

Annexure A



Monthly Budget Statement Fetakgomo Local Municipality September 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 : September 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 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 28th May 2009. This is the third Monthly Budget Statement for the period ending 30 September 2009.

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

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

Budget statement schedule marked "annexure B" is attached to this statement to provide additional information.

2. BACKGROUND

The monthly budget statement is prescribed by section 71 of the Municipal Finance Management Act (56 of 2003). It states 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.

3. REVENUE COLLECTION

Total budgeted revenue for year is R 42 836 300. Total revenue collected is R **12,276,749** which is 29% of the budgeted revenue.

Revenue collection on conditional grants is 29.4% of the budget revenue while revenue collected on other revenue (mainly sundry income) is 28.6%. Interest earned on investment is R66 037.60 while interest received on the current account is R116, 675.00

Billing on the property rates taxes has been delayed by due to challenges relating to the valuation roll. A comprehensive report will be tabled 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 other than low spending on 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 executive authorities and other stakeholders. 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 9.5% of the allocation instead of at least 25%. The funds were spent on support to ward committee for traveling, catering and air time and on procurement of IT equipments. While the spending is low, we expect it to rise drastically in January 2010 during the IDP community needs analysis consultations and more so in April 2010 during final consultations on IDP/Budget. The process of procuring stores management software is underway 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 17.9% instead of at least 25%.

This low spending was caused by the fact that only two interns instead of the four were employed during the first quarter as the other two were now employed on a permanent basis. Two new interns resumed duty on the 12 October 2009 as we finalized this report. We hope this will improve the spending on the grant and that the new interns will add value to the Municipality.

- **Municipal Infrastructure Grant**

Spending on MIG is still low at 13.8%. These have been due to delays in the registration and approval of MIG projects. There has been intervention from National Department of Corporate Governance and we hope this will expedite spending and completion of capital projects.

There is a detailed explanation or report on progress for each capital project in the next pages.

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

Spending on the grant proceeding as planned. The Municipality has however not yet received funds from the District Municipality as expected. This has caused an over spending on the grant. The Municipality is therefore currently using its own funds to pay the ward committees.

At the period of reporting, the stipends to the ward committees for the month of September were still were not yet effected. This means the spending on the grant will increase by R 24 375.00. The decision to increase the stipends from R250 to R350 has not been effected as the district has not yet formally communicated this instruction.

Grant	Received	Spent	Unspent/ overspent	Percentage spent	Unspent Percentage
Municipal Systems Improvement Grant (MSIG)	825 279.21	78 895.00	642 224.21	9.5%	90.5
Municipal Finance Management Grant (MFMG)	1 019 789	183 055.00	836 734.00	17.9%	82%
Municipal Infrastructure Grant (MIG)	5 233 937.62	723 042.00	4 510 895.62	13.8%	86.1%
Sekhukhune Municipality Ward committee support	44 875.00	55 995.00	(11 120.00)	124.7%	(24.7)

5. OPERATIONAL EXPENDITURE PER VOTE

The municipality has spent 20% or R **7,113,141** of the operational budget instead of R **8,705,816** the allocated budget leading to an overall 5% under spending. The 5% 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 will help departments in improving and monitoring their spending patterns. This monthly budget statement will be followed by an internal memorandum to Municipal department seeking reasons for deviations.

a. Corporate Services

Corporate services spent 20% or R 4,294,040 of the allocated budget instead of R 5,319,782 leading to 5% under spending. Depreciation budgeted for R 1000 000 is located in the corporate services department and has not effected for the first three 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	170 819	SITA appointed and commencing mid-September	Spending is below expectations as per SDBIP document.
6	Organizational Development	100/260042	332,000.	80 257	Not commenced. Training is provided to stakeholders and is ongoing.	Spending is satisfactory at 24%.
7	Human Resource		-		90% complete and ongoing for update of personnel information audit.	Budget not required as per SDBIP document.

	Management					
8	Legal services	100/260068	150,000.00	27 322	Ongoing support offered to the municipality on legal matters facing Council.	
9	Ward Committees' Support (stipends)	100/260080	500,000.00	78 020	Stipends paid to ward committee members	Sekhukhune district Municipality has not yet transferred the grant to the Municipality
10	Special Programmes	100/260062	175,000.00		Catering for Local Aids Council. An educational programme was held on 16th September 2009. Disabled persons at Mhlaletse. 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.	There is good progress in implementing the SDIP projects however spending is low.
11	Council Functions - Event Management	100/260069	110,000.	38 540	Logistics provided during Council events	Spending on the project is at 35%. The spending is higher than the 25% average spending. Care control is needed in these regard.
12	Corporate PMS Quarterly Report/Annual Report	100/260067	50,000.00		Draft annual report aligned to AFS completed.	
13	Marketing & Publicity	100/260067	400,000.00	29,950	Quarterly news letter published in September 2009.	Spending is at 7% and not satisfactorily.
14	Council Support: Governance	100/260066	150,000.00	31,787	Training and accommodation offered to Councilors.	Spending is satisfactorily at 21%.
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.	The project should have spend R 150 000 by the

						end of the first quarter.
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% and 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	202 695	Payment for telephone faxes and digit net lines.	Spending is way above the average spending at 58%. There must be urgent intervention to reduce spending.
24	Facilities and Fleet Management	100/260018 100/260065 100/260073 100/235007	1,520,000.	383 038	Payment for security, petrol and insurance for council facilities	Spending is satisfactory at 25%.
25	Refuse removal	100/260108	1,260,000	78 096	Payment for purchase of refuse bags for refuse removal	Spending is at 8% and not satisfactory

b. Municipality Manager's Office

Municipality manager's offices spend 27% or R669, 203 of the allocated budget instead of R621, 457 leading to 2% over spending. The over spending in these case represent commitment to implement all projects rightly on time and not bad at all. Austerity measures can always be taken towards the financial year end if indications of over expenditure become more probable.

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.	0.00	Internal Audit established with management complement on 15 th September 2009.	The project must spend R66 500 per quarter as per SDBIP document
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 17% or R 906,707 of the allocated budget instead of R 1,320,508 leading to 8% 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. Chief financial Officer (CFO) resumed duty on the 7th September 2009.

Under spending is mainly attributed to; Vacant CFO post, two vacant internship posts, low spending on employment benefits such as housing allowance, medical aid and overtime as some employees have not elected to have them and that spending on vote including audit fees and asset management plan are planned to be paid in the second quarter.

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.	Spending is satisfactory is higher than the average spending. Spending is expected to be manageable as it will not be a monthly expenditure.

2	Asset Management	200/260089	100,000	0.00	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.
3	Review of Finance Policies		-		Accounting policy done concurrently with the compilation of AFS Adopted by 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	200/26002	750,000	112,871.	External audit is in progress	Audit has commenced and not yet invoiced by the Auditor-General. Spending is expected to
8	Internship Programme	200/200147 200/260084	1,000,000	183,055	Training provided to finance officials and interns. Procurement of office equipments	Spending is satisfactory according to SDBIP document.

d. Development Planning

Development Planning spent 22% or R 1,243,191 of the allocated budget instead of R1, 444,069 leading to 3% under spending. This spending pattern is excellent and must be sustained.

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	3046 households configured as end of August 2009 Contacted. Awareness campaign conducted @ Rostock on the 04 th August 2009 and @ Apel on the 08 th September 2009 and house to house @ Monametse and Manotwane on the 06 th July 2009.	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	Spending is very low at 5% against the expected 25%. Activity plans must be

					authorities: Tau-Kgaphola, Mpaketsana. Phasha- Makgalanoto, Roka- Selepe, Mampa, Phasha- Selatole, Matsimela and Maisela-Mahlabaphoko	followed to improve spending.
6	Township Establishment	500/260147	100,000	0.00	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	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 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	6 126	Support areas identified as tourism awareness	The project must spend R10 000 to be spent every quarter as per SDBIP document.

					pricing and quoting, business information, marketing, cooperatives training,	Spending is behind schedule.
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 engage ward committees for workshop	The project must spend R20 000 by the second quarter as per SDBIP document.
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.

6. EXPENDITURE PER TYPE

- Employee related expenditure amount to 20% of the allocated budget.
- General expense expenditure amount to 21% of the allocated budget.
- Repairs and maintenance expenditure amount to 7% of the allocated budget.
- Provisions for working capital have no spending for the recent month from the allocated budget.
- Councilor allowance spending is at 23% 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. We will therefore correct this in the next reports.

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 until the end of September 2009.

8. CAPITAL PROJECTS

Spending on capital budget expenditure is at 7%. This spending is very low. The department of Corporate Governance has since made interventions to expedite the process of registering and approving MIG projects. This will improve service delivery and spending on the capital budget.

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	67,025	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

	center		54,185	and to be primed, earthworks for paving still to be done, progress at 25%	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		The project is in progress	Spending is expected to improve once contractor complete work.
MIG- Street Lighting	Construction of street lighting at Apel	550 000	438,594		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	230,263	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	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 Mhlaletse 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's main account is with ABSA Bank. The account currently has a cash book balance of R 8 711 901.82. The cash flow position of the Municipality remains healthy.

6. INVESTMENT

The Municipal investment portfolio changed during the month of September 2009. The one month fixed investment has been added by another six months fixed deposit with Nedbank.

The one month fixed deposit of has a positive balance of R 3 182 383.39 held in First National Bank. The investment is currently earning 6, 85% interest rate per annum.

The second investment account which was opened in Nedbank to the value of R 4 000 000.00 is a six months fixed deposit earning 7.45% interest rate per annum.

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

