

**JB MARKS LOCAL MUNICIPALITY SECTION 71(1) FINANCIAL REPORT FOR THE MONTH
ENDING 31 MARCH 2019 (MK/FP) (FPV04.18.01) (RMS 24996)**

PURPOSE OF THE REPORT

The purpose of the report is to inform the Executive Mayor of the financial position and the implementation of the Budget of the JB Marks Local Municipality for the month ending on 31 March 2019.

BACKGROUND

In terms of Section 71 (1) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) the accounting officer must no later than ten (10) working days after the end of each month submit the monthly budget statement report in the prescribed format as specified in of the Municipal Budget and Reporting Regulations (Government Gazette no 32141, 17 April 2009) under Schedule C which must include the required tables, charts and explanatory information to the Executive Mayor.

The monthly report on the implementation of the Annual Budget in accordance with the Service Delivery Budget Implementation Plan to be submitted to the Executive Mayor, National Treasury and the relevant Provincial Treasury consists out of two parts containing the following information and is attached as ANNEXURE A:

The Monthly Report consists of the following Financial Reports:

1. Operating Budget per revenue source
2. Capital expenditure per department
3. Cash flow Statement
4. Debtors Age Analysis
5. Creditors

1. Operational budget per revenue source – March 2019

Monthly Budget Statement - Financial Performance (revenue and expenditure)

Description	Ref	2017/18	Budget Year 2018/19							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue By Source										
Property rates		167 227	174 268	164 403	15 100	136 202	130 701	5 501	4%	174 268
Service charges - electricity revenue		739 878	704 219	664 358	54 840	670 065	528 164	141 901	27%	704 219
Service charges - water revenue		121 196	108 027	101 912	9 739	106 591	81 020	25 572	32%	108 027
Service charges - sanitation revenue		72 501	66 560	62 792	6 031	66 752	49 920	16 833	34%	66 560
Service charges - refuse revenue		65 969	61 753	58 258	5 776	52 022	46 315	5 707	12%	61 753
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		3 596	3 642	3 436	269	2 477	2 732	(255)	-9%	3 642
Interest earned - external investments		21 599	18 177	7 200	4 480	46 600	13 633	32 967	242%	18 177
Interest earned - outstanding debtors		32 938	22 790	21 500	-	-	17 093	(17 093)	-100%	22 790
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		76 961	85 455	80 618	249	1 800	64 091	(62 291)	-97%	85 455
Licences and permits		11 876	14 074	13 278	705	3 502	10 556	(7 054)	-67%	14 074
Agency services		-	-	-	87	217	-	217	#DIV/0!	-
Transfers and subsidies		346 689	241 906	343 889	58 414	224 640	181 430	43 211	24%	241 906
Other revenue		35 513	11 341	10 699	2 884	17 655	8 506	9 149	108%	11 341
Gains on disposal of PPE		-	560	-	-	-	420	(420)	-100%	560
Total Revenue (excluding capital transfers and contributions)		1 695 943	1 512 772	1 532 343	158 574	1 328 523	1 134 579	193 944	17%	1 512 772

Total operating revenue generated for the month of March amounted to R1, 58 million against the budgeted amount of R1, 5 billion. Projected billed revenue is in line with the budgeted amount for the remaining three months.

Most of the revenue was generated from electricity at R54 million followed by revenue generated from property rates at R15 million, whereas transfers and subsidies constituted R58 million of the total revenue generated.

2. Operational expenditure budget per GFS categories (As determined by National Treasury)

Expenditure By Type									
Employee related costs	404 559	439 668	419 084	38 811	320 464	329 751	(9 287)	-3%	439 668
Remuneration of councillors	21 127	32 551	30 709	2 137	18 872	24 413	(5 542)	-23%	32 551
Debt impairment	92 686	95 931	90 501	2 968	20 776	71 948	(51 172)	-71%	95 931
Depreciation & asset impairment	229 030	238 132	226 792	-	2	178 599	(178 597)	-100%	238 132
Finance charges	4 803	-	-	0	3	-	3	#DIV/0!	-
Bulk purchases	483 994	579 953	540 650	34 735	396 822	434 965	(38 143)	-9%	579 953
Other materials	81 981	9 842	11 293	194	194	7 382	(7 187)	-97%	9 842
Contracted services	96 111	91 541	103 883	5 870	65 384	68 655	(3 272)	-5%	91 541
Transfers and subsidies	-	74 241	-	(1 608)	41 408	55 681	(14 273)	-26%	74 241
Other expenditure	233 736	250 585	325 293	13 557	126 659	187 938	(61 279)	-33%	250 585
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	1 648 027	1 812 443	1 748 204	96 665	990 583	1 359 332	(368 749)	-27%	1 812 443

Total expenditure incurred as at end of March 2019 amounted R96 million against the adjusted budgeted amount of R1, 7 billion.

Most of the expenditure was incurred on bulk purchases at R34 million, followed by expenditure on employee related cost at R38 million. Other expenditure which comprises of telephone expenditure, fuel costs, catering, Salga membership fees etc. amounted to R13 million for March.

3. Capital expenditure per department – March 2019

Capital Expenditure (municipal vote, functional classification and funding)

Capital Expenditure - Functional Classification										
Governance and administration		1 462	630	8 734	-	185	473	(287)	-61%	630
Executive and council		597	-	2 757	-	-	-	-		-
Finance and administration		865	630	30	-	185	473	(287)	-61%	630
Internal audit		-	-	5 946	-	-	-	-		-
Community and public safety		15 595	24 516	27 729	370	16 433	18 387	(1 954)	-11%	24 516
Community and social services		1 395	3 370	5 388	12	5 351	2 528	2 824	112%	3 370
Sport and recreation		9 371	8 500	9 050	3	5 316	6 375	(1 059)	-17%	8 500
Public safety		4 483	12 646	12 717	355	5 765	9 485	(3 719)	-39%	12 646
Housing		346	-	574	-	-	-	-		-
Health		-	-	-	-	-	-	-		-
Economic and environmental services		33 806	31 093	42 215	1 819	11 469	23 320	(11 850)	-51%	31 093
Planning and development		6 018	15 593	10 720	603	9 797	11 695	(1 898)	-16%	15 593
Road transport		27 036	15 500	30 258	1 079	1 537	11 625	(10 088)	-87%	15 500
Environmental protection		753	-	1 237	136	136	-	136	#DIV/0!	-
Trading services		103 145	76 208	164 682	3 852	38 119	57 156	(19 036)	-33%	76 208
Energy sources		4 332	24 917	25 545	1 964	6 870	18 687	(11 817)	-63%	24 917
Water management		39 120	45 386	55 056	1 359	13 245	34 040	(20 795)	-61%	45 386
Waste water management		58 282	5 905	84 081	529	18 005	4 429	13 576	307%	5 905
Waste management		1 411	-	-	-	-	-	-		-
Other		4 668	-	-	-	-	-	-		-
Total Capital Expenditure - Functional Classification	3	158 676	132 447	243 359	6 041	66 207	99 335	(33 128)	-33%	132 447
Funded by:										
National Government		-	120 547	142 759	1 129	27 639	90 410	(62 770)	-69%	120 547
Provincial Government		-	-	1 200	-	-	-	-		-
District Municipality		-	-	-	-	-	-	-		-
Other transfers and grants		97 923	-	-	4 912	23 209	-	23 209	#DIV/0!	-
Transfers recognised - capital		97 923	120 547	143 959	6 041	50 848	90 410	(39 562)	-44%	120 547
Public contributions & donations	5	-	-	-	-	-	-	-		-
Borrowing	6	-	-	-	-	-	-	-		-
Internally generated funds		-	11 900	99 370	-	15 359	8 925	6 434	72%	11 900
Total Capital Funding		97 923	132 447	243 329	6 041	66 207	99 335	(33 128)	-33%	132 447

Total capital expenditure as at the end of March amounted to R60 million against the adjusted budget amount R243 million. The slow spending can be attributed the fact that panel of consultant contract expired and Supply chain management process took a bit longer to concluded.

4. STATEMENT OF FINANCIAL POSITION

Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		246 646	20 000	38 265	934 783	20 000
Call investment deposits		–	149 000	204 277	227	149 000
Consumer debtors		304 360	182 450	124 137	61 861	182 450
Other debtors		138 143	152 287	144 250	150 422	152 287
Current portion of long-term receivables		6 866	–	375	74	–
Inventory		141 756	270 849	362 200	140 537	270 849
Total current assets		837 771	774 586	873 504	1 287 904	774 586
Non current assets						
Long-term receivables		5 434	5 706	350	74	5 706
Investments		47 893	47 000	23 000	46	47 000
Investment property		53 690	58 442	58 442	(0)	58 442
Investments in Associate		–	–	–	–	–
Property, plant and equipment		3 928 342	4 325 276	4 067 746	117 597	4 325 276
Agricultural		–	–	–	–	–
Biological		–	–	–	–	–
Intangible		9 314	10 055	11 056	–	10 055
Other non-current assets		61 764	62 511	59 825	–	62 511
Total non current assets		4 106 437	4 508 989	4 220 418	117 718	4 508 989
TOTAL ASSETS		4 944 209	5 283 575	5 093 922	1 405 622	5 283 575
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		16 443	–	–	–	–
Consumer deposits		21 939	18 876	18 100	554	18 876
Trade and other payables		331 844	192 200	163 000	(94 547)	192 200
Provisions		2 024	13 780	12 000	–	13 780
Total current liabilities		372 250	224 856	193 100	(93 993)	224 856
Non current liabilities						
Borrowing		–	–	4 704 822	(105 115)	–
Provisions		225 285	194 660	13 550	(201 504)	194 660
Total non current liabilities		225 285	194 660	4 718 372	(306 619)	194 660
TOTAL LIABILITIES		597 535	419 516	4 911 472	(400 612)	419 516
NET ASSETS	2	4 346 674	4 864 059	182 450	1 806 234	4 864 059
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		4 346 674	–	–	(747 207)	–
Reserves		–	–	–	(2 916)	–
TOTAL COMMUNITY WEALTH/EQUITY	2	4 346 674	–	–	(750 123)	–

The statement of financial position reflects that current assets against current liabilities are favorable. The statement of financial position reflects that the municipality is liquid and is able to finance its operations as and when they fall due.

The municipality does not have a bank overdraft nor loans.

5. CASH FLOW STATEMENT

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		167 227	151 613	139 743	15 275	108 450	104 807	3 643	3%	151 613
Service charges		925 944	799 475	754 221	61 947	610 784	565 666	45 118	8%	799 475
Other revenue		12 282	61 558	33 413	2 884	21 880	25 060	(3 179)	-13%	61 558
Government - operating		345 657	241 917	226 889	58 414	228 261	170 167	58 095	34%	241 917
Government - capital		-	120 647	117 000	-	75 813	87 750	(11 937)	-14%	120 647
Interest		54 002	40 967	28 700	4 480	46 600	21 525	25 075	116%	40 967
Dividends		4	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(1 269 134)	(1 413 586)	(1 430 912)	(44 210)	(759 413)	(1 073 184)	(313 771)	29%	(1 413 586)
Finance charges		(4 803)	-	-	-	-	-	-		-
Transfers and Grants		(3 293)	(8 315)	-	(1 608)	(69 722)	-	69 722	#DIV/0!	(8 315)
NET CASH FROM/(USED) OPERATING ACTIVITIES		227 885	(5 725)	(130 945)	97 181	262 654	(98 209)	(360 863)	367%	(5 725)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-		-
Decrease (increase) in non-current debtors		-	560	34 000	-	(24 005)	25 500	(49 505)	-194%	560
Decrease (increase) other non-current receivables		-	33 600	201 000	-	-	150 750	(150 750)	-100%	33 600
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(178 327)	(132 447)	(243 329)	(6 041)	(66 207)	(182 497)	(116 290)	64%	(132 447)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(178 327)	(98 287)	(8 329)	(6 041)	(90 212)	(6 247)	83 965	-1344%	(98 287)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		1 619	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES		1 619	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		51 177	(104 011)	(139 275)	91 140	172 442	(104 456)			(104 011)
Cash/cash equivalents at beginning:		195 470	169 000	144 042		235 242	144 042			235 242
Cash/cash equivalents at month/year end:		246 646	64 989	4 767		407 684	39 586			131 231

The cash flow statement of the municipality reflect a positive balance of R91 million as at the end of March. The municipality does not have a bank overdraft nor loans.

6. DEBTORS AGE ANALYSIS

Description	NT Code	Budget Year 2018/19										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	16 414	4 082	2 395	1 469	1 593	1 565	1 993	56 184	85 696	62 804	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	39 472	11 559	8 826	6 928	9 394	3 387	3 423	55 542	138 529	78 673	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	10 375	4 774	4 002	3 520	3 437	3 164	2 294	39 739	71 305	52 154	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	4 649	2 577	1 467	1 163	1 313	1 444	979	32 498	46 089	37 397	-	-
Receivables from Exchange Transactions - Waste Management	1600	4 244	2 225	1 364	1 168	1 197	1 178	952	25 297	37 625	29 792	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	32	11	4	3	8	16	2	62	139	91	-	-
Interest on Arrear Debtor Accounts	1810	3 543	3 531	3 411	3 224	3 782	3 954	2 835	47 639	71 918	61 434	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	(10 615)	3 226	2 294	1 773	2 753	3 562	1 240	41 852	46 085	51 180	-	-
Total By Income Source	2000	68 113	31 986	23 764	19 248	23 477	18 270	13 718	298 812	497 386	373 523	-	-
2017/18 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	10 646	7 169	4 198	2 323	1 740	1 572	1 459	15 410	44 517	22 505	-	-
Commercial	2300	21 896	2 091	1 741	1 258	1 390	1 583	1 168	31 657	62 784	37 056	-	-
Households	2400	36 298	22 719	17 819	15 660	20 341	15 108	11 085	251 637	390 668	313 831	-	-
Other	2500	(727)	7	7	7	6	6	6	107	(582)	132	-	-
Total By Customer Group	2600	68 113	31 986	23 764	19 248	23 477	18 270	13 718	298 812	497 386	373 523	-	-

Total outstanding debtors as at the end of March amounted R497 million, of which R373 million is owed for more than 90 days. Of the total debt outstanding households account for the most outstanding amount at R390 million, whereas organs of state account for R44 million. Businesses constitute R62 million of the total outstanding debt.

6.1 Comparison of amounts outstanding on Government accounts for the last three months (at date of levying) – (Ageing analysis is attached as 2.3 Annexure)

Department	Balance January 2019	Balance February 2019	Balance March 2019
Department of Transport	839 624	977 244	843 364
Public Works Provincial	3 377 446	3 482 522	3 692 880
National Housing Board	78 422	73 212	92 642
Department of Agriculture	-59 031	85 373	109 093
Department of Education & Schools	9 746 744	9 140 547	10 632 368
North West University	4 620 724	6 198 863	6 952 860
Telecommunication and Postage	374 075	533 532	696 814
Department of Health	1 751 030	2 887 675	2 272 532
Public Works National	19 697 443	15 978 305	18 615 210
Rural Development and Land Reform	7 704 969	4 695 986	76 905
Department of Water Affairs	-121 099	-114 184	207 353
RSA	315 194	317 680	320 168
Provincial Social Development	27 914	60 090	-4112
SANRAL	13 469	13 607	8 690
TOTAL(Nett)	39 808 299	44 558 820	44 516 767

7. CREDITORS

Description R thousands	NT Code	Budget Year 2018/19									Prior year totals for chart (same period)	
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total		
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100	39 861	4 133	-	-	-	-	-	-	-	43 994	
Bulk Water	0200	179	522	179	23	-	-	-	-	-	904	
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-	
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-	
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-	
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-	
Trade Creditors	0700	56	81	1	876	-	-	-	-	-	1 015	
Auditor General	0800	-	233	726	-	-	-	-	-	-	959	
Other	0900	-	-	-	-	-	-	-	-	-	-	
Total By Customer Type	1000	40 097	4 969	907	899	-	-	-	-	-	46 872	-

Total outstanding creditors amounted to R46, 8 million. Most of the outstanding creditors is for electricity at R43 million followed by AGSA at R1 million.

8. LEGAL REQUIREMENT

In terms of Section 71 of the Municipal Finance Management Act, Act 56 of 2003, the Financial Report for the month ended 31 March 2019 is submitted to Council which reflects the implementation of the Budget and the Financial Position of the Municipality.

9. APPLICABLE DELEGATED POWER

9.1 Municipal Manager delegated power 48:

“To submit a statement, not later than ten(10) working days after the end of each month in the prescribed format, to the Executive Mayor and Provincial Treasury after consultation with the Chief Financial Officer, with regard to the state of Council’s budget.”

10. RECOMMENDATION

- 10.1 That cognizance be taken of the financial report for the month ending 31 Mar 2019.
- 10.2 That the report be submitted in both an electronic and hard copy format to the National and Provincial Treasury.
- 10.3 That the report for the month ending 31 March 2019 be placed on the municipal website.
- 10.4 That the report also be submitted to the Chairperson of the Municipal Public Accounts Committee (MPAC).

T MOEKETSANE
CHIEF FINANCIAL OFFICER
2019.03.14

L RALEKGETHO
MUNICIPAL MANAGER