

THABA CHWEU



Lydenburg Head Office:

Tel: 013 235 7300

Fax: 013 235 1108

Sable Unit:

Tel: 013 235 7444

Fax: 013 764 1077

Graskop Unit:

Tel: 013-767-7448

Fax: 013 767 1611

www.thabachweu.gov.za

24 Hours Emergency no:

Tel: 013 235 1788

013 235 7370

Toll free: 0800 007 222

PO Box 61

Lydenburg 1120

Cnr. Viljoen & Sentraal Streets

All Correspondence to be directed
to the Municipal Manager

MUNICIPALITY

Enq : BUDGET OFFICE

Ref: 01/02/2016

MEMORANDUM

TO : CHIEF FINANCIAL OFFICER
: MUNICIPAL MANAGER
: EXECUTIVE MAYOR

FROM : BUDGET OFFICE

**SUBJECT : MUNICIPAL FINANCE MANAGEMENT ACT (MFMA): QUARTER 2
FINANCIAL REPORT (OCTOBER - DECEMBER) -VERIFICATION**

1. PURPOSE

To comply with the MFMA, the provision of a quarterly budget statement to the Municipal Manager and the Executive Mayor containing detailed financial particulars, as legislated.

2. STRATEGIC OBJECTIVE

To ensure sound financial sustainability in terms of the municipal financial management.

3. EXECUTIVE SUMMARY

Part 1: Operating Revenue and Expenditure

For the Second Quarter of the financial year,

- The total revenue amounted to R 221 376 mill. This is against the budgeted revenue of R 454, 114 Million and reflects a 48.7% of the total budget.
- The total service charges are R 71 536 Million.
- Property rates to R 86 474 Million.
- The total Transfers recognized - operating amount to R 43 655 Million.
- The total operating costs are R 188,520 YTD
- Total employee costs are R 55,834 mill
- Total Remuneration to councilors is R 3,6mill
- Finance charges R 16 mill
- Contracted services R 16 mill

- Other expenditure R 51 mill

Part1: Operating Revenue and Expenditure

	2015/16						2014/15		Q2 of 2014/15 to Q2 of 2015/16	
	Budget	First Quarter		Second Quarter		Year to Date		Second Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	2nd Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure		Total Expenditure as % of main appropriation
R thousands										
Operating Revenue and Expenditure										
Operating Revenue	454,114	185,100	40.8%	35,277	8.0%	221,376	48.7%	79,311	69.6%	(54.3%)
Property rates	99,967	89,970	87.0%	(497)	(5%)	86,474	86.5%	(276)	159.7%	79.9%
Property rates - penalties and collection charges	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	158,423	31,063	19.9%	17,734	11.3%	48,797	31.2%	28,781	42.1%	(38.4%)
Service charges - water revenue	29,433	6,515	22.1%	3,397	11.5%	9,913	33.7%	7,229	57.7%	(53.0%)
Service charges - sanitation revenue	12,283	2,684	17.0%	1,146	9.3%	3,243	26.4%	2,684	53.4%	(57.5%)
Service charges - refuse revenue	-	4,541	-	4,602	-	9,543	-	3,025	52.3%	52.1%
Service charges - other	-	26	-	18	-	41	-	-	-	(100.0%)
Rental of facilities and equipment	2,640	616	23.3%	487	18.5%	1,133	41.8%	600	66.1%	(18.8%)
Interest earned - external investments	636	133	16.2%	20	3.1%	123	19.3%	74	11.8%	(73.2%)
Interest earned - outstanding debtors	8,924	3,263	36.6%	2,296	25.7%	5,564	62.3%	2,578	82.9%	(19.9%)
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines	1,721	471	27.4%	306	17.8%	777	45.1%	407	56.5%	(28.4%)
Licences and permits	-	-	-	-	-	-	-	-	-	-
Agency services	14,130	2,984	21.0%	4,268	30.1%	7,250	51.1%	3,777	37.2%	12.5%
Transfers recognised - operational	108,716	43,665	40.2%	-	-	43,665	40.2%	30,162	69.7%	(100.0%)
Other own revenue	19,130	2,393	12.5%	2,502	13.0%	4,865	25.5%	237	61.5%	957.7%
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Operating Expenditure	483,122	120,239	24.9%	68,281	14.1%	188,520	39.0%	108,245	46.9%	(36.9%)
Employee related costs	115,328	33,343	28.7%	22,450	19.3%	55,834	48.0%	27,931	54.9%	(19.6%)
Remuneration of councillors	8,365	2,177	25.9%	1,447	17.2%	3,623	43.2%	1,926	38.8%	(24.9%)
Debt impairment	2,116	663	31.3%	-	-	663	31.3%	-	-	-
Depreciation and asset impairment	36,365	-	-	-	-	-	-	-	-	-
Finance charges	27,757	11,310	40.7%	4,752	17.1%	18,062	57.9%	11,600	2,768.5%	(57.0%)
Bulk purchases	173,138	34,194	19.7%	8,635	5.0%	42,829	24.7%	31,111	34.6%	(72.2%)
Other Materials	-	-	-	-	-	-	-	-	-	-
Contracted services	36,892	9,066	25.4%	6,601	19.1%	15,657	44.4%	7,350	36.9%	(7.5%)
Transfers and grants	8,600	1,487	17.3%	1,107	12.9%	2,595	30.2%	1,835	-	(39.6%)
Other expenditure	74,711	28,009	37.5%	23,049	30.9%	51,068	68.3%	27,043	83.9%	(14.8%)
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	(29,008)	64,860		(32,004)		32,856		(28,934)		
Transfers recognised - capital	46,647	-	-	-	-	-	-	-	0.1%	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	17,639	64,860		(32,004)		32,856		(28,934)		
Taxation	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	17,639	64,860		(32,004)		32,856		(28,934)		
Attributable to minorities	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	17,639	64,860		(32,004)		32,856		(28,934)		
Share of surplus/(deficit) of associates	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	17,639	64,860		(32,004)		32,856		(28,934)		

NB: This is based on accrual accounting and does not represent the actual cash flow position of the municipality.
For cash flow actuals please see part 3

Part 3: Cash Receipts and Payments

Part 3 reflects the actual cash flow from operating activities.

- Total receipts from property rates, Service charges, Rental of facilities, fines and licensing is R 134,167 Million YTD.
- The operating grants received (Equitable share, FMG, MSIG and EPWP) R 79,180 Million.
- The Capital conditional grants (MIG and MWIG) R 34 Million.
- The total Cash payments to supplies are R 228,202 million. This represents Employee costs, Remuneration to Councilors, contracted services, Bulk purchases, general expenditure etc.
- Total finance charges is R 15,739 mill and represents interests on arrear accounts

Part 3: Cash Receipts and Payments

R Thousands	2015/16						2014/15		Q2 of 2014/15 to Q2 of 2015/16	
	Budget	First Quarter		Second Quarter		Year to Date		Second Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	2nd Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure		Total Expenditure as % of main appropriation
Cash Flow from Operating Activities										
Receipts	587,749	123,187	21.0%	124,213	21.1%	247,399	42.1%	94,132	45.1%	32.0%
Property rates, penalties and collection charges	38,072	7,500	20.7%	19,917	52.3%	27,817	73.1%	10,551	7.0%	83.6%
Service charges	279,169	43,583	15.6%	49,273	17.6%	92,656	33.3%	29,930	-	64.6%
Other revenue	115,145	7,718	6.7%	5,777	5.0%	13,495	11.7%	6,909	-	(16.4%)
Government - operating	108,716	46,260	42.6%	32,920	30.3%	79,180	72.8%	30,669	73.6%	7.4%
Government - capital	46,647	17,226	38.0%	16,326	35.0%	34,062	73.0%	16,083	36.4%	1.5%
Interest	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Payments	(478,084)	(112,613)	23.6%	(131,327)	27.5%	(243,941)	51.0%	(93,745)	50.0%	40.1%
Supplies and employees	(456,954)	(110,083)	24.1%	(118,113)	25.9%	(228,202)	50.0%	(91,735)	43.2%	29.7%
Finance charges	(22,120)	(2,526)	11.4%	(13,214)	59.7%	(15,735)	71.2%	(1,961)	1,204.1%	574.0%
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Net Cash from/(used) Operating Activities	109,664	10,573	9.6%	(7,115)	(6.5%)	3,459	3.2%	387	(18.4%)	(1,939.2%)
Cash Flow from Investing Activities										
Receipts	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-
Decrease in non-current debtors	-	-	-	-	-	-	-	-	-	-
Decrease in other non-current receivables	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-
Payments	(44,278)	(9,743)	22.0%	(23,334)	52.7%	(33,077)	74.7%	(15,131)	34.7%	54.2%
Capital assets	(44,278)	(9,743)	22.0%	(23,334)	52.7%	(33,077)	74.7%	(15,131)	34.7%	54.2%
Net Cash from/(used) Investing Activities	(44,278)	(9,743)	22.0%	(23,334)	52.7%	(33,077)	74.7%	(15,131)	34.7%	54.2%
Cash Flow from Financing Activities										
Receipts	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-
Borrowing long term/financing	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-
Payments	-	-	-	-	-	-	-	-	-	-
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-
Net Cash from/(used) Financing Activities	-	-	-	-	-	-	-	-	-	-
Net Increase/(Decrease) in cash held	65,386	830	1.3%	(30,449)	(46.6%)	(29,618)	(45.3%)	(14,744)	129.8%	106.5%
Cash/cash equivalents at the year begin	5,000	8,937	179.5%	9,827	156.5%	8,937	179.9%	(5,923)	-	(241.5%)
Cash/cash equivalents at the year end	70,386	9,827	14.0%	(20,622)	(29.3%)	(20,622)	(29.3%)	(21,668)	(280.1%)	(4.8%)

Part 4: Debtors Age Analysis

The total debtors as at the end of December are R 205, 005 Million.

Part 4: Debtor Age Analysis

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total		Actual Bad Debts Written Off to Debtors		Impairment - Bad Debts to Covered Policy	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	3572	17.2%	1,634	4.7%	1,226	3.4%	25,308	12.3%	36,362	17.7%	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	7,655	37.3%	4,225	12.2%	3,278	7.9%	27,523	13.4%	42,681	20.8%	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	7,397	36.3%	7,307	20.7%	4,731	11.4%	71,738	35.1%	91,173	44.5%	-	-	-	-
Receivables from Exchange Transactions - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Asset Debtor Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables unclassified, irregular or fullless and a actual Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	279	1.3%	1,48	0.4%	1,27	0.3%	27,125	13.2%	34,90	1.7%	-	-	-	-
Total By Income Source	21,515	10.5%	14,695	7.2%	10,402	5.1%	158,393	77.3%	285,605	100.0%	-	-	-	-
Debtors Age Analysis By Customer Group														
Organ of State	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Household	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	21,515	10.5%	14,695	7.2%	10,402	5.1%	158,393	77.3%	285,605	100.0%	-	-	-	-
Total By Customer Group	21,515	10.5%	14,695	7.2%	10,402	5.1%	158,393	77.3%	285,605	100.0%	-	-	-	-

Part 5: Creditors Age Analysis

The total Creditors as at the end of March are R 398,609 Million.

Part 5: Creditor Age Analysis

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Creditor Age Analysis										
Bulk Electricity	18,882	6.4%	7,164	2.4%	-	-	269,306	91.2%	295,351	74.1%
Bulk Water	-	-	-	-	-	-	-	-	-	-
PAYE deductions	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement	-	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-	-
Trade Creditors	2,315	7.9%	5,265	18.0%	1,181	4.0%	20,675	70.2%	29,436	7.4%
Auditor-General	-	-	1,788	18.9%	938	9.9%	6,734	71.2%	9,461	2.4%
Other	-	-	-	-	1,471	2.3%	62,831	97.7%	64,302	16.1%
Total	21,197	5.3%	14,248	3.6%	3,589	.9%	359,575	90.2%	398,609	100.0%

Part 6: Conditional Grants from National Departments and Actual Payments made by Municipality

2nd Quarter Ended 31 December 2015

CONDITIONAL GRANTS TRANSFERRED FROM NATIONAL DEPARTMENTS AND ACTUAL PAYMENTS MADE BY MUNICIPALITIES: PRELIMINARY RESULTS

Mpumalanga: Thaba Chesu (MP321)

R thousands	Division of revenue Act No. 19 of 2011	Adjustment (Rd year)	Other Adjustments	Total Available 2015	Year to date		First Quarter		Second Quarter		YTD Expenditure		% Days for 1st 2nd Q		% Days for 2nd Q	
					Approved payment schedule	Transferred to municipalities (Cost grants)	Actual expenditure National Department by 30 September 2015	Actual expenditure by municipalities 30 September 2015	Actual expenditure National Department by 31 December 2015	Actual expenditure by municipalities 31 December 2015	Actual expenditure National Department	Actual expenditure municipalities	Actual expenditure National Department	Actual expenditure municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities
Water Services																
National Treasury (Vote 1)				1,675	1,675	1,675	360	360	131	100	61	60	(51.9%)	(52.9%)	28.2%	28.2%
Local Government Financial Management Grant	1,675															
Infrastructure Skills Development Grant																
Neighbourhood Development Partnership (Schedule 5)																
Neighbourhood Development Partnership (Schedule 5)																
Sub-Total Water	1,675	-	-	1,675	1,675	1,675	360	360	131	100	61	60	(51.9%)	(52.9%)	28.2%	28.2%
Cooperative Governance (Vote 3)																
Municipal Systems Improvement Grant	930			930	930	930				373		373				40.2%
Municipal Disaster Grant																
Municipal Disaster Recovery Grant																
Municipal Demarcation Transition Grant																
Sub-Total Water	930	-	-	930	930	930	-	-	-	373	-	373	-	-	-	40.2%
Transport (Vote 2)																
Public Transport Infrastructure and Systems Grant																
Public Transport Network Operators Grant																
Public Transport Network Grant																
Rural Road Asset Management Systems Grant																
Sub-Total Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works (Vote 4)																
Expanded Public Works Programme Integrated Grant (Municipal)	1,340			1,340	938	938	536	841	1,462	1,465	1,568	2,267	172.9%	73.3%	148.4%	111.4%
Sub-Total Water	1,340	-	-	1,340	938	938	536	841	1,462	1,465	1,568	2,267	172.9%	73.3%	148.4%	111.4%
Energy (Vote 2)																
Integrated National Electrification Programme (Municipal) Grant																
Integrated National Electrification Programme (Municipal) Grant	26,878			26,878												
Building in the Backyard of Cities and Schools (Municipal) Grant																
Energy Efficiency and Demand Side Management (Municipal) Grant																
Energy Efficiency and Demand Side Management (Energy) Grant																
Sub-Total Water	26,878	-	-	26,878	-	-	-	-	-	-	-	-	-	-	-	-
Water Affairs (Vote 2)																
Building in the Backyard of Cities and Schools Grant																
Regional Sub-Infrastructure Grant																
Water Services Operating and Transfer Subsidy Grant (Schedule 5)																
Water Services Operating and Transfer Subsidy Grant (Schedule 5)																
Municipal Water Infrastructure Grant (Schedule 5)																
Municipal Water Infrastructure Grant (Schedule 5)	61,733			61,733	43,360											
Water Services Operating and Transfer Subsidy Grant																
Sub-Total Water	61,733	-	-	61,733	43,360	-	-	-	-	-	-	-	-	-	-	-
Sports and Recreation South Africa (Vote 1)																
ZIC Africa Cup of Nations del City Queering Grant																
ZIC Africa Nations Championship del City Queering Grant																
Sub-Total Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rural Settlements (Vote 3)																
Rural Households Infrastructure Grant (Schedule 5)																
Rural Households Infrastructure Grant (Schedule 5)																
Municipal Rural Settlements Capacity Grant																
Sub-Total Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total	92,176	-	-	92,176	91,963	91,963	2,543	866	1,261	1,563	1,568	2,474	1,150	76.1%	63.1%	1.6%
Cooperative Governance (Vote 3)																
Municipal Infrastructure Grant	46,547			46,547	34,662	17,726	6,568	362	17,264	22,226	23,542	22,528	153.3%	67.0.2%	91.2%	48.4%
Sub-Total Water	46,547	-	-	46,547	34,662	17,726	6,568	362	17,264	22,226	23,542	22,528	153.3%	67.0.2%	91.2%	48.4%
Sub-Total	46,547	-	-	46,547	34,662	17,726	6,568	362	17,264	22,226	23,542	22,528	153.3%	67.0.2%	91.2%	48.4%
Total	138,171	-	-	138,171	86,595	78,689	7,354	1,563	13,867	24,126	28,411	26,754	143.3%	114.2%	23.5%	22.5%

- **FINANCE MANAGEMENT GRANT**

The Total received is R 1,6 Million as per the Gazetted DoRa Schedule for 2015/16 FY
The Total Expenditure for the 2nd quarter is R 130 000 and R 490 000 YTD

- **MUNICIPAL SYSTEMS IMPROVEMENT GRANT**

The Total Received is R 930 000 as per the Gazetted DoRa Schedule for 2015/16 FY
The Total expenditure for the 2nd quarter is R 373 000 and R 373 000 YTD

- **Expanded Public Works Programme**

The total received is R 1,3 mill. as per the Gazetted DoRa schedule for the 2015/16 FY
The total expenditure is for the 2nd quarter is R 1, 4 mill and R 2,2 mill YTD

- **MUNICIPAL INFRASTRUCTURE GRANT**

The total receipt is R 46,6 mill as per the gazetted DoRa Schedule for the 2015/16
The total expenditure for the 2nd quarter is R 22, 2 mill and R 22, 5 Mill YTD.

Part 6: SUMMARY OF GRANT REGISTER



HABA CHWEU MUNICIPALITY

CONDITIONAL GRANTS REGISTER

PROCESSING MONTH: DECEMBER 2015

Details	Opening Balance as at 01 July 2015	DoRa Allocation 2015/16	Funds Withheld	Received this year	Expenditure	Closing Balance as at 31 December 2015
FMG	-	1,675,000.00	-	1,675,000.00	490,206.32	1,184,793.68
INEG	-	-	-	-	-	-
MSIG	-	930,000.00	-	930,000.00	373,397.48	556,602.52
Expanded Public Works Programme (EPWP)	-	1,340,000.00	-	938,000.00	2,566,108.90	-1,628,108.90
Municipal Wwater Infrastructure Grant (MWIG)	-	-	-	-	-	-
MIG	12,000,000.00	46,647,000.00	-	34,052,000.00	33,835,294.96	12,216,705.04
	12,000,000.00	50,592,000.00	-	37,595,000.00	37,265,007.66	12,329,992.34

Notes:

EPWP: Grant is already overspent with R1 628 108.90. Management must review the EPWP Programme and ensure that spending is in line with its objectives.

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24 Hrs Emergency no:
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Toll free: 0800 007 222

PO Box 61
Lydenburg 1120
Cnr. Viljoen & Sentraal Streets

All Correspondence to be directed
to the Municipal Manager

LOCAL MUNICIPALITY

OFFICE OF THE MUNICIPAL MANAGER

Enquiries: Mr MGT Mnisi
Our Reference: 6/19/3

DATE: 01 FEBRUARY 2016

The National Treasury
Private Bag X 115
PRETORIA
0001

For Attention: Mr Anthony Moseki
Local Government Budget Analysis

Dear Sir

**RE: MFMA 2ST QUARTER SECTION 71 REPORT AND GRANT ALLOCATION VERIFICATION FOR
2015/16 FINANCIAL YEAR**

This Letter refers

Section 71(7) requires that the provincial treasury must within 30 days after the end of each quarter make public as may be prescribed, a consolidated statement in the prescribed format on the state of the municipalities budget per municipality.

National Treasury request that all municipalities scrutinise and verify the summarised section 71 reports submitted to National Treasury on monthly basis.

Please note that the conditional grants verification is only on the direct transfers to the municipality and does not include transfers by provincial departments.

Attached please find the section 71 verification and conditional grant received and spent year to date.

Hope you will find this in order

Kind Regard



MR. L.M. MQKOENA
ACTING MUNICIPAL MANAGER

Date: