

# NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

## SC 07/04/2015: BUDGET STATEMENT FOR PERIOD ENDING MARCH 2015: 2014/15 FINANCIAL YEAR.

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## **1. PURPOSE**

For council to,

- Adopt the financial performance report for the period July 2014 to March 2015,
- Note the precarious cash position the municipality finds itself in.
- Note the cost containment measures being implemented,
- Note the progress made relating to National Treasury Resolutions,
- Note that the municipality will not be able to pay salaries and creditors' claims for May and June 2015.

## **2. LEGISLATIVE BACKGROUND**

In terms of Municipal Finance Management Act No 56 of 2003, Section 52 (d), General Responsibilities-

The Mayor of the municipality –

- (d) Must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and financial affairs of the municipality.



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## 3. FINANCIAL PERFORMANCE 31 AT MARCH 2015

### 3.1 Revenue performance

#### 3.1 .1 Revenue performance, per revenue source

Revenue Items	Budget Amount	Actual Receipts for March 2015	Actual Receipts July 2014 to March 2015	Variance Between Expected and Actual Receipts
	R	R	R	R
Equitable Share	465 801 000	126 155 000	444 872 000	-20 929 000
Municipal Systems Improvement Grant	934 000	-	934 000	-
Finance Management Grant	1 250 000	-	1 250 000	-
Water Service Operating Grant	30 000 000	30 000 000	30 000 000	-
Municipal Infrastructure Grant	283 852 000	40 000 000	247 888 000	-35 964 000
Premier Legacy Projects	-	-	8 000 000	8 000 000
Expanded Public Works Programme	3 142 000	943 000	3 142 000	-
DPLG Fire Grant - Provincial Simulation Exercise	400 000	-	400 000	-
DPLG Fire Grant - Fire Engines	4 200 000	-	4 200 000	-
DPLG Disaster Management Grant	625 000	-	625 000	-
Regional Bulk Infrastructure Grant	-	6 254 068	23 914 876	23 914 876
Municipal Water Infrastructure Grant	-	1 458 000	1 458 000	1 458 000
Rural Roads Asset Management System Grant	2 312 000	-	2 775 000	463 000
LG SETA	-	-	200 554	200 554
Local Government & Human Settlement	-	20 000 000	20 000 000	20 000 000
Sales of Water and Sanitation	4 500 000	-	2 132 285	-2 367 715
Other Income (VAT Received)	19 949 353	-	37 624 429	17 675 076
Interest on Primary Bank Account	5 500 000	-	136 552	-5 363 448
Interest on External Investment	5 200 000	-	1 645 782	-3 554 218
<b>Total</b>	<b>827 665 353</b>	<b>224 810 068</b>	<b>831 198 478</b>	<b>3 533 125</b>

The total revenue received for March 2015 amounts to R 224 810 068 bringing the total year to date to R 831 198 478. The details of revenue performance are as outlined below;

As shown in the table above, up to the end of the third quarter, the actual amounts of revenue received were the same as the expected amounts to be received for the following items.

- Municipal Systems Improvement Grant



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- Financial Management Grant
- Water Services Operating Grant
- Expanded Public Works Programme
- DPLG Fire Grant - Provincial Simulation Exercise
- DPLG Fire Grant – Fire Engines
- DPLGTA Disaster Management Grant
- Municipal Water Infrastructure Grant

For the following items, the actual amounts received were less than the expected amounts to be received.

- An amount of R 20 929 000 million was also withheld by National Treasury from the municipality's equitable share due the unspent of conditional grants for 2013/14 financial year.
- For Municipal Infrastructure Grant, an amount of R 247 888 000 million was received instead of R 283 852 000 million. This was due to the fact that an amount of R 35 964 000 million was withheld/ offset by National Treasury due to slow spending of the grant in the 2014/15 financial year.
- In terms of own revenue the original budget for Sales of Water and Sanitation was estimated at R 4 500 000 million and only received R 2 132 285 million.
- Interest on Primary Bank Account is budgeted at R 5 500 000 million but only received R 136 552 thousand.
- Interest on External Investments is budgeted at R 5 200 000 million and only received R 1 645 782 million as at end of third quarter.

For the following item, the actual amount received was more than the expected amount to be received:

- Rural Roads Assets Management System Grant has increased from R 2 312 000 million to R 2 775 000 million with an amount of R 463 000 thousand.



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For the following items, the actual amounts were received but were not budgeted for:

- An amount of R 8 000 000 million was also received for Premiers Legacy Projects which was not budgeted for in the original budget.
- An amount of R 23 799 324 million for Regional Bulk Infrastructure was received and it was also not budgeted for.
- And for Municipal Water Infrastructure Grant an amount of R 1 458 000 million was received and it was not budgeted for in the original budget.
- The municipality received an additional amount of R20 000 000 million from Local Government & Human Settlement as a grant to pay creditors related to the provision of water.
- An amount of R 220 554 thousand was also received for LG SETA and which was not budgeted for.

## **3.1.2. Funds withheld by National Treasury and measures taken**

### **3.1.2.1 Equitable Share**

An email was received from the National Treasury on the 6<sup>th</sup> March 2015 regarding withholding of Equitable Shares if Eskom and Water boards are not paid. Municipalities were to respond to the issues raised in the email by 13 March 2015 and the municipality responded by the 11<sup>th</sup> March 2015. Enquiry was made with National Treasury on 17<sup>th</sup> March 2015 regarding the municipality's and possibility of the transfer of grant; only to be informed that our response is not satisfactory and that the municipality still owes a response to the meeting of 23 January 2015.

The Acting Municipal Manager and Acting Chief Financial Officer were not aware of the outstanding response to the National Treasury from the meeting of 23 January 2015.

Resolutions of the said meeting were requested and subsequently sent by National Treasury. Hence, municipality requested for an urgent meeting with National Treasury, which was scheduled for 23 March 2015. A preparatory team was established to work on progress regarding the resolutions of the meeting of 23 Jan 2015.



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In addition to that, a delegation from the municipality led by the Mayor, accompanied by representatives of the Provincial Treasury and the Department of Local and Human Settlement met the National Treasury on 23 March 2015. The municipality made a detailed presentation to the National Treasury, and submitted a portfolio of evidence regarding progress on the implementation of the resolutions. However, National Treasury made it clear that no funds will be given for salaries and furthermore, National Treasury indicated that the reason for the withholding was that the municipality has consistently not been compliant with the grant conditions and financial reporting obligations.

Therefore, an agreement was reached that the municipality-

- The municipality provides a list of prioritized creditors' claims related to water provision, Eskom and litigations
- National Treasury would release funds after an assessment of the list;
- The municipality would have to provide proof of payment against the list approved by National Treasury.
- The required information detailing prioritized creditors amounting to R 114 million was sent within 2 days after the meeting.
- NT informed of the transfer of R 77million on 30 March 2015.
- The entire R 126 million was received on the 31<sup>st</sup> March 2015 and payments were done according to the National Treasury approved creditors list and,
- The proofs of payments in with regard to the R 77million were submitted to National Treasury.
- The municipality continues to send proof of payment in relation to the use of the balance of R 49 million.

### **3.1.2.2 Municipal Infrastructure Grant (MIG)**

- The last allocation of the grant was withheld due to poor performance which translated to 34% during the second quarter. The poor spending was as a result of Municipal



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Infrastructure Grant being used for operational, although service delivery expenses (i.e. provision of water).

- During the second quarter, 67 % of claims were hand and could not be paid due to the fact that, funds were redirection to water provision purposes.
- The municipality engaged with Cooperative Governance & Traditional Affairs immediately after receiving notification of withholding of funds where the former Acting Municipal Manager reported that Municipal Infrastructure Grant funds were used for operational activities to ensure water provision.
- Municipal Infrastructure Grant funded projects were as a result put on hold.
- Acting Chief Financial Officer enquired with the National Treasury about the possibility of salvaging the withheld R35 million but was informed that it is already late and as a result, the funds were offset against the last trench of the grant.

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## 3.1.3 PROGRESS REGARDING THE IMPLEMENTATION OF THE NATIONAL TREASURY RESOLUTIONS

No	Item	Action required	Responsibility	Progress (14/04/15)
1	<b>2014/2015 adjustment budget</b>	<ul style="list-style-type: none"> <li>• As per MFMA sec 73, a letter to be sent to the MEC (Finance) requesting permission to table the 2014/2015 adjustment budget late; even though the date has passed.</li> <li>• The adjustment budget must be shared with the Provincial Treasury for comment</li> <li>• The adjustment budget must reflect a surplus not a deficit</li> <li>• The adjustment budget must strongly reflect cost containment measures.</li> </ul>	Acting Municipal Manager(Acting MM) Acting Chief Officer(Acting CFO) Budget and Treasury Office(BTO)	Activity done, item forwarded to Mayor's office on 30 March 2015. Extension requested until 24 April 2015.
2	<b>MIG of R110m</b>	A report should be submitted to the NT detailing the use of the MIG R110m – which operational expenses it was used for.	Acting Chief Officer Income & Expenditure manager Supply Chain Management Manager	<ul style="list-style-type: none"> <li>• Grants records have been established for all grant types</li> <li>• Reconciliation is done on grants received and the expenditure thereof.</li> </ul>
3	<b>Monies invested</b>	Meeting with Momentum officials on possible withdrawal	Acting Municipal Manager Acting Chief Officer	Completed. Withdrawal forms submitted to Momentum





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<p><b>4</b></p>	<p><b>Reliable MFMA sec 71 reports</b></p>	<p>The MFMA sec 71 reports should present correct and reliable information especially creditors</p>	<p>Budget and Treasury Office</p>	<ul style="list-style-type: none"> <li>• The March S71 report was submitted within the prescribed timeframe.</li> <li>• A proper analysis of both revenue and expenditure has been done.</li> <li>• Revenue received is being properly accounted for from March 2015.</li> <li>• Reconciliation is being performed regarding revenue and expenditure received for July 2014 to February 2015.</li> <li>• A monthly revenue and expenditure report for the Mayor has been developed.</li> <li>• Controls are being put in place to ensure that no changes are effected on the financial system for prior periods.</li> <li>• Ensuring accuracy of financial information (Total Quality Management) on a regular basis.</li> </ul>
<p><b>5</b></p>	<p><b>National Treasury resolutions</b></p>	<p>Form a committee between the municipality, Local Govt and Provincial Treasury to:</p>	<p>Acting CFO Acting Municipal Manager</p>	<ul style="list-style-type: none"> <li>• The committee was formed and</li> </ul>



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	<b>implementati on committee</b>	<ul style="list-style-type: none"> <li>• Sign off the list of contractors, creditors and service providers which will include water board (R4.6m) and the amount required to release the water tankers which are essential for service delivery</li> <li>• List contractors, creditors and service providers must be sent to NT</li> <li>• Monitor the cash flow on a regular basis</li> </ul>	Income & Expenditure Manager Local Government & Human Settlement Provincial Treasury	<p>sits on a regular basis.</p> <ul style="list-style-type: none"> <li>• A directive was issued to withdraw powers of approval of payment from Senior Managers to the Acting MM.</li> </ul>
<b>6</b>	<b>Staffing issues</b>	<ul style="list-style-type: none"> <li>• The municipality must be decisive in the manner they handle staffing issues.</li> <li>• A moratorium should be placed on all new appointments</li> </ul>	Executive mayor Acting MM CRSS	Matter has been submitted to Council on the 16 <sup>th</sup> of April 2015.
<b>7</b>	<b>2015/2016 draft budget</b>	<p>The 2015/2016 MTREF budget must:</p> <ul style="list-style-type: none"> <li>• By all means be drafted within the legislated framework, any breach of this will add to the problems already experienced</li> <li>• Strongly reflect the cost containment measures instituted by the municipality</li> </ul>	Executive mayor Acting CFO Acting MM Budget Manager SDBIP Manager BTO IDP	Completed. Tabled before Council on the 31 March 2015.
<b>8</b>	<b>Irregular appointments</b>	Officials that have transgressed by appointing staff illegally and as such brought the municipality to disrepute should be charged	CRSS MM	Matter has been submitted to Council on the 16 <sup>th</sup> of April 2015.
<b>9</b>	<b>Forensic reports</b>	<ul style="list-style-type: none"> <li>• All forensic reports should be shared with NT as per the guidance given by the budget circular</li> </ul>	Executive mayor Acting MM	A follow up to be done on the report.



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		<ul style="list-style-type: none"> <li>Council must take the recommendations on the forensic reports to conclusion</li> </ul>		
<b>10</b>	<b>DBSA loans and projects</b>	Municipality should provide close out report for the previous pledging endorsed by the municipality and DBSA – this will assist with future pledging	Executive mayor Acting MM DBSA	Report done, still to be finalised.
<b>11</b>	<b>Press/media releases</b>	Municipality should be careful when addressing the press/media on the current situation of the municipality as any contribution could affect the municipality negatively.	Acting MM Communication	The matter has been noted
<b>12</b>	<b>File submitted to NT on 23 March 2013</b>	The file submitted to NT on the resolutions taken at the meeting of 23 January 2015 will be scrutinised and comments given to the municipality.	NT	Comments not received yet.
<b>13</b>	<b>Monies owed to Sedibeng (Botshelo) Water</b>	<ul style="list-style-type: none"> <li>The municipality should devise a payment arrangement plan in respect of the debt owed to Sedibeng (Botshelo) Water</li> <li>The repayment plan should be cash backed</li> <li>The repayment plan should be supported by a council resolution</li> </ul>	Acting MM Acting CFO	The plan was devised and signed by both parties.
<b>14</b>	<b>Projected cash flow statement</b>	<ul style="list-style-type: none"> <li>A proper cash flow statement must be prepared and presented daily indicating the months passed as well as the remaining months of the financial year.</li> </ul>	BTO	The cash flow statement is Prepared and presented on A daily basis in order to Closely monitor the cash Position.

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## 3.1.4 REVENUE PROJECTIONS TO THE END OF FINANCIAL YEAR (30 JUNE 2015)

Revenue Items	Budget Amount	Actual Receipts July 2014 to March 2015	Projections April to June 2015	Annual Projections July 2014 - June 2015	Variance Between Actual Receipts & Annual Projections
	R	R	R	R	R
Equitable Share	465 801 000	444 872 000	-	444 872 000	-20 929 000
Municipal Systems Improvement Grant	934 000	934 000	-	934 000	-
Finance Management Grant	1 250 000	1 250 000	-	1 250 000	-
Water Service Operating Grant	30 000 000	30 000 000	-	30 000 000	-
Municipal Infrastructure Grant	283 852 000	247 888 000	-	247 888 000	-35 964 000
Premier Legacy Projects	-	8 000 000	-	8 000 000	8 000 000
Expanded Public Works Programme	3 142 000	3 142 000	-	3 142 000	-
DPLG Fire Grant - Provincial Simulation Exercise	400 000	400 000	-	400 000	-
DPLG Fire Grant - Fire Engines	4 200 000	4 200 000	-	4 200 000	-
DPLG Disaster Management Grant	625 000	625 000	-	625 000	-
Regional Bulk Infrastructure Grant	-	23 914 876	-	23 914 876	23 914 876
Municipal Water Infrastructure Grant	-	1 458 000	-	1 458 000	1 458 000
Rural Roads Asset Management System Grant	2 312 000	2 775 000	-	2 775 000	463 000
LG SETA	-	200 554	-	200 554	200 554
Local Government & Human Settlement	-	20 000 000	-	20 000 000	20 000 000
Sales of Water and Sanitation	4 500 000	2 132 285	2 367 715	4 500 000	-
Other Income (VAT Received)	19 949 353	37 624 429	-	37 624 429	17 675 076
Interest on Primary Bank Account	5 500 000	136 552	100 000	236 552	-5 263 448
Interest on External Investment	5 200 000	1 645 782	500 000	2 145 782	-3 054 218
<b>Total</b>	<b>827 665 353</b>	<b>831 198 478</b>	<b>2 967 715</b>	<b>834 166 193</b>	<b>6 500 840</b>

The total revenue projected up to June 2015 is R 834 166 193 million from the budget of R 827 665 353 million. This will result in the projected additional revenue of R 6 500 840 million. Total projections for the period April to June 2015 amounts to R 2 967 715 million. This consists of the following items;

- sales of water and sanitation (R 2 367 715 million)
- interest on primary bank account (R 100 000 thousand )
- interest on investments (R 500 000 thousand)



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## 3.2 EXPENDITURE PERFORMANCE

### 3.2.1 Expenditure Performance per Vote

Vote	Department	Annual Budget	Actual Expenditure for March 2015	Actual expenditure for July 2014 - March 2015	Balance	Expected YTD Expenditure	Actual YTD Expenditure	Variance
		R	R	R	R	%	%	%
1	Executive & Council	39 469 647	2 726 035	19 587 841	19 881 806	75.00%	49.63%	25.37%
2	Municipal Manager	276 302 829	42 293 350	144 119 931	132 182 898	75.00%	52.16%	22.84%
3	Budget & Treasury Office	117 690 611	2 230 357	20 834 844	96 855 767	75.00%	17.70%	57.30%
4	Corporate Service Support	69 974 263	2 809 539	51 650 356	18 323 907	75.00%	73.81%	1.19%
5	Growth & Economic Development	37 409 959	1 480 177	18 447 316	18 962 643	75.00%	49.31%	25.69%
6	District Public Health & Safety	119 765 926	8 847 539	83 632 336	36 133 590	75.00%	69.83%	5.17%
7	District Infrastructure Development & Maintenance	182 878 918	38 825 802	200 843 241	-17 964 323	75.00%	109.82%	-34.82%
		843 492 153	99 212 799	539 115 865	304 376 288			

As per the end of March 2015 the expenditure percentage should have been 75% on average. The benchmark expenditure performance is therefore 75%. Following is expenditure performance per vote.

#### Vote 1. Executive and Council

From an original budget of R 39 469 647 million vote 1 spent an amount of R 19 587 840.78 million, which translate into an under expenditure of 25.37 %.

#### Vote 2. Municipal Manager

From an original budget of R 276 302 829 million vote 2 spent an amount of R 144 119 931 million, which translate into an under expenditure of 22.84 %.

#### Vote 3. Budget and Treasury Office

From an original budget of R 117 690 611 million vote 3 spent an amount of R 20 834 844 million, which translate into an under expenditure of 57.3%



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The R 117 690 611 million includes R29 826 800 million of depreciation which is a non-cash item and the R 60 000 000 million for the repayment of the DBSA loan.

## **Vote 4. Corporate Services Support**

From an original budget of R 69 974 263 million vote 4 spent an amount of R 51 650 356 million, which translate into an under expenditure of 1.19%.

## **Vote 5. Growth and Economic Development**

From an original budget of R 37 409 959 million vote 5 spent an amount of R 18 447 316 million, which translate into an under expenditure of 25.69 %.

## **Vote 6. District Public Health and Safety**

From an original budget of R 119 765 926 million vote 6 spent an amount of R 83 632 336 million, which translate into an under expenditure of 5.17%.

## **Vote 7. District Infrastructure Maintenance and Development**

From an original budget of R 182 878 918 million vote 7 spent an amount of R 200 843 241.19 million, which translate into an over expenditure of 34.82%



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## 3.2.2 EXPENDITURE PROJECTIONS

Vote	Department	Annual Budget	Actual expenditure for July 2014 - March 2015	Balance	Projected Expenditure for April to June 2015	Annual Projected Expenditure (Actual Year to Date Plus Projected)	Projected Balance for July 2014 to June 2015
		R	R	R	R	R	R
1	Executive & Council	39 469 647	19 587 841	19 881 806	8 348 832	27 936 673	11 532 974
2	Municipal Manager	276 302 829	144 119 931	132 182 898	52 554 960	196 674 891	79 627 938
3	Budget & Treasury Office	117 690 611	20 834 844	96 855 767	3 919 061	24 753 905	92 936 706
4	Corporate Service Support	69 974 263	51 650 356	18 323 907	17 309 728	68 960 084	1 014 179
5	Growth & Economic Development	37 409 959	18 447 316	18 962 643	4 955 911	23 403 227	14 006 732
6	District Public Health & Safety	119 765 926	83 632 336	36 133 590	26 404 585	110 036 921	9 729 005
7	District Infrastructure Development & Maintenance	182 878 918	200 843 241	-17 964 323	54 804 725	255 647 966	-72 769 048
		<b>843 492 153</b>	<b>539 115 865</b>	<b>304 376 288</b>	<b>168 297 802</b>	<b>707 413 667</b>	<b>136 078 486</b>

The projected expenditure for the period April to June 2015 is R 168 297 802 million which relates to staff salaries and other outstanding claims. As at the end of March 2015, the total short term claims amounted to R 100 664 041 million. This excludes the long outstanding debt of Botshelo water / Sedibeng Water which amounts to R 154 505 180 million, bringing the total debt to R 168 297 802 million. Even though the short term debt is included in the projection, only a portion of it will be settled between April and June 2015 due to the financial constraints of the municipality.

## 4. QUALITY OF REVENUE AND EXPENDITURE INFORMATION

### 4.1 Challenges regarding the quality of revenue and expenditure information.

Having done an analysis of both the revenue and expenditure information management for the period up to end March 2015, the following amongst others, have been determined:

- For the period July 2014 to February 2015, when revenue of various types was received, both equitable and conditional grants, no proper records were kept to account for the receipt and expenditure/disbursement of each type of receipt. This may have resulted in the utilization of revenue received not for its intended purpose; and the related amount utilized not being recorded.



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- Even though the expenditure projection indicates some savings in some votes, and items, the true picture is that this is not the case. This is due to the fact that when the books of the previous financial year (2013/14) were closed, the municipality recorded the expenditure related to accruals which is estimated at R 139 577 832 million, in the 2013/14 financial year, whereas the said accruals were paid in the current financial year (2014/15); utilizing funds appropriated for the current financial year.
- For the period July 2014 to February 2014, there was no system in place to ensure that votes/cost centers verify and account for the expenditure they incur on a regular basis, so as to take corrective measures on time where necessary.

## **4.2 Measures to improve the quality of revenue and expenditure information.**

Given the above challenges the following measures amongst others, are being implemented so as to improve the quality of revenue and expenditure information.

- To create records for each type of revenue received during the financial year.
- To verify whether conditional grants expenditure incurred is properly allocated in the financial books
- To determine the type and amounts of expenditure that may not have been utilized for the intended purpose
- To ensure that on a monthly basis, votes/cost centers verify and account for the expenditure they incur, so as to take corrective measures on time where necessary.
- To request Internal Audit to conduct an audit on revenue received and expenditure incurred for the financial year 2013/14 and the period July 2014 to February 2015.





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## 5. BORROWINGS

Development Bank of South Africa Loan (DBSA)	
	R
Loan amount (Capital)	152 700 000
Loan amount received	152 700 000
Variance	-
Loan repayments made since inception of the loan (including interest)	152 539 342
<b>Balance</b>	<b>160 658</b>
Current financial year (2015 - 2015)	
Amount budgeted for as repayment (including interest)	60 000 000
Actual repayment (including interest)	61 620 634

A loan amount of R 152 700 000 million was borrowed from the Development Bank of Southern Africa in 2010/2011 financial year to fund capital projects. The condition of the loan was to pledge Municipal Infrastructure Grant against the loan, which is used to repay the loan for every trench that is received. For the period ended March 2015, since the inception of the loan, an amount of R 152 539 342 million including interest was paid, leaving a balance of R 160 658 thousand excluding capital interest. For the current financial year an amount of R 60 000 000 million was budgeted for the repayment of the loan. As at the end of March, a total amount of R 61 620 634 million was paid, which constitute the total payment for the year. The last installment of the loan will be paid in the next financial year.

## 6. INVESTMENTS MOMENTUM

INVESTMENT REGISTER FOR MARCH 2015					
Institution	Opening Balance	Fees	Interest	Price Movements	Closing Balance
	R	R	R	R	R
Momentum	12 986 696.06	274 776.44	995.60	458 894.61	13 171 809.83
<b>TOTAL</b>	<b>12 986 696.06</b>	<b>274 776.44</b>	<b>995.60</b>	<b>458 894.61</b>	<b>13 171 809.83</b>



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The total Momentum Investment is R 13 171 809.83 million. The municipality is in the process of withdrawing the funds to alleviate cash flow pressure.

## **7. CASH FLOW PROJECTIONS TO 30 JUNE 2015**

### **7.1 Background**

The municipality has been experiencing financial challenges which emanate from the beginning of the current financial year. As a result, the municipality was compelled into devising contingency measures in addressing these challenges, to counteract the future challenges and to control spending so as to keep the cash flow in a healthy state.

The aims of this report is to provide an update on the financial situation of the municipality as provided in the cash flow statement; and further illustrate the deficit identified on the budget for grants not spent, accrual and over expenditure on the operating budget, that led to the current financial status of the municipality.

According to the cash flow the municipality received number of grants from July to end of February which were not fully utilized due to other reasons and currently cannot properly be accounted for, however all grants received post the above period are properly recorded, expensed, reconciled and accounted for daily.



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The table below shows actual revenue received in March and the expenditure incurred to date.

## 7. 2 Revenue and Expenditure Cash flow for March to 11 April 2015

Description	Revenue	Expenditure	Balance as at 11/04/2015
	R'000	R'000	R'000
Equitable Share	126 155	90 504	35 651
Municipal Infrastructure Grant	40 000	38 663	1 337
Extended Public Works Programme	943	0	943
Municipal Water Infrastructure Grant	1 458	0	1 458
Rural Bulk Infrastructure Grant	8 374	7 771	603
Local Government and Human Settlement	20 000	6 227	13 773
Water Service Operating Grant	30 000	30 000	0
Net Cash	226 930	173 165	53 765
Less amount expected from Momentum			13 000
Actual As Per bank balance			40 765

### 7.2.1 Bank balance as at 11<sup>th</sup> April 2015

The municipal bank balance is R 40 764 million and this amount includes capital and operating grants, however the balance that can be utilized for operating R 36 041 million and R 4 723 million relates to capital. Based on the above calculations per receipts and payments, the Equitable Share has a balance of R36 041 million, which will be used to pay the April salaries and operating expenditure that cannot be avoided and/or may result in operations being stopped.

The projected cash flow figures are showing that the municipality will be running at a deficit on operating expenditure of R 97 902 million and capital expenditure of R 61 500 million which implies that the municipality will enter the new financial year with estimated Liabilities/accruals amount of R 159 402 million, furthermore an amount of R 154 505 million is still owed to Sedibeng/ Botshelo water which will also have an impact in next MTREF budget.



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As can be seen from the above table, the municipality is in a precarious financial position. The projections show that the municipality is running at a deficit. The municipality does not have enough cash to meet its short term financial obligations. For example, the amount of cash available will only cover the salary bill up to the end of April, provided that a moratorium is placed on the payment of the bulk of creditors/claimants.

## 8. CREDITORS AGE ANALYSIS

Current Outstanding Creditors	
DAYS	AMOUNT(R '000)
0 - 30 days	2 071.00
31 - 60 days	21 480 729.00
61 - 90 days	16 095 668.00
91 - 120 days	16 668 036.00
121 & over	200 924 789.00
<b>Total</b>	<b>255 171 293.00</b>

From above table, the municipality has outstanding payments of R 255 171 293 million ageing from 30 days to 120 day plus. It should be noted that the over 121 days creditors include a long outstanding debt of R 154 505 million owed to Botshelo Water/ Sedibeng Water.

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## 9. LIST OF CONTRACTS

### 9.1 TERM CONTRACTS

Project Number	Description	Service provider	Value	Duration period	Status
NMMDM 11/12/47TS	Drinking water quality management	Batho M&E Consultants	R 110 283,60 per month	12 September 2012 -12 September 2015	Active
NMMDM 12/13/22TS	Supply & delivery of prepaid-meters for a period of (03) three years	Lesira Teq	Rates only	20 November 2013 = 20 November 2016	Active
NMMDM 13/14/17CRS	Service, repairs & overhaul of motor vehicles, earth moving and road construction equipment owned by NMMDM	1.Terry`s Auto Repairs 2.Lehika industries	Rates only	January 2014 – December 2015	Active
NMMDM 13/14/07BPS	Procurement of professional services on events management for a period of (03) three years.	Sechoaro supply/ NTE Trading enterprise	Rates only	2 January 2014- 31 December 2015	Active
NMMDM 12/13/64TS	Supply and delivery of water material on and as an when on required basis for a period of (03) three years	1. Entle projects 2. Letlhogile projects 3. Mmasele trading 4. Oatlotse enterprise 5. Okame enterprise 6. ZTV Naledi construction 7. Itu & Rea projects 8. Brasem procurement & projects	Rates only	9 September 2013 – 9 October 2016	Active
NMMDM 12/36/67TS	Hire of construction equipment for a period of (03) three years	1. Ziggy investments 2. Gaoranolwe investments 3. MAQ construction & plant hire 4. Mafoko & Kebothale	Rates only	1 September 2013 – 30 September 2016	Active
NMMDM 13/14/19BPS	Provision of 24 hours security services at offices, waste water treatment plants and reservoirs within NMMDM for a period of (03) three years	Tshireletso professional service	R 723 615.18 per month	1 June 2014- 30 June 2017	Active
NMMDM 13/14/23PM U-C	Rural water supply programme: Equipping of boreholes and reticulation for a period of (03) three years	1. HT Pelatona projects/ Ziggy Investment JV 2. Selenane 3. Tshenolo Resource	Rates only	June 2014 – June 2016	Active



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NMMDM 13/14/23PM U-A	Rural water supply programme: Drilling of boreholes for a period of (03) three years	Rabotapi Construction JV	Rates only	June 2014 – June 2016	Active
NMMDM 12/13/62PM U	Technical support unit for NMMDM for a period of (03) three years	Biggen Africa	R 21, 699, 027.9 2	2 September 2013 – 31 August 2016	Active
NMMDM 8/2/2012TS	Maintenance of internal roads for Mafikeng, Ramotshere Moiloa, Ditsobotla and Tswaing local municipality	1.Mafoko Brothers 2. The M Group Trading & Enterprise 3.Entle`s Enterprise	Rates only	15 June 2012 – 1 June 2014	Expired
NMMDM 11/12/32 MM	Travel agency for NMMDM for a period of three years	1. Batsumi Travel 2. Break Through 3. Eletsa Travel	Rates only	June 2012 – June 2015	Active
NMMDM 11/12/35CS-E	Provision of maintenance services for NMMDM-Hygiene services	1. Tshabophelo Health and Hygiene 2. Beezneeze Trading 3. SB ALL Services & contract service	Rates only	June 2012 – June 2015	Active
NMMDM 11/12/35/CS-C	Provision of maintenance services for NMMDM-Air conditioning services	Mojero Trading cc	Rates only	June 2012 – June 2015	Active
NMMDM 11/12/35/CS-A	Provision of maintenance services for NMMDM-Plumbing services	1. Glynzito Trading 2. Mojero Trading cc	Rates only	June 2012 – June 2015	Active
NMMDM 11/12/35/CS-B	Provision of maintenance services for NMMDM-Electrical services	EDY`S Electrical and Shakedo Construction	Rates only	June 2012 – June 2015	Active

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## 9.2. EMERGENCY CONTRACTS

Service Providers appointed for emergency services in November 2014											
Payments trend - July 14 to 08 April 15											
Account Description	July	August	Sept	Octo	November	December	January	Februar	March	April	Grand Total
Moto Tech CC	-	-	-	-	991,154.35	3,221,300.95	3,939,639.15	-	5,077,615.45	-	13,229,709.90
Naphtronics (PTY)LTD	-	-	-	-	356,356.65	1,555,943.48	4,470,964.55	-	-	-	6,383,264.68
Azranite Investments (PT)	-	-	-	-	-	8,264,207.86	-	-	-	-	8,264,207.86
<b>Total</b>	<b>#</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,347,511.00</b>	<b>13,041,452.29</b>	<b>8,410,603.70</b>	<b>-</b>	<b>5,077,615.45</b>	<b>-</b>	<b>27,877,182.44</b>

The above listed contracts were arranged during the time of the Administrator.

## 10. COST CONTAINMENT MEASURES

Due to the dire financial situation confronting the municipality, the following cost containment measures are being implemented;

- Moratorium on new contractual commitments
- Moratorium on new personnel appointments
- Moratorium on catering
- Moratorium on S&T for officials
- Suspension of SALGA membership
- Moratorium on refreshments

The following cost containment measures are being looked into;

- Review of supplier contracts with the aim of cancellation where necessary



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- Restriction on telephone usage
- Moratorium on advertisements
- Minimization on overtime costs
- No purchasing of newspapers
- Strict implementation of the National Treasury cost containment directive.

## **11. RECOMMENDATIONS**

It is recommended that council;

**11.1** Adopt the financial performance report for the period July 2014 to March 2015.

**11.2** Note the precarious cash position the municipality finds itself, in that as at 11 April 2015, the municipality only had R 36 million to fund salaries and creditors' claims to the end of the financial year.(April to June 2015).

**11.3** Note that the municipality will not be able to pay salaries and creditors' claims for May and June 2015.

**11.4** Note the cost containment measures being implemented.

**11.5** Note the progress made relating to National Treasury Resolutions.