

CHAPTER 5: FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Financial Summary						
Description	2015/16 Actual	2016/17			2016/17 Variance to actual (%)	
Financial Performance		Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R	R	R	R	%	%
Rental of facilities and Equipment	137,963	120,739	120,739	133,565	111.00%	111.00%
Licenses and permits	4,265,710	5,154,289	5,154,289	5,152,061	100.00%	100.00%
Profit on sale of assets	42,705			1,019,832	0.00%	0.00%
Actuarial Gain	310,000			415,377	0.00%	0.00%
Other income	811,095	210,000	74,000	785,629	374.00%	1062%
Interest received - investment	8,940,172	12,224,527	10,224,527	9,891,055	81.00%	97.00%
Interest earned – outstanding Debtors	22,956,134	20,997,525	23,497,525	30,084,449	143.00%	128.00%
Property rates	31,833,949	33,425,646	37,893,650	37,889,871	113.00%	100.00%
Traffic fines	362,250	630,000	730,000	873,550	139.00%	120.00%
Revaluation surplus	115,000					
Government grants & subsidies - Capital	59,950,000	66,210,00	94,210,000	90,798,637		96.00%
Government grants & subsidies - Operational	232,670,648	228,253,000	228,253,000	228,273,000	100.00%	100.00%
Total revenue	362,395,626	301,015,726	400,157,730	405,317,026	135.00%	101.00%
	R	R	R	R	%	%
Personnel	49,281,533	71,518,218	63,112,266	54,432,830	76.00%	86.00%
Remuneration of councillors	18,858,063	20,792,343	20,792,343	19,996,426	96.00%	96.00%
Administration	11,519,783	1,500,000	1,500,000	10,924,774	728.00%	728.00%
Transfer and subsidies	5,356,942	4,167,668	3,655,849	4,309,604	103.00%	118.00%
Depreciation and amortisation	13,714,802	13,636,774	18,937,774	21,170,068	115.00%	112.00%
Impairment loss	75,140			1,794,528	0.00%	0.00%
Finance costs	350,963			355,439	0.00%	0.00%
Debt impairment	44,633,390	17,280,000	31,417,404	77,297,404	447.00%	246.00%
Repairs and maintenance	41,173,243	30,914,567	30,914,567	37,330,062	121.00%	121.00%
Contracted Services	15,377,658	36,648,601	19,716,643	21,221,300	58.00%	108.00%
Loss on disposal of assets	85,950,147			80,673,854	0.00%	0.00%
Auditor's remuneration	2,484,660	2,670,000	2,670,000	2,378,837	89.00%	89.00%
General Expenses	52,119,199	62,899,161	74,554,858	57,982,624	92.00%	78.00%
Total expenditure	345,275,190	223,560,567	238,671,606	389,867,751	174.00%	163.00%
Surplus/(Deficit)	17,120,436	447,121,134	477,343,212	15,449,275	3.00%	3.00%

5.2 GRANTS

Grants Performance						
Description	2015/16 Actual	2016/17			2016/17 Variance to actual (%)	
Transfers and Grants		Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R	R	R	R	%	%
National Government						
Equitable shares	178,834,410	225,123,000	225,123,000	212,843,000	95%	95%
Municipal System Improvement Grant	934,000	0.00	0.00	0.00	0.00%	0.00%
EPWP incentive	1,032,785	1,505,000	1,505,000	1,505,000	100.00%	100.00%
Finance Management Grant	1,600,000	1,625,000	1,625,000	1,625,000	100.00%	100.00%
Municipal Infrastructure Grant	54,735,352	59,210,000	87,210,000	84,087,936	142.00%	96%
Department of Energy (INEG)		7,000,000	7,000,000	6,897,527	99%	99%
Total transfers and grants	237,136,547	294,463,000	322,463,000	306,958,463	97.98%	97.98%

5.3 COMMENT ON CONDITIONAL GRANTS AND GRANTS RECEIVED FROM OTHER SOURCES

The Municipality has received four conditional grants and one unconditional grant for National Treasury. The municipality was able to achieve an adequate level of spending for all the grants and a roll over was applied for the MIG additional fund for the completion of Construction of Glen Cowie to Moloi access road. A saving was realised on the INEG grant and it was paid back to National Treasury.

5.4 ASSET MANAGEMENT

Details of the largest assets (Other than roads infrastructure) acquired in 2016/2017	
ASSET 1	
Name of Asset	Sage Software
Description	Sage Evolution Mscoa Software
Asset type	Computer Software
Key staff involved	All employees
Staff responsible	All employees
Key Issues	None
Asset Value	R 1,681,675.62
Capital Implications	Capital expenditure of R 1,681,675.62
Future purpose of the Asset	To Assist in budget and treasury and other employees in administrating the financial affairs
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 2	
Name of Asset	Vehicle
Description	Audi Q3
Asset type	Vehicle
Key staff involved	Speaker's Office
Staff responsible	Speaker's Office
Key Issues	None
Asset Value	R 898,900.00
Capital Implications	Capital expenditure of R 898,900.00
Future purpose of the Asset	To Assist the speaker's office
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 3	
Name of Asset	Specialized Vehicle
Description	Lowbed Truck
Asset type	Loose Tools
Key staff involved	Technical services
Staff responsible	Technical services
Key Issues	None
Asset Value	R 2,430,000.00
Capital Implications	Capital expenditure of R 2,430,000.00
Future purpose of the Asset	To Assist other municipal vehicles in cases of emergency
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 4	
Name of Asset	Specialized Vehicle
Description	Lowbed Semi Trailer
Asset type	Vehicle
Key staff involved	Technical services
Staff responsible	Technical services
Key Issues	None
Asset Value	R 1,000,000.00
Capital Implications	Capital expenditure of R 1 000 000.00
Future purpose of the Asset	To Assist other municipal vehicles in cases of emergency
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 5	
Name of Asset	Building
Description	Building with Swimming pool and Saunas
Asset type	Building

Key staff involved	All staff
Staff responsible	All Staff
Key Issues	None
Asset Value	R 6,656,000.00
Capital Implications	Capital expenditure of R 6,656,000.00
Future purpose of the Asset	To provide additional offices to the Municipal employees
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 6	
Name of Asset	Mobile Structure
Description	Purchase of mobile office
Asset type	Building
Key staff involved	Corporate Services
Staff responsible	Corporate Services
Key Issues	Office Space
Asset Value	R 875,000.00
Capital Implications	Capital expenditure of R 875,000.00
Future purpose of the Asset	To Assist record division with their filling.
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy
ASSET 7	
Name of Asset	Specialized Asset
Description	ICT Service Desk Software
Asset type	Computer Software
Key staff involved	All employees
Staff responsible	All employees
Key Issues	None
Asset Value	R 273,699.20
Capital Implications	Capital expenditure of R 273,699.20
Future purpose of the Asset	To Assist staff members with competent software system
Key Issues	None
Policy in place to manage the Asset	Asset Management Policy

5.5 FINANCIAL RATIOS BASED ON KEY PERFROMANCE INDICATORS

Ratio	Basis of calculation	2014/15	2015/16	2016/17
Liquidity current ratio	Current assets/current liabilities	5.04	4.57	2.1
Cost coverage	Available cash + Investments/ Monthly fixed operations	1.84	0.68	3.9
Service debtors to revenue	Total outstanding service debtors/annual revenue for services	0.12	0.39	3.5
Debt coverage	Total operating grants/debt service payment due within financial year	5.45	5.81	5.72

Capital charges to operating	Interest and principal paid/operating expenditure	0.001		
Employee costs	Employee costs/Total revenue - capital revenue	0.26	0.26	0.17
Solvancy	Total Assets/Total Liabilities	10.84	10.64	7.06

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 CAPITAL EXPENDITURE

EXPENDITURE PER SOURCE	Actual Expenditure 2015/2016 (R)	Original Budget 2016/17 (R)	Adjusted Budget 2016/17 (R)	Actual Expenditure 2016/17 (R)	Variance (R)
CAPITAL EXPENDITURE					
Renewal of Existing Assets:					-
Infrastructure Assets	8,949,702.25	14,000,000.00	18,421,052.63	22,314,556.47	3,893,503.84
Infrastructure Assets: Roads, Bridges & Storm Water	134,320,000.00	115,260,000.00	116,389,754.39	114,696,000.00	1,693,754.39
Infrastructure Assets :Electricity	0.00	7,000,000.00	7,000,000.00	6,897,527.00	102,473.00
Community Assets: Park & Cemetery Development	0.00	6,500,000.00	3,492,982.46	0.00	3,492,982.46
Other Assets:	17,835,000.00	12,150,000.00	22,767,018.49	19,163,000.00	3,604,018.39
TOTAL	161,104,702.25	154,910,000.00	168,070,807.97	163,071,083.47	4,999,724.50

5.7 SOURCES OF FINANCE

Description	Actual Revenue 2015/16 (R)	Original Budget 2016/17 (R)	Adjusted Budget 2016/17 (R)	Actual Revenue 2016/17 (R)	Variance 2016/17 (R)
Interest: On Investment	8,940,172.00	12,224,527.35	10,224,527.35	9,891,055.00	333,472.35
Interest on outstanding Accounts	22,956,134.00	20,997,525.15	23,497,525.15	30,084,449.00	-6,586,923.85
Property Rates	31,833,949.00	33,425,646.45	37,893,650.00	37,889,871.00	3,779.00
Licenses and permits	4,265,710.00				

		5,154,289.35	5,154,289.35	5,152,061.00	2,228.35
Traffic fines	362,250.00	630,000.00	730,000.00	873,550.00	-143,550.00
Grants-Equitable Shares	228,571,648.00	225,123,000.00	225,123,000.00	225,143,000.00	-20,000.00
Grants-Finance Management Gran	1,600,000.00	1,625,000.00	1,625,000.00	1,625,000.00	0.00
Grants-Municipal System Improv	930,000.00	0.00	0.00	0.00	0.00
Grants-Integrated National Electrification	0.00	7,000,000.00	7,000,000.00	6,897,527.00	102,473.00
Grant: Sekhukhune District Municipality	0.00	0.00	0.00	0.00	0.00
Grants: EPWP	1,069,000.00	1,505,000.00	1,505,000.00	1,505,000.00	0.00
Tender Documents	676,102.00	819,000.00	539,000.00	697,661.00	-158,661.00
Site Rental	137,963.00	120,739.50	120,739.50	133,565.00	-12,825.50
Other Income	134,993.00	210,000.00	74,000.00	87,968.00	-13,968.00
Total	301,477,921.00	308,834,727.80	313,486,731.35	319,980,707.00	-6,493,975.65

5.8 CAPITAL SPENDING ON 5 LARGEST PROJECTS

DIRECTORATE	PROJECT	Adjusted Budget (R)	Original Budget 2016/17 (R)	Adjusted Budget 2016/2017 (R)	Actual Expenditure 2016/17 (R)
Infrastructure Services	Construction of Kolokotela Internal Road (5.5km)	1,500,000.00	9,372,000.00	20,372,000.00	5,177,357.88
Infrastructure Services	Construction of Rietfontein to Eensaam Access Road Phase 2(10.5km)	9,500,000.00	12,000,000.00	15,500,000.00	18,263,374.15
Infrastructure Services	Construction of Thabampshe Cross To Tswaing Access Road	14,199,636.44	23,000,000.00	26,500,000.00	23,561,076.03
Infrastructure Services	Construction of Access Road from Glen Cowie to Moloi (5km)	11,000,000.00	6,950,000.00	16,950,000.00	8,476,141.07
Infrastructure Services	Rehabilitation of R579 Road	9,000,000.00	14,000,000.00	21,000,000.00	22,314,556.47
Total					

5.9 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS - OVERVIEW

Refer to chapter 3 for a detailed overview on service delivery backlogs.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.10 CASH FLOW

Figures in Rand	2017	2016
Cash Flows from operating activities		
Receipts		
Property rates	8,389,779	8,408,812
Cash received from consumers and other sources of revenue	5,777,914	5,204,644
Grants	310,183,000	304,904,000
Interest income	8,989,062	9,204,635
	333,339,754	327,722,094
Payments		
Employee costs	-53,983,453	-48,741,533
Cash paid to suppliers and other related services	-213,739,000	-212,295,711
Interest paid	-1,439	-72,963
Councilor's allowances	-19,996,427	-18,858,063
	-287,720,319	--279,968,270
Net cash flows from operating activities	45,619,435	47,753,824
Cash flows from investing activities		
Purchase of property, plant and equipment	-56,951,094	-63,314,125
Proceeds from sale of property, plant and equipment	1,079,577	86,805
Purchase of other intangible assets	-1,955,375	-232,000
Net cash flows from investing activities	-45,619,435	-47,753,824
Cash flows from financing activities		
Finance lease payments	0	0
Net increase/(decrease) in cash and cash equivalents	-12,207,457	-15,705,496
Cash and cash equivalents at the beginning of the year	96,411,918	112,117,414
Cash and cash equivalents at the end of the year	84,204,461	96,411,918

5.11 BORROWING AND INVESTMENTS

The Municipality does not have any interest-bearing borrowings and there were no long-term investments made during the year under review.

5.12 PUBLIC-PRIVATE PARTNERSHIP

The Municipality has not entered any Public-Private Partnerships during the period under review.

COMPONENT D: OTHER FINANCIAL MATTERS

5.13 SUPPLY CHAIN MANAGEMENT

The Municipality has established a functional Supply Chain Management Unit which is implementing the Supply Chain Management Regulations and Policy without fear or favour. The unit has 7 officials, (The Supply Chain Manager, SCM Accountant, 3 Acquisition Officers, Demand Officer and Contract and Logistics Officer) who have met the National Treasury minimum competency requirements. The Municipality is implementing a 3-committee bid system that exclude Councillors to be members thereof.

The municipal council approved the new SCM policy for Infrastructure procurement which will be effective from 01 July 2017.

5.14 GRAP COMPLIANCE

Makhuduthamaga Local Municipality has converted to the Generally Recognised Accounting Principles (GRAP). At least more than 30 GRAP standards are used to prepare the Annual Financial Statements. The Municipality's asset register is GRAP compliant.

CHAPTER 6: AUDITOR GENERAL'S REPORT AND FINANCIAL STATEMENTS

COMPONENT A: AUDITOR GENERAL'S OPINION OF FINANCIAL STATEMENTS

6.1 AUDITOR GENERAL'S REPORT

Annexure C: AG's Report 2016/17
Annexure D: Annual Financial Statements 2016/17