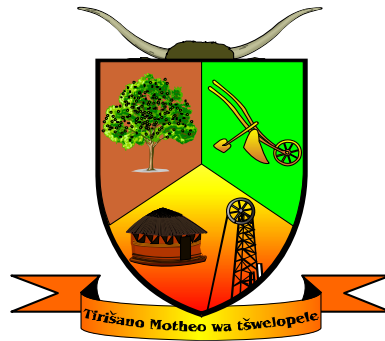


# FETAKGOMO LOCAL MUNICIPALITY

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## INTERNAL MEMORANDUM

**TO** : The Mayor  
**From** : Chief Financial Officer  
**Date** : August 2009  
**Subject** : Monthly Budget Statement

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We hope that you shall find the enclosed information helpful.

## **CHIEF FINANCIAL OFFICER'S REMARKS**

### **Introduction**

This Monthly Budget Statement is directed to various stakeholders as prescribed by the Municipal Finance Management Act. The Budget Statement provides financial and non financial information relating to Municipal performance in discharging its responsibilities as per IDP/Budget adopted by Council on the 28<sup>th</sup> May 2009. This is the second Monthly Budget Statement for the period ending 31 August 2009.

The stakeholders include; the Mayor, the Accounting Officer, the community, Provincial and National Treasury, Municipal departments.

The Budget Statement has attempted to be as comprehensive as possible to provide the users of the information to make qualitative decisions.

### **Background**

The monthly budget statement is prescribed by section 71 of the Municipal Finance Management Act (56 Of 2003). The Accounting Officer of a municipality must by no later than 10 working days of each month submit to the mayor of a municipality and the relevant provincial treasury a monthly budget statement detailing performance of the Municipality.

#### **1. Revenue Collection**

Total budgeted revenue for year is R 42 836 300. Revenue collected amount to 27% or R11 427 413. Revenue received for August is R 299 732.

Please read through appendix A

Council submits monthly reports on a monthly basis to the executive authorities and other stakeholders. The following are the objectives of the grants;

### **Municipal Systems Improvement Grant**

- Offer support to ward committees
- Conduct asset verification and procure stores management system
- Improvement on Information technology related infrastructure
- Improve and enhance the quality of IDP/ Budget preparation

### **Municipal Finance Management Grant**

- Pay salaries for council interns
- Develop revenue enhancement strategy
- Providing training and development of council employees and councilors on financial management
- Procure equipments for interns and other finance related activities

### **Sekhukhune Municipality Ward committee support**

- Payment of stipends to ward committees

### **Municipal Infrastructure Grant**

- Payment of Municipal Infrastructure Grant approved projects

<b>Grant</b>	<b>Received</b>	<b>Spent</b>	<b>Unspent</b>	<b>Percentage spent</b>	<b>Unspent Percentage</b>
Municipal Systems Improvement Grant (MSIG)	825 279.21	31 074.72	794 204.49	3.8	96.2
Municipal Finance Management Grant (MFMG)	1 019 789	27 328.00	992 461.00	2.68	97.32
Municipal Infrastructure Grant (MIG)	5 233 937.62	162 928.07	5 071 009.55	3.2	96.8
Sekhukhune Municipality Ward committee support	44 875.00	48 562.50	-3 777.50	108.5%	-8.5%

## 2. OPERATIONAL EXPENDITURE PER VOTE

The municipality has spent 13% or R 4 421 848 of the operational budget instead of R 5 803 878 of the allocated leading to an overall 4% under spending.

Progress relating to the implementation of the SDBIP is provided below. Departments are expected to improve on areas that have negative comments.

Please read through appendix B

### a. Corporate services

Corporate services spent 13% or R2 809 019 of the allocated budget instead of R 3 546 521 leading to 4% under spending. Depreciation budgeted for R 1000 000 is located in the corporate services department and has not effected for the first two months. SDBIP projects for the department are as follows;

<b>N O</b>	<b>Project</b>	<b>Vote</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Comment</b>
1	Policy development, review and enforcement		-		Budgeted not required as per SDBIP document
2	Development of By-laws		-		Budget not required as per SDBIP document
3	PMS Implementation (Individual)	100/260061	50,000.	0.00	Assessment of performance will be conducted in September
4	Devolution of Traffic Function (Learners' license)		-		Budgeted not required as per SDBIP document
5	IT Programmes and Support	100/260130 100/235009 900/400353 100/260076	1,400,000	136 871	The spending must be R 200 000 by the end of first quarter as per SDBIP
6	Organisational Development	100/260042	332,000.	40 109	Training provided to council employees
7	Human Resource Management		-		Budgeted not required as per SDBIP document
8	Legal services	100/260068	150,000.00	27 322	Payment made for consultations on legal disputes
9	Ward Committees' Support (stipends)	100/260080	500,000.00	78 020	Payments of stipends to ward committees
10	Special Programmes	100/260062	175,000.00	4 291	Catering for Local Aids Council
11	Council Functions - Event Management	100/260069	110,000.00	10 679	Catering during council events
12	Corporate PMS / Quarterly Report/Annual Report	100/260067	50,000.00	0.00	The projects must spend R35 000 by the end of the first quarter as per SDBIP
13	Marketing & Publicity	100/260067	400,000.00	0.00	The project must spend R50 000 by the end of the first quarter as per SDBIP

14	Council Support: Governance	100/260066	150,000.00	22 426	The project must spend R37 500 by the end of the first quarter as per the SDBIP.
16	Bursary fund	100/260081	200,000.00	0.00	The project must spent R150 000 by the end of the first quarter as per SDBIP.
17	Coordination of Disaster Management / Relief fund	100/260022	10,000.00	2 420	Assistance offered for pauper's funeral
18	Coordination of Sports, Arts & Culture	100/260064	50,000.00	0.00	Aware campaigns for 2010 world cup legacy mass participation.
19	Out reach services		-		Budget not required as per SDBIP document.
20	Communications	100/260070 100/260095	350,000.00	125 043	Payment for telephone faxes and digit net lines
24	Facilities and Fleet Management	100/260018 100/260065 100/260073 100/235007	1,520,000.	276 510	Payment for security, petrol and insurance for council facilities
25	Refuse removal	100/260108	1,260,000	10 304	Payment for purchase of refuse bags for refuse removal

### b. Municipality manager's office

Municipality manager's offices spend 18% or R439 551 of the allocated budget instead of R414 305 leading to 1% over spending. SDBIP projects for the office are as follows;

NO	Project	Vote	Budget	Expenditure	Comment
1	Intergovernmental Relations	120/260089	20,000.	0.00	The project must spend R5000 per quarter as per SDBIP document
2	Internal audit	120/260085	266,000.	0.00	The project must spend R66 500 per quarter as per SDBIP document
3	Audit Committee	200/260002	100,000.	0.00	The project must spend R2 500 per quarter as per SDBIP document
4	Risk Management	120/260061	10,000.	0.00	The project must spend R2 500 per quarter as per SDBIP document
5	Fraud Prevention	120/260061	10,000.	0.00	The project must spend R2 500 per quarter as per SDBIP document
6	Consultations & Research	120/260061 200/260061 500/260061	200,000.	0.00	The project must spend R2 500 per quarter as per SDBIP document

### c. Budget and treasury Office

Budget and treasury office spent 8% or R406 836 of the allocated budget instead of R 880 339 leading to 9% under spending. SDBIP projects for the department are as follows;

NO	Projects	Vote	Budget	Expenditure	Comment
1	Revenue enhancement	200/260090 200/260061	380,000	0.00	Training and activation of the billing system to be conducted in September 2009
2	Asset Management	200/260089	100,000	0.00	Procurement of computer data capturing software in July 2009.
3	Review of Finance Policies		-		Budget not required as per SDBIP document
4	MFMA implementation		-		Monthly reports as per national treasury circulars are completed and submitted.
5	SCM implementation		-		Budget not required as per SDBIP document
6	Indigent register		-		Budget not required as per SDBIP document
7	External Audit	200/26002	750,000	0.00	Audit has commenced and not yet invoice by the Auditor-General
8	Internship Programme	200/200147 200/260084	1,000,000	27 328	Payment of salaries to interns

#### d. Development planning

Development planning spent 13% or R766 442 of the allocated budget instead of R962 713 leading to 4% under spending. SDBIP projects for the department are as follows;

NO	Projects	Vote	Budget	Expenditure	Comments
1	Free Basic Electricity	500/260090	700,000.	197 689	Payment made for free basic electricity
2	Grading of sports fields	100/235008	80,000	0.00	The project must spend R40 000 by the first quarter as per SDBIP document.
5	LUMS/SDF	500/260146	100,000	2 580	Catering offered during consultations on LUMS
6	Township Establishment	500/260147	100,000	0.00	The project must spend R50 000 by the end of the second quarter as per SDBIP
7	Local Tourism	500/260120	300,000	0.00	The project must spend R100 000 by the end of the first quarter.
8	Farmers Support	500/260086	100,000	0.00	Call for selection of small scale farmer in July and August as per SDBIP.
9	Local Business Support	500/260125	40,000	6 126	The project must spend R10 000 to be spent every quarter as per SDBIP document.
10	Support Commercialisation of Potlake		-		No budget required as per SDBIP document.
11	IDP/BUDGET Review	500/260115	100 ,000	0.00	The project must spend R20 000 by the second quarter as per SDBIP document.
12	Municipal Master Plan	500/260148	100,000.00	0.00	SCM processes start in August. The project R20 000 and R80 000 in third and fourth quarters respectively.
13	MIG-PMU	500/260151	60,000.00	0.00	The project must spend R20 000 by the second quarter as per SDBIP document.

### 3. EXPENDITURE PER TYPE

- Employee related expenditure amount to 12% of the allocated budget.
- General expense expenditure amount to 12% of the allocated budget.
- Repairs and maintenance expenditure amount to 3% of the allocated budget.
- Provisions for working capital have no spending for the recent month from the allocated budget.
- Councilor allowance spending is at 16% of the allocated budget.
- Bulk purchases which in the case of Fetakgomo Local municipality is for free basic electricity. Spending is at 28% of the allocated budget.

Please read through appendix C

### **Disclosure of Salaries and Allowances**

Appendix D discloses salaries, benefits and allowances for Councilors, Section 57 employees and staff as per section 66 of the MFMA.

The total salary expenditure for August amounted to R1 503 083.33

#### 4. CAPITAL PROJECTS

Capital expenditure is 1% or 232 212 of the allocated budget of R 16 050 000. The low spending generate under expenditure of 16% or R2 442 788.

Reasons for under spending are as follows;

<b>Project</b>	<b>Objective</b>	<b>Budget</b>
MIG PMU Assets	Purchase of assets for MIG related projects	120 000
Furniture	Acquisition of furniture	150 000
Office Equipments	Purchase of office equipments	50 000
IT Equipments	Purchase of computers IT infrastructure	650 000
MIG-Thusong Service Center	Paving of the Thusong service center	690 000
MIG- Civic Center-Equipping	Purchasing of equipments for civic center	700 000
Pit Toilets	Erecting of pit toilets in the municipality	120 000
MIG- Street Lighting	Construction of street lighting at Apel	550 000
MIG-High Mast light	Construction of high mast lights	1250 000
MIG-Pedestrian Walkways	Construction of pedestrian walkways	1000 000

Information boards	Purchase of information boards for demarcated municipal areas	20 000
Entry posts	Construction of two entry posts to Fetakgomo municipality	100 000
Land fill site	Construction of Malogeng landfill site	2 500 000
MIG transfer stations	Construction of two transfer stations for refuse removal	340 000
MIG Municipal office extension	Extension of municipal buildings	5 800 000
MIG recreational park	Designs for municipal recreational park	250 000
MIG sport facility relocation	Relocation of sports complex to Nkoana sports complex	1 200 000
MIG upgrading of halls	Upgrading of Mohlaletse community hall.	500 000
Cemeteries	Fencing of cemeteries	60 000
	<b>Total Budget</b>	<b>16 050 000</b>

## **5. CASH FLOW STATEMENT**

The municipality has a cash book balance of R14 932 354 as reflected in the cash flow statement, Appendix E.

## **6. INVESTMENT**

The municipality maintains one month fixed deposit account with First National Bank wherein Interest is capitalized monthly. Total interest earned for the month is R 43 558 85. The investment has a balance of R 5 159 904.64.

## **7. CONCLUSION**

I trust that the information enclosed shall assist your office in making the necessary judgment regarding the financial and non financial affairs of the municipality.

I thank you.

**Chief Financial Officer**  
**Mr J. Makgata**