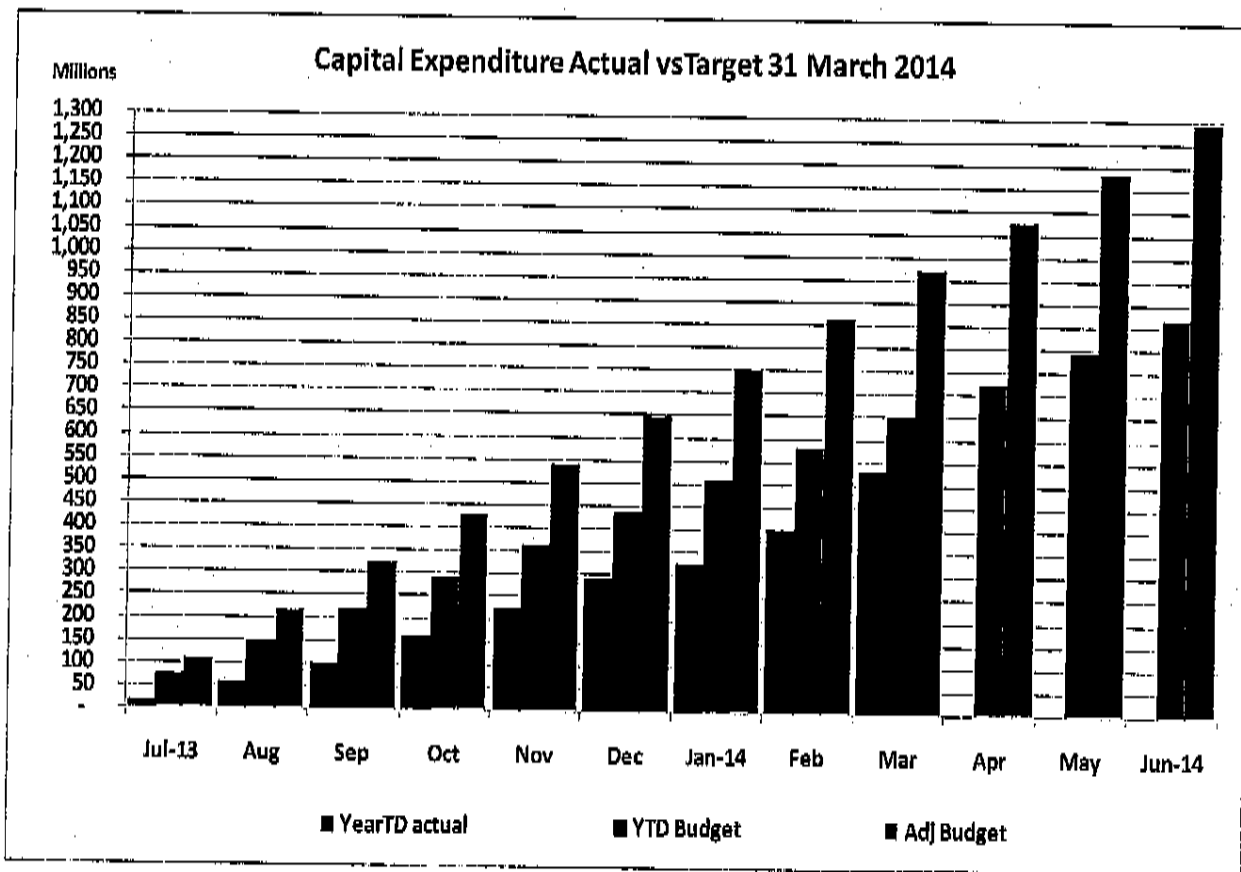
The status of year-to-date capital expenditure, compared to the standard classification for the key infrastructure items as indicated in Annexure B – Table C5 are:

Economic and environmental services	(R49.952 million less than budget target)
Electricity	(R87.678 million less than budget target)
Waste water management	(R129.385 million less than budget target)
Waste management	(R12.455 million less than budget target)
Water	(R93.539 million less than budget target)
Community and public safety	(R38.716 million less than budget target)
Governance and administration	(R22.659 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.



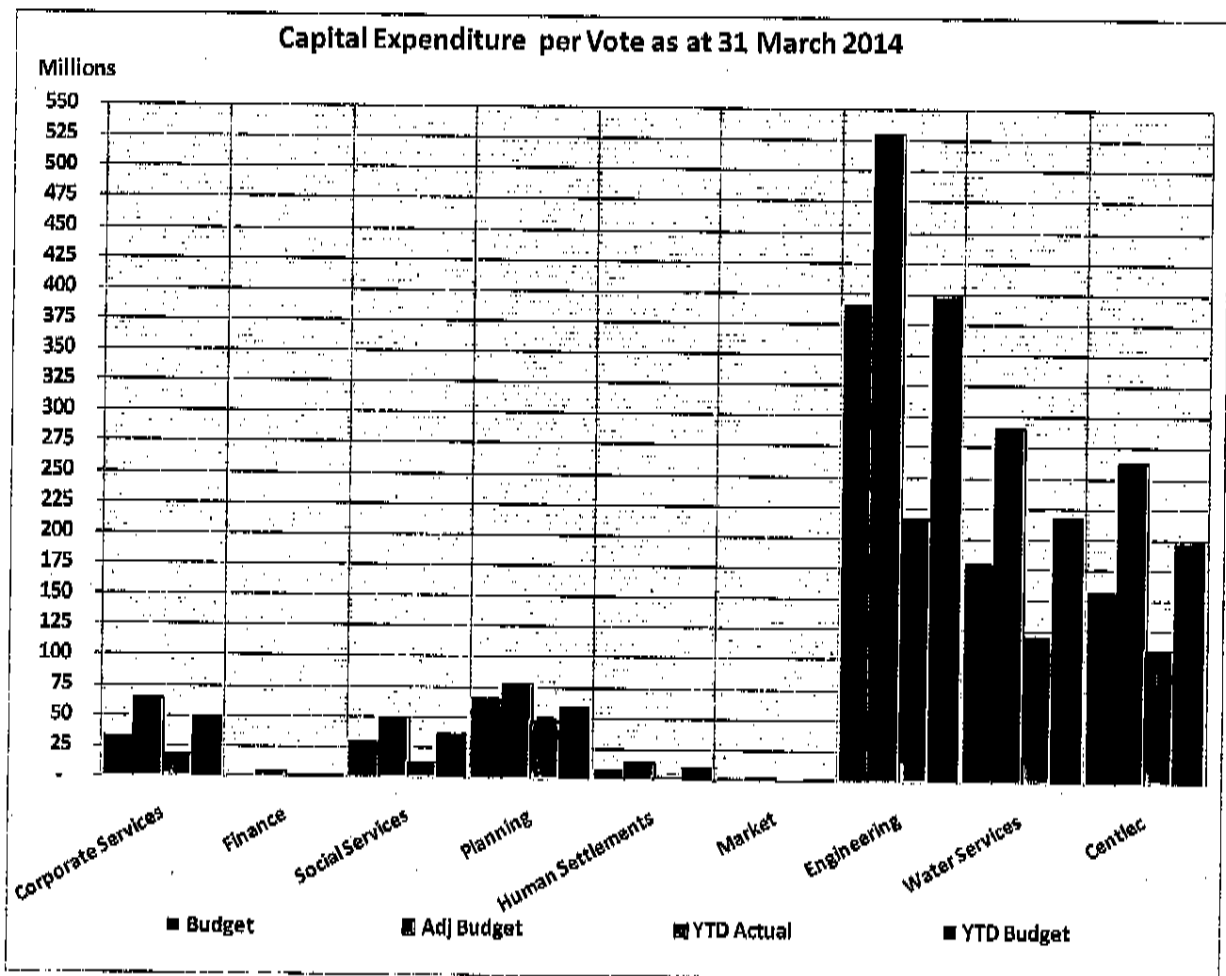
The following chart compares the year to date actual expenditure with the year to date original and adjustments budgets (target).



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	17,926,930	47,936,210	28.05%
Finance	2,000,000	4,000,000	1,353,685	3,000,000	33.84%
Social Services	29,784,000	48,572,061	13,202,885	36,429,046	27.18%
Planning	65,245,000	77,599,512	47,355,639	58,199,634	61.03%
Human Settlements	8,500,000	13,251,353	2,639,778	9,938,515	19.92%
Market	1,700,000	1,700,000	-	1,275,000	0.00%
Engineering	391,198,457	530,359,350	215,583,588	397,769,513	40.65%
Water Services	178,388,347	289,833,229	123,835,709	217,374,922	42.73%
Centlec	156,588,364	262,587,391	109,262,693	196,940,543	41.61%
	865,988,708	1,291,817,842	531,160,906	968,863,382	41.12%

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 March 2014 indicates a closing balance (cash and cash equivalents) of R1 284.490 million (February 2014 – R1 079.339 million) which comprises of the following:

- Bank balance and cash R91.520 million (Mangaung)
- Bank balance and cash R9.316 million (Centlec)
- Bank balance and cash R2.976 million (Market)
- Investment deposits R699.007 million (Mangaung)
- Investment deposits R481.671 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 105.209 million**, resulting in a R319.838 million unfavourable variance, as compared to a year to date target of **R3 425.047 million**;
- Operating grants and subsidies show a year to date amount of **R642.133 million** compared to a year to date target of **R530.546 million (R111.587 million favourable variance)** due to the equitable share and fuel levy received in advance and
- Capital grants and subsidies show a year to date amount of **R759.446 million** compared to a year to date target of **R540.432 million (R219.014 million favourable variance)** due to the Urban Settlements Development Grant received in advance.

With regard to payments:

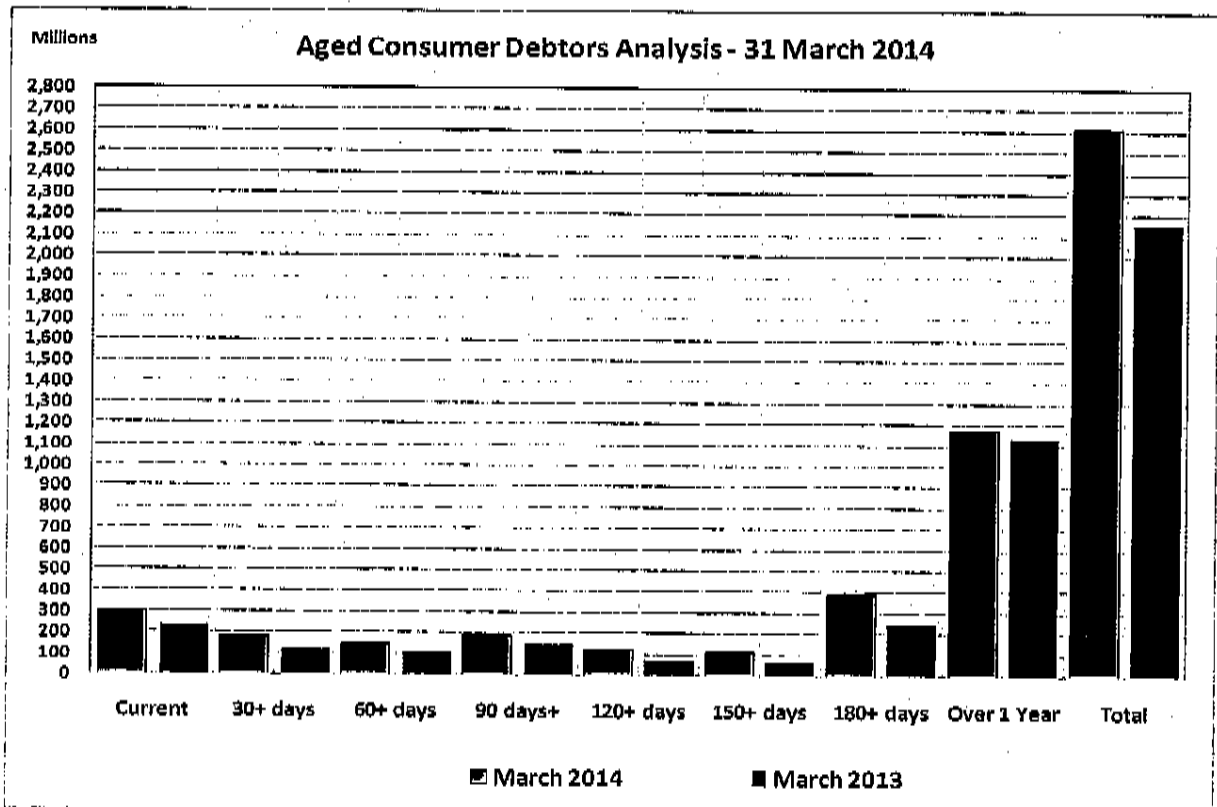
- Suppliers and employee payments indicate a year to date amount of **R3 074.535 million (R497.318 million favourable variance)** compared to a target of **R3 571.852 million** due to under spending during the period;
- Capital payments indicate a year to date amount of **R555.111 million (R35.518 million unfavourable variance)** compared to a target of **R519.593 million**.
- Increase in non-current investments – Centlec has made investments to the value of **R183.963 million** for longer than three months, which was not budgeted for.

Outstanding Debtors report (Annexure B – Table SC3)

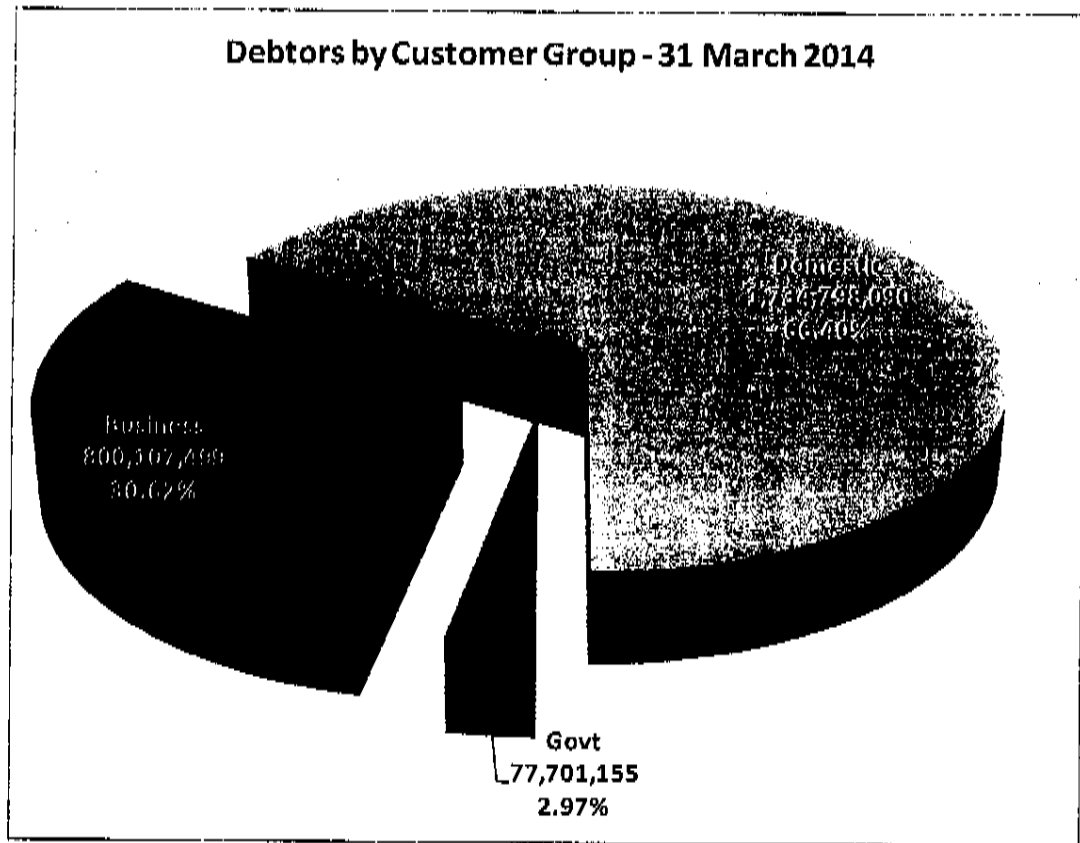
The debtors report has been prepared on the basis of the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by debtor type.

The net debtors balance is **R2 612.607 million** (February 2014 – R2 611.936 million) after excluding R167.456 million (February 2014 – R160.625 million) for electricity owed to Centlec and R8.356 million (February 2014 – R8.130 million) for other departmental charges.

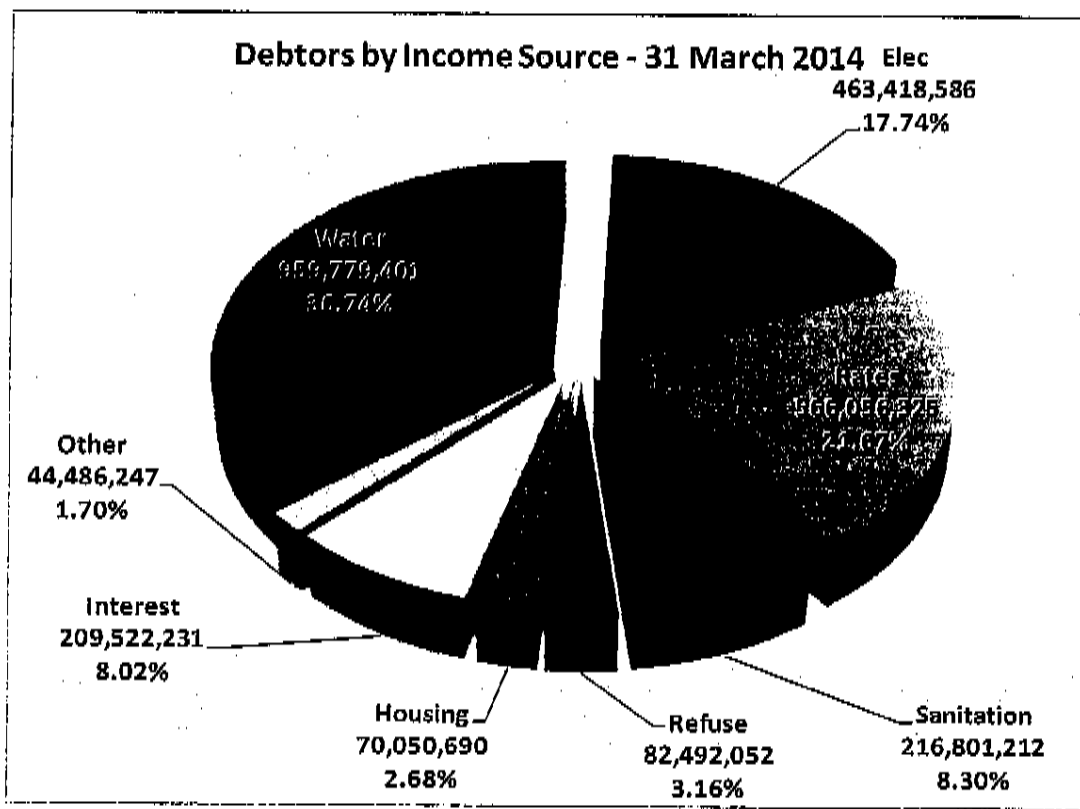
The following chart illustrates that the major debt is reflected in the over 1 year category. An amount of **R1 221.062 million** (R1.219.868 million – March 2013) is outstanding in this category, with **R872.793 million** attributable to households, a decrease of R31.761 million from the balance of R904.554 million in March 2013.



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



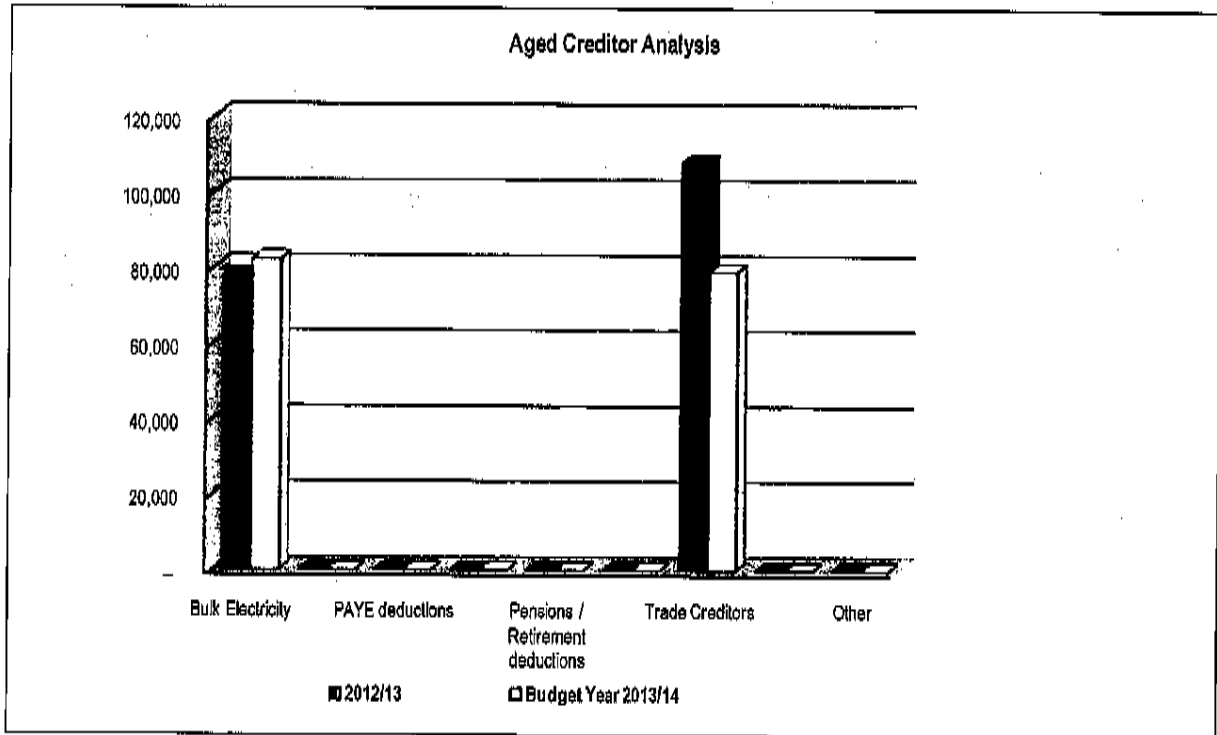
The following chart indicates the outstanding debtors by income source (excluding electricity owned to Centlec and other departmental charges as explained above).



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 R161.684 million compared to an amount of R152.979 million in February 2014. The net increase is in trade creditors that increased with R7.601 million and electricity that increased with R1.104 million.

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 R1 180.678 million as at 31 March 2014 against R1 047.128 million at 28 February 2014.

4. FINANCIAL IMPLICATIONS

The report for the period ending 31 March 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 March 2014 the operating revenue (excluding capital grants) and expenditure actual represented 73.82% and 63.08%, respectively of the adjustments budget. The outcome reflects a variance of 1.18% (unfavourable) and 11.92% (favourable) respectively, when compared to the target of 75%. 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 March 2014 represents only 41.12% when compared to the benchmark projection of 75%, a variance of 33.88% for the year. There is thus a need

to aggressively accelerate spending to get to an acceptable spending level of at least 90% performance level at the end of June 2014.

5. KEY MARCH 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 March 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

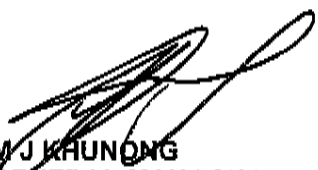
This report is in compliance of Section 71 of the MFMA, by providing a statement to the Executive Mayor containing certain financial particulars.

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 March 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: 2014/04/10

SUBMITTED BY:


E M MOHLAHO
CHIEF FINANCIAL OFFICER

DATE: 2014/4/10

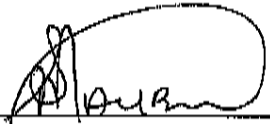
City Manager's quality certification

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 March 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: 11/04/2014 _____