



EDEN DISTRICT MUNICIPALITY

FINANCIAL YEAR 2013 - 2014

MONTHLY FINANCIAL REPORT

28 FEBRUARY 2014

Table of Contents

Glossary	3
Legislative Framework	5
PART 1 – IN YEAR REPORT	6
Section 1 – Resolutions	6
Section 2 – Executive summary	7
Section 3 – In-year budget statement tables	8
PART 2 SUPPORTING DOCUMENTATION	17
Section 4 – Debtor's analysis	17
Section 5 – Creditors analysis	18
Section 6 – Investment portfolio analysis	19
Section 7 – Allocation and grant receipts and expenditure	20
Section 8 – Expenditure on councillor and staff related expenditure	22
Section 9 – Municipal Manager's quality certification	23

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 28 February 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 28 February 2014 year to date.

2.2 Consolidated performance

2.2.1 Against annual budget (original)

Revenue by source

Operating revenue for the period ending 28 February 2014 totals R127.4m or 73% of the Revenue Budget. Please note that during the Adjustment budget process the municipality included the Budget for the Agency Function Roads but this is excluded from the Financial Management Reporting in terms of the MFMA. The reason for the 73% achievement is the payment of the RSC equitable share grant in advance as well as other conditional grants received.

Operating Expenditure by type

Operational spending totals 53% or R91, 398m of the Eden Operational Budget.

Capital Expenditure

The Capital budget was adjusted to R6, 935,000 in the Adjustment budget that was approved by council in January. Additional information regarding the capital expenditure will be provided in the report.

2.3 Material variances from SDBIP

Variance in terms of the SDBIP is dealt with on a quarterly basis in terms of the performance management requirements. The municipality adjusted the SDBIP during the January Adjustment budget process and reporting on these revised KPI will be implemented.

2.4 Remedial or corrective steps

No remedial or corrective steps implemented.

2.6 Conclusion

Detailed analysis of the municipal performance for the year ending 28 February 2014 will be presented under the different sections of the report.

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 - M08 February

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	2 601	413	2 953	1 367	1 586	116%	2 051
Transfers recognised - operational	128 949	133 413	133 413	300	100 996	88 942	12 054	14%	133 413
Other own revenue	45 333	40 939	138 679	2 773	23 401	27 293	(3 891)	-14%	40 939
Total Revenue (excluding capital transfers and contributions)	176 273	176 402	274 692	3 486	127 350	117 602	9 749	8%	176 402
Employee costs	88 009	91 952	143 624	6 854	58 106	61 301	(3 195)	-5%	91 952
Remuneration of Councillors	6 871	6 954	6 969	546	4 446	4 636	(190)	-4%	6 954
Depreciation & asset impairment	8 136	8 136	8 136	4 378	4 378	5 424	(1 046)	-19%	8 136
Finance charges	750	585	485	–	123	390	(267)	-69%	585
Materials and bulk purchases	–	–	–	–	–	–	–		–
Transfers and grants	8 996	3 744	3 744	149	1 928	2 496	(568)		3 744
Other expenditure	62 575	63 677	110 504	1 846	22 417	42 451	(20 034)	-47%	63 677
Total Expenditure	175 337	175 048	273 462	13 773	91 398	116 699	(25 301)	-22%	175 048
Surplus/(Deficit)	936	1 354	1 230	(10 286)	35 952	903	35 049	3882%	1 354
Transfers recognised - capital	–	–	–	–	–	–	–		–
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	936	1 354	1 230	(10 286)	35 952	903	35 049	3882%	1 354
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	936	1 354	1 230	(10 286)	35 952	903	35 049	3882%	1 354
Capital expenditure & funds sources									
Capital expenditure	935	8 875	6 935	4	137	5 917	(5 780)	-98%	8 875
Capital transfers recognised	–	–	–	–	–	–	–		–
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	935	8 875	6 935	4	137	5 917	(5 780)	-98%	8 875
Total sources of capital funds	935	8 875	6 935	4	137	5 917	(5 780)	-98%	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	–	(10 286)	35 952	11 929	24 023	201%	17 893
Net cash from (used) investing	(935)	(8 875)	–	9 759	(31 856)	(5 917)	(25 939)	438%	(8 875)
Net cash from (used) financing	–	–	–	–	–	–	–		–
Cash/cash equivalents at the month/year end	(11 706)	34 911	–	–	50 121	31 905	18 216	57%	55 043
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	671	610	557	11 350	–	–	–	–	13 188
Creditors Age Analysis									
Total Creditors	2 364	–	–	–	–	–	–	–	2 364

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

DC4 Eden - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - M08 February

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										
Governance and administration		170 326	171 640	169 497	3 233	123 173	114 427	8 746	8%	171 640
Executive and council		168 962	170 528	168 385	3 205	122 525	113 685	8 840	8%	170 528
Budget and treasury office		-	-	-	-	-	-	-	-	-
Corporate services		1 364	1 112	1 112	28	648	741	(94)	-13%	1 112
Community and public safety		5 145	4 713	5 122	248	3 990	3 142	848	27%	4 713
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		4 985	4 553	4 962	231	3 865	3 035	830	27%	4 553
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		160	160	160	17	125	107	19	17%	160
Economic and environmental services		475	50	99 994	5	119	33	86	258%	50
Planning and development		-	-	-	-	4	-	4	#DIV/0!	-
Road transport		-	-	99 869	-	-	-	-	-	-
Environmental protection		475	50	125	5	115	33	82	246%	50
Trading services		327	-	80	-	68	-	68	#DIV/0!	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		327	-	-	-	-	-	-	-	-
Waste management		-	-	80	-	68	-	68	#DIV/0!	-
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	176 273	176 403	274 692	3 486	127 350	117 602	9 748	8%	176 403
Expenditure - Standard										
Governance and administration		83 011	92 559	89 550	8 178	45 046	61 706	(16 660)	-27%	92 559
Executive and council		35 819	44 270	44 470	1 728	15 306	29 513	(14 207)	-48%	44 270
Budget and treasury office		21 007	20 012	17 928	4 625	13 916	13 342	575	4%	20 012
Corporate services		26 185	28 276	27 152	1 826	15 823	18 851	(3 028)	-16%	28 276
Community and public safety		61 675	60 970	61 774	4 456	35 708	40 647	(4 939)	-12%	60 970
Community and social services		3 546	2 940	2 312	169	1 521	1 960	(439)	-22%	2 940
Sport and recreation		7 089	8 008	8 305	682	4 737	5 339	(602)	-11%	8 008
Public safety		27 956	25 608	27 553	1 689	13 663	17 072	(3 410)	-20%	25 608
Housing		-	-	-	-	-	-	-	-	-
Health		23 084	24 414	23 604	1 917	15 788	16 276	(488)	-3%	24 414
Economic and environmental services		24 963	18 506	117 747	1 022	7 892	12 338	(4 445)	-36%	18 506
Planning and development		7 853	7 092	8 456	463	3 493	4 728	(1 234)	-26%	7 092
Road transport		592	1 152	101 020	-	-	768	(768)	-100%	1 152
Environmental protection		16 518	10 263	8 272	559	4 399	6 842	(2 443)	-36%	10 263
Trading services		5 688	3 013	4 391	116	2 752	2 008	744	37%	3 013
Electricity		-	-	-	-	-	-	-	-	-
Water		2 600	505	2 074	17	1 609	337	1 272	378%	505
Waste water management		63	458	11	-	-	305	(305)	-100%	458
Waste management		3 026	2 049	2 305	99	1 144	1 366	(223)	-16%	2 049
Other		-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	175 337	175 047	273 462	13 773	91 398	116 698	(25 300)	-22%	175 047
Surplus/ (Deficit) for the year		936	1 355	1 230	(10 286)	35 952	904	35 048	3879%	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 in 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

The majority of the revenue was received by the executive and council subsection. Revenue included is the RSC equitable, interest received and other conditional grants received.

The majority of expenditure is incurred by the Governance and administration. Reasons are:

- Councillor Remuneration allocated to executive and council section
- Administrative functions allocated to this function.
- Audit fees, SALGA membership fees, Compensation commissioner are allocated to the executive and council section.

Operating Revenue:

Operating revenue as reported above totals 73% of the budget for the year ending 28 February 2014. The bulk of this income is received from National Treasury EQS allocations. Municipality received above expected interest on investments and conditional grants paid in advance.

Due to the stricter cash flow management practices implemented by council, delays in project commencement, investments and current account outperformed the budgeted projections. Finance projected conservatively for interest income for the 2013/2014 financial year due to the economic climate and general conditions of the economy.

Operating Expenditure

Year to date operating expenditure totals 53% of the Operating budget. Non-cash items contribute to this low expenditure. A total of R16.5m of the expenditure budget of R173, 593m is attributed to non-cash items.

During the month of February finance started implementing accounting for depreciation on a monthly basis. Retrospective from 1 July 2013 an amount of R4, 377m was allocated to this cost category. This practice should significantly improve the expenditure reporting for the coming months.

Other non cash items e.g. post retirement actuarial valuations, provision for alien vegetation, etc, will only be calculated at year end as there are costs involved to perform the calculations by experts and will not be cost effective, cost outweighs the benefit to perform these calculations monthly.

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) - M08 February

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	168 385	3 205	122 525	113 685	8 840	7.8%	170 528
Vote 2 - BUDGET AND TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		1 364	1 112	1 112	28	648	741	(94)	-12.6%	1 112
Vote 4 - PLANNING AND DEVELOPMENT		-	-	-	-	4	-	4	#DIV/0!	-
Vote 5 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-
Vote 6 - HEALTH		160	160	160	17	125	107	19	17.4%	160
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		4 985	4 553	4 962	231	3 865	3 035	830	27.3%	4 553
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	-	80	-	68	-	68	#DIV/0!	-
Vote 11 - ROAD TRANSPORT		-	-	99 869	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT		327	-	-	-	-	-	-	-	-
Vote 13 - WATER		-	-	-	-	-	-	-	-	-
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		475	50	125	5	115	33	82	245.7%	50
Total Revenue by Vote	2	176 273	176 403	274 692	3 486	127 350	117 602	9 748	8.3%	176 403
Expenditure by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		35 819	44 270	44 470	1 728	15 306	29 513	(14 207)	-48.1%	44 270
Vote 2 - BUDGET AND TREASURY OFFICE		21 007	20 012	17 928	4 625	13 916	13 342	575	4.3%	20 012
Vote 3 - CORPORATE SERVICES		26 185	28 276	27 152	1 826	15 823	18 851	(3 028)	-16.1%	28 276
Vote 4 - PLANNING AND DEVELOPMENT		7 853	7 092	8 456	463	3 493	4 728	(1 234)	-26.1%	7 092
Vote 5 - PUBLIC SAFETY		27 956	25 608	27 553	1 689	13 663	17 072	(3 410)	-20.0%	25 608
Vote 6 - HEALTH		23 084	24 414	23 604	1 917	15 788	16 276	(488)	-3.0%	24 414
Vote 7 - COMMUNITY & SOCIAL SERVICES		3 546	2 940	2 312	169	1 521	1 960	(439)	-22.4%	2 940
Vote 8 - SPORT & RECREATION		7 089	8 008	8 305	682	4 737	5 339	(602)	-11.3%	8 008
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		3 026	2 049	2 303	99	1 144	1 366	(223)	-16.3%	2 049
Vote 11 - ROAD TRANSPORT		592	1 152	101 023	-	-	768	(768)	-100.0%	1 152
Vote 12 - WASTE WATER MANAGEMENT		63	458	11	-	-	305	(305)	-100.0%	458
Vote 13 - WATER		2 600	505	2 074	17	1 609	337	1 272	377.9%	505
Vote 14 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 15 - ENVIRONMENTAL MANAGEMENT		16 518	10 263	8 272	559	4 399	6 842	(2 443)	-35.7%	10 263
Total Expenditure by Vote	2	175 337	175 047	273 463	13 773	91 398	116 698	(25 300)	-21.7%	175 047
Surplus/ (Deficit) for the year	2	936	1 355	1 230	(10 286)	35 952	904	35 048	3878.9%	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.

As explained above the municipality adjust the Budget of Council with the Income and Expenditure for the Agency function Roads. This budget is reflected under the Roads Transport function of the GFS classification per municipal vote. Total budget for this Agency Function totals R99, 869m.

The reason why this revenue was include in the adjustment budget was based on audit finding nr 1 of 2013 by the Auditor General, which stated this revenue must be treated as revenue from exchange transaction and not as a grant.

The CFO disagreed with the finding of the AG as this is not an exchange transaction, but due to shortcomings in the signed SLA and other technical matters the financial statements were adjusted as per the AG's recommendation.

A district municipal task team has been established. The first meeting was in Worcester and attended by the mayors, MM's, CFO's, Provincial Treasury and Department of Public Transport. A smaller task team was established consisting of the CFO's to clarify the accounting treatment with PT, AG, and other roleplayers to ensure GRAP standards are:

- Consistently applied by all district municipalities
- Clarify how the accounting treatment should be discussed

The second task team meeting will be held in Moorreesburg on the 17th of March 2014.

The service level agreement to be signed for the 2014/2015 financial year must be revisited and adjusted.

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) - M08 February

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	1 248	126	1 065	1 259	(195)	-15%	1 889	
Interest earned - external investments		1 991	2 051	2 601	413	2 953	1 367	1 586	116%	2 051	
Interest earned - outstanding debtors								-			
Dividends received								-			
Fines								-			
Licences and permits								-			
Agency services		12 511	13 780	11 280	1 035	9 237	9 186	50	1%	13 780	
Transfers recognised - operational		128 949	133 413	133 413	300	100 996	88 942	12 054	14%	133 413	
Other revenue		31 031	17 270	126 152	1 612	13 100	11 513	1 587	14%	17 270	
Gains on disposal of PPE			8 000				5 333	(5 333)	-100%	8 000	
Total Revenue (excluding capital transfers and contributions)			176 273	176 402	274 692	3 486	127 350	117 602	9 749	8%	176 402
Expenditure By Type											
Employee related costs		88 009	91 952	143 624	6 854	58 106	61 301	(3 195)	-5%	91 952	
Remuneration of councillors		6 871	6 954	6 969	546	4 446	4 636	(190)	-4%	6 954	
Debt impairment		1 054	650	650			433	(433)	-100%	650	
Depreciation & asset impairment		8 136	8 136	8 136	4 378	4 378	5 424	(1 046)	-19%	8 136	
Finance charges		750	585	485		123	390	(267)	-69%	585	
Bulk purchases								-			
Other materials								-			
Contracted services		17 286	11 330	11 436	730	5 499	7 553	(2 054)	-27%	11 330	
Transfers and grants		8 996	3 744	3 744	149	1 928	2 496	(568)	-23%	3 744	
Other expenditure		44 235	51 697	98 418	1 116	16 918	34 465	(17 547)	-51%	51 697	
Loss on disposal of PPE								-			
Total Expenditure			175 337	175 048	273 462	13 773	91 398	116 699	(25 301)	-22%	175 048
Surplus/(Deficit)			936	1 354	1 230	(10 286)	35 952	903	35 049	0	1 354
Transfers recognised - capital								-			
Contributions recognised - capital								-			
Contributed assets								-			
Surplus/(Deficit) after capital transfers & contributions			936	1 354	1 230	(10 286)	35 952	903			1 354
Taxation								-			
Surplus/(Deficit) after taxation			936	1 354	1 230	(10 286)	35 952	903			1 354
Attributable to minorities											
Surplus/(Deficit) attributable to municipality			936	1 354	1 230	(10 286)	35 952	903			1 354
Share of surplus/ (deficit) of associate											
Surplus/ (Deficit) for the year			936	1 354	1 230	(10 286)	35 952	903			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:

Rental of facilities recorded 85% year to date performance against projected Adjustment Budget information. Finance implemented a conservative approach during the Adjustment budget process in January; this is also reflected in the performance of Operating income for this source. Probability that the actual income will outperform the budget for the financial year is highly probable.

Rental of facilities and Sundry income, accounts for the majority of the income recorded under Resorts in terms of the municipal accounting system. Resorts income totals 58% of adjustment budget estimates. This was due to stricter management practices implemented at the resorts and all monies owed by visitors were paid.

A Resort Task Team has been established to investigate the operation of the resort and identify arrears of improvement.

The Agency function income is also recorded under this section as reported previously, no reporting is done on this component of the budget.

Interest earned – External Investments:

Year to date interest earned on investments and the current account outperformed budgeted projections. Finance implemented a conservative approach with the estimation of interest income. Year to date performance totals 116% of budget.

Transferred recognised – operational

This is mostly grants as reported in the annual National and Provincial Division of Revenue Acts on an annual basis. The municipality received the majority of its funds from EQS allocations and to date a total of R97, 252m was received. This is the replacement grant after the abolishment of the RSC levies.

Other revenue / Sundry income

Recorded under other revenue are the Agency function grants in terms of the Roads Agency function. To date no reporting is done in terms of these funds as function. Other items for other revenue included the Firefighting fees, agreements etc.

Gains on disposal of PPE (Sale of Land)

The municipality planned to use the sale of land of R8, 000,000 as funding source for the Capital project – Regional Landfill Site. This decision was retracted during the Adjustment budget process and the decision was made to use own funds to finance the Capital project during the 2013/2014 financial year. More information regarding this will be provided under the explanation of the capital budget

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

Finance as part of its pre-audit and in response of the Auditor General findings is busy reviewing the outstanding debtor balances to ensure that old outstanding debt is collected or written off. From February 2014, depreciation is recorded on a monthly basis.

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. It is envisioned that no additional loans will be taken up for the coming financial year 2014/2015.

The outstanding loan balance at the end of February 2014 totals R2, 184,861

Contracted services

Spending on contracted services total 50% or R5, 498,968 for the year ending 28 February 2014. Most of the spending is for contract related spending and this is continuous and ongoing. The fire department also makes extensively use of contracted services and the majority of their service level agreements with the respective B-municipalities is accounted for under contracted services. The contracted services of the Public safety function accounts for 56% of spending year to date.

Other expenditure

Other expenditure reflects all other expenses not identified specifically. The spending on other expenditure is below par, this is due to the non-cash items that's only accounted for in June 2014 with the compilation of financial statements e.g. actuarial valuation of post retirement benefits, other provisions, etc.

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) - M08 February

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									
<u>Multi-Year expenditure appropriation</u>	2									
Vote 1 - EXECUTIVE AND COUNCIL		300	-	-	-	-	-	-	-	-
Vote 2 - BUDGET AND TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		340	225	485	4	137	150	(13)	-9%	225
Vote 4 - PLANNING AND DEVELOPMENT		-	-	250	-	-	-	-	-	-
Vote 5 - PUBLIC SAFETY		-	400	400	-	-	267	(267)	-100%	400
Vote 6 - HEALTH		-	-	-	-	-	-	-	-	-
Vote 7 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 8 - SPORT & RECREATION		295	250	-	-	-	167	(167)	-100%	250
Vote 9 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	8 000	5 800	-	-	5 333	(5 333)	-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	6 935	4	137	5 917	(5 780)	-98%	8 875

The capital budget was adjusted during the January council meeting from R8, 875,000 to R6, 935,000. This is mainly due to the following:

The capital project Purchase of the Regional Landfill site was originally budgeted at R8, 000,000. After negotiations, the contract value was reduced to R5, 800,000. Project funding source was originally identified as Sale of Land, but the decision was retracted and internal funds (Contributions from CRR) were identified as the funding source with the January adjustment budget process. The municipality's intention is to initiate the process of Public Private Partnerships (PPP). The initial investment will then be recovered by means of this PPP agreement

This project is ongoing and conclusion of this transaction and spending of the funds must be completed before 30 June 2014. This project is the major contributor to the Capital Budget spending.

Another major project is the Fire fighting vehicles for the Public Safety (Fire fighting Services) section. This project is ongoing and SCM processes will commence within the next couple of months and completed before 30 June 2014.

3.1.6 Table C6: Monthly Budget Statement - Financial Position

DC4 Eden - Table C6 Monthly Budget Statement - Financial Position - M08 February

Description	Ref	2012/13	Budget Year 2013/14			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
<u>ASSETS</u>						
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
<u>LIABILITIES</u>						
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
<u>COMMUNITY WEALTH/EQUITY</u>						
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 to 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. From February 2014 depreciation is reported monthly.

3.1.7 Table C7: Monthly Budget Statement - Cash Flow

DC4 Eden - Table C7 Monthly Budget Statement - Cash Flow - M08 February

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		3 323	23 401	22 166	1 235	6%	33 249
Government - operating		1 500	133 413		(250)	100 996	88 942	12 054	14%	133 413
Government - capital								-		
Interest		2 350	2 051		413	2 953	1 367	1 586	116%	2 051
Dividends								-		
Payments										
Suppliers and employees		(9 479)	(146 091)		(13 478)	(87 458)	(97 394)	(9 936)	10%	(146 091)
Finance charges		(750)	(985)			(123)	(657)	(534)	81%	(985)
Transfers and Grants		(4 892)	(3 744)		(294)	(3 817)	(2 496)	1 321	-53%	(3 744)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(10 771)	17 893	-	(10 286)	35 952	11 929	24 023	201%	17 893
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			(8 000)				(5 333)	5 333	-100%	(8 000)
Decrease (Increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments					9 763	(31 719)		(31 719)	#DIV/0!	
Payments										
Capital assets		(935)	(875)		(4)	(137)	(583)	(447)	77%	(875)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(935)	(8 875)	-	9 759	(31 856)	(5 917)	25 939	-438%	(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	-	(527)	4 096	6 012			9 018
Cash/cash equivalents at beginning:			25 893			46 025	25 893			46 025
Cash/cash equivalents at month/year end:		(11 706)	34 911	-		50 121	31 905			55 043

The municipality completed the project: Long term financial plan with the service provider INCA. This document will inform council regarding the cash flow requirements and needs of council in order to ensure a sustainable municipality. This report served at the financial services portfolio committee meeting held on 13 March 2014.

The reporting of credible cash flow information is a challenge. Finance is in the process of engaging with their banking partner Standard bank to seek assistance on how this can be enhanced and improved.

The cash balance as reported is the bank balance as at the end of February 2014.

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 - M08 February

Description	NT Code	Age Analysis			
		0-30 Days	31-60 Days	61-90 Days	91-120 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	141	70	73	3 405
Interest on Arrear Debtor Accounts	1810				
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820				
Other	1900	530	540	484	7 945
Total By Income Source	2000	671	610	557	11 350
2012/13 - totals only					
Debtors Age Analysis By Customer Group					
Organs of State	2200				
Commercial	2300				
Households	2400	64	46	87	760
Other	2500	607	564	470	10 589
Total By Customer Group	2600	671	610	557	11 350

The finance department (income) will commence with the debtor management procedures in March 2014 to recover the outstanding balances. Legal department provided finance with the necessary template documentation to assist in the collection process.

Outstanding debtor balances at the end of February totals R13, 188m.

Section 5 – Creditors' analysis

Supporting Table C4

DC4 Eden - Supporting Table SC4 Monthly Budget Statement - aged creditors - M08 February

Description	NT Code	Budget Year 2013/14								
		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	Total
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100									-
Bulk Water	0200									-
PAYE deductions	0300	1 262								1 262
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500	1 072								1 072
Loan repayments	0600									-
Trade Creditors	0700									-
Auditor General	0800	30								30
Other	0900									-
Total By Customer Type	1000	2 364	-	-	-	-	-	-	-	2 364

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.

The finance department is dependant on the other departments to submit the supporting documentation timeously to ensure payment is within the prescribed 30 days.

Section 6 – Investment portfolio analysis

6.1 Investment monitoring information

		Movements for the month				
	Balance as at 01 Feb 2014	Investments matured	Investments made	Balance as at 28 Feb 2014	Interest earned	Interest earned
					Month	Year to date
Eden district municipality						
<i>Interest Received YTD</i>				-		1 387 977.78
<i>Standard Bank</i>	10 000 000.00	-10 000 000.00	-7 500 000.00	7 500 000.00	59 590.23	59 590.23
<i>FNB</i>	10 000 000.00	-10 000 000.00	-7 500 000.00	7 500 000.00	57 828.88	57 828.88
<i>ABSA</i>	10 000 000.00	-10 000 000.00	-7 500 000.00	7 500 000.00	58 684.93	58 684.93
<i>Nedbank</i>	10 000 000.00	-10 000 000.00	-7 500 000.00	7 500 000.00	60 756.16	60 756.16
BANK DEPOSITS	40 000 000.00	-40 000 000.00	-30 000 000.00	30 000 000.00	236 860.20	1 624 837.98

Administration invested access funds of R30m during the month of February 2014 on short-term investments with the 4 major banks. As reported previously the finance department is outperforming in terms of their investment revenue component on cash balances, the main reason is the majority of expenditure is incurred in the last quarter of the financial year.

Improvements in the cash flow forecasting and model use to monitor cash flow needs to be investigated 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 - M08 February

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	–	300	100 392	88 539	11 139	12.6%	132 809
Local Government Equitable Share		125 669	129 669			97 252	86 446	10 806	12.5%	129 669
Finance Management		1 250	1 250			1 250	833			1 250
Municipal Systems Improvement		1 000	890			890	593			890
EPWP Incentive	3	1 000	1 000		300	1 000	667	333	50.0%	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	–	300	100 998	88 640	11 643	13.1%	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 - M08 February

Budget Statement - transfers and grant expenditure - 1006 February										
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	–	216	1 928	88 539	(86 611)	-97.8%	132 809
Local Government Equitable Share		125 699	129 669				86 446	(86 446)	-100.0%	129 669
								–		
Finance Management		1 250	1 250		44	1 070	833	236	28.4%	1 250
Municipal Systems Improvement		1 000	890		108	128	593	(465)	-78.4%	890
EPWP Incentive		1 000	1 000		65	731	667	64	9.6%	1 000
Other transfers and grants [insert description]								–		
Provincial Government:		–	–	–	–	–	–	–		–
								–		
								–		
								–		
Other transfers and grants [insert description]								–		
District Municipality:		–	–	–	–	–	–	–		–
								–		
[insert description]								–		
Other grant providers:		–	604	–	–	–	403	(403)	-100.0%	604
								–		
Intergrated Transport Planning - PT			604				403	(403)	-100.0%	604
Total operating expenditure of Transfers and Grants:		128 949	133 413	–	216	1 928	88 942	(87 014)	-97.8%	133 413

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

Performance reporting needs to be implemented to ensure that council adheres to the Division of Revenue act provisions. Finance is in the process of enhancing the monthly Finance Management Report to enable this and include all DORA related grants with specific emphasis on the performance component to address this shortcoming.

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 - M08 February

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	5 199	391	3 206	3 466	(260)	-8%	5 199
Pension and UIF Contributions		116	107	107	10	79	71	7	11%	107
Medical Aid Contributions		30	107	107	15	96	71	24	34%	107
Motor Vehicle Allowance		526	1 223	1 223	108	898	815	83	10%	1 223
Cellphone Allowance		508	267	282	21	168	178	(10)	-5%	267
Housing Allowances								-		
Other benefits and allowances			50	50			33	(33)	-100%	50
Sub Total - Councillors		6 871	6 953	6 989	548	4 448	4 635	(189)	-4%	6 953
% increase	4		1.2%	1.4%						1.2%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		2 275	3 266	3 266	248	1 998	2 177	(179)	-8%	3 266
Pension and UIF Contributions		251	417	417	41	304	278	26	9%	417
Medical Aid Contributions			61	61	4	27	41	(14)	-34%	61
Overtime								-		
Performance Bonus			325	360	287	287	217	70	32%	325
Motor Vehicle Allowance		247	369	369	39	314	246	68	28%	369
Cellphone Allowance			12	12	1	8	8	-		12
Housing Allowances		84	84	84	7	56	56	-		84
Other benefits and allowances								-		
Payments in lieu of leave								-		
Long service awards								-		
Post-retirement benefit obligations								-		
Sub Total - Senior Managers of Municipality		2 857	4 534	4 509	628	2 994	3 023	(29)	-1%	4 534
% increase	4		58.7%	59.9%						58.7%
Other Municipal Staff										
Basic Salaries and Wages		56 228	55 250	51 359	3 934	33 988	36 833	(2 845)	-8%	55 250
Pension and UIF Contributions		10 819	11 424	11 554	867	6 911	7 616	(705)	-9%	11 424
Medical Aid Contributions		6 861	8 150	8 786	613	4 617	5 433	(816)	-15%	8 150
Overtime		1 299	1 027	1 080	99	567	685	(118)	-17%	1 027
Performance Bonus		181	35				23	(23)	-100%	35
Motor Vehicle Allowance		7 063	5 863	6 624	559	4 600	3 909	691	18%	5 863
Cellphone Allowance		155	119	133			79	(79)	-100%	119
Housing Allowances		617	516	411	39	293	344	(51)	-15%	516
Other benefits and allowances		715	692	2 167	63	390	461	(71)	-15%	692
Payments in lieu of leave		4 071	4 342	3 712	56	3 745	2 895	851	29%	4 342
Long service awards								-		
Post-retirement benefit obligations								-		
Sub Total - Other Municipal Staff		88 009	87 418	85 827	6 230	55 112	58 279	(3 167)	-5%	87 418
% increase	4		-0.7%	-2.5%						-0.7%
Total Parent Municipality		97 737	98 905	97 385	7 402	62 552	65 937	(3 385)	-5%	98 905

The municipality adjusted the Salary budget from R87m to R85m with the adjustment budget process. This is mainly due to the non-filling of vacancies budgeted during the Original budget cycle and the adjustment of these budgeted vacancies for the Adjustment budget process.

Salary spending currently reflects a 64% spending for the year ending 28 February 2014. This is in line with projections.

Section 9 – Municipal manager's quality certification

NAURAE
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO: 044 803 1343

VERW.
REF: 5/18/7/2013-2014

KANTOOR
OFFICES: George

DATUM
DATE: 10 March 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 **FEBRUARY** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name G W Louw

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

Signature [Signature]

Date 12/03/14