



Monthly Budget Statement
Fetakgomo Local Municipality
November 2009

FETAKGOMO LOCAL MUNICIPALITY

Tel.: (015) 622 8000
Fax: (015) 622 8026
Enq: Mr J. Makgata



PO Box 818
APEL
0739

Joel.Makgata@gmail.com

INTERNAL MEMORANDUM

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

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CHIEF FINANCIAL OFFICER'S REMARKS

1. INTRODUCTION

This Monthly Budget Statement is directed to various stakeholders as prescribed by the Municipal Finance Management Act 56 of 2003. The Budget Statement provides financial and non financial information relating to its responsibilities as per IDP/Budget adopted by Council on the 28th May 2009. This is the fifth Monthly Budget Statement for the period ending 30 November 2009.

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

Budget statement schedule marked annexure B (financial information) is attached to this statement to provide more information.

2. 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.

3. REVENUE COLLECTION

Total budgeted revenue for year is R 42 836 300. Total revenue collected is R **13 076 024** which is 31% of the budgeted revenue.

Revenue collection on grants is 31% of the budget grants revenue while revenue collected on other revenue (mainly sundry income) is 35%. Interest earned on investment is R84 551.60 while interest received on the current account is R146 073 which is 24% of the budget.

Billing on the property rates taxes has been delayed by due to challenges relating to the valuation roll. We will present a comprehensive report to Council on these challenges.

The Budget and Treasury office does not foresee at this stage major obstacles relating the collection of the budgeted revenue. There is however a concern of losing revenue from MIG based on low spending for the capital projects. Low spending on capital projects, especially conditional grants affect negatively the recognition of revenue relating to those grants.

4. 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 10.34% of the allocation instead of at least 33%. The funds were spent on support to ward committee for traveling, catering and air time and on procurement of IT equipments. The spending is low and therefore there should be a review of the activity plan to speed projects implementation. We however expect certain expenditures like IDP to start in January during the IDP community needs analysis consultations and more so in April during final consultations on IDP/Budget. The process of procuring stores management software and we hope it could be concluded in November 2009. We believe the funds will be spent at year end.

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

MFMG spending is at 31.85% instead of at least 31%.

Two interns are currently employed while the other two got permanent employments. The process of advertising for new interns will start in earnest. There may be a delay in the implementation of the billboards by-law. In such an instance there should be a review of the FMG activity plan to ensure that the budget is spend at year end.

- **Municipal Infrastructure Grant**

Spending on MIG is still low at 23.25%. Spending for the MIG projects has picked up. The concern is still that the municipality is still spending 2008/2009 allocation and has not yet commenced with 2009/2010 allocations. Progress per project is detailed in the next pages.

- **Sekhukhune district Municipality Ward Committee Stipends grant**

Allocation for the first quarter has been received in October amounting to R102 375. Spending is currently at 82.6% of the allocation. The transfers of the allocations at the end of the quarter than at the beginning of the quarter means the municipality will use its resources to finance the stipends while waiting for the transfers. They affect the municipal cash flow negatively and therefore recommend advance transfers.

Grant	Received	Spent	Unspent/ overspent	Percentage spent	Unspent Percentage
Municipal Systems Improvement Grant (MSIG)	825,279.21	85,346.00	739,933.21	10.34	89.66
Municipal Finance Management Grant (MFMG)	1,019,789.00	324,838.00	694,951.00	31.85	68.15
Municipal Infrastructure Grant (MIG)	5,233,937.62	1,217,002.00	4,016,935.62	23.25	76.75
Sekhukhune Municipality Ward committee support	147,250.00	121,635.00	25,615.00	82.60	17.40

5. OPERATIONAL EXPENDITURE PER VOTE

The municipality has spent 28% or R **9 655 910** of the operational budget instead of R **11 607 755** the allocated budget leading to an overall 6% under spending. The 6% is not a big difference as such we will not provide here the cause of the deviation.

We detail below progress relating to the implementation of the SDBIP and some comments which we believe will help departments in improving in monitoring their spending patterns. This monthly budget statement will be followed by an internal memorandum to Municipal department seeking reasons for deviations.

We understand that the municipality is operating is minimal cash resources and that we have budgeted for a deficit funded by the investment. Our advice is that council adopts austerity measurers as early as now to avoid widening the budget deficit. As the country is in recession and interest rates are low we may fail to realize projected revenue and therefore plunge the municipality in financial difficulties. Our attitude must therefore be that the municipality must save on the operational budget.

a. Corporate Services

Corporate services spent 28% or R 5 919 203 of the allocated budget instead of R 7 093 043 leading to 6% under spending. Depreciation budgeted for R 1000 000 is located in the corporate services department and has not effected for the first four months of the financial year. SDBIP projects for the department are 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	242832	SITA appointed and commencing mid-September	Spending is below expectations as per SDBIP document.

6	Organizational Development	100/260042	332,000.	171257	Not commenced. Training is provided to stakeholders and is ongoing.	Spending is at 51.6%. 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	55758	Ongoing support offered to the municipality on legal matters facing Council.	Spending on legal services is standing at 37%.
9	Ward Committees' Support (stipends)	100/260080	500,000.00	162180	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	43875	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 25%. Compared to average of 31% is still low but we satisfied.
11	Council Functions - Event Management	100/260069	110,000.	48628	Logistics provided during Council events	Spending on the project is at 44%. The spending is higher than the 31% average spending. Care control is needed in these regard.
12	Corporate PMS Quarterly Report/Annual Report	100/260067	50,000.00	13 860	Draft annual report aligned to AFS completed.	R13 860 has been committed for the PMS report.
13	Marketing &	100/260067	400,000.00		Quarterly news letter published in September	Spending is at 7% and not

	Publicity			29,950	2009.	satisfactorily.
14	Council Support: Governance	100/260066	150,000.00	59384	Training and accommodation offered to Councilors.	Spending is satisfactorily at 40%.The spending is average of 31%
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.
17	Coordination of Disaster Management / Relief fund	100/260022	10,000.00	2 420	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.
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	297186	Payment for telephone faxes and digit net lines.	Budget is almost exhausted currently at 85%. A review regarding payments for telecommunications has to be undertaken to inform the adjustment budget and reduce wastage.
24	Facilities and Fleet Management	100/260018 100/260065 100/260073 100/235007	1,520,000.	421933	Payment for security, petrol and insurance for council facilities and maintenance of buildings	Spending is satisfactory at 28%.
25	Refuse removal	100/260108	1,260,000	78096	Payment for purchase of refuse bags for refuse removal	Spending is at 8% and not satisfactory. Wheelbarrows for waste removal have been procured and spending will be recorded in November 2009

b. Municipality Manager's Office

Municipality manager's offices spend 37% or R 925 510 of the allocated budget instead of R 828 610 leading to 4% 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'.	The project must spend R5000 per quarter as per SDBIP document
2	Internal audit	120/260085	266,000.	152980	First quarter report audited before audit committee meeting.	Spending on the project is proceeding above target at 58%. This is informed by additional scope to internal audit.
3	Audit Committee	200/260002	100,000.	0.00	Establish Audit Steering Committee Done (Two strategic managers and budget manager) included CFO from assumption of duties.	The project must spend R2 500 per quarter as per SDBIP document
4	Risk Management	120/260061	10,000.	0.00	Generation of reports to be done by the 06 th of next month end.	The project must spend R2 500 per quarter as per SDBIP document
5	Fraud Prevention	120/260061	10,000.	0.00	None	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	None	The project must spend R2 500 per quarter as per SDBIP document.

c. Budget and Treasury Office

Budget and treasury office spent 24% or R 1 252 899 of the allocated budget instead of R 1 760 678 leading to 10% under spending. Although the spending is low, the office believes this will improve since the office was concentrating in compiling Annual Financial Statements in the first quarter. Since that main project was completed, the main focus has now shifted towards the implementation of the SDBIP projects. The Office has a Chief financial Officer (CFO) from the 7th September 2009.

Delays in the filling of posts means spending of salaries and allowances is at 25% while we invoices for audit fees are outstanding from which they will increase the spending on general expenses to appropriate levels.

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	126 277	Training for officials done for two (2). Valuation rolls information up-loaded on to the financial system. To commence with billing Government and Business properties from 15 October 2009. Review of revenue enhancement strategy done and ready for council structures.	Spending is well on average at 33%.

2	Asset Management	200/260089	100,000	20298	Acquired computers dedicated to stores management and compiled monthly stores report for July and August 2009.	Procurement of computer data capturing software in July 2009. Spending is at 20% and is below average of 33%
3	Review of Finance Policies		-		Accounting policy done concurrently with the compilation of AFS Adopted by Council. Fixed asset register ready to go through council structures.	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	112,871	Audit field is completed and draft management letter issued.	Invoices issued are outstanding. Spending will improve accordingly.
8	Internship Programme	200/200147 200/260084	1,000,000	342 838	Training and salaries provided to finance officials and interns. Procurement of office equipments.	Spending is satisfactory as is 33%.

d. Development Planning

Development Planning spent 27% or R 1 558 307 of the allocated budget instead of R 1 925 425 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	Progress	Budget Comments
1	Free Basic Electricity	500/260090	700,000.	324,740	Payments to beneficiaries of free basic electricity.	The vote spent 46% 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 Shubushung). 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	500/260147		0.00	Confirmed "deed of	The project must spend R50 000 by the end of

	Establishment		100,000		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 second quarter as per SDBIP. Activity plan as per SDBIP document must be followed to improve spending.
7	Local Tourism	500/260120	300,000	0.00	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 minuets 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	8725	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 22% 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	0.00	Process plan adopted; SC 10/09. Ward based data update draft complete. To	The project must spend R20 000 by the second quarter as per SDBIP document.

					engage ward committees for workshop	
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 29% of the allocated budget.
- General expense expenditure amount to 29% of the allocated budget.
- Repairs and maintenance expenditure amount to 13% of the allocated budget.
- Provisions for working capital have no spending for the recent month from the allocated budget.
- Councilor allowance spending is at 31% of the allocated budget.
- Bulk purchases which in the case of Fetakgomo Local municipality is for free basic electricity. Spending is at 46% of the allocated budget.

The above break down of the total spending is well within the budget parameters. We are concerned about the running of depreciation on a monthly basis as this affect the spending negatively. The excel depreciation has been run and it should be adjusted to the system during November 2009.

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	: R 600 764
Contracted employees	: 374 214
Section 57 employees	: 226 210
Councilors	: 432 858
Total salaries for October	: 1 634 047

8. CAPITAL PROJECTS

Spending on capital budget expenditure is at 10%. The spending is still very low. Attempts to improve spending have been made and there are claims which will be processed in November 2009.

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	0.00	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	690 000		Internal Road earthworks completed	Spending will improve accordingly as contractor is

	center		152 629	and to be primed, earthworks for paving still to be done, progress at 25%	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	0.00	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	0.00	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	0.00	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	1,000	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	575 282	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	Spending will improve once contractor starts work.

				issued in October 2009	
MIG Municipal office extension	Extension of municipal buildings	5 800 000	0.00	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

5. CASH FLOW STATEMENT

The Municipality maintains its main account with ABSA Bank. The account has a cash book balance of R 5 734 218 at the 31 October 2009. The flow position of the Municipality remains healthy.

6. INVESTMENT

The municipal investment portfolio stands as follows;

One month deposit at first national bank having a balance R 3 200 897.88 and earned interest of R18 514.49.00 and a six months fixed deposit at Ned bank having a balance of R 4 040 821 after earning interest of R40 821. The six months deposit will expire 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

