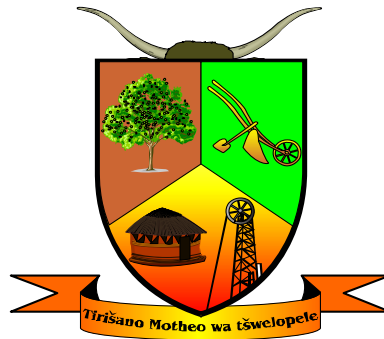




Monthly Budget Statement
Fetakgomo Local Municipality
February 2010

FETAKGOMO LOCAL MUNICIPALITY

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INTERNAL MEMORANDUM

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

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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 eighth Monthly Budget Statement for the period ending 28 February 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 deficiencies are been addressed.

3. REVENUE COLLECTION

Total budgeted revenue for the year is R 42 836 800 while total revenue collected is **R 27 598 528** which is 63% of the budgeted revenue.

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 reverted into National Revenue Fund at year end.

This further means that projects which are not spending accordingly may be abandoned should the budget be reduce 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 40% of the allocation instead of at least 67%. The programmes for the MSIG are on Ward Committee Support Grant, Asset Management, IDP/budget and IT systems support. At 40% the spending is too low and therefore requires a review of the activity plan. R190 000 has been rolled over.

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

MFMG spending is at 55% instead of at least 67% resulting to 11% under spending. The 11% 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 remains important as some of the original plans could be adjusted. Five interns are

currently appointed as per National Treasury requirements. The 11% under spending is a result of delays in the appointment of these interns.

- ***Municipal Infrastructure Grant***

Spending on MIG is at 44% instead of an average of 67%. 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 R233 010 which is 57% of the budget. The spending has gone down due to adjustment made to the budgeted revenue. Sekhukhune District Municipality has transferred additional allocation of R204 750, in February.

Table of grant performance;

Grant	Budget	Spent	Unspent/ - overspent	Percentage spent	Unspent Percentage
Municipal Systems Improvement Grant (MSIG)	925 000.00	336 927	558 073	40	60
Municipal Finance Management Grant (MFMG)	1,019,789.00	553 199	466 801	55	45
Municipal Infrastructure Grant (MIG)	11 113 000	4 845 871	6 267 129	44	56
Sekhukhune Municipality Ward committee support	409 500.00	233 010	176 490	57	43

5. OPERATIONAL EXPENDITURE PER VOTE

The municipality's operational budget has been adjusted upward to R 35 463 095. Total spending at 28 February 2010 amounts to R3 303 328 which is 58% resulting to 9% under spending.

The operational budget has gone upward due to 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 54% or R 11 910 370 of the allocated budget instead of 67% 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	349 177.77	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.	179 577.28	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		-		Budget not required as per SDBIP document. The project

	Management				involves compliance with set policies and returns the human resource must comply with.
8	Legal services	100/260068	150,000.00	120 194	Spending on legal services is at 80%.
9	Ward Committees' Support (stipends)	100/260080	556,000.00	310 680	Spending on the grant is at 56% 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	84 175	Spending on the budget is at 48% and urgent attention is needed.
11	Council Functions - Event Management	100/260069	190,000.	162 245	Spending on the project is at 85%. 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	-		
13	Marketing & Publicity	100/260067	150 000	100 777	Spending is at 67% which is satisfactory.
14	Council Support: Governance	100/260066	170,000.00	127 996	Spending is satisfactorily at 74%.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	17 126	The budget has been adjusted upward. Spending is at 34% is not satisfactory
18	Coordination of Sports, Arts & Culture	100/260064	50,000.00	5 475	Spending is at 11% is not satisfactorily.
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.	434 916	Budget has been adjusted upward and spending is now at 62%.
24	Facilities and Fleet Management	100/260018 100/260065 100/260073	1,530,000.	985 310	Spending is at 64%.

		100/235001			
25	Refuse removal	100/260108	1,220,000	51 066	Spending is at 4% extremely low and not satisfactory. Activity plan must be adjusted accordingly.

b. Municipality Manager's Office

Municipality manager's offices spend 66% and there is only 1% 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	335 675.	293 511	Spending on the project is proceeding above target at 87%.
3	Audit Committee		125,000	53 202	The vote spends 43% of the budget and the budget will spend at year end.
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 65% or R3 353 061 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	190 350	Spending at currently at 76%
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	696 669	Spending is currently at 94%.
8	Internship Programme	200/200147 200/260084	770,000	363 175	Spending is below target 47%. Spending will improve now that two more interns have been appointed.

d. Development Planning

Development Planning spent 59% or R 3 660 894 of the allocated budget 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	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 at 96%.budget has been adjusted downward.
6	Township Establishment	500/260147	65 000	8200	Budget has been adjusted downwards and spending is at 13% and urgent attention is needed in order to fast track the spending..
7	Local Tourism	500/260120	410 000	377 991	Spending for the project is at 92%.
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	30,000	28 461	Spending is at 95%. 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	Spending is currently at 7% which is extremely low and urgent attention is needed..
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. Please find latest data from Patricia.

6. EXPENDITURE PER TYPE

- Employee related expenditure amount to 60% of the allocated budget.
- General expense expenditure amount to 57% of the allocated budget.
- Repairs and maintenance expenditure amount to 56% of the allocated budget.
- Provisions for working capital expenditure amount to 50 % of the allocated budget.
- Councilor allowance spending is at 66% 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 February 2010.

Spending on salaries and allowances per category is as follows;

Permanent employees	: 753 734.05
Contracted employees	: 364 728.22
Section 57 employees	: 149 345.51
Councilors	: 688 056.64
Total salaries for February	: 1 955 864.42

8. CAPITAL PROJECTS

Spending on capital budget expenditure is at 35%. 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	69 609	Computers purchased.	Spending is at 58%.
Furniture	Acquisition of furniture	50 000	47 451	Furniture bought.	Spending is at 95%.
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	1 100 000	651 445	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. spending is at 59%.
MIG- Civic Center- Equipping	Purchasing of equipments for civic center	346 000	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	70 000	59 000	The project is complete and claim submitted for payment.	Spending is at 84%.
MIG- Street Lighting	Construction of street lighting at Apel	1 534 000	1 146 533	Project completed waiting energizing by Eskom.	Project spending is at 75% which 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. Spending is at 17%.
MIG-Pedestrian Walkways	Construction of pedestrian walkways	3 000 000	219 300	Registration with submitted, at National level MIG.	Spending is at 7% and stalled by registration process with MIG.
Entry posts	Construction of two entry posts to Fetakgomo municipality	26 930	26 930	Project finished.	Budget has been adjusted downwards and Spending is at 100% project completed.
Construction of land fill site	Construction of Malogeng landfill site	2 500 000	1 590 027	Contractor site hand-over done on Monday the 14 th September 2009	Spending is at 67% and expected to improve as contractor put forth claims for progress
MIG transfer stations	Construction of two transfer stations for refuse removal	340 000	287 591	Advert for the construction of the transfer stations to be issued in October 2009	Spending is at 85%.
MIG Municipal office extension	Extension of municipal buildings	2 800 000	494 890	Registration done and ahead of target professional services appointed preliminary designs submitted.	Spending stalled by delays in registration and changes in designs.

MIG recreational park	Designs for municipal recreational park	250 000	37 105	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	37 968	37,968	Ahead of target, service provider appointed and project is completed	Spending is at 100%.
Disaster Housing	Construction disaster houses	189 000	189 000	Budget is fully spent	

9. CASH FLOW STATEMENT

The Municipality maintains its main account with ABSA Bank. The account has a cash book balance of R7 733 786 at 28 february 2010.

The municipality will continue to operate without cash flow problem in the next few months as the investment will be redeemed and furthermore the Municipality will receive final allocation on equitable share by 25 March 2010..

Cash flow schedule is marked **appendix F**

10 INVESTMENTS

The municipal investment portfolio stands as follows;

Interest earned on six months fixed deposit held with Nedbank at 7.45% amounts to R137 978.08 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 160 875.49 and matures on the 03 March 2010.

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

11. 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 remain constantly positive apart from two departments i.e. Home Affairs and Labour which has been outstanding for more than a year.

12. Creditors

The municipality pays its creditors within the 30 day period provided for in the policy as well as in the MFMA except for the remaining balance which is being owed to Auditor General and arrangement have been made to pay outstanding balance in the next financial year.

See annexure I for financial details.

13. 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. Makgatab