

# Chapter 5

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

## COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

*Note: Statements of Revenue Collection Performance by vote and by source are included at **Appendix K**.*

#### 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<u>Financial Performance</u>	N/A	N/A	N/A	N/A	N/A	N/A
Property rates	–	N/A	N/A	N/A	N/A	N/A
Service charges	–	N/A	N/A	N/A	N/A	N/A

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Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Investment revenue	2 116	2 060	2 100	1 607	-28.15%	-30.64%
Transfers recognised - operational	259 627	260 552	260 552	254 077	-2.55%	-2.55%
Other own revenue	79 607	87 855	105 439	78 765	-11.54%	-33.87%
<b>Total Revenue (excluding capital transfers and contributions)</b>	341 350	350 467	368 091	334 449	-4.79%	-10.06%
Employee costs	203 125	195 574	200 307	200 807	2.61%	0.25%
Remuneration of councillors	10 284	10 580	10 934	10 709	1.21%	-2.10%
Depreciation & asset impairment	26 708	23 266	27 789	28 019	16.96%	0.82%
Finance charges	47	N/A	N/A	38	N/A	N/A
Materials and bulk purchases	-	N/A	N/A	N/A	N/A	N/A
Transfers and grants	5 038	16 013	11 145	11 145	-43.68%	0.00%
Other expenditure	109 921	104 905	114 708	111 989	6.33%	-2.43%
<b>Total Expenditure</b>	355 124	350 338	364 883	362 706	3.41%	-0.60%
<b>Surplus/(Deficit)</b>	(13 774)	130	3 208	(28 258)	100.46%	111.35%

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Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Transfers recognised - capital	N/A	N/A	–	243	100.00%	100.00%
Contributions recognised - capital & contributed assets	N/A	N/A	N/A	N/A	N/A	N/A
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(13 774)	130	3 208	(28 014)	100.46%	111.45%
Share of surplus/ (deficit) of associate	N/A	N/A	N/A	N/A	N/A	N/A
<b>Surplus/(Deficit) for the year</b>	(13 774)	130	3 208	(28 014)	100.46%	111.45%
<b><u>Capital expenditure &amp; funds sources</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Capital expenditure</b>	N/A	N/A	N/A	N/A	%	%
Transfers recognised - capital	N/A	N/A	N/A	243	%	%
Public contributions & donations	N/A	N/A	N/A	N/A	%	%
Borrowing	N/A	N/A	N/A	N/A	%	%
Internally generated funds	13 275	17 702	19 488	17 002	-4.12%	-14.62%
<b>Total sources of capital funds</b>	13 275	17 702	19 488	17 245	-2.65%	-13.01%

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Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b><u>Financial position</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
Total current assets	18 206	77 115	57 961	33 743	- 128.54%	-71.77%
Total non current assets	178 840	142 726	144 512	167 233	14.65%	13.59%
Total current liabilities	61 114	66 511	520 45	93 599	28.94%	51.37%
Total non current liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Community wealth/Equity	135 641	153 331	156 953	107 334	-42.85%	-46.23%
	N/A	N/A	N/A	N/A	N/A	N/A
<b><u>Cash flows</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
Net cash from (used) operating	7 837	-	-	25 404	100.00%	100.00%
Net cash from (used) investing	(13 882)	-	-	(17 080)	100.00%	100.00%
Net cash from (used) financing	469	-	-	(264)	N/A	N/A
<b>Cash/cash equivalents at the year end</b>	6 916	33 125	13 971	14 976	-	6.71%

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Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
					121.19%	
<b><u>Cash backing/surplus reconciliation</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
Cash and investments available	6 916	33 125	13 971	14 976	- 121.19%	6.71%
Application of cash and investments	-	-	-	-	N/A	N/A
<b>Balance - surplus (shortfall)</b>	6 916	33 125	13 971	14 976	- 121.19%	6.71%
<b><u>Asset management</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
Asset register summary (WDV)	178 840	142 726	144 512	167 233	14.65%	13.59%
Depreciation & asset impairment	26 708	23 266	27 789	28 019	16.96%	0.82%
Renewal of Existing Assets	-	-	-	-	N/A	N/A
Repairs and Maintenance	4 814	4 496	4 420	4 316	-4.17%	-2.40%
<b><u>Free services</u></b>	N/A	N/A	N/A	N/A	N/A	N/A
Cost of Free Basic Services provided	N/A	N/A	N/A	N/A	%	%
Revenue cost of free services provided	N/A	N/A	N/A	N/A	%	%

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Financial Summary						
R' 000						
Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<u>Households below minimum service level</u>	N/A	N/A	N/A	N/A	N/A	N/A
Water:	N/A	N/A	N/A	N/A	%	%
Sanitation/sewerage:	N/A	N/A	N/A	N/A	%	%
Energy:	N/A	N/A	N/A	N/A	%	%
Refuse:	N/A	N/A	N/A	N/A	%	%
<p><i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1</i></p>						

Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<u>Operating Cost</u>	N/A	N/A	N/A	N/A	N/A	N/A
Water	N/A	N/A	N/A	N/A	N/A	N/A

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Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Waste Water (Sanitation)	N/A	N/A	N/A	N/A	N/A	N/A
Electricity	N/A	N/A	N/A	N/A	N/A	N/A
Waste Management	N/A	N/A	N/A	N/A	N/A	N/A
Housing tranfers	1 895	2 034	2 025	2 027	-0.34%	0.11%
Component A: sub-total	1 895	2 034	2 025	2 027	-0.34%	0.11%
Waste Water (Storm-water Drainage)	N/A	N/A	N/A	N/A	N/A	N/A
Roads	N/A	N/A	N/A	N/A	N/A	N/A
Transport	(13 954)	(16 864)	(16 066)	(9 168)	-83.95%	-75.24%
Component B: sub-total	(13 954)	(16 864)	(16 066)	(9 168)	-83.95%	-75.24%
Planning	N/A	N/A	N/A	N/A	N/A	N/A
Local Economic Development	N/A	N/A	N/A	N/A	N/A	N/A
Component B: sub-total	-	-	-	-	N/A	N/A
Planning (Strategic &	15 061	18 393	13 585	21 781	15.55%	37.63%

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Financial Performance of Operational Services						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Regulatory)						
Local Economic Development	N/A	N/A	N/A	N/A	N/A	N/A
Component C: sub-total	15 061	18 393	13 585	21 781	15.55%	37.63%
Community & Social Services	28 579	42 080	41 304	40 422	-4.10%	-2.18%
Environmental Protection	18 282	21 498	22 322	20 737	-3.67%	-7.64%
Health	N/A	N/A	N/A	N/A	N/A	N/A
Security and Safety	10 792	12 392	12 384	12 205	-1.53%	-1.47%
Sport and Recreation	N/A	N/A	N/A	N/A	N/A	N/A
Corporate Policy Offices and Other	(46 882)	(79 713)	(78 831)	(59 989)	-32.88%	-31.41%
Component D: sub-total	10 772	(3 744)	(2 822)	13 374	127.99%	121.10%
<b>Total Expenditure</b>	<b>13 774</b>	<b>(180)</b>	<b>(3 278)</b>	<b>28 014</b>	<b>100.64%</b>	<b>111.70%</b>
<p>In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</p>						



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## COMMENT ON FINANCIAL PERFORMANCE:

The variance related of 31.41% within Corporate Policy Offices and Other is as a result of anticipated revenue from the Department of Health not realising created a variance in under collection of revenue. The temporarily closure of the testing stations at Vereeniging and Vanderbijlpark further resulted in under collection of revenue which relates to Transport and Infrastructure (75.24%). The Planning department are dealing with the NDPG project and have requested a roll-over of the grant which resulted in an unspent conditional grant not yet utilized and therefore the amount cannot be shown as revenue until the conditions are met. The net effect is a variance of 37.63%.

## 5.2 GRANTS

Grant Performance						
R' 000						
Description	Year -1	Year 0		Year 0 Variance		
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>231 638</b>	<b>253 150</b>	<b>253 150</b>	<b>238 952</b>	<b>-5,94%</b>	<b>-5,94%</b>
Equitable share						
Municipal Systems Improvement	1 500	890	890	703	-26,54%	-26,54%
Department of Water Affairs						
Levy replacement	226 009	232 785	232 785	232 785	0,00%	0,00%
Other transfers/grants NDPG	2 880	18 225	18 225	4 213	-332,63%	-332,63%
Other transfers/grants FMG	1 249	1 250	1 250	1 251	0,07%	0,07%
<b>Provincial Government:</b>	<b>27 772</b>	<b>7 372</b>	<b>7 372</b>	<b>10 735</b>	<b>31,32%</b>	<b>31,32%</b>
Health subsidy						
Housing						
Ambulance subsidy	18 215	-	-	-		
Sports and Recreation						
MSP	359					
EPWP grant	34	1 000	1 000	1 000	0,01%	0,01%
LED grant				1 418	100,00%	100,00%
Other transfers / Grants	1 472			380	100,00%	100,00%
HIV & AIDS grant	7 692	6 372	6 372	7 936	19,71%	19,71%
<b>District Municipality:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<i>[insert description]</i>						
<b>Other grant providers:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total Operating Transfers and Grants</b>	<b>259 410</b>	<b>260 522</b>	<b>260 522</b>	<b>249 686</b>	<b>-4,34%</b>	<b>-4,34%</b>

*Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.*

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## COMMENT ON OPERATING TRANSFERS AND GRANTS:

Note: For Municipal Infrastructure Grant (MIG) see T5.8.3. For other conditional transfers including Neighborhood Development Partnership Grant (NDPG); Public Transport Infrastructure and Systems Grant (PITS) see **Appendix L**.

The municipality receive an RSC replacement levy which are utilize in totality for operational purposes. The only major grant received is the NDPG whereby the municipality has requested a roll-over of funds due to difficulties experience during the tender processes as a result of complexity.

During the previous year The HIV and AIDS grant was only received in June and therefore the spending in the current year has exceeded the amount received in the 2013/14 financial year.

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant Year -1	Actual Grant Year 0	Year 0 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals</b>						
A -Lotto Sport	217137	4390228	0	20141231	0	Upgrading of Lesedi sports fields
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Not Applicable</b>						
<b>Foreign Governments/Development Aid Agencies</b>						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Private Sector / Organisations</b>						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Not Applicable</b>						
<i>Provide a comprehensive response to this schedule</i>						3

## COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

Grants and subsidies received have been lower in past years which contribute further to the deficit counter. Revenue from the equitable share apportionment of the National Fiscus has also increased at a lower rate than the CPI rate which has had a direct impact on operational deficit. Use this box to

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provide additional information on grant benefits or conditions and reason for acceptance. Please also provide comments on grant surrendered to the National Revenue Fund with reasons that led to this.

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

Council abides by the generally accepted principals and objectives of asset management in order:-

- to safeguard fixed assets of SDM and to ensure the effective use of the existing resources
- to emphasize a culture of accountability over fixed assets;
- to ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation; and
- to provide a formal set of financial procedures that can be implemented to ensure that SDM's financial asset policies are achieved and are in compliance with the MFMA and statements of GRAP.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0				
Asset 1				
Name	Fibre optic-External network			
Description	Optic Fibre network for the district for Information Technology			
Asset Type	Computer Hardware (Own Assets)			
Key Staff Involved	Information Management Department			
Staff Responsibilities				
	2010/11	2011/12	2012/13	2013/14
Asset Value	5 260 690	9 654 420	10 939 687	12 391 429
Capital Implications				
Future Purpose of Asset	IT Communication			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management- , IT policies			
Asset 2				
Name	CCTV expansion project			
Description	Installing of CCTV cameras for combating of crime in the District			
Asset Type	Community assets (Security Systems)			
Key Staff Involved	Community Services Department			
Staff Responsibilities				
	2010/11	2011/12	2012/13	2013/14
Asset Value	15 799 637	2 999 999	0	1 262 079
Capital Implications				
Future Purpose of Asset	Security			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management policy			

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Asset 3				
Name	Internal Networks			
Description	Labelling of Council buildings to link IT network with different servers and hubs.			
Asset Type	Computer Hardware (Own Assets)			
Key Staff Involved	Information Management Department			
Staff Responsibilities				
	2010/11	2011/12	2012/13	2013/14
Asset Value	822 282	646 901	300 854	845 892
Capital Implications				
Future Purpose of Asset	IT Communication			
Describe Key Issues				
Policies in Place to Manage Asset	Asset Management- , IT policies			

## COMMENT ON ASSET MANAGEMENT:

Asset Management is a key enabler in providing the framework in which Council's processes and procedures are governed in accordance with prescribed legislative requirements.

More specifically, policy for the Sedibeng District Municipality (SDM) is guided by the legislative requirements as laid out in:

- The Municipal Finance Management Act (MFMA), Act No. 56 of 2003,
- Treasury Regulations for municipalities and municipal entities, issued in terms of the Municipal Finance Management Act No. 56 of 2003.
- Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board (ASB).

Asset Management further serves to provide all stakeholders with the appropriate guidance as to the rules and requirements across relevant operating processes and procedures. It also ensures:

- Consistency in application and implementation
- Procedural excellence; and
- Minimised risk exposure to noncompliance issues.

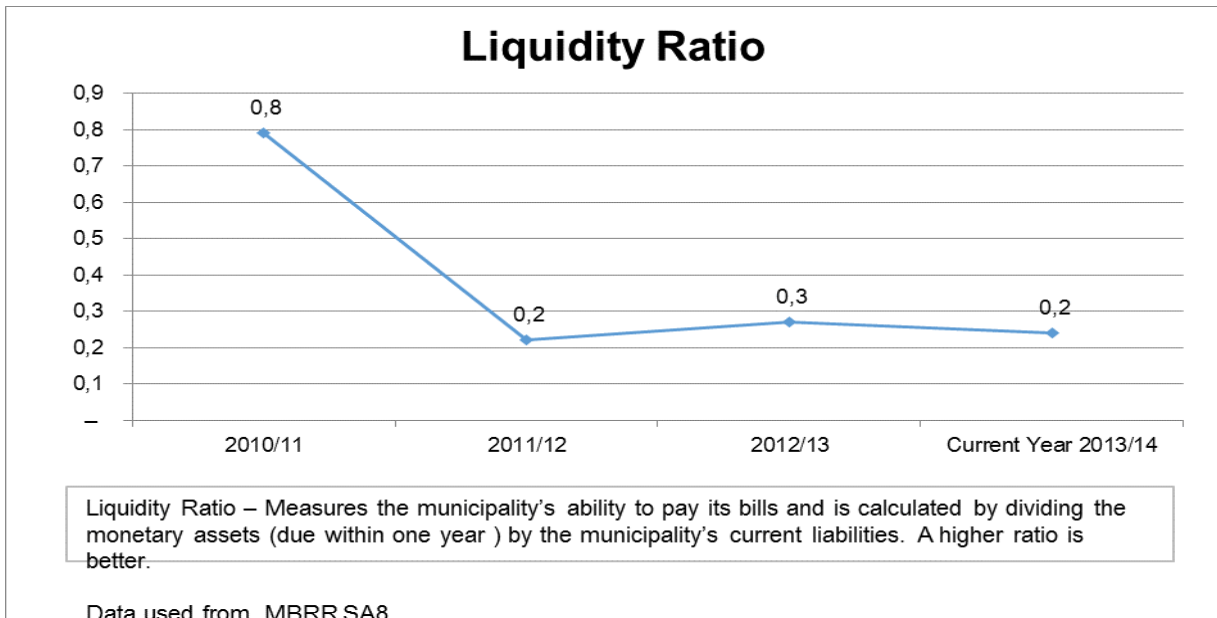
These objectives provide an overarching governance framework to assist management and employees of SDM in implementing and maintaining consistent, effective and efficient asset management principles.

Repair and Maintenance Expenditure: Year 0				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	4 496	4 420	4 316	4%

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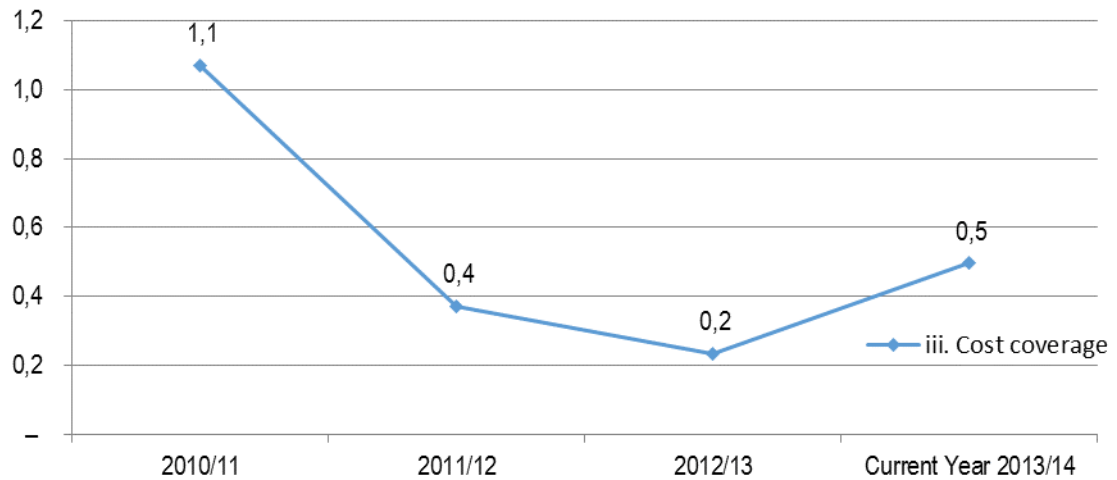
The municipality do not have infrastructure assets and therefore the amount spent relates to building and equipment maintenance.

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



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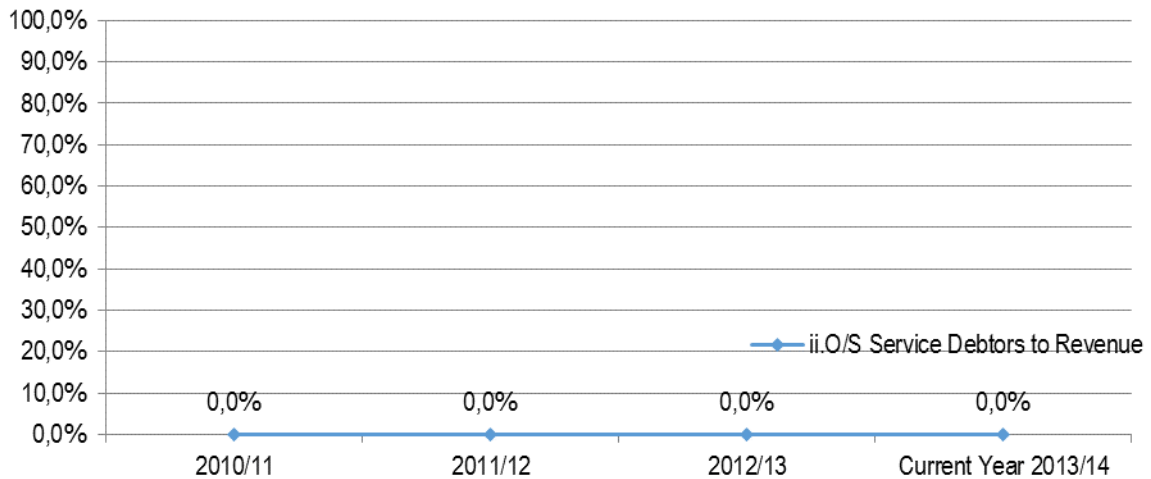
## Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

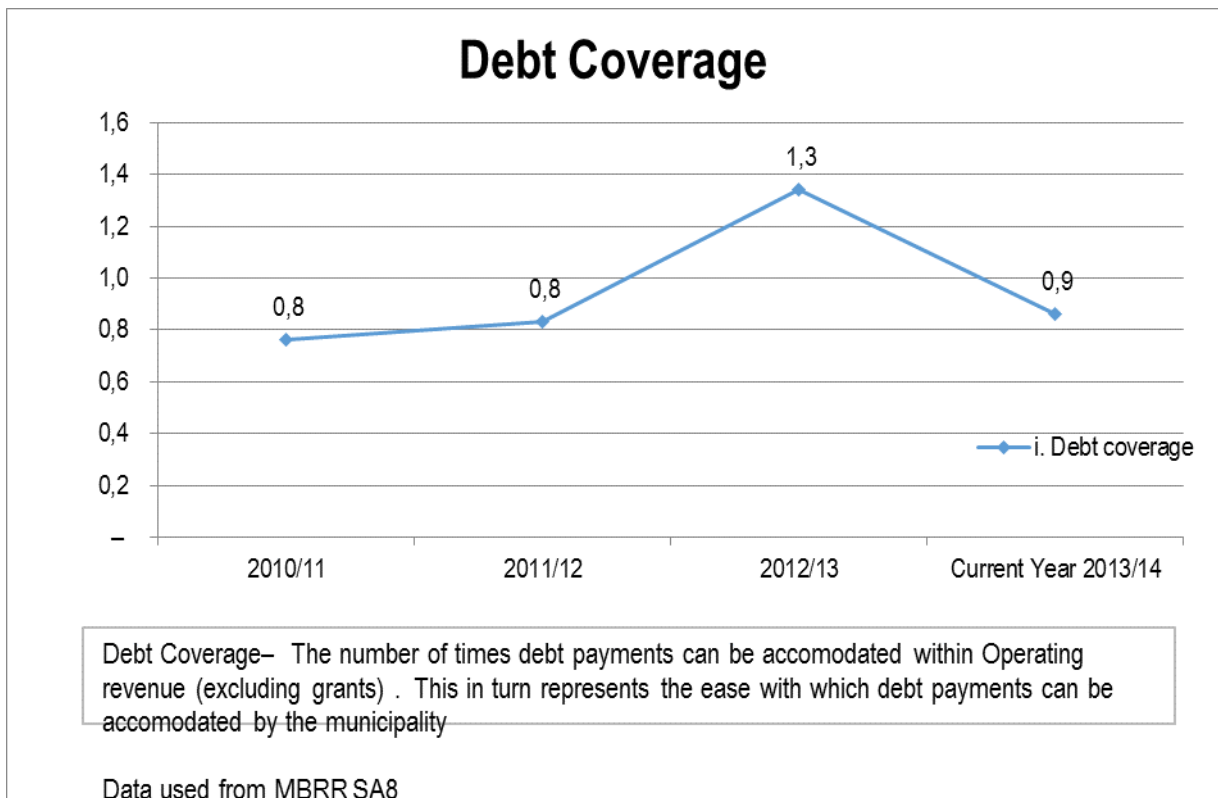
## Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

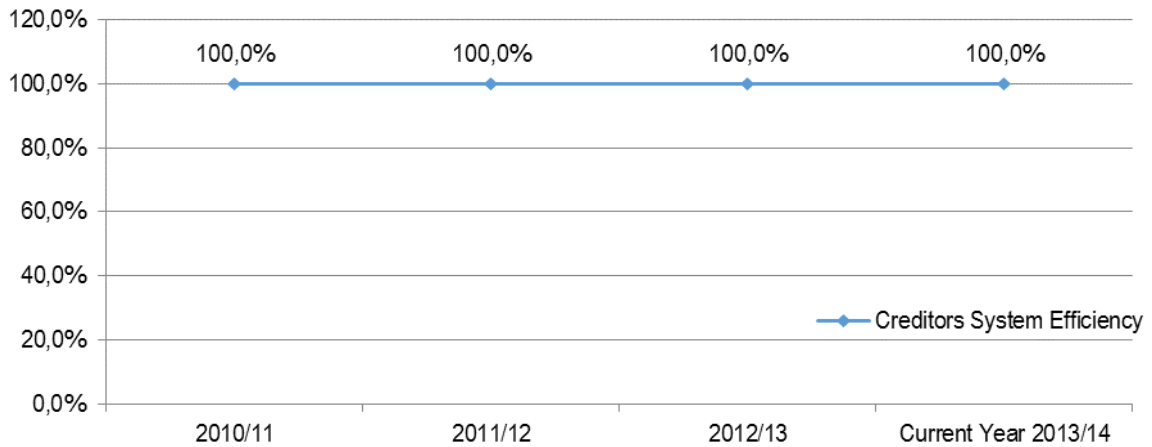
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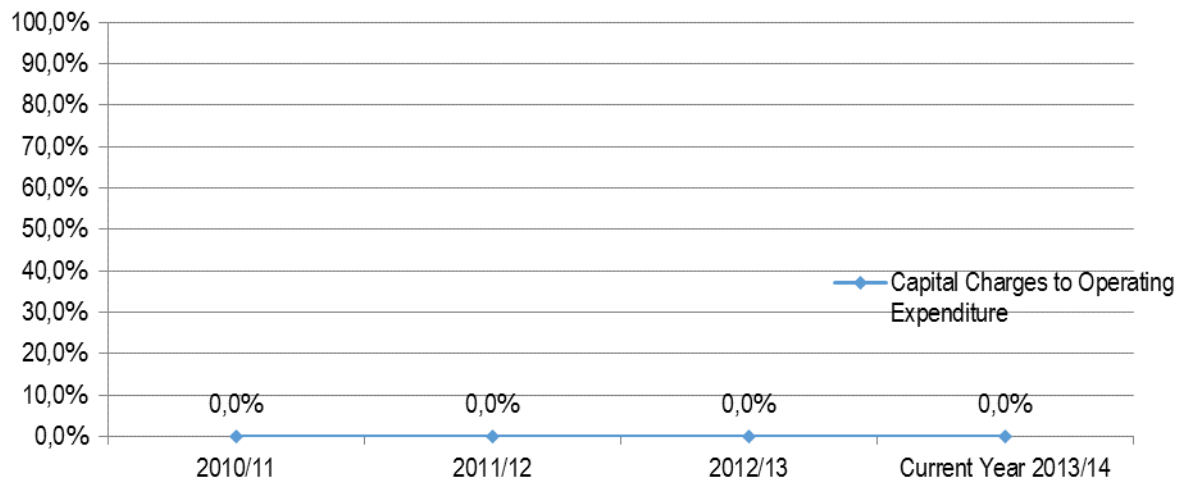
## Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

## Capital Charges to Operating Expenditure

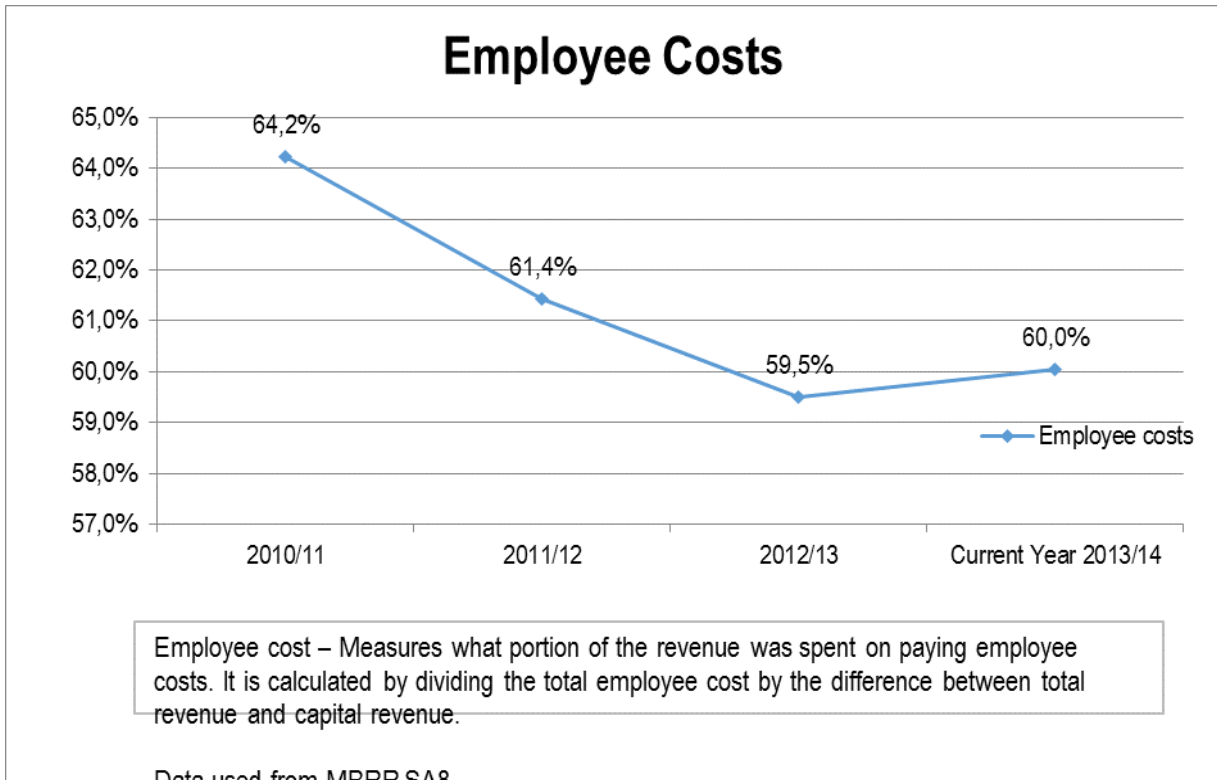


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

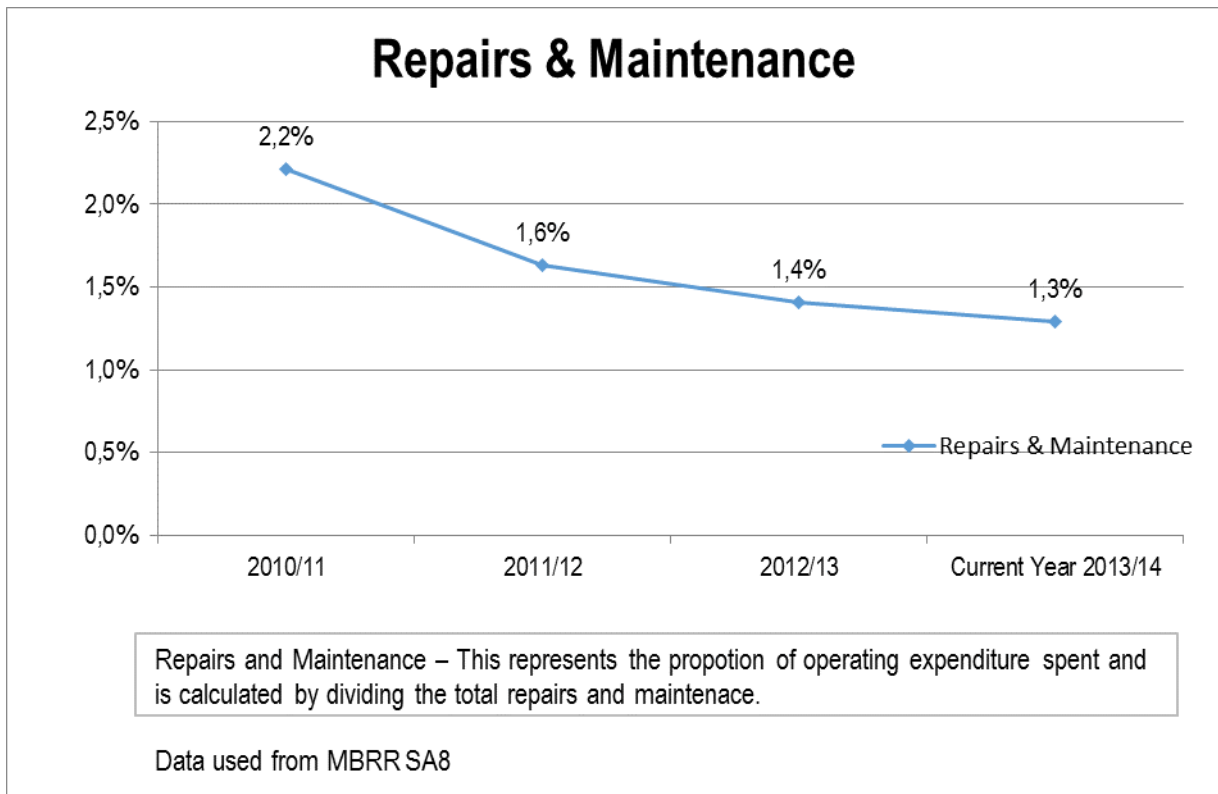
Data used from MBRR SA8



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#### COMMENT ON FINANCIAL RATIOS:

The uniform financial ratios and norms as prescribed by National Treasury indicate the following areas which need to be addressed:

1. Cash flow needs to improve as the current liabilities exceeds the current assets. This is having an impact on the liquidity of the municipality.
2. Repair and Maintenance on fixed assets are below the threshold and adjustments need to be made to prevent deteriorating assets.
3. Revenue growth is below the CPI which indicate that less can be spent on the same functions to be rendered. This imply a reduction in service.
4. Employee related cost is above the norm set by National Treasury and steps need to be taken to reduce this level.
5. Fixed assets are impaired at a higher rate than renewing or replacing assets which indicate a reduction in fixed assets.

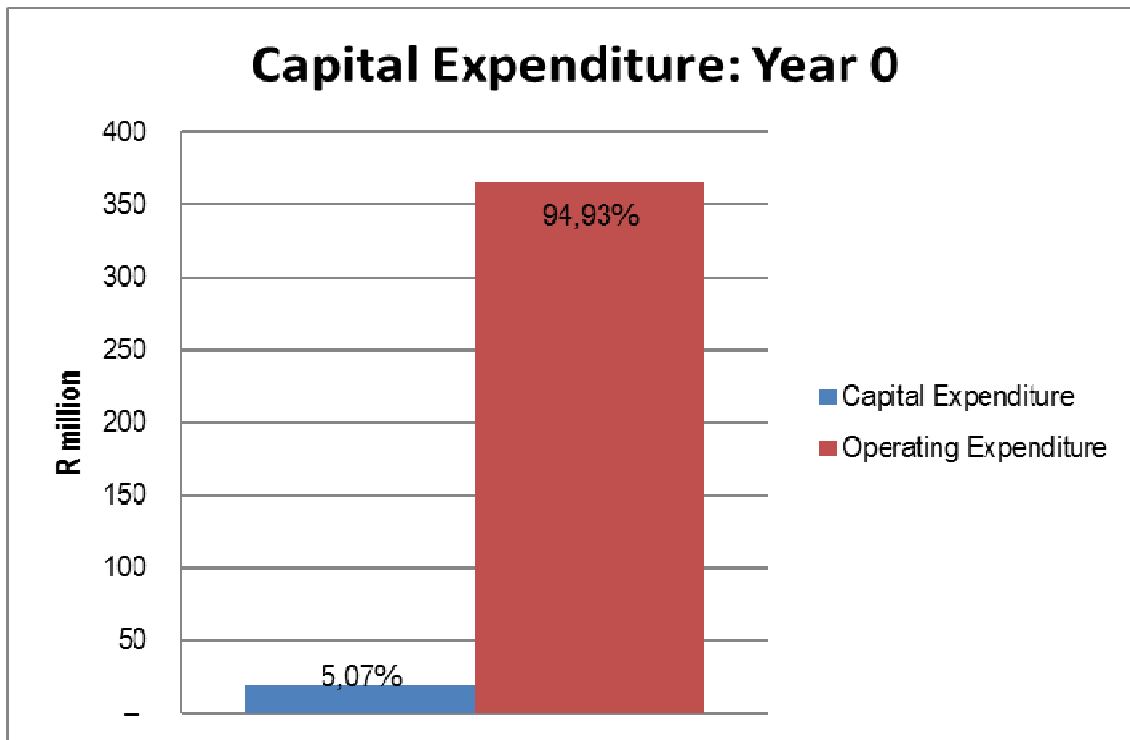
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## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Highlight the 5 largest projects (see T5.7.1) and indicate what portion of the capital budget they use. In the introduction briefly refer to these key aspects of capital expenditure (usually relating to new works and renewal projects) and to **Appendices M** (relating to the new works and renewal programmes), **N** (relating to the full programme of full capital projects, and **O** (relating to the alignment of projects to wards).

### 5.5 CAPITAL EXPENDITURE



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R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	18	19	17	2,6%	11,5%
	<b>18</b>	<b>19</b>	<b>17</b>	2,6%	11,5%
Operating Expenditure	350	365	363	-3,5%	0,6%
	<b>350</b>	<b>365</b>	<b>363</b>	-3,5%	0,6%
<b>Total expenditure</b>	<b>368</b>	<b>384</b>	<b>380</b>	-3,2%	1,2%
Water and sanitation					
Electricity					
Housing					
Roads, Pavements, Bridges and storm water					
Other					
	<b>-</b>	<b>-</b>	<b>-</b>		
External Loans					
Internal contributions	18	19	17	4,0%	12,8%
Grants and subsidies	-	-	0		
Other					
	<b>18</b>	<b>19</b>	<b>17</b>	2,6%	11,5%
External Loans					
Grants and subsidies					
Investments Redeemed	<b>Not Applicable</b>				
Statutory Receipts (including VAT)					
Other Receipts					
	<b>-</b>	<b>-</b>	<b>-</b>		
Salaries, wages and allowances					
Cash and creditor payments					
Capital payments					
Investments made	<b>Not Applicable</b>				
External loans repaid					
Statutory Payments (including VAT)					
Other payments					
	<b>-</b>	<b>-</b>	<b>-</b>		
Property rates	-	-	-		
Service charges	-	-	-		
Other own revenue	82	90	107	-31,1%	-19,0%
				-31,1%	-19,0%

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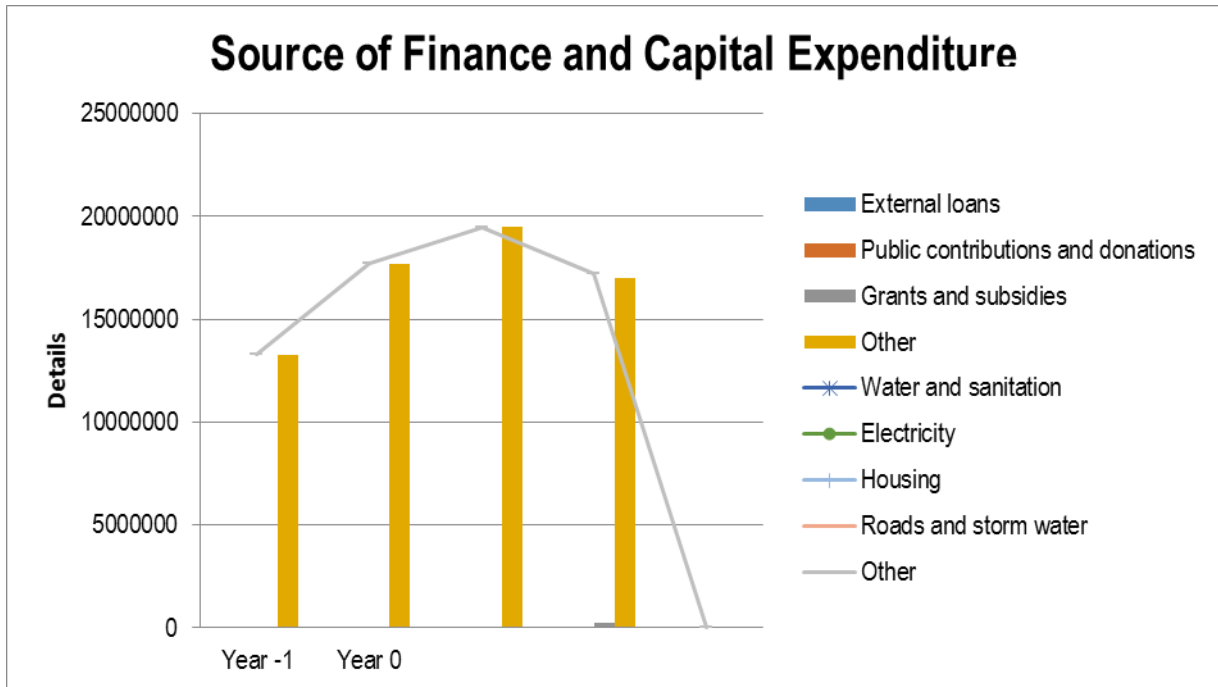
R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
	82	90	107		
Employee related costs	206	211	212	-2,6%	-0,1%
Provision for working capital					
Repairs and maintenance	4	4	4	4,0%	2,3%
Bulk purchases					
Other expenditure	140	149	147	-5,1%	1,6%
	350	365	363	-3,5%	0,6%
Service charges: Electricity					
Grants & subsidies: Electricity					
Other revenue: Electricity					
	-	-	-		
Employee related costs: Electricity					
Provision for working capital: Electricity					
Repairs and maintenance: Electricity					
Bulk purchases: Electricity					
Other expenditure: Electricity					
	-	-	-		
Service charges: Water					
Grants & subsidies: Water	<b>Not Applicable</b>				
Other revenue: Water					
	-	-	-		
Employee related costs: Water					
Provision for working capital: Water					
Repairs and maintenance: Water	<b>Not Applicable</b>				
Bulk purchases: Water					
Other expenditure: Water					
	-	-	-		

# Chapter 5

## 5.6 SOURCES OF FINANCE

Capital Expenditure - Funding Sources: Year -1 to Year 0							
							R' 000
Details	Year -1	Year 0					
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)	
<b>Source of finance</b>							
	External loans	Not Applicable					
	Public contributions and donations						
	Grants and subsidies		0	0	243153		
	Other	13275079	17702113	19488278	17002075	10,09%	-3,95%
<b>Total</b>		<b>13275079</b>	<b>17702113</b>	<b>19488278</b>	<b>17245228</b>	<b>10,09%</b>	<b>-3,95%</b>
<b>Percentage of finance</b>							
	External loans	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Public contributions and donations	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Grants and subsidies	0,0%	0,0%	0,0%	1,4%	0,0%	0,0%
	Other	100,0%	100,0%	100,0%	98,6%	100,0%	100,0%
<b>Capital expenditure</b>							
	Water and sanitation	Not Applicable					
	Electricity						
	Housing						
	Roads and storm water						
	Other	13275079	17702113	19488278	17245228	10,09%	-2,58%
<b>Total</b>		<b>13275079</b>	<b>17702113</b>	<b>19488278</b>	<b>17245228</b>	<b>10,09%</b>	<b>-2,58%</b>
<b>Percentage of expenditure</b>							
	Water and sanitation	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Electricity	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Housing	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Roads and storm water	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
	Other	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

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#### COMMENT ON SOURCES OF FUNDING:

Explain any variations from the approved budget of more than 10% and discuss the total capital expenditure as a viable proportion of total expenditure.

#### 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

R' 000					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Optic Fibre Project	7 200 000	12 200 000	12 391 429	-72%	-69%
B - Internal Network	948 000	948 000	845 893	11%	0%
C -CCTV	1 300 000	1 300 000	1 262 079	3%	0%
D - Name of Project					
E - Name of Project					
<i>* Projects with the highest capital expenditure in Year 0</i>					
<b>Name of Project - A</b>					
Objective of Project	External Networking				
Delays					
Future Challenges	None				

# Chapter 5

R' 000					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Anticipated citizen benefits	IT Communication				
<b>Name of Project - B</b>					
Objective of Project	Internal IT Networking				
Delays					
Future Challenges	None				
Anticipated citizen benefits	Internal IT connectivity				
<b>Name of Project - C</b>					
Objective of Project	Installing of CCTV cameras for combatting of crime in the District				
Delays					
Future Challenges	None				
Anticipated citizen benefits	Combatting crime				
<b>Name of Project - D</b>					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					
<b>Name of Project - E</b>					
Objective of Project					
Delays					
Future Challenges					
Anticipated citizen benefits					

## COMMENT ON CAPITAL PROJECTS:

Provide information in the template above on the 5 largest projects, ranked according to their approved budget provision year 0. Comment on the variance between the original and adjustment budgets and on availability of future Budget provision to operate the projects and lessons learnt in the year about capital project implementation on time to budget.

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Explain that need and cost of backlogs are the result of migration into an area; migration out of an area; the trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure. Explain how this balance effects net demand in your municipality and how your municipality is responding to the challenges created.



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Service Backlogs as at 30 June Year 0				
	Households (HHs)			
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	n/a	%		%
Sanitation	n/a	%		%
Electricity	n/a	%		%
Waste management	n/a	%		%
Housing	n/a	%		%

% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to \* formal and \*\* informal settlements.

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
<b>Infrastructure - Road transport</b>				%	%	
<i>Roads, Pavements &amp; Bridges</i>				%	%	
<i>Storm water</i>				%	%	
<b>Infrastructure - Electricity</b>				%	%	
<i>Generation</i>				%	%	
<i>Transmission &amp; Reticulation</i>				%	%	
<i>Street Lighting</i>				%	%	
<b>Infrastructure - Water</b>				%	%	
<i>Dams &amp; Reservoirs</i>				%	%	
<i>Water purification</i>				%	%	
<i>Reticulation</i>				%	%	
<b>Infrastructure - Sanitation</b>				%	%	
<i>Reticulation</i>				%	%	
<i>Sewerage purification</i>				%	%	
<b>Infrastructure - Other</b>				%	%	
<i>Waste Management</i>				%	%	
<i>Transportation</i>				%	%	
<i>Gas</i>				%	%	
<b>Other Specify:</b>				%	%	
				%	%	
				%	%	
				%	%	
<b>Total</b>				%	%	

# Chapter 5

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
<p>* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.</p>						

**COMMENT ON BACKLOGS:**

Comment on how MIG grants have been utilized to redress the backlogs and on the variances in T 5.8.3. If appropriate, comment that **Appendix P** contains details of schools and clinics that have been established that do not have ready access to one or more basic services and **Appendix Q** contains details of those services provided by other spheres of government (whether the municipality is involved on an agency basis or not) that carry significant backlogs.

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

**INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS**

Give a brief comment on the importance of cash flow management. Refer to the scope of this activity as indicated in this component and what you regard as the key management features of your municipality's approach. Refer to any other cash flow issues of current relevance to your municipality that are not adequately provided for in the format of this component.

### 5.9 CASH FLOW

Cash Flow Outcomes					R'000
Description	Year -1	Current: Year 0			
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Ratepayers and other	227 738	87 955	105 579	218 942	

# Chapter 5

Cash Flow Outcomes				
R'000				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
Government - operating	256 658	260 552	260 552	260 905
Government - capital				
Interest	2 116	2 060	2 100	1 607
Dividends				
<b>Payments</b>				
Suppliers and employees	(478 895)	(327 122)	(340 217)	(456 314)
Finance charges				
Transfers and Grants				
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>7 617</b>	<b>23 445</b>	<b>28 014</b>	<b>25 140</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	82			165
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
<b>Payments</b>				
Capital assets	(13 275)	(17 702)	(19 488)	(17 245)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(13 193)</b>	<b>(17 702)</b>	<b>(19 488)</b>	<b>(17 080)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
<b>Payments</b>				
Repayment of borrowing				
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(5 576)</b>	<b>5 743</b>	<b>8 525</b>	<b>8 060</b>
Cash/cash equivalents at the year begin:	<b>12 492</b>	<b>6 916</b>	<b>6 916</b>	<b>6 916</b>
Cash/cash equivalents at the year end:	<b>6 916</b>	<b>12 659</b>	<b>15 441</b>	<b>14 976</b>

Source: MBRR A7

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## COMMENT ON CASH FLOW OUTCOMES:

A reduction in revenue collected versus anticipated had a negative impact on the cash flow. There are however a net increase in cash in comparison with the previous financial year as a result of cost containment measures implemented

# Chapter 5

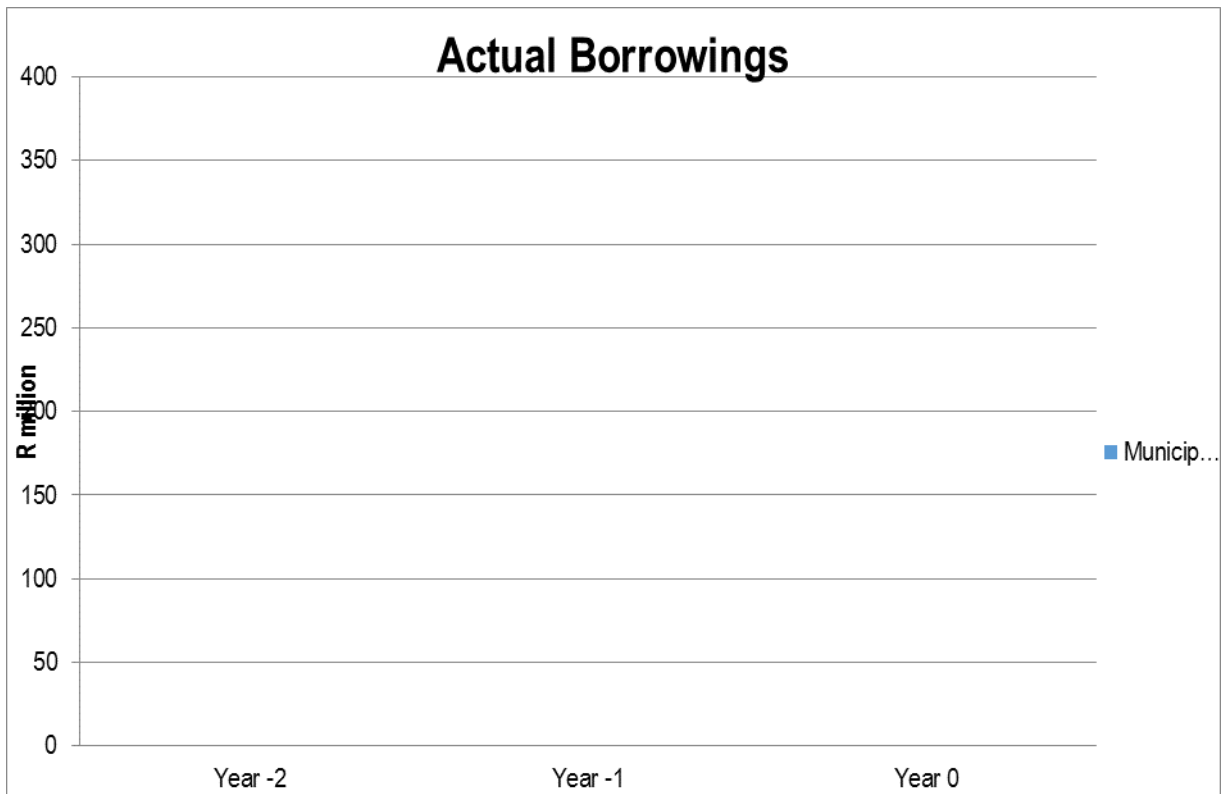
## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

Explain briefly the relevance of borrowing and investments to you municipality with reference to the tables below and your municipality's requirements in the year. Information may be sourced from **table SA3 AND SA15 in the MBRR**.

Actual Borrowings: Year -2 to Year 0			
			R' 000
Instrument	Year -2	Year -1	Year 0
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	n/a	n/a	n/a
Long-Term Loans (non-annuity)	n/a	n/a	n/a
Local registered stock	n/a	n/a	n/a
Instalment Credit	<b>Not Applicable</b>		
Financial Leases	n/a	n/a	n/a
PPP liabilities	n/a	n/a	n/a
Finance Granted By Cap Equipment Supplier	n/a	n/a	n/a
Marketable Bonds	n/a	n/a	n/a
Non-Marketable Bonds	n/a	n/a	n/a
Bankers Acceptances	n/a	n/a	n/a
Financial derivatives	<b>Not applicable</b>		
Other Securities	n/a	n/a	n/a
<b>Municipality Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)	n/a	n/a	n/a
Long-Term Loans (non-annuity)	n/a	n/a	n/a
Local registered stock	n/a	n/a	n/a
Instalment Credit	<b>Not applicable</b>		
Financial Leases	n/a	n/a	n/a
PPP liabilities	n/a	n/a	n/a
Finance Granted By Cap Equipment Supplier	n/a	n/a	n/a
Marketable Bonds	n/a	n/a	n/a
Non-Marketable Bonds	n/a	n/a	n/a
Bankers Acceptances	n/a	n/a	n/a
Financial derivatives	n/a	n/a	n/a
Other Securities	n/a	n/a	n/a
<b>Entities Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Chapter 5



Municipal and Entity Investments			
			R' 000
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government	n/a	n/a	n/a
Listed Corporate Bonds	n/a	n/a	n/a
Deposits - Bank	n/a	n/a	n/a
Deposits - Public Investment Commissioners	n/a	n/a	n/a
Deposits - Corporation for Public Deposits	n/a	n/a	n/a
Bankers Acceptance Certificates	n/a	n/a	n/a
Negotiable Certificates of Deposit - Banks	n/a	n/a	n/a
Guaranteed Endowment Policies (sinking)	n/a	n/a	n/a
Repurchase Agreements - Banks	n/a	n/a	n/a
Municipal Bonds	n/a	n/a	n/a
Other	n/a	n/a	n/a
<b>Municipality sub-total</b>	0	0	0
<b>Municipal Entities</b>			
Securities - National Government	n/a	n/a	n/a

# Chapter 5

Municipal and Entity Investments			
			R' 000
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
Listed Corporate Bonds	n/a	n/a	n/a
Deposits - Bank	n/a	n/a	n/a
Deposits - Public Investment Commissioners	n/a	n/a	n/a
Deposits - Corporation for Public Deposits	n/a	n/a	n/a
Bankers Acceptance Certificates	n/a	n/a	n/a
Negotiable Certificates of Deposit - Banks	n/a	n/a	n/a
Guaranteed Endowment Policies (sinking)	n/a	n/a	n/a
Repurchase Agreements - Banks	n/a	n/a	n/a
Other	n/a	n/a	n/a
<b>Entities sub-total</b>	0	0	0
<b>Consolidated total:</b>	0	0	0

## COMMENT ON BORROWING AND INVESTMENTS:

Make clarifying comments on the above tables as necessary. All investments whether in the form of loans (in cash or kind) made by the municipality but not to one or more of the organizations set out above and all grants (in cash or kind) made to any form of organization **must** be set out in full at **Appendix R**.

## 5.11 PUBLIC PRIVATE PARTNERSHIPS

### PUBLIC PRIVATE PARTNERSHIPS

Provide overview of agreements, contracts and projects undertaken during the year through PPP's – Refer to further details of PPP details **Appendix H. Table SA3 (MBRR)** may also be used to gain information on PPP's.

## COMPONENT D: OTHER FINANCIAL MATTERS

## 5.12 SUPPLY CHAIN MANAGEMENT

### SUPPLY CHAIN MANAGEMENT

The Council has developed its policy in line with the Municipal Supply Chain Management Regulations and MFMA circulars issued by National Treasury.

# Chapter 5

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The municipality has developed and established the supplier database. SDM issued an advert inviting companies owned by people with disabilities to also register on the supplier database for specific commodities.

The Bid Committees were established and are fully functional, namely Bid Specification Committee, Bid Evaluation Committee; and Bid Adjudication Committee. There are currently no challenges with the functioning of bid committees.

The municipality has developed an annual procurement plan for 2012/2013 and 2013/2014 financial years, and all procurement requirements are measured against the plan.

SCM initiated the recruitment of the Assistant Manager: Demand and Acquisition and Committee Officer to be filled in the new financial year.

National Treasury has issued Guidelines for Municipal Competency Levels for Heads of Supply Chain Management and Supply Chain Management; these guidelines have been issued in terms of Municipal Regulations on Minimum Competency Levels.

The Director: Supply Chain Management, Assistant Manager: Demand and Acquisition Management and Supply Chain Management Specialist: Logistics Management comply with these minimum competency levels. All other five officials will be enrolled with the South African Institute of Chartered Accountants for this programme.

The Executive Mayor provided general political guidance over the fiscal and financial affairs of the SDM. There are no Councillors serving as members of any bid committees or who participate in the supply chain management processes at Sedibeng District Municipality.

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## 5.13 GRAP COMPLIANCE

### **GRAP COMPLIANCE**

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The annual financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practices (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. Accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner to assure meeting all financial and control responsibilities as prescribed.