

SOL PLAATJE MUNICIPALITY



MONTHLY BUDGET STATEMENT: NOVEMBER 2011

14 December 2011

**TO: MUNICIPAL MANAGER
EXECUTIVE MAYOR**

SUBMISSION

**FINANCIAL SERVICES DEPARTMENT:
MUNICIPAL FINANCE MANAGEMENT ACT (MFMA):
IN-YEAR FINANCIAL REPORT (MONTHLY BUDGET STATEMENT) FOR THE PERIOD
ENDING 30 NOVEMBER 2011**

1. PURPOSE

The purpose of this report is to comply with section 71 of the MFMA and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009 by the submission of a monthly budget statement to the Executive Mayor containing certain financial particulars, as legislated.

2. VISION OF SOL PLAATJE MUNICIPALITY

“Sol Plaatje, a dynamic municipality that provides a comprehensive range of affordable services to all its residents”

3. BACKGROUND

Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations” necessitates that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

“The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.”

Further, Section 71 of the MFMA requires that, “the accounting officer of a municipality must by no later than **10 working days** after the end of each month submit to the mayor of the municipality, and the relevant national and provincial treasury, a statement in the prescribed format on the state of the municipality's budget reflecting certain particulars for that month and for the financial year up to the end of that month.”

For the reporting period ending 30 November 2011, the ten working day reporting limit expires on **14 December 2011**.

4. EXECUTIVE SUMMARY

The SFP shown in Annexure A, Table C4, is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by type. The summary report indicates the following:

Summary Statement of Financial Performance:			
Description R thousand	November YTD Budget	November YTD Actual	Variance Favourable (Unfavourable)
Total Revenue by Source	512,635	546,157	33,522
Total Operating Expenditure	455,008	475,041	(20,034)
Surplus Deficit	57,627	71,116	13,489

The major operating revenue variances against budget projections indicated in Table C1 of Annexure A herewith attached, are:

- Investment Revenue (unfavourable);
- Rental of Facilities and Equipment (unfavourable); and
- Fines (unfavourable).

The major operating expenditure variances against budget projections cited in Table C1 of Annexure A herewith attached, are:

- Repairs and Maintenance (unfavourable); and
- Provision for bad debts fully provided for (unfavourable).

The reasons for variances per source group are cited in Annexure A, Table SC1 of this report.

The Capital expenditure report shown in Annexure A, Table C5 has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised by municipal vote. The summary report indicates the following:

Summary Statement of Capital Expenditure:			
Description R thousand	November YTD Budget	November YTD Actual	Variance Favourable (Unfavourable)
Total Capital Expenditure	59,995	40,266	(19,729)
Total Capital Financing	59,995	40,266	(19,729)

The major variance of year-to-date capital expenditure, compared to the departmental Service Delivery Budget Implementation Plan (SDBIP) targets for the municipal vote as indicated in Annexure A, Table C5 are:

- Infrastructure Services

The reasons for variances per strategic unit are captured in Annexure A, Table SC1 of this report.

5. IN-YEAR BUDGET STATEMENT TABLES: NOVEMBER 2011 REPORT

The financial results for the period ended 30 November 2011 are attached consisting of the following tables, in Annexure A:

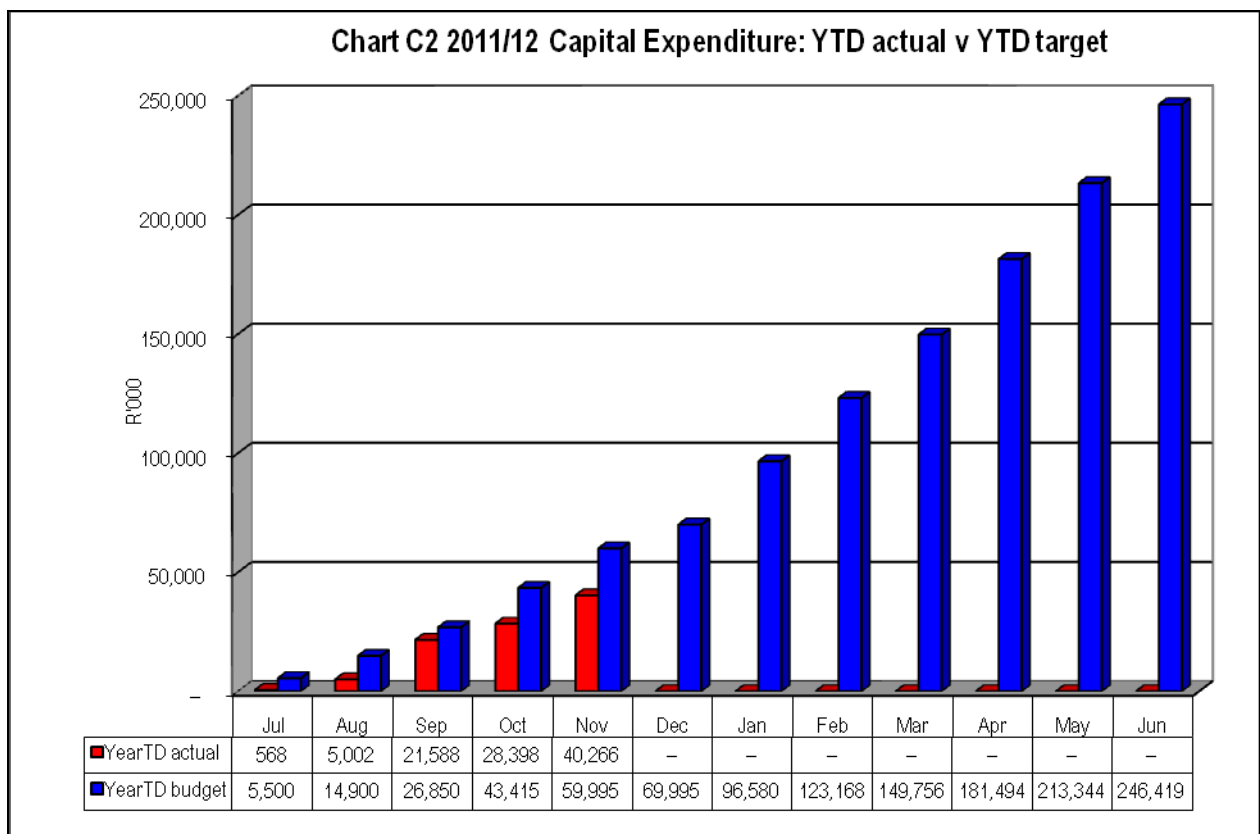
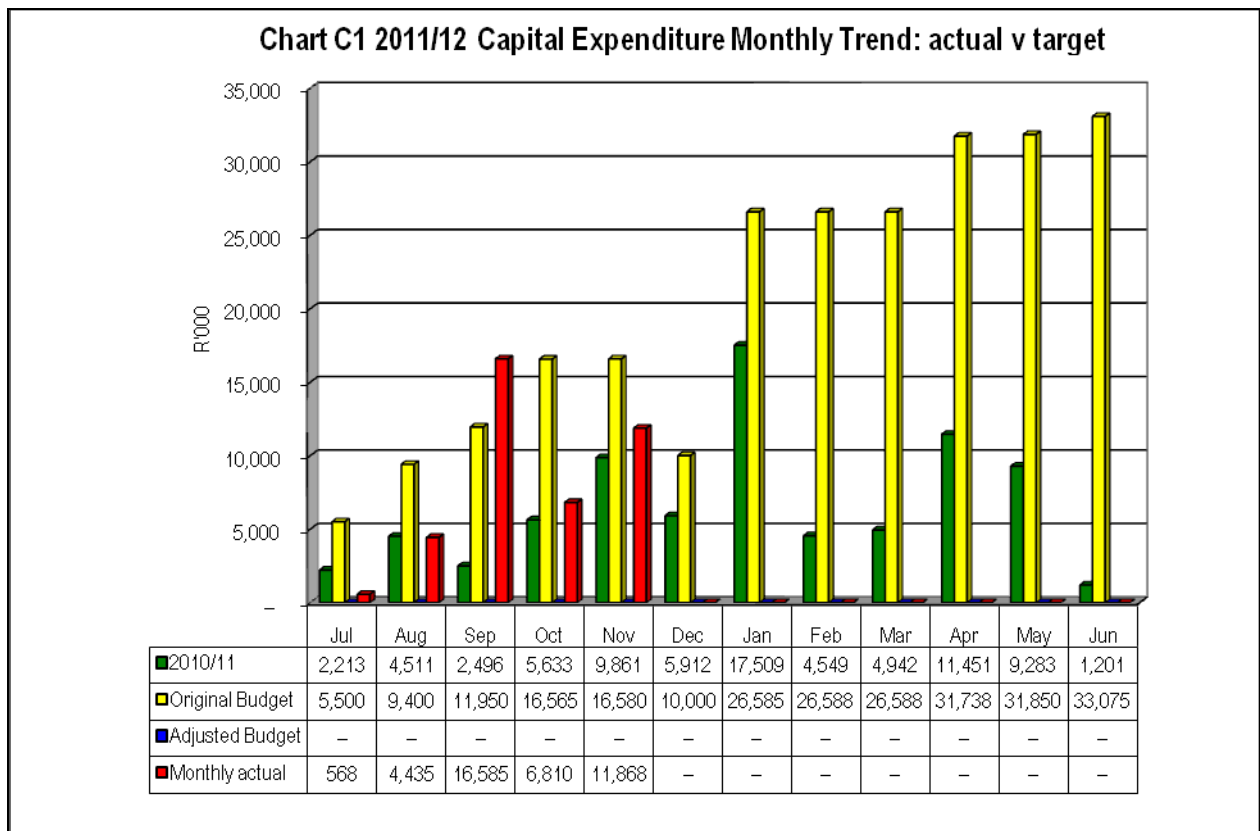
Part 1

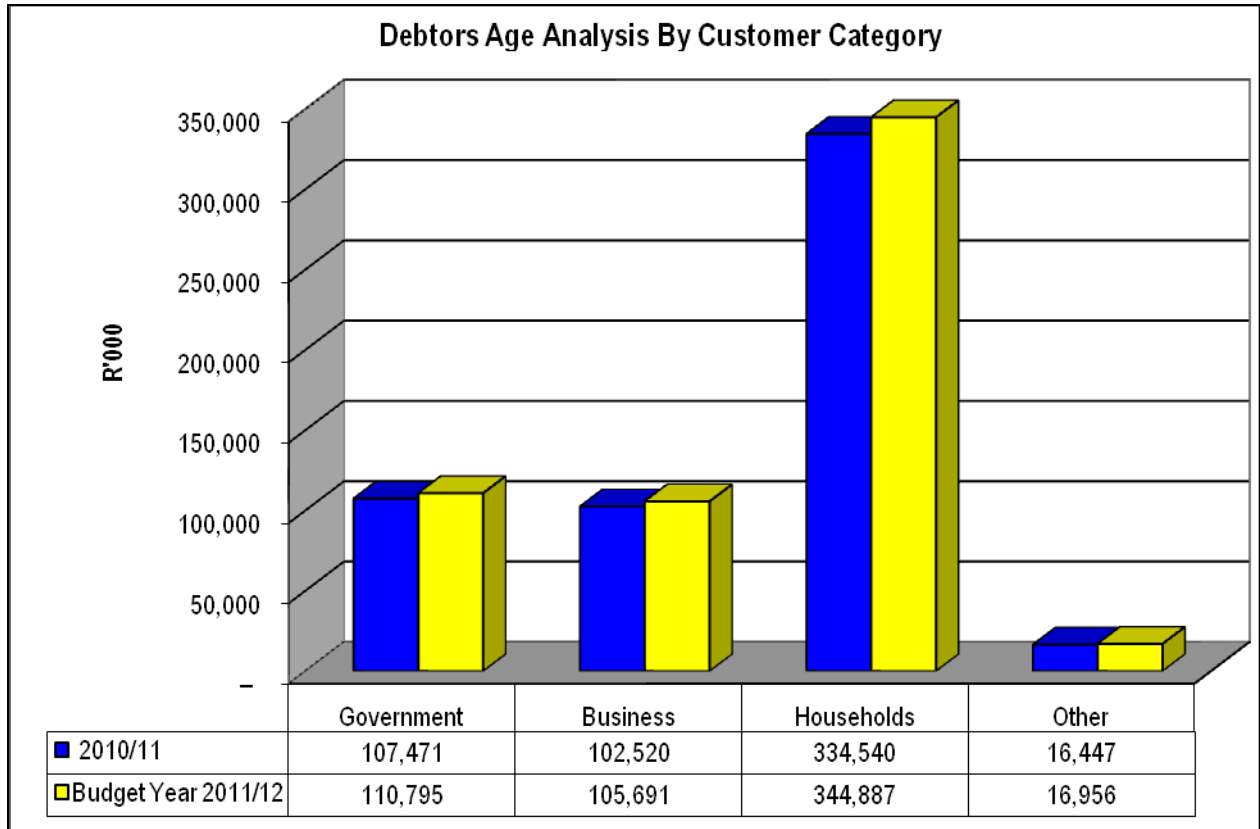
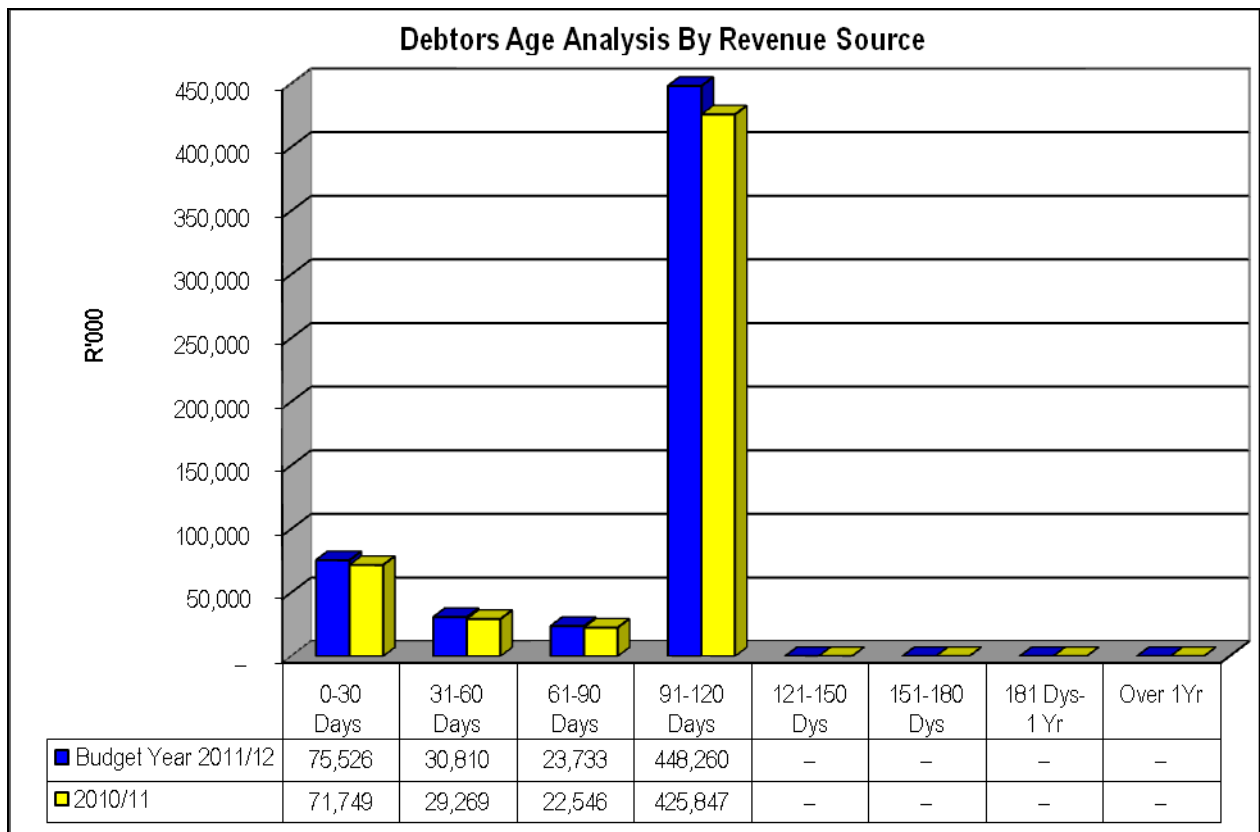
- Table C1: Consolidated Monthly Budget Statement – Summary
- Table C2: Consolidated Monthly Budget Statement – Financial Performance (standard Classification)
- Table C3: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure by Municipal vote)
- Table C4: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure)
- Table C5: Consolidated Monthly Budget Statement – Capital Expenditure by vote, standard classification and funding
- Table C6: Consolidated Monthly Budget Statement – Financial Position
- Table C7: Consolidated Monthly Budget Statement – Cash Flow

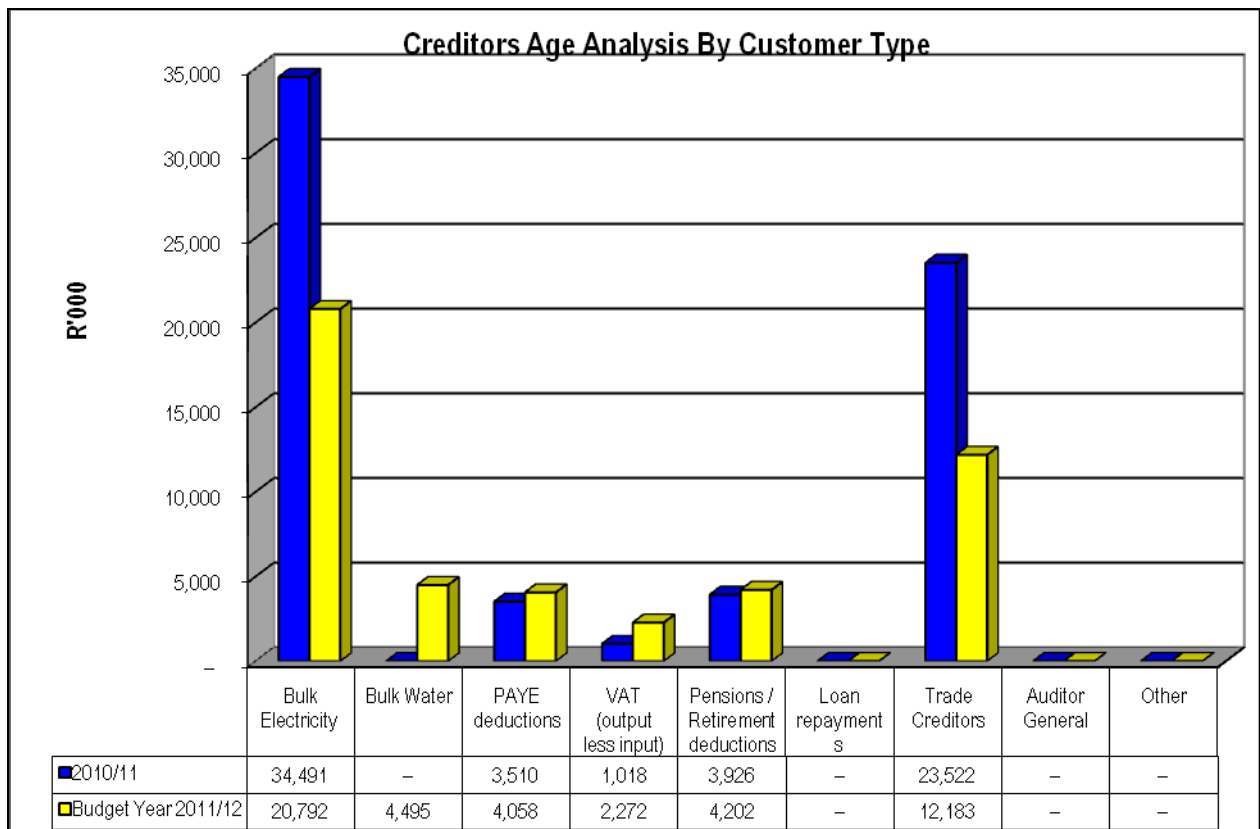
Part 2

- Table SC1: Material variance explanations
- Table SC2: Monthly Budget Statement – Performance Indicators
- Table SC3: Monthly Budget Statement – Aged Debtors
- Table SC4: Monthly Budget Statement – Aged Creditors
- Table SC5: Monthly Budget Statement – Investment Portfolio **Not populated**
- Table SC6: Monthly Budget Statement – Transfers and grant receipts
- Table SC7: Monthly Budget Statement – Transfers and grant expenditures
- Table SC8: Monthly Budget Statement – Councillor and Staff Benefits
- Table SC9: Monthly Budget Statement – Actual and Revised targets for cash receipts
- Table SC10: Monthly Budget Statement – Parent Municipality Financial Performance (Revenue and Expenditure) **Not required**
- Table SC11: Monthly Budget Statement – Summary of Municipal Entities **Not required**
- Table SC12: Monthly Budget Statement – Capital Expenditure Trend
- Table SC13a: Monthly Budget Statement – Capital expenditure on new assets by asset class
- Table SC13b: Monthly Budget Statement – Capital expenditure on renewal of existing assets by asset class **Not populated**
- Table SC13c: Monthly Budget Statement – Capital expenditure on repairs and maintenance by asset class **Not populated**
- Municipal manager's quality certification

6. IN-YEAR BUDGET STATEMENT CHARTS: NOVEMBER 2011 REPORT







7. INTERDEPARTMENTAL AND CLUSTER IMPACT

None.

8. COMMENTS OF THE HEAD: LEGAL SERVICES

The abovementioned report as such does not call for legal clarification.

9. IMPLICATIONS

- Human Resources

Not applicable.

- Finances (budget and value for money)

This report incorporates the financial status for the period ended 30 November 2011. Upon receipt of the statement or report submitted by the Accounting Officer to the Executive Mayor in terms of Section 71 of the MFMA, the Executive Mayor is obliged to take certain steps with regard to “budgetary control and early identification of financial problems” as determined in Section 54 of the MFMA. Furthermore, the Accounting Officer of the Municipality must report in writing to the Municipal Council with regard to impending shortfalls, overspending, and overdrafts in terms of Section 70 of the MFMA.

- Constitution and legal factors

The implication of approval of this report is compliance to legislative requirements (Sections 52(d) and 71 of the MFMA) and NT regulations GG 32141 of 17 April 2009.

- Communication

In compliance to legislative requirements (Section 71 of the MFMA) this document is provided to all stakeholders by placing it on the Sol Plaatje website.

10. CONCLUSION

This report meets the MFMA requirement for the Executive Mayor to receive a Section 71 'monthly budget statement' within 10 working days after the end of the month.

ANNEXURES:

Annexure A – Prescribed tables in terms of GG 32141 of 17 April 2009.

RECOMMENDED

That, in compliance with Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations":

- (1) The Accounting Officer submits to the Executive Mayor this statement reflecting the financial status for the month ending 30 November 2011; and
- (2) In order to comply with Section 71(4) of the MFMA, the Accounting Officer ensure that this statement be submitted to National Treasury and the Provincial Treasury, in both a signed document format and in electronic format.

Explanation of legal requirements

Section 71 of the MFMA requires that the monthly report should contain:

- (a) actual revenue, per revenue source;
- (b) actual borrowings;
- (c) actual expenditure, per vote;
- (d) actual capital expenditure, per vote;
- (e) the amount of any allocations received;
- (f) actual expenditure on those allocations, excluding expenditure on-
 - (i) its share of the local government equitable share; and
 - (ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and

- (g) when necessary, an explanation of-
- (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - (ii) any material variances from the service delivery and budget implementation plan;
 - (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

The statement must also include:

- (a) a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and
- (b) the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).
- (3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved budget.
- (4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.

Further, in terms of Government Notice 27431 dated 1 April 2005, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Investment Regulations: the following is applicable:

Reporting requirements:

- 9.(1) The accounting officer of a municipality or municipal entity must within 10 working days after the end of each month, as part of the section 71 report required by the Act, submit to the mayor of the municipality or the board of directors of the municipal entity a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.
- (2) The report referred to in sub regulation (1) must set out at least –
- (a) the market value of each investment as at the beginning of the reporting period;
 - (b) any changes to the investment portfolio during the reporting period;
 - (c) the market value of each investment as at the end of the reporting period; and
 - (d) fully accrued interest and yield for the reporting period.

[Highlighted requirements are further explained below].

Certain 'prescribed' municipalities are required to provide their financial reports to the National Treasury, in lieu of the Provincial Treasury. This includes the SPM. National Treasury have indicated that they wish to continue to directly monitor municipalities that have a significant impact on the South African economy. For this purpose the required electronic return forms were progressively lodged with the National Treasury by or on 14 December 2011, (ten working day limit). These return forms are:

- Statement of Financial Performance (OSA)
- Capital expenditure report (CAA)
- Cash Flow Statement (CFA)
- Outstanding Debtors report (AD)
- Outstanding Creditors report (AC)
- Statement of Financial Position (BSAC)
- Repairs and Maintenance (RME)

The specific format for the report required to be submitted to the Executive Mayor, as referred to in section 71(1), has now been prescribed in terms of Government Gazette No 32141 of 17 April 2009 but the receipt of electronic submission have not been replaced. Therefore, this report is based upon the content and format of the monthly electronic return forms provided to National Treasury. The information provided to National Treasury is published quarterly; therefore it is prudent that the Executive Mayor's report be prepared on a similar basis to ensure alignment.

Section 71(1)(e) refers to a requirement to report on 'allocations' received. The term 'allocations', refers to government grants received from other spheres of government. These are reported upon in the Statement of Financial Performance.

The definition of a revenue 'vote' has been determined by National Treasury. Annexure A contains this information. However, each municipality may determine the vote format for its expenditure, provided it also supplies Government Financial Statistical (GFS) analysis. The information provided in the monthly financial report to Council is in accordance with the SPM vote structure. However, this report is prepared in accordance with the National Treasury standard, which will assist with benchmarking performance with other municipalities.

Section 87 is a requirement to report on the performance of municipal entities. This information has been received and incorporated in Schedule C for submission as required by National Treasury. SPM does not have any municipal entities.

The market value of the investment portfolio at the time of preparation of this report had not been obtained. Hence the contractual/ cost price of the investment portfolio has been utilized. For the period ending 30 November 2011 the value of total investments was R119,9 m

Municipal Manager’s quality certification

I, **G H AKHARWARAY**, the Municipal Manager of Sol Plaatje Municipality, hereby certify that -

- the monthly budget statement

For the month of **November 2011** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: _____

Municipal Manager of Sol Plaatje (NC091)

Signature: _____

Date: _____

Please see attached Excel Spreadsheet named NC091_BSR_112011_Y