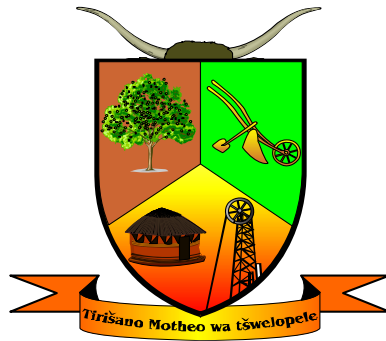




Monthly Budget Statement
Fetakgomo Local Municipality
December 2009

FETAKGOMO LOCAL MUNICIPALITY

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INTERNAL MEMORANDUM

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

Table of Contents

1. Chief Financial Officer's Remarks (Annexure A)
2. Budget Schedules (Annexure B)

CHIEF FINANCIAL OFFICER'S REMARKS

1. INTRODUCTION

This Monthly Budget Statement is prepared for various stakeholders as prescribed by the Municipal Finance Management Act 56 of 2003. The stakeholders include; the Mayor, the Accounting Officer, the community, Provincial and National Treasury, Municipal departments. The Monthly Budget Statement provides financial and non financial information as per IDP/Budget adopted by Council on the 28th May 2009. This is the sixth Monthly Budget Statement for the period ending 31 December 2009.

The portion of the annexure A (the CFO's remarks) explain the financial information contained in annexure B.

Monthly budget statement schedule marked annexure B (financial information) is attached to this statement. The schedules include information relating revenue performance per source, expenditure per vote and per type, capital expenditure, remuneration of staff and councilors as per section 66 of the MFMA, cash flow performance and projections, investments and expenditure per line item which is for internal use.

2. BACKGROUND

The monthly budget statement is prescribed by section 71 of the Municipal Finance Management Act (56 of 2003) which indicates that 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. The monthly budget statement must provide a picture on how the targets set out in the IDP/ Budget are been met including providing reasons on how variances are been addressed.

3. REVENUE COLLECTION

Total budgeted revenue for year is R 42 836 300 while total revenue collected is **R 18,523,039** which is 47% of the budgeted revenue resulting to 7% less collection of budgeted revenues. As we are mid-term during the financial year, the under collection may be an indication that in total less revenue may be collected than projected therefore suggesting a downward adjustment of budgeted revenue and expenditure.

Projected revenues on property rates taxes of R 400 000 for the year will not be realized as the projects has been halted due to challenges relating to the state of the valuation roll. The challenges are currently been attended between the affected stakeholders and the update relating to progress will be provided in future. The projected revenue on property rates will therefore not be collected and adjustment of the budget should be effected downward.

Furthermore projected revenue from billboards will not be realized as the project has not commenced. Challenges regarding the implementation of the project are included under the review of SDBIP progress report below.

Revenue collection on grants is 34% of the budget grants revenue while revenue collected on other revenue (mainly sundry income) is 39%. Included in the sundry income is R123 647 received from auction of municipal assets. Interest earned on investment is R168 625 while interest received on the current account is R167 575 which is 28% of the budget.

Other adjustments on the revenue projection will include the following votes;

- Ward Committee Support Grant: The grant which is provided by Sekhukhune district municipality has been increased from R250 to R350 per ward committee member.
- LGSETA: the amount received from LGSETA is reimbursement for training offered to municipal employees. The money is not conditional although it is desirable to be used back for training. An expenditure vote will therefore be created while an appropriate estimate will be raised based on past trends.

- Licensing income: Revenue collected is already at 70% and therefore an upward adjustment may be necessary.
- A new vote for disposed assets will be created for income realized on assets disposed. The income has been received in the sundry vote.
- Proof of residence vote has collected 124% of the projected income and therefore above surpassed projections.
- Guest house: the vote has collected at 95% already and therefore suggests an upward adjustment.
- Tender documents: sale of tender documents has passed 117% suggesting an upward adjustment.
- Interest received on call account: Income collected is at 30% below an average of 50% therefore suggesting a downward adjustment.
- Interest received on Investments: Income received is at 21% below an average of 50% therefore suggesting a downward adjustment.

See **appendix A in annexure B**

CONDITIONAL GRANTS

Council receives conditional grants from national treasury and Sekhukhune district Municipality. We submit monthly reports on a monthly basis to the National Treasury, provincial treasury and the District Municipality. The following are such grants and their objectives;

Municipal Systems Improvement Grant

- Offer support to ward committees
- Improve asset management
- 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.

PERFORMANCE OF THE CONDITIONAL GRANTS;

- ***Municipal Systems Improvement Grant (MSIG)***

MSIG spent 17% of the allocation instead of at least 50%. The funds were spent on support to ward committee for traveling, catering and air time and on procurement of IT equipments. At 17% the spending is too low and therefore requires a review of the activity plan. An amount of R 90 000 which was a roll over from the previous financial year will be included in the budget through the adjustments. This will further reduce the spending.

Currently the activity plan includes; support for ward committee, IT related procurements to strengthen systems reliability, IDP/ budget preparation and consultations and improvement of the asset management systems.

- ***Municipal Finance Management Grant (MFMG)***

MFMG spending is at 41%% instead of at least 50% resulting to 9% under spending. This is not a significant variance and it should be reduced. A review of the activity plan remain important as some of the original plans have could be adjusted. Currently the activity plan includes; salaries for four finance interns, training and accommodation for interns and revenue enhancement allocation which was for the development of billing system and the billboards. The adjustment should be on the billboards system if could agree on shelving the projects due to the cost benefit analysis.

Three interns are currently employed while the advert for the appointment of the other two will happen in January 2010. Further delays in the appointment of interns will have negative effects on the spending which may result the grant amount to returned to National Treasury.

- ***Municipal Infrastructure Grant***

Spending on MIG has improved to 35% instead of an average of 50%. The spending has generally picked up even though the spending related mainly to 2008/09 financial year. Consequences of under spending are all clear; which is the withdrawal of the grant which the municipality depend heavily. Management must really look into improving the spending.

An adjustment regarding the capital projects should be effected based on project approval by COPTA and adjustment of roll over's from the previous financial year.

Sekhukhune district Municipality Ward Committee Stipends grant

Expenditure for the compensation of ward committees amount to R186 998 which is 64% of the budget. Total receipts from Sekhukhune is R 147 250 creating a shortfall of R 39 748. This situation is caused by Sekhukhune which makes transfer after the end of the quarter. The transfer for the second quarter is still outstanding. A service level agreement that defines clearly the relations and the transfers must be reviewed.

Table of grant performance;

Grant	Received	Spent	Unspent/ - overspent	Percentage spent	Unspent Percentage
Municipal Systems Improvement Grant (MSIG)	825,279.21	186 998	638 281	23	77
Municipal Finance Management Grant (MFMG)	1,019,789.00	413 112	606 677	41	59
Municipal Infrastructure Grant (MIG)	8 846 938	3 930 399	4 916 538	44	46
Sekhukhune Municipality Ward committee support	147,250.00	186 998	-39 748	127	27

5. OPERATIONAL EXPENDITURE PER VOTE

The municipality has made a total operational budget of R 34 823 625. Total spending at 31st December 2009 amounts to R14, 804,680 which is 43%. This gives rise to an under spending of 7%. Given that revenue collected to date is 43% and that the budgeted revenue have to be projected downward, the spending is of 43% is the right balance.

We have consistently in this monthly budget statements indicated that we make comments with intentions to help departments adjust activities in relation to spending patterns. As this is the sixth monthly budget statement, the comments will be in line with recommendations to adjustment budget in cases where minimal spending has occurred. Good justifications to retaining budget amounts will have to be provided to retain the amounts.

We understand that the municipality is operating with minimal cash resources and that we have budgeted for a deficit funded by the investment. The municipal is experiencing less collection of budgeted revenue on some revenue sources, this therefore suggest that the total operational budget has to be adjusted downward in an effort not to widen the budget deficit.

See appendix B in annexure B

a. Corporate Services

Corporate services spent 36% or R 7 581 250 of the allocated budget instead of R 8 866 303 leading to 6% under spending. Depreciation has been run for the first quarter amounting to R 497 920. An adjustment of the depreciation will be run in December report. Projects for Corporate Services Department have performed as follows;

NO	Project	Vote	Budget	Expenditure	Progress	Budget Comment
1	Policy development, review and enforcement				Council delegations adopted by Council by 30 th September. Draft Travel and Subsistence policy circulated amongst staff for comments in alignment to the SALGA provisions. Draft benefit relief policy in place to be engaged by management by end September. Draft circulated amongst staff for comments in alignment to the SALGA provisions	Budget not required as per SDBIP document.
2	Development of By-laws				Three by-laws identified - By-law relating to streets - Refuse removal by-law - Standard child care facilities by-laws	Budget not required as per SDBIP document
3	PMS Implementation (Individual)	100/260061	50,000.	0.00	Performance agreement done for all staff members.	Spending to occur during the development of SDBIP and performance agreement in April 2010.
4	Devolution of Traffic Function (Learners' license)				*Chief licensing officer appointed *Pursuing with DoT for secondment of staff	Budget not required as per SDBIP document.
5	IT Programmes and Support	100/260130 100/235009 900/400353 100/260076	1,400,000	285 450	SITA appointed and commencing mid- September	Spending is below expectations as per SDBIP document.
6	Organizational Development	100/260042	332,000.	178 357	Not commenced. Training is provided to stakeholders and is ongoing.	Spending is at 54%. The budget may be overrun before year end.
7	Human Resource Management				90% complete and ongoing for update of personnel information audit.	Budget not required as per SDBIP document.
8	Legal services	100/260068	150,000.00	55 758	Ongoing support offered to the municipality on	Spending on legal services

					legal matters facing Council.	is standing at 37%.
9	Ward Committees' Support (stipends)	100/260080	500,000.00	253 180	Stipends paid to ward committee members	Spending on the grant is at 32.5%. the budget will be spend accordingly.
10	Special Programmes	100/260062	175,000.00	70 725	Catering for Local Aids Council. An educational programme was held on 16th September 2009. Disabled persons at Mohlaletse. Communication strategy done and due for EXCO engagement then Council. Youth development framework draft in place but not yet subjected to Management hence no council structures engagement. A workshop on children's rights for Crèches held on 29th September 2009 assisted by Premiers office.	Spending on the budget is at 29%. Compared to average of 31% is still low but we satisfied.
11	Council Functions - Event Management	100/260069	110,000.	88 396	Logistics provided during Council events	Spending on the project is at 71%. The spending is higher than the 42% average spending. The vote will be depleted before year end.
12	Corporate PMS Quarterly Report/Annual Report	100/260067	50,000.00		Draft annual report aligned to AFS completed.	Budget is meant for annual report and corporate PMS. An order for PMS has been issued at 13 000.
13	Marketing & Publicity	100/260067	400,000.00	79 799	Quarterly news letter published in September 2009.	Spending is at 7% and not satisfactorily.
14	Council Support: Governance	100/260066	150,000.00	88 874	Training and accommodation offered to Councilors.	Spending is satisfactorily at 48%.The spending in average is 42%.
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.	Spending is far below target. Activity plan must be reviewed. Bursary allocations are expected to be made in January 2010.
17	Coordination of Disaster Management / Relief fund	100/260022	10,000.00	6 112	Assistance offered for pauper's funeral	Spending is satisfactory as it is based on an ad hoc basis.

18	Coordination of Sports, Arts & Culture	100/260064	50,000.00	5 475	Conducted beauty pageant and participated in the district beauty pageants	Spending is at 11% is not satisfactory. Activity plan must be adjusted accordingly.
19	Out reach services		-		Awareness material for regarding availability of proof of residence service to be made at FATSC service once a week by 30 th September	Budget not required as per SDBIP document.
20	Communications	100/260070 100/260095	350,000.00	341 525	Payment for telephone faxes and digit net lines.	Spending is at 58% after corrections have been on the spending and has gone down.
24	Facilities and Fleet Management	100/260018 100/260065 100/260073 100/235007	1,520,000.	644 610	Payment for security, petrol and insurance for council facilities and maintenance of buildings	Spending is satisfactory at 37%. The average spending is 42%.
25	Refuse removal	100/260108	1,260,000	162 596	Payment for purchase of refuse bags for refuse removal	Spending is at 13% and not satisfactory. Activity plan must be adjusted accordingly.

b. Municipality Manager's Office

Municipality manager's offices spend 43% or R 1 073 083 of the allocated budget instead of R 1 035 762 leading to 2% over spending.

The SDBIP projects located in the office are as follows;

NO	Project	Vote	Budget	Expenditure	Progress	Budget comment
1	Intergovernmental Relations	120/260089	20,000.	0.00	Adequate for YAC Challenge with Community Development Workers'.	Budget spending is far below target. Activity plan must be adjusted to drive spending.
2	Internal audit	120/260085	266,000.	175 816	First quarter report audited before audit committee meeting.	Spending on the project is proceeding above target at 66%. This is informed by additional scope to internal audit.
3	Audit Committee		100,000.	0.00	Establish Audit Steering Committee Done (Two strategic managers and budget manager) included CFO from assumption of duties.	The budget vote has to be created and adjusted. Claims for audit committee members have been paid using subsistence vote. A virement of the spending will be effected with the adjustment budget.
4	Risk Management	120/260061	10,000.	0.00	Generation of reports to be done by the 06 th of next month end.	Spending is far below target. The activity plan must be adjusted accordingly.
5	Fraud Prevention	120/260061	10,000.	0.00	None	Spending is far below target. The activity plan must be adjusted accordingly.
6	Consultations & Research	120/260061 200/260061 500/260061	200,000.	0.00	None	Spending is far below target. The activity plan must be adjusted accordingly.

c. Budget and Treasury Office

Budget and treasury office spent 41% or R 2 139 926 of the allocated budget instead of R 2 641 017 leading to 9% under spending.

The department will be requested to provide reasons for under spending.
SDBIP projects for the department are as follows;

NO	Projects	Vote	Budget	Expenditure	Progress	Budget Comment
1	Revenue enhancement	200/260090 200/260061	380,000	154, 604	. Review of revenue enhancement strategy done, gone to EXCO and ready for council.	Spending is well on average at 36%.
2	Asset Management	200/260089	100,000	22, 980	Acquired computers dedicated to stores management and compiled monthly stores report for July and August 2009.	Spending is far below target at 23%. A review of the activity plan must be made
3	Review of Finance Policies		-		Accounting policy done. Fixed asset policy done and have through EXCO waiting for council.	Budget not required as per SDBIP document.
4	MFMA implementation		-		Monthly reports as per national treasury circulars are completed and submitted.	Budget not required as per SDBIP document
5	SCM implementation		-		Populating and classification of service providers done. Procurement monitoring is in progress and monitoring of turn around times 90% complete.	Budget not required as per SDBIP document
6	Indigent register		-		Register is being updated continuously.	Budget not required as per SDBIP document
7	External Audit	200/260002	750,000	351, 884	External audit has been completed.	Spending is at 36% of the budget and a final invoice is being processed for

						December 2009. There are saving on the current year audit.
8	Internship Programme	200/200147 200/260084	750,000	247, 466	Training and salaries provided to finance officials and interns. Procurement of office equipments.	Spending is below target 34%. Further delay in the appointment of interns means the budget not be spent at year end.

d. Development Planning

Development Planning spent 34% or R 1 991 558 of the allocated budget instead of R 2 406 781 leading to 7% under spending. The spending levels are appropriate and according to our expectation for the operational budget.

SDBIP projects for the department are as follows;

NO	Projects	Vote	Budget	Expenditure	Progress	Budget Comments
1	Free Basic Electricity	500/260090	700,000.	388 159	Payments to beneficiaries of free basic electricity.	The vote spent 55% of the budget. While this means more people benefited from the free electricity, the uncomfortable reality is that the budget will not be enough to cater this spending pattern. Budget will have to be adjusted upward.
2	Grading of sports fields	100/235008	80,000	8,050	1. Identification of sites (Mokgotho and Shubushubung. The work is completed.	The cost incurred on the project suggests more sport fields can be added for grading as the budget allows.
5	LUMS/SDF	500/260146	100,000	4,780	No representatives from other traditional authorities: Tau-Kgaphola, Mpaketsana. Phasha-Makgalanoto, Roka-Selepe, Mampa, Phasha-Selatole, Matsimela and Maisela-Mahlabaphoko	Spending is very low at 5% against the expected 25%. Activity plans must be followed to improve spending.

6	Township Establishment	500/260147	100,000	5,800	Confirmed "deed of donation" signed. DLGH appointed Hannes Lerm to carry out re-planning of Potion two. Feasibility was done on the 02/09/09. Physical progress at 10% and significantly behind schedule.	The project must spend R50 000 by the end of the second quarter as per SDBIP. Activity plan as per SDBIP document must be followed to improve spending.
7	Local Tourism	500/260120	300,000	410,000	Local tourism plan service provider appointed 2. Schedule for implementation submitted 3. Target for completion set as at December 2009.	The project must spend R100 000 by the end of the first quarter. The targets have been missed. Activity plan as per SDBIP must be followed to improve expenditure.
8	Farmers Support	500/260086	100,000	0.00	Selection of credible beneficiaries done on 21 st July 2009 evidenced by minutes of meeting and attendance register.	Spending is behind schedule and efforts to improve spending must be made.
9	Local Business Support	500/260125	40,000	15,626	Support areas identified as tourism awareness pricing and quoting, business information, marketing, cooperatives training,	The project must spend R10 000 to be spent every quarter as per SDBIP document. Spending is behind schedule. Spending is at 31% instead of the average of 33%.
10	Support Commercialization of Potlake		-		Tourism awareness: 7 th August, workshop, business information day: 13 th July 2009. Letter written to LTP requesting them to expedite the process. Potlake reaffirmed its commitment on the letter dated 7 th September 2009.	No budget required as per SDBIP document.
11	IDP/BUDGET Review	500/260115	100 ,000	6,517	Process plan adopted; SC 10/09. Ward based data	The project must spend R20 000 by the second quarter as per SDBIP document. Spending is

					update draft complete. To engage ward committees for workshop	currently at 5%.
12	Municipal Master Plan	500/260148	100,000.	0.00	Precinct plan almost finalized to serve as key input to the master plan. Solicited technical assistance from DBSA	SCM processes start in August. The project R20 000 and R80 000 in third and fourth quarters respectively. Spending on the project is far behind schedule and activity plans should be reviewed.

6. EXPENDITURE PER TYPE

- Employee related expenditure amount to 42% of the allocated budget.
- General expense expenditure amount to 45% of the allocated budget.
- Repairs and maintenance expenditure amount to 26% of the allocated budget.
- Provisions for working capital expenditure amount to 50 % of the allocated budget.
- Councilor allowance spending is at 47 % of the allocated budget.
- Bulk purchases which in the case of Fetakgomo Local municipality is for free basic electricity. Spending is at 55% of the allocated budget.

The expenditure per type report is marked **appendix C**

7. SALARIES AND ALLOWANCES

Section 66 of the MFMA requires that, The Accounting Officer of a municipality report to the council on all expenditure incurred by the municipality on staff, wages, allowances and in manner that discloses such expenditure per type of expenditure namely a) Salaries and wages (b) Contributions for pension and medical aid (c) travel, motor car, subsistence allowance (d) Housing benefits and allowance (e) overtime payments (F) loans and advances(g) any other type of benefit or allowances related to staff.

Appendix D in the schedules discloses the salaries, allowance and benefits paid to staff members for the month of October 2009.

Spending on salaries and allowances per category is as follows;

Permanent employees	: 682 159, 41
Contracted employees	: 324 805, 91
Section 57 employees	: 146 629, 05
Councilors	: 429 519, 80
Total salaries for October	: 1 583 114,17

8. CAPITAL PROJECTS

Spending on capital budget expenditure is at 17%. The spending is still very low. The claims to be processed in December amount to R 1 200 000 which put the 2008/09 allocation almost spent. The report is marked **appendix F**

The table below detail capital budget for the current financial year;

Project	Objective	Budget	Expenditure	Progress	Budget Comment
MIG PMU Assets	Purchase of assets for MIG related projects.	120 000	0.00	None	Procurement of equipments is at the SCM unit.
Furniture	Acquisition of furniture	150 000	21,750	None	Spending is way below. Activity plan must be developed to accelerate spending.
Office Equipments	Purchase of office equipments	50 000	0.00	None	Spending is way below. Activity plan must be developed to accelerate spending
IT Equipments	Purchase of computers IT infrastructure	650 000	118 530	Procured computers for stores management and finance officials.	Spending is below target.
MIG-Thusong Service Center	Paving of the Thusong service center	690 000	512 249	Internal Road earthworks completed and to be primed, earthworks for paving still to be done, progress at 25%	Spending will improve accordingly as contractor is on site.

MIG- Civic Center-Equipping	Purchasing of equipments for civic center	700 000	242,428	Solicited technical assistance from Premier's office for specifications.	Spending is satisfactory and there may be savings on the project.
Pit Toilets	Erecting of pit toilets in the municipality	120 000	59 000	The project is complete and claim submitted for payment.	Spending is expected to improve once contractor complete work.
MIG- Street Lighting	Construction of street lighting at Apel	550 000	438,594	Project completed waiting energizing by Eskom.	Project spending is satisfactory.
MIG-High Mast light	Construction of high mast lights	1250 000	212 400	Registration of the project is at national level assessment for final approval. Development of specifications In progress.	Earlier registration of projects is recommended
MIG-Pedestrian Walkways	Construction of pedestrian walkways	1000 000	219 300	Registration with submitted, at National level MIG.	Spending stalled by registration process with MIG.
Entry posts	Construction of two entry posts to Fetakgomo municipality	100 000	26 930	On progress, application forms processed and payment still to be made.	Spending will improve once SANRAL approve the construction
Construction of land fill site	Construction of Malogeng landfill site	2 500 000	1 250,723	Contractor site hand-over done on Monday the 14 th September 2009	Spending is expected to improve as contractor put forth claims for progress
MIG transfer stations	Construction of two transfer stations for refuse removal	340 000	0.00	Advert for the construction of the transfer stations to be issued in October 2009	Spending will improve once contractor starts work.
MIG Municipal office extension	Extension of municipal buildings	5 800 000	1 202 829	Registration done and ahead of target professional services	Spending stalled by delayed registration

				appointed preliminary designs submitted.	
MIG recreational park	Designs for municipal recreational park	250 000	0.00	Registration submitted, at National level MIG.	Spending stalled by delayed registration
MIG sport facility relocation	Relocation of sports complex to Nkoana sports complex	1 200 000	0.00	Project registration with MIG at national level assessment for final approval.	Spending stalled by delayed registration
MIG upgrading of halls	Upgrading of Mophaleetse community hall.	500 000	0.00	Registration with MIG at National level awaiting assessment	Spending stalled by delayed registration
Cemeteries	Fencing of cemeteries	60 000	37,968	Ahead of target, service provider appointed and project is completed	Spending is progressing well

5. CASH FLOW STATEMENT

The Municipality maintains its main account with ABSA Bank. The account has a cash book balance of R 5 531 626 at the 31st December 2009. At the time of reporting, the municipality received equitable share of R 3 962 000 on the 07th December 2009 which raised the cash flow to acceptable levels and we don't anticipate any short falls in the short term.

Cash flow schedule is marked **appendix F**

6. INVESTMENT

The municipal investment portfolio stands as follows;

One month deposit at first national bank having a balance R 3 238 710 which matures on the 28th January 2010 and a six months fixed deposit at Ned bank having a balance of R 4 090 624. The six months deposit will mature at the end of February 2010.

The investment register report is marked **appendix G**

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

