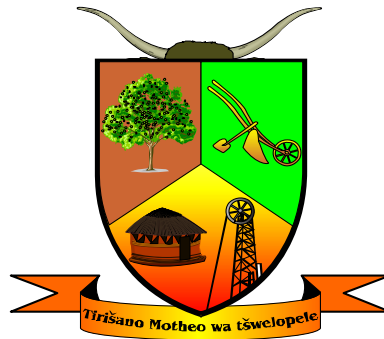




Monthly Budget Statement
Fetakgomo Local Municipality
January 2010

FETAKGOMO LOCAL MUNICIPALITY

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INTERNAL MEMORANDUM

TO : The Mayor
From : Chief Financial Officer
Date : January 2010
Subject : Monthly Budget Statement

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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 seventh Monthly Budget Statement for the period ending 31 January 2010.

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 the year is R 42 836 300 while total revenue collected is **R 21 496 689** which is 51% of the budgeted revenue resulting to 8% less collection of budgeted revenues.

Spending on conditional grant especially the MIG is slow. This has a serious negative impact on the collection of the budgeted revenue in that only the equivalent of the spent grant is transfer to revenue received. The unspent portion is a liability which will be transferred back to Department of Corporate Governance and Traditional Affairs (COGTA) at year end.

This further means that projects which are not spending accordingly may be abandoned should the budget be cut by COGTA.

Budgeted revenue has been adjusted downward mainly due to delayed implementation of property rates taxes, less revenue collection on interest and equitable share which was below the budgeted.

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 26% of the allocation instead of at least 58%. The programmes for the MSIG are on Ward Committee Support Grant, Asset Management, IDP/budget and IT systems support. At 26% the spending is too low and therefore requires a review of the activity plan. An addition of R190 000 has been included

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

MFMG spending is at 46%% instead of at least 58% resulting to 12% under spending. The 12% is big and really warrant closer attention. This report urges to finance department to pay a closer look into the grant expenditure. A review of the activity plan remain important as some of the original plans have could be adjusted. Three interns are

currently employed and additional two interns are expected to be appointed as per National Treasury requirements. Further delays in the appointment of interns will have negative effects on grant conditions being met.

- ***Municipal Infrastructure Grant***

Spending on MIG remains unchanged at 35% instead of an average of 58%. The spending has generally picked up even though the spending related mainly to 2008/09 financial year. Consequences of under spending are dire and have been well communicated; 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 COGTA 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 R200 198 which is 49% of the budget. The spending has gone done due to adjustment made to the budgeted revenue. Sekhukhune District Municipality has only made one transfer and this result in loss of income on interest and non compliance to the service level agreement.

Table of grant performance;

Grant	Received	Spent	Unspent/ - overspent	Percentage spent	Unspent Percentage
Municipal Systems Improvement Grant (MSIG)	825,279.21	241 282	583 997	29	71
Municipal Finance Management Grant (MFMG)	1,019,789.00	460 975	558 814	45	55
Municipal Infrastructure Grant (MIG)	8 846 938	3 930 399	4 916 538	44	46
Sekhukhune Municipality Ward committee support	147,250.00	200 198	52 948	136	36

5. OPERATIONAL EXPENDITURE PER VOTE

The municipality's operational budget has been adjusted upward to R 35 303 095. Total spending at 31 January 2010 amounts to R17 114 392 which is 48% resulting to 10% under spending.

The operational budget has gone upward to due expenditure pressures that could not be avoided. This escalates the budgeted deficit and further put more strain on future available resources. It is therefore critical that all department implement austerity measures to avoid going into overspending.

Spending on the budget as per SDBIP is included to measure progresses. Detailed progress on the SDBIP projects is document in the quarterly SDBIP report.

See appendix B in annexure B

a. Corporate Services

Corporate services spent 45% or R 9 753 807 of the allocated budget instead of 58% leading to 13% under spending. Expenditure per SDBIP is as follows;

NO	Project	Vote	Budget	Expenditure	Budget Comment
1	Policy development, review and enforcement		-		Budget not required as per SDBIP document.
2	Development of By-laws		-		Budget not required as per SDBIP document
3	PMS Implementation (Individual)	100/260061	R0.00.	0.00	The budget has been adjusted to R0.00 as no further cost will be incurred by the vote
4	Devolution of Traffic Function (Learners' license)		-		Budget not required as per SDBIP document.
5	IT Programmes and Support	100/260130 100/235009 900/400353 100/260076	912 939	285 530	Spending is running low for the purchase of IT equipments and repairs and maintenance. The vote has been adjusted downward
6	Organizational Development	100/260042	342,000.	178 357	The project spent 54% of the budget and therefore on track. An additional budget will be provided from LGSETA grant received. There is a bid that will be awarded for the vote and it should further push spending to the appropriate levels.
7	Human Resource Management		-		Budget not required as per SDBIP document. The project involves compliance with set policies and returns the human resource must comply with.
8	Legal services	100/260068	150,000.00	55 758	Spending on legal services is standing at 37%.
9	Ward Committees' Support (stipends)	100/260080	500,000.00	266 930	Spending on the grant is at 51% which is satisfactory. A budget adjustment will however be effected due to a change in the amount of stipend given to ward committee

					from R250 to R350.
10	Special Programmes	100/260062	175,000.00	70 725	Spending on the budget is at 40%.
11	Council Functions - Event Management	100/260069	110,000.	88 396	Spending on the project is at 80%. The vote is almost depleted and therefore requires a review of its activity plan and the budget.
12	Corporate PMS Quarterly Report/Annual Report	100/260067	50,000.00		Spending has been allocated as in publicity above
13	Marketing & Publicity	100/260067	150 000	100 305	Spending is at 20% instead of 50%. This is a low percentage and therefore requires an adjustment of the activity plan.
14	Council Support: Governance	100/260066	170,000.00	92 524	Spending is satisfactorily at 54%.Council support include training and accommodation for councilors.
16	Bursary fund	100/260081	120,000.00	0.00	Budget has been adjusted downward. Three learners have been selected for awards.
17	Coordination of Disaster Management / Relief fund	100/260022	50,000.00	7 014	The budget has been adjusted upward.
18	Coordination of Sports, Arts & Culture	100/260064	50,000.00	5 475	Spending is too low
19	Out reach services		-		Budget not required as per SDBIP document. The project is for the provision of services especially the proof of residences to communities in the Atok nodal point.
20	Communications	100/260070 100/260095	700,000.	311 079	Budget has been adjusted upward and spending is now at 45%.
24	Facilities and Fleet Management	100/260018 100/260065 100/260073 100/235001	1,530,000.	743 659	Spending is at 49%.
25	Refuse removal	100/260108	1,220,000	162 596	Spending is at 13% and not satisfactory. Activity plan must be adjusted accordingly.

b. Municipality Manager’s Office

Municipality manager’s offices spend 58% and there is no variance.

The SDBIP projects located in the office are as follows;

NO	Project	Vote	Budget	Expenditure	Budget comment
1	Intergovernmental Relations	120/260089	20,000.	0.00	The vote has been scrapped and expenditure will occur in council functions.
2	Internal audit	120/260085	266,000.	180 526	Spending on the project is proceeding above target at 66%.
3	Audit Committee		100,000	52 740	The vote spends 51% of the budget.
4	Risk Management	120/260061	10,000.	0.00	The vote will spend through council functions vote.
5	Fraud Prevention	120/260061	10,000.	0.00	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	Spending is far below target. The activity plan must be adjusted accordingly.

c. Budget and Treasury Office

Budget and treasury office spent 56% or R2 889 472 of the allocated budget leading to 2% under spending.

SDBIP projects for the department are as follows;

NO	Projects	Vote	Budget	Expenditure	Budget Comment
1	Revenue enhancement	200/260090 200/260061	180 000	180 367	The vote is fully spent
2	Asset Management	200/260089	250 000	119 775	Spending at currently at 48%
3	Review of Finance Policies		-		Budget not required as per SDBIP document.
4	MFMA implementation		-		Budget not required as per SDBIP document
5	SCM implementation		-		Budget not required as per SDBIP document
6	Indigent register		-		Budget not required as per SDBIP document
7	External Audit	200/260002	750,000	696 667	Spending is currently at 94%.
8	Internship Programme	200/200147 200/260084	770,000	267, 477	Spending is below target 35%. Further delay in the appointment of interns means the budget will not be spend at year end.

d. Development Planning

Development Planning spent 52% or R 1 991 558 of the allocated budget leading to 6% 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	Budget Comments
1	Free Basic Electricity	500/260090	805,000.	533 272	The vote spent 66% of the budget. It seems the budget will still be depleted even after the adjustment
2	Grading of sports fields	100/235008	8 050	8,050	The budget is fully spent.
5	LUMS/SDF	500/260146	5 000	4,780	Spending is very low at 5% against the expected 25%. The budget must be reviewed in line with the activities.
6	Township Establishment	500/260147	100,000	5,800	Budget has been adjusted downward and spending is at 96%.
7	Local Tourism	500/260120	410 400	410,000	Spending for the project is at 100% and the difference which is a net of VAT is savings.
8	Farmers Support	500/260086	100,000	0.00	Spending is behind schedule and efforts to improve spending must be made.
9	Local Business Support	500/260125	40,000	16,626	Spending is at 55% . Activity plan must be reviewed as well as the budget.
10	Support Commercialization of Potlake		-		No budget required as per SDBIP document.
11	IDP/BUDGET Review	500/260115	85 ,000	6,517	The project must spend R20 000 by the second quarter as per SDBIP document. Spending is currently at 5%.
12	Municipal Master Plan	500/260148	352,600.	0.00	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 53% of the allocated budget.
- General expense expenditure amount to 45% of the allocated budget.
- Repairs and maintenance expenditure amount to 46% of the allocated budget.
- Provisions for working capital expenditure amount to 50 % of the allocated budget.
- Councilor allowance spending is at 54 % of the allocated budget.
- Bulk purchases which in the case of Fetakgomo Local municipality is for free basic electricity. Spending is at 66% 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	: 680 363
Contracted employees	: 394 934
Section 57 employees	: 174 813
Councilors	: 425 401
Total salaries for October	: 1 675 512

8. CAPITAL PROJECTS

Spending on capital budget expenditure is at 24%. The spending is still very low.

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	34 950	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	Spending is satisfactory and there may be savings on the project.

				specifications.	
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 appointed preliminary designs submitted.	Spending stalled by delayed registration

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 Mophalese 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
Disaster Housing	Construction disaster houses	189 000	189 000	Budget is fully spent	

5. CASH FLOW STATEMENT

The Municipality maintains its main account with ABSA Bank. The account has a cash book balance of R3 693 557 at 31 January 2010.

The municipality will continue to operate without cash flow problem in the next few months as the investment will be released.

Cash flow schedule is marked **appendix F**

6. INVESTMENT

The municipal investment portfolio stands as follows;

Interest earned on six months fixed deposit held with Nedbank at 7.45% amounts to R115 117.81 and matures on the 10 March 2010.

Interest earned on one month fixed deposit held with First National Bank at 6.85% amounts to R 141 416.74 and matures on the 03 March 2010.

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

7. Debtors

The municipality's debtors are mainly rental lease at the Fetakgomo Atok Thusong Service Center and claim to the Department of Roads and Transport.

Collections are constantly positive.

8. Creditors

The municipality pays its creditors within the 30 day period provided for in the policy.

9. 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