



EDEN DISTRICT MUNICIPALITY

FINANCIAL YEAR 2013 - 2014

MONTHLY FINANCIAL REPORT

31 JANUARY 2014

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations April 2009

MFMA – The Municipal Finance Management Act – No. 56 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure – Generally, spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget. In Eden District this means the different GFS classification the budget is divided.

Legislative Framework

This report has been prepared in terms of the following enabling legislation.

The Municipal Finance Management Act – No. 56 of 2003

Section 71: Monthly budget statements

Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations

PART 1 – IN-YEAR REPORT

SECTION 1 – RESOLUTIONS

SECTION 71 Monthly budget statements

These are the resolutions being presented to Council in the Monthly report on the implementation of the budget and the financial state of affairs of the municipality as required in terms of section 71 of the Municipal Finance Management Act 56 of 2003

RECOMMENDATION:

That Council notes the monthly report and any other supporting documentation on the implementation of the budget and the financial affairs for the month ending 31 January 2014;

Section 2 – Executive Summary

2.1 Introduction

These figures are presented in terms of section 71 of the MFMA. The information is presented for month of 31 January 2014 year to date.

2.2 Consolidated performance

2.2.1 Against annual budget (original)

Revenue by source

Year to date operating revenue ending January 201 equals 70% of budget. This is mainly due to the 2nd of three Equitable Share RSC replacement grant instalments that was received in the 2nd quarter

Operating Expenditure by type

Currently operating expenditure is 44% or R77.6m of budget. Non- cash items will be processed at 30 June 2014 with preparation of the financial statements. Certain projects are undergoing the SCM process, once this process has been finalised, SLA can be completed and project can commence.

Capital Expenditure

Currently capital expenditure is 11% of budget. This is mainly due to the process to finalise the Regional Landfill site purchase that is to be finalize.

2.3 Material variances from SDBIP

Service Delivery and Budget Implementation plan variances is not dealt with as part of this report. The municipality mainly processed adjustment to the SDBIP during the January Adjustment budget process.

2.4 Remedial or corrective steps

This was dealt with during the adjustment budget process in January 2014.

2.6 Conclusion

Detailed analysis of the municipal performance for the year ending 31 January 2014 will be presented under the different sections of the report. More information regarding the municipal performance and explanations will be provided below.

Section 3 – In-year budget statement tables

3.1 Monthly budget statements

3.1.1 Table C1: s71 Monthly Budget Statement Summary

DC4 Eden - Table C1 Monthly Budget Statement Summary - M07 January

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									
Financial Performance									
Property rates	–	–	–	–	–	–	–		–
Service charges	–	–	–	–	–	–	–		–
Investment revenue	1 991	2 051	–	581	2 540	1 196	1 344	112%	2 051
Transfers recognised - operational	128 949	133 413	–	–	100 696	77 824	22 872	29%	133 413
Other own revenue	45 333	40 939	–	2 963	20 628	23 881	(3 253)	-14%	40 939
Total Revenue (excluding capital transfers and contributions)	176 273	176 402	–	3 543	123 864	102 901	20 962	20%	176 402
Employee costs	88 009	91 952	–	6 988	51 252	53 639	(2 387)	-4%	91 952
Remuneration of Councillors	6 871	6 954	–	547	3 901	4 057	(156)	-4%	6 954
Depreciation & asset impairment	8 136	8 136	–	–	–	4 746	(4 746)	-100%	8 136
Finance charges	750	585	–	–	123	341	(218)	-64%	585
Materials and bulk purchases	–	–	–	–	–	–	–		–
Transfers and grants	8 996	3 744	–	242	1 779	2 184	(405)		3 744
Other expenditure	62 575	63 677	–	4 031	20 571	37 145	(16 574)	-45%	63 677
Total Expenditure	175 337	175 048	–	11 808	77 626	102 111	(24 486)	-24%	175 048
Surplus/(Deficit)	936	1 354	–	(8 265)	46 238	790	45 448	5752%	1 354
Transfers recognised - capital	–	–	–	–	–	–	–		–
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	936	1 354	–	(8 265)	46 238	790	45 448	5752%	1 354
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	936	1 354	–	(8 265)	46 238	790	45 448	5752%	1 354
Capital expenditure & funds sources									
Capital expenditure	935	8 875	–	33	133	4 438	(4 305)	-97%	8 875
Capital transfers recognised	–	–	–	–	–	–	–		–
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	935	8 875	–	96	133	4 438	(4 305)	-97%	8 875
Total sources of capital funds	935	8 875	–	96	133	4 438	(4 305)	-97%	8 875
Financial position									
Total current assets	55 001	53 866	–	–	–				53 866
Total non current assets	662 404	629 283	–	–	–				629 283
Total current liabilities	47 625	45 243	–	–	–				45 243
Total non current liabilities	94 626	89 124	–	–	–				89 124
Community wealth/Equity	17 075	16 018	–	–	–				16 018
Cash flows									
Net cash from (used) operating	(10 771)	17 893	–	(8 265)	46 238	10 438	35 801	343%	17 893
Net cash from (used) investing	(935)	(8 875)	–	6 323	(52 014)	(5 177)	(46 837)	905%	(8 875)
Net cash from (used) financing	–	–	–	–	–	–	–		–
Cash/cash equivalents at the month/year end	(11 706)	34 911	–	–	46 025	31 154	14 871	48%	60 818
Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	704	602	1 114	10 648	–	–	–	–	13 067
Creditors Age Analysis									
Total Creditors	3 189	–	–	–	–	–	–	–	3 189

3.1.2 Table C2: Monthly Budget Statement - Financial Performance (standard classification)

DC4 Eden - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - M07 January

Description	Ref	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	1									
Revenue - Standard										
<i>Governance and administration</i>		170 326	171 640	–	3 097	119 939	100 123	19 816	20%	171 640
Executive and council		168 962	170 528	–	2 885	119 320	99 475	19 845	20%	170 528
Budget and treasury office		–	–	–	–	–	–	–	–	–
Corporate services		1 364	1 112	–	212	620	649	(29)	-4%	1 112
<i>Community and public safety</i>		5 145	4 713	–	446	3 742	2 749	993	36%	4 713
Community and social services		–	–	–	–	–	–	–	–	–
Sport and recreation		4 985	4 553	–	431	3 634	2 656	978	37%	4 553
Public safety		–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–
Health		160	160	–	15	108	93	15	16%	160
<i>Economic and environmental services</i>		475	50	–	–	114	29	85	290%	50
Planning and development		–	–	–	–	4	–	4	#DIV/0!	–
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		475	50	–	–	110	29	81	277%	50
<i>Trading services</i>		327	–	–	–	68	–	68	#DIV/0!	–
Electricity		–	–	–	–	–	–	–	–	–
Water		–	–	–	–	–	–	–	–	–
Waste water management		327	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	68	–	68	#DIV/0!	–
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	176 273	176 403	–	3 543	123 864	102 902	20 962	20%	176 403
Expenditure - Standard										
<i>Governance and administration</i>		83 011	92 559	–	5 620	36 867	53 993	(17 125)	-32%	92 559
Executive and council		35 819	44 270	–	2 498	13 579	25 824	(12 246)	-47%	44 270
Budget and treasury office		21 007	20 012	–	1 353	9 291	11 674	(2 383)	-20%	20 012
Corporate services		26 185	28 276	–	1 769	13 998	16 495	(2 497)	-15%	28 276
<i>Community and public safety</i>		61 675	60 970	–	4 523	31 251	35 566	(4 315)	-12%	60 970
Community and social services		3 546	2 940	–	176	1 352	1 715	(363)	-21%	2 940
Sport and recreation		7 089	8 008	–	699	4 055	4 672	(616)	-13%	8 008
Public safety		27 956	25 608	–	1 706	11 973	14 938	(2 965)	-20%	25 608
Housing		–	–	–	–	–	–	–	–	–
Health		23 084	24 414	–	1 942	13 871	14 241	(371)	-3%	24 414
<i>Economic and environmental services</i>		24 963	18 506	–	884	6 870	10 795	(3 925)	-36%	18 506
Planning and development		7 853	7 092	–	497	3 030	4 137	(1 106)	-27%	7 092
Road transport		592	1 152	–	–	–	672	(672)	-100%	1 152
Environmental protection		16 518	10 263	–	386	3 840	5 987	(2 147)	-36%	10 263
<i>Trading services</i>		5 688	3 013	–	782	2 637	1 757	879	50%	3 013
Electricity		–	–	–	–	–	–	–	–	–
Water		2 600	505	–	688	1 592	295	1 298	440%	505
Waste water management		63	458	–	–	–	267	(267)	-100%	458
Waste management		3 026	2 049	–	93	1 044	1 196	(151)	-13%	2 049
<i>Other</i>		–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	175 337	175 047	–	11 808	77 626	102 111	(24 485)	-24%	175 047
Surplus/ (Deficit) for the year		936	1 355	–	(8 265)	46 238	791	45 448	5748%	1 355

This table reflects the operating budget (Financial Performance) in the standard classifications which is the Government Finance Statistics Functions and Sub-function. These are used by National Treasury to assist the compilation of national and international accounts for comparison purposes, regardless of the unique organisational structures being used by the different institutions.

The main functions are Governance and administration, Community and public safety, Economic and environmental services and Trading services.

It is for this reason that Financial Performance is reported in standard classification, Table C2, and by municipal vote, Table C3

Operating Revenue:

Table C2 reflects the financial performance per Standard Classification and reflecting that most of the municipal funds are received under the Executive and Council classification. This is because the municipality budgets most of its income under the Governance and administration function of the Government Financial Statistics (GFS) classification.

The operating revenue reflects a 70% year to date reported income. This is mainly funds received from the Equitable share replacement grant allocated in terms of the National Division of Revenue Act (DORA) yearly. The municipality received a total of R97.52m year to date in terms of the Division of Revenue Act (DORA) Equitable Share allocation. Budgeted funds receivable from Equitable Share represents 74% of the municipal budgeted income.

As previously reported funds budgeted under the Sport and Recreation reflects an increase during the 2nd quarter of the budget year. This is due to the seasonal effect of the operations of the resorts. Total income year to date received for the resorts equals 80% of budgeted amounts.

Operating Expenditure

Operating expenditure reflects a 44% spending year to date. Excluding the non-items from the budget, that is Provisions, Depreciation, Bad debts. Performance of operating expenditure is below the 50% margin for straight line comparisons. This is mainly due to projects in the SCM process and which will commence in the second half of the year.

Finance is in the process of ensuring that measures will be implemented to include non cash items where possible . As soon as this can be instituted performance of operating expenditure should improve. Drafting of monthly financial statements would remedy this shortcomings in the financial reporting, but currently the two positions in the GRAP unit is vacnt, and a contract worker has been appointed to assist with OPCAR. Thus the compilation of monthly financial statements remains a challenge as there is no capacity within the GRAP unit to perform this function

3.1.3 Table C3: Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote)

DC4 Eden - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M07 January

Vote Description	Ref	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	1									
Vote 1 - EXECUTIVE AND COUNCIL		168 962	170 528	-	2 885	119 320	99 475	19 845	19.9%	170 528
Vote 2 - BUDGET AND TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		1 364	1 112	-	212	620	649	(29)	-4.4%	1 112
Vote 4 - PLANNING AND DEVELOPMENT		-	-	-	-	4	-	4	#DIV/0!	-
Vote 5 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-
Vote 6 - HEALTH		160	160	-	15	108	93	15	16.1%	160
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		4 985	4 553	-	431	3 634	2 656	978	36.8%	4 553
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	-	-	-	68	-	68	#DIV/0!	-
Vote 11 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT		327	-	-	-	-	-	-	-	-
Vote 13 - WATER		-	-	-	-	-	-	-	-	-
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		475	50	-	-	110	29	81	276.6%	50
Total Revenue by Vote	2	176 273	176 403	-	3 543	123 864	102 902	20 962	20.4%	176 403
Expenditure by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		35 819	44 270	-	2 498	13 579	25 824	(12 246)	-47.4%	44 270
Vote 2 - BUDGET AND TREASURY OFFICE		21 007	20 012	-	1 353	9 291	11 674	(2 383)	-20.4%	20 012
Vote 3 - CORPORATE SERVICES		26 185	28 276	-	1 769	13 998	16 495	(2 497)	-15.1%	28 276
Vote 4 - PLANNING AND DEVELOPMENT		7 853	7 092	-	497	3 030	4 137	(1 106)	-26.7%	7 092
Vote 5 - PUBLIC SAFETY		27 956	25 608	-	1 706	11 973	14 938	(2 965)	-19.8%	25 608
Vote 6 - HEALTH		23 084	24 414	-	1 942	13 871	14 241	(371)	-2.6%	24 414
Vote 7 - COMMUNITY & SOCIAL SERVICES		3 546	2 940	-	176	1 352	1 715	(363)	-21.1%	2 940
Vote 8 - SPORT & RECREATION		7 089	8 008	-	699	4 055	4 672	(616)	-13.2%	8 008
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		3 026	2 049	-	93	1 044	1 196	(151)	-12.6%	2 049
Vote 11 - ROAD TRANSPORT		592	1 152	-	-	-	672	(672)	-100.0%	1 152
Vote 12 - WASTE WATER MANAGEMENT		63	458	-	-	-	267	(267)	-100.0%	458
Vote 13 - WATER		2 600	505	-	688	1 592	295	1 298	440.5%	505
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		16 518	10 263	-	386	3 840	5 987	(2 147)	-35.9%	10 263
Total Expenditure by Vote	2	175 337	175 047	-	11 808	77 626	102 111	(24 485)	-24.0%	175 047
Surplus/ (Deficit) for the year	2	936	1 355	-	(8 265)	46 238	791	45 448	5748.3%	1 355

Revenue and expenditure reflects the operating performance per municipal vote. This is in accordance with the Government Financial Statistics (GFS) classification of the National Treasury.

Most of the municipal income is budgeted under the Executive and Council functions. Sport and Recreation (Resorts) is the other main municipal function where income budgeting is recorded.

Expenditure per municipal vote is distributed to ensure that the municipal expenditure reflects the functions where expenditure is allocated. This is done to ensure implementation of the Integrated Development Plan (IDP) and for Annual Reporting.

3.1.4 Table C4: Monthly Budget Statement - Financial Performance (revenue and expenditure)

DC4 Eden - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M07 January

Description		Ref	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								-			
Property rates - penalties & collection charges								-			
Service charges - electricity revenue								-			
Service charges - water revenue								-			
Service charges - sanitation revenue								-			
Service charges - refuse revenue								-			
Service charges - other								-			
Rental of facilities and equipment			1 791	1 889		107	938	1 102	(164)	-15%	1 889
Interest earned - external investments			1 991	2 051		581	2 540	1 196	1 344	112%	2 051
Interest earned - outstanding debtors								-			
Dividends received								-			
Fines								-			
Licences and permits								-			
Agency services			12 511	13 780		1 148	8 201	8 038	163	2%	13 780
Transfers recognised - operational			128 949	133 413			100 696	77 824	22 872	29%	133 413
Other revenue			31 031	17 270		1 708	11 488	10 074	1 414	14%	17 270
Gains on disposal of PPE				8 000				4 667	(4 667)	-100%	8 000
			176 273	176 402	-	3 543	123 864	102 901	20 962	20%	176 402
Total Revenue (excluding capital transfers and contributions)											
Expenditure By Type											
Employee related costs			88 009	91 952		6 988	51 252	53 639	(2 387)	-4%	91 952
Remuneration of councillors			6 871	6 954		547	3 901	4 057	(156)	-4%	6 954
Debt impairment			1 054	650				379	(379)	-100%	650
Depreciation & asset impairment			8 136	8 136				4 746	(4 746)	-100%	8 136
Finance charges			750	585			123	341	(218)	-64%	585
Bulk purchases									-		
Other materials									-		
Contracted services			17 286	11 330		621	4 769	6 609	(1 840)	-28%	11 330
Transfers and grants			8 996	3 744		242	1 779	2 184	(405)	-19%	3 744
Other expenditure			44 235	51 697		3 411	15 802	30 157	(14 355)	-48%	51 697
Loss on disposal of PPE									-		
Total Expenditure			175 337	175 048	-	11 808	77 626	102 111	(24 486)	-24%	175 048
Surplus/(Deficit)											
			936	1 354	-	(8 265)	46 238	790	45 448	0	1 354
Transfers recognised - capital									-		
Contributions recognised - capital									-		
Contributed assets									-		
Surplus/(Deficit) after capital transfers & contributions			936	1 354	-	(8 265)	46 238	790			1 354
Taxation									-		
Surplus/(Deficit) after taxation			936	1 354	-	(8 265)	46 238	790			1 354
Attributable to minorities											
Surplus/(Deficit) attributable to municipality			936	1 354	-	(8 265)	46 238	790			1 354
Share of surplus/ (deficit) of associate											
Surplus/ (Deficit) for the year			936	1 354	-	(8 265)	46 238	790			1 354

Revenue by Source

Revenue by sources explains the types of incomes budgeted for and the performance of their items individually.

Rental of facilities and equipment:

Actual revenue recorded for the 1st seven months totals 50% of budgeted amounts. Finance needs to investigate the feasibility of the budgeted amount and implement corrective measures to ensure performance will be as per budget. This was done as part of the adjustment budget process.

Interest earned – External Investments:

Actual performance for the year to date totals 124% of budget. This is mainly due to the diligent investment of surplus funds over the reported period. Municipality invest all excess funds in capital secured short terms investments with the 4 major banks as per the investment guidelines. Adjustments to the interest earned budget needs to be processed due to the better than budgeted performance of the item. This was done during the adjustment budget process in January 2014. The adjusted budget figures will reflect on the February reports that will be submitted.

Transferred recognised – operational

Mainly consist of RSC Replacement Equitable share grant. This grant is used to fund the operational activities of council. The 2nd instalment of the grant was received during November 2013. These also contribute to the above planned performance of the operating revenues.

Other revenue

Other revenue reflects a performance of 67% of budgeted amounts. Included in other revenue is income receive in terms of the different service level agreements with the B municipalities. Municipal accounts billed to customers, example firefighting accounts and various other sources of income reflected under other revenues.

Gains on disposal of PPE (Sale of Land)

Funds receivable from the disposal of Property Plant and Equipment (PPE) were earmarked for the financing of the Regional Landfill Site. Currently in the process it doesn't seem likely that this will be realised given the short period of time available. The municipality is investigating alternative sources of finance. The total amount required for the project also needs to be adjusted and was addressed during the adjustment budget process. The initial purchase of the land will be financed form own resources and once the PPP has been established, these monies must be repaid to Eden.

Expenditure by Type

Expenditure by type reflects the operational budget per main type/category of expenditures

Employee Related cost / Remuneration of councillors

See explanation under section 8 of the document.

Debt Impairment / Depreciation and asset impairment

As explained above this in non-cash items of council. Annually the debtors are reviewed for debt impairment and provisions for doubtful debts are adjusted.

Finance charges

Loan repayments are processed in March and September yearly. A separate report is tabled to council in terms of Section 46 of the MFMA. No new loans have been taken up for the 2013/2014 financial year.

The outstanding loan balance at the end of January 2014 totals R2, 085,098.

Contracted services

Expenditure for contracted services totals R4.8m or 42% of the budget. Type of expenses that is processed through contracted services is monthly service agreements, rental contracts and all contracts where the obligation and responsibility of the municipality to pay the account is fairly determinable. Finance will implement procedures to investigate and interrogate the expenditure on contracted services more rigorously to ensure that optimal use of resources and value for money is achieved.

Other expenditure

Other expenditure reflects below par performance of 31% for the 7 months against a projected performance of 58% ending 31 January. This is mainly due to the non-cash items not being accounted on a more regular basis and this contribute to the low spending percentage. As accounted and mentioned above the finance needs to investigate implementing measures in ensuring that more regular reporting of this expenditure can be achieved where possible. This will result in a more accurate reflection of expenditure on other expenses.

3.1.5 Table C5: Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding)

Variances explained in Supporting Table C1

DC4 Eden - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M07 January

Vote Description	Ref	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	1									
Multi-Year expenditure appropriation	2									
Vote 1 - EXECUTIVE AND COUNCIL		300	-	-	-	-	-	-	-	-
Vote 2 - BUDGET AND TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		340	225	-	33	133	113	20	18%	225
Vote 4 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-
Vote 5 - PUBLIC SAFETY		-	400	-	-	-	200	(200)	-100%	400
Vote 6 - HEALTH		-	-	-	-	-	-	-	-	-
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		295	250	-	-	-	125	(125)	-100%	250
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	8 000	-	-	-	4 000	(4 000)	-100%	8 000
Vote 11 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-
Vote 13 - WATER		-	-	-	-	-	-	-	-	-
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	935	8 875	-	33	133	4 438	(4 305)	-97%	8 875
Single Year expenditure appropriation	2									
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-
Vote 2 - BUDGET AND TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-
Vote 4 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-
Vote 5 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-
Vote 6 - HEALTH		-	-	-	-	-	-	-	-	-
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		-	-	-	-	-	-	-	-	-
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-
Vote 11 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-
Vote 13 - WATER		-	-	-	-	-	-	-	-	-
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	-	-	-	-	-	-	-	-	-
Total Capital Expenditure		935	8 875	-	33	133	4 438	(4 305)	-97%	8 875

As previously reported the main capital project for the financial year is the Regional Landfill site with a projected budget of R8m. The municipality is currently experiencing problems with the funding source which was identified as SALE OF LAND (Gains on the sale of PPE). The alternative funding source which was identified was CRR (cash backed accumulated funds). This project will be financed by means of PPP, a working group has been established, once the agreement with PPP has been signed, the purchase price will be repaid by the private partner. The SCM process with regards to the PPP is a matter of urgency and must commence as soon as possible.

Negotiations were undertaken and the total purchase price of the land is R5.8m, resulting in a saving of R2.2m. The source funding is own resources as approved in the adjustment budget approved by council in January 2014.

Low capital expenditure is therefore reported as a result of the challenges experienced mentioned above.

Another major project is the Fire fighting vehicles for the Public Safety (Emergency Services) department. This project is ongoing and implementation will commence within the next couple of months with completion date 30 June 2014.

The purchase of IT equipment is in process and SCM processes will be followed and finalised before 30 June 2013

3.1.6 Table C6: Monthly Budget Statement - Financial Position

DC4 Eden - Table C6 Monthly Budget Statement - Financial Position - M07 January

Description	Ref	2012/13	Budget Year 2013/14			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		27 145	25 788			25 788
Call investment deposits		30 000	30 000			30 000
Consumer debtors		(20 200)	(19 190)			(19 190)
Other debtors		12 352	11 734			11 734
Current portion of long-term receivables		2 298	2 298			2 298
Inventory		3 406	3 236			3 236
Total current assets		55 001	53 866	-	-	53 866
Non current assets						
Long-term receivables		35 111	33 355			33 355
Investments						
Investment property		354 027	336 326			336 326
Investments in Associate						
Property, plant and equipment		177 192	168 332			168 332
Agricultural						
Biological assets						
Intangible assets		3 358	3 190			3 190
Other non-current assets		92 716	88 080			88 080
Total non current assets		662 404	629 283	-	-	629 283
TOTAL ASSETS		717 405	683 149	-	-	683 149
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing		537	510			510
Consumer deposits						
Trade and other payables		29 977	28 478			28 478
Provisions		17 111	16 255			16 255
Total current liabilities		47 625	45 243	-	-	45 243
Non current liabilities						
Borrowing		2 856	1 942			1 942
Provisions		91 770	87 182			87 182
Total non current liabilities		94 626	89 124	-	-	89 124
TOTAL LIABILITIES		142 251	134 367	-	-	134 367
NET ASSETS	2	575 154	548 782	-	-	548 782
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		1 640	1 355			1 355
Reserves		15 435	14 663			14 663
TOTAL COMMUNITY WEALTH/EQUITY	2	17 075	16 018	-	-	16 018

Table C6 reflects the effect of the combination of the capital and operating implementation of the budget on council's Financial Position. Currently the municipality is unable to report on these effects to date due a number of reasons. The challenges with the financial system to report on Depreciation and Asset Impairment on a more regular basis and the integration of various components all contributes to this non-reporting. Finance is in the process of investigating measures to ensure that where possible, non cash items are reported on more regularly.

3.1.7 Table C7: Monthly Budget Statement - Cash Flow

DC4 Eden - Table C7 Monthly Budget Statement - Cash Flow - M07 January

Description	Ref	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	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other		500	33 249		2 413	20 078	19 395	683	4%	33 249
Government - operating		1 500	133 413		550	101 246	77 824	23 422	30%	133 413
Government - capital								-		
Interest		2 350	2 051		581	2 540	1 196	1 344	112%	2 051
Dividends								-		
Payments										
Suppliers and employees		(9 479)	(146 091)		(10 805)	(73 980)	(85 220)	(11 240)	13%	(146 091)
Finance charges		(750)	(985)			(123)	(575)	(452)	79%	(985)
Transfers and Grants		(4 892)	(3 744)		(1 003)	(3 523)	(2 184)	1 339	-61%	(3 744)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(10 771)	17 893	-	(8 285)	46 238	10 438	35 801	343%	17 893
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			(8 000)				(4 667)	4 667	-100%	(8 000)
Decrease (increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments					6 356	(51 881)		(51 881)	#DIV/0!	
Payments										
Capital assets		(935)	(875)		(33)	(133)	(510)	(378)	74%	(875)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(935)	(8 875)	-	6 323	(52 014)	(5 177)	46 837	-905%	(8 875)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
Payments										
Repayment of borrowing								-		
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		(11 706)	9 018	-	(1 942)	(5 776)	5 261			9 018
Cash/cash equivalents at beginning:			25 893			51 800	25 893			51 800
Cash/cash equivalents at month/year end:		(11 706)	34 911	-		46 025	31 154			60 818

Finance currently struggles with reporting on cash flow information on a regular basis. This is mainly due to the operating systems of the municipality not being able to provide the information. We are in the process of addressing this issue and as soon as it's finalised we will improve reporting on cash flow.

The closing balance of the cash flow report is a true reflection of council's financial position in terms of cash flow. This balance is comprised of R46m on short-term investments and an operational balance. As discussed in the above document these funds are mainly the RSC replacement EQS grant received from National Treasury that is funding the operational activities of council.

Funds currently invested in short-terms investments do not reflect in this Cash flow balances.

More information regarding this is reported under section 6 below.

PART 2 – SUPPORTING DOCUMENTATION

Section 4 – Debtors' analysis

Supporting Table SC3

DC4 Eden - Supporting Table SC3 Monthly Budget Statement - aged debtors - M07 January

Description	NT Code	Budget Year 2013/14										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts L.L.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200									-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	1300									-	-		
Receivables from Non-exchange Transactions - Property Rates	1400									-	-		
Receivables from Exchange Transactions - Waste Water Management	1500									-	-		
Receivables from Exchange Transactions - Waste Management	1600									-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700	119	73	85	3 345					3 603	3 345		
Interest on Annual Debtor Accounts	1810									-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-		
Other	1900	585	529	1 049	7 303					9 467	7 303		
Total By Income Source	2000	794	602	1 114	10 648	-	-	-	-	13 067	10 648	-	-
2012/13 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organic of State	2200									-	-		
Commercial	2300									-	-		
Households	2400	60	130	395	760					1 345	760		
Other	2500	644	472	719	9 888					11 722	9 888		
Total By Customer Group	2600	794	602	1 114	10 648	-	-	-	-	13 067	10 648	-	-

Debtor management is a challenge experienced, due to lack of capacity within the debtor section due to capacity constraints. The debtor balances will be investigated and letter of demand send out to outstanding debtors. Currently the finance department is awaiting the template from the legal department too be used for the letter of demands and repayment arrangements for the outstanding debts. After this process has been finalised, a report will be tabled to council. The due date for the completion of the debt collection processes is 30 June 2014.

On the revised microstructure that was recently compiled an additional clerk position was added to the debtor section. Once the capacity constraints have been addressed, debt collection processes can be monitored and followed monthly. Currently there is just one staff member in the debtors section that must process all invoices, accounts, etc.

Section 5 – Creditors' analysis

Supporting Table C4

DC4 Eden - Supporting Table SC4 Monthly Budget Statement - aged creditors - M07 January

Description R thousands	NT Code	Budget Year 2013/14								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100									-
Bulk Water	0200									-
PAYE deductions	0300	1 124								1 124
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500	1 067								1 067
Loan repayments	0600									-
Trade Creditors	0700									-
Auditor General	0800	998								998
Other	0900									-
Total By Customer Type	1000	3 189	-	-	-	-	-	-	-	3 189

The Creditors analysis is the reflection of outstanding creditors not paid. Due to lack of an integrated financial System there is an element for adjustments to be in order to provide an accurate account of the state of council's affairs. This is being addressed and we hope to implement measures soon in future to ensure that reporting to council is improved.

Council adheres to the MFMA requirement of paying creditors within 30 days of invoice or statement date where applicable.

A letter has been sent to Eden personnel and councillors on 14 February 2014 stating the procedure that need to be followed to ensure timeously payment. The finance department is dependent on the co-operation of everyone in submitting the documentation timeously to ensure payment is processed within 30 day stipulation.

Section 6 – Investment portfolio analysis

6.1 Investment monitoring information

		Movements for the month			Interest earned		
	Balance as at 01 Jan 2014	Investments matured	Investments made	Balance as at 31 Jan 2014	Month	Yield	Interest earned Year to date
<i>Eden district municipality</i>					Saldo		1 031 773.86
<i>Standard Bank</i>	-11 500 000.00	11 500 000.00	-10 000 000.00	10 000 000.00	90 386.85		90 386.85
<i>FNB</i>	-11 500 000.00	11 500 000.00	-10 000 000.00	10 000 000.00	88 197.20		88 197.20
<i>ABSA</i>	-11 500 000.00	11 500 000.00	-10 000 000.00	10 000 000.00	86 643.84		86 643.84
<i>Nedbank</i>	-11 500 000.00	11 500 000.00	-10 000 000.00	10 000 000.00	90 976.03		90 976.03
BANK DEPOSITS	-46 000 000.00	46 000 000.00	-40 000 000.00	40 000 000.00	356 203.92	-	1 387 977.78 #

Administration invested access funds of R40m during the month of January on short-term investments with the 4 major banks. This is in line with the principles of optimising interest. The reason for the additional funds to be invested is the Equitable share received in advance and the majority of spending will only be incurred in the 2nd half of the financial year.

Improvements in the cash flow forecasting and model use to monitor cash flow needs to be investigate to further optimise the use of cash resources.

Section 7 – Allocation and grant receipts and expenditure

7.1 Supporting Table C6

DC4 Eden - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M07 January

Description	Ref	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										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		128 919	132 809	–	550	100 642	77 472	22 278	28.8%	132 809
Local Government Equitable Share		125 669	129 669			97 252	75 640	21 612	28.6%	129 669
Finance Management		1 250	1 250			1 250	729			1 250
Municipal Systems Improvement		1 000	890			890	519			890
EPWP Incentive	3	1 000	1 000		550	1 250	583	667	114.3%	1 000
								–		
Other transfers and grants [insert description]								–		
Provincial Government:		–	–	–	–	–	–	–		–
								–		
								–		
Other transfers and grants [insert description]	4							–		
District Municipality:		–	–	–	–	–	–	–		–
[insert description]								–		
Other grant providers:		–	604	–	–	604	101	503	500.0%	–
Integrated Transport Planning - PT			604			604	101	503	500.0%	
								–		
Total Operating Transfers and Grants	5	128 919	133 413	–	550	101 246	77 573	22 782	29.4%	132 809

The report reflects the allocation of grant received as legislated in the yearly Division of Revenue Act.

Currently the municipality received funds in terms of the following grants:

- RSC Replacement levy EQS (*Equitable Share*)
- Finance Management grant (*FMG*)
- Municipal Systems Improvement Grant (*MSIG*)
- Expanded Public Works Program (*EPWP*)
- Integration Transport Grant

7.2 Supporting Table C7

DC4 Eden - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M07 January

2014/15 - Supporting Table 507(1) Monthly Budget Statement - transfers and grant expenditure - not audited										
Description	Ref	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										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		128 949	132 809	–	242	1 779	77 472	(75 693)	-97.7%	132 809
Local Government Equitable Share		125 699	129 669				75 640	(75 640)	-100.0%	129 669
								–		
Finance Management		1 250	1 250		70	1 026	729	297	40.7%	1 250
Municipal Systems Improvement		1 000	890		108	108	519	(412)	-79.3%	890
EPWP Incentive		1 000	1 000		65	646	583	63	10.8%	1 000
Other transfers and grants [insert description]								–		
Provincial Government:		–	–	–	–	–	–	–		–
								–		
								–		
								–		
Other transfers and grants [insert description]								–		
District Municipality:		–	–	–	–	–	–	–		–
								–		
[insert description]								–		
Other grant providers:		–	604	–	–	–	352	(352)	-100.0%	604
								–		
Integrated Transport Planning - PT			604				352	(352)	-100.0%	604
Total operating expenditure of Transfers and Grants:		128 949	133 413	–	242	1 779	77 824	(76 045)	-97.7%	133 413

This report reflects the operational expenditure on these grants. The municipality also reports on these grants individually to National and Provincial Treasury.

Finance is in the process of enhancing the Division of Revenue Act (DORA) reporting with the compilation of a comprehensive report to strengthen the oversight role of council. This report will be implemented within the next reporting cycle and should improve reporting on grant funds.

Section 8 – Expenditure on councillor and board members allowances and employee benefits

Supporting Table C8

DC4 Eden - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M07 January

Summary of Employee and Councillor remuneration	Ref	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	1	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		5 691	5 199		398	2 814	3 033	(218)	-7%	5 199
Pension and UIF Contributions		116	107		10	69	62	7	11%	107
Medical Aid Contributions		30	107		14	80	62	18	29%	107
Motor Vehicle Allowance		526	1 223		104	790	713	76	11%	1 223
Cellphone Allowance		508	267		21	147	156	(9)	-5%	267
Housing Allowances										
Other benefits and allowances			50				29	(29)	-100%	50
Sub Total - Councillors		6 871	6 953	-	547	3 901	4 056	(155)	-4%	6 953
% increase	4		1.2%							1.2%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		2 275	3 266		248	1 750	1 905	(155)	-8%	3 266
Pension and UIF Contributions		251	417		41	263	243	20	8%	417
Medical Aid Contributions			61		4	23	36	(12)	-35%	61
Overtime										
Performance Bonus			325				190	(190)	-100%	325
Motor Vehicle Allowance		247	369		39	275	215	59	28%	369
Cellphone Allowance			12		1	7	7			12
Housing Allowances		84	84		7	49	49			84
Other benefits and allowances										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations										
Sub Total - Senior Managers of Municipality	2	2 857	4 534	-	340	2 368	2 645	(277)	-10%	4 534
% increase	4		58.7%							58.7%
Other Municipal Staff										
Basic Salaries and Wages		56 228	55 250		4 424	30 054	32 229	(2 175)	-7%	55 250
Pension and UIF Contributions		10 819	11 424		858	6 044	6 664	(620)	-9%	11 424
Medical Aid Contributions		6 861	8 150		616	4 004	4 754	(750)	-16%	8 150
Overtime		1 299	1 027		98	468	599	(131)	-22%	1 027
Performance Bonus		181	35				20	(20)	-100%	35
Motor Vehicle Allowance		7 063	5 863		548	4 041	3 420	621	18%	5 863
Cellphone Allowance		155	119				69	(69)	-100%	119
Housing Allowances		617	516		35	254	301	(47)	-16%	516
Other benefits and allowances		715	692		69	332	404	(72)	-18%	692
Payments in lieu of leave		4 071	4 342			3 690	2 533	1 157	46%	4 342
Long service awards										
Post-retirement benefit obligations										
Sub Total - Other Municipal Staff	2	88 009	87 418	-	6 648	48 886	50 994	(2 108)	-4%	87 418
% increase	4		-0.7%							-0.7%
Total Parent Municipality		97 737	98 905	-	7 535	55 154	57 695	(2 540)	-4%	98 905

Expenditure on employee related cost and councillor allowances totals 56% of the operating budget. This is below the 58% mark but included in the budget for salaries is a number of vacant posts that hasn't been filled year to date by council.

These vacancies were addressed during the Mid-year budget and performance report in January 2014.

Section 9 – Municipal manager's quality certification

NAVRAE
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 044 803 1343

VERW:
REF: 6/18/7/2013-2014

KANTOOR:
OFFICES: George

DATUM
DATE 14 February 2014



QUALITY CERTIFICATE

I, ... G W LOUW, the accounting officer / chief financial officer of
EDEN DISTRICT MUNICIPALITY DC4 (name of municipality), hereby certify that –

(mark as appropriate)

☒ **The monthly budget statement**

- ☐ Quarterly report on the implementation of the budget and financial state affairs of the municipality
- ☐ Mid- year budget and performance assessment

For the month of **JANUARY** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name GW Louw

Accounting Officer / ~~Chief Financial Officer~~ of **EDEN DISTRICT MUNICIPALITY DC4**
(name and demarcation of municipality)

Signature [Signature]

Date 14/02/2014