

CHAPTER 5

FINANCIAL PERFORMANCE

This Chapter of the Report can only be concluded following the end of the financial year in order for this to be meaningful and accurate. Dates, graphs and financial information and information to be amended accordingly.

CHAPTER 5: FINANCIAL PERFORMANCE

Introduction to Financial Performance

As the global economic uncertainty and rising costs cause inflationary pressures on the municipality, due care is exercised in order to ensure that effective financial management is maintained. In this regard every effort is made to ensure that systems and procedures are in place to ensure that there are sound fiscal controls and an environment that promotes effective financial management and minimizes fruitless and wasteful expenditure. The municipality also ensures that operations are properly controlled to ensure the efficient and effective delivery of services to our consumers.

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

Introduction to Financial Statements

Statements of Financial Performance Re reflected in the tables that follow. Note: Reference is made to **Appendix K** in which “Statements of Revenue Collection Performance by Vote and by Source” are included.

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE – 2013/2014 in Comparison WITH previous financial year 2012/2013 actuals

SENQU MUNICIPALITY				
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014				
	Notes	2014 R	2013 Restated - Note 36 and Note 37 R	2013 Previously Reported R
REVENUE				
Revenue from Non-exchange Transactions		154 503 600	130 328 670	130 328 670
Taxation Revenue		4 492 262	4 311 689	4 311 689
Property taxes	22	4 492 262	4 311 689	4 311 689
Transfer Revenue		147 213 069	123 760 561	123 760 561
Government Grants and Subsidies - Capital	23	35 686 172	20 143 049	20 143 049
Government Grants and Subsidies - Operating	23	111 526 897	103 398 274	103 398 274
Public Contributions and Donations		-	-	-
Contributed Assets		-	219 238	219 238
Other Revenue		2 798 270	2 256 420	2 256 420
Actuarial Gains		719 302	2 079 250	2 079 250
Fines		34 000	65 462	65 462
Third Party Payments		295 374	111 708	111 708
Reversal of Impairment		4 094	-	-
Gain on Fair Value Adjustments of Investment Property		1 745 500	-	-
Revenue from Exchange Transactions		41 288 815	41 062 168	41 062 168
Service Charges	24	26 051 651	25 267 381	25 267 381
Water Services Authority Contribution	0	-	-	-
Rental of Facilities and Equipment		500 938	423 707	423 707
Interest Earned - external investments		8 881 444	7 476 031	7 476 031
Interest Earned - outstanding debtors		1 544 494	1 092 245	1 092 245
Licences and Permits		1 548 437	1 749 913	1 749 913
Agency Services		1 956 462	1 618 737	1 618 737
Other Income	25	805 390	1 194 973	1 194 973
Transfer of Functions - Water and Sanitation		-	2 239 181	2 239 181
Gain on disposal of Property, Plant and Equipment		-	-	-
Total Revenue		195 792 415	171 390 838	171 390 838
EXPENDITURE				
Employee Related Costs	26	48 400 117	40 017 604	40 017 604
Remuneration of Councillors	27	9 580 309	8 858 218	8 858 218
Debt Impairment	28	5 092 904	5 093 346	5 093 346
Depreciation and Amortisation	29	11 766 313	12 918 558	12 914 217
Impairment		-	10 595	522 382
Repairs and Maintenance	30	3 758 247	2 554 473	2 554 473
Actuarial losses	4	133 513	-	-
Finance Charges	31	1 280 551	1 298 768	1 147 102
Bulk Purchases	32	19 424 456	19 167 363	19 167 363
Grants and Subsidies Paid	33	110 773	333 000	333 000
Other Operating Grant Expenditure	34	12 224 561	15 231 233	15 231 233
General Expenses	35	24 311 774	21 953 645	21 953 645
Loss on disposal of PPE/Investment Property		1 925 704	1 092 310	992 665
Impairment of Investment Assets		324 000	-	-
Impairment of Property, Plant and Equipment		10 472 972	-	-
Total Expenditure		148 806 194	128 529 112	128 785 247
NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		46 986 221	42 861 726	42 605 591
Discontinued Operations (Water and Sanitation)	36.01	-	-	-
NET SURPLUS FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		46 986 221	42 861 726	42 605 591

In the Financial year 2013/14 Senqu Municipality achieved an operating surplus of R 46 986 221. Actual results compared to planned budget outcomes can be seen below with explanations given for material variances.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE: Budget Comparisons

Operating Revenue

SENQU MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014 COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET				
	2014 R	2014 R	2014 R	Explanations for material variances (10% of line-item with a minimum of R1m)
	(Actual)	(Final Budget)	(Variance)	
REVENUE BY SOURCE				
Property rates	4 492 262	4 297 773	194 489	5%
Property rates - penalties & collection charges	-	-	-	
Service charges	26 051 651	21 880 496	4 171 154	19%
Rental of facilities and equipment	500 938	277 996	222 942	80%
Interest earned - external investments	8 881 444	7 000 000	1 881 444	27%
Interest earned - outstanding debtors	1 544 494	843 394	701 100	83%
Dividends received	-	-	-	
Fines	34 000	60 000	(26 000)	-43%
Licences and permits	1 548 437	1 140 000	408 437	36%
Agency services	1 956 462	2 102 037	(145 575)	-7%
	111 526	109 077		
Government Grants and Subsidies - Operating	897	150	2 449 747	2%
Other revenue	3 569 659	364 642	3 205 018	879%
Gains on disposal of PPE	-	-	-	
	160 106	147 043		
Total Operating Revenue	243	488	13 062 756	
EXPENDITURE BY TYPE				
Employee related costs	48 400 117	49 405 125	(1 005 008)	-2%
Remuneration of councillors	9 580 309	9 842 706	(262 397)	-3%
Debt impairment	5 092 904	4 269 726	823 178	19%
Depreciation & asset impairment	11 766 313	15 550 107	(3 783 794)	-24%
Finance charges	1 280 551	1 638 890	(358 339)	-22%
Bulk purchases	19 424 456	26 677 328	(7 252 872)	-27%
Other materials	-	-	-	
Contracted services	-	-	-	
Grants and subsidies paid	110 773	334 000	(223 227)	-67%
Other expenditure	51 225 067	48 306 362	2 918 705	6%
Loss on disposal of PPE	1 925 704	-	1 925 704	100%
	148 806	156 024		
Total Operating Expenditure	194	245	(7 218 051)	
Operating Surplus/(Deficit) for the year	11 300 049	(8 980 757)	20 280 806	
Government Grants and Subsidies - Capital	35 686 172	42 089 050	(6 402 878)	-15%
Net Surplus for the year	46 986 221	33 108 293	13 877 928	

NOTE: Operating Revenue shows a variance of R (13 062 756) as compared to the estimated Operating Revenue at financial year end. This can be contributed the effects of GRAP 9 Revenue from exchange transactions where rebates were budgeted for as under expenditure. An additional reason for the variance is the an additional R 1.4m collected from interest from investments and an additional R3.2 million collected from other revenue as a result of increased actuarial gains and gains on fair value adjustments on investment property.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE: Budget Comparisons

Operating Expenditure (continued)

Note: The operating expenditure came in at a variance of R ((7 218 051)). This was mainly due to the fact that there was a decrease in depreciation and asset impairment and a decrease in bulk electricity purchases for the year under review

EXPENDITURE AUTHORISED IN TERMS OF SECTION 32 OF THE MFMA

Unauthorised Expenditure

During the financial year 2013-2014 unauthorised expenditure was incurred by Senqu Municipality. An amount of R 9 915 376 was incurred as unauthorised expenditure resulting from a fair value adjustment for Land and Buildings. The table below is attached in support of this statement.

BUDGET COMPARISON BY VOTE - UNAUTHORISED EXPENDITURE CURRENT YEAR - OPERATING

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
<u>Budget Comparison by Vote - Unauthorised expenditure current year - Operating</u>				
Executive & Council	21 280 801	22 759 341	(1 478 540)	-
Planning & Development	11 694 909	12 712 004	(1 017 095)	-
Corporate Services	23 557 303	13 641 927	9 915 376	9 915 376
Housing	1 393 437	1 835 496	(442 059)	-
Public Safety	9 283	66 828	(57 546)	-
Budget & Treasury	15 525 148	16 325 225	(800 077)	-
Road Transport	27 174 980	29 566 102	(2 391 122)	-
Waste Water Management	-	827 365	(827 365)	-
Water	-	-	-	-
Electricity	29 839 740	36 994 414	(7 154 674)	-
Community & Social Services	7 159 079	8 133 120	(974 041)	-
Sport & Recreation	247 836	528 089	(280 253)	-
Waste Management	10 923 677	12 634 333	(1 710 656)	-
	148 806 194	156 024 245	(7 218 051)	9 915 376

BUDGET COMPARISON BY VOTE - UNAUTHORISED EXPENDITURE CURRENT YEAR (CAPITAL)

Capital Expenditure	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
<u>Budget Comparison by Vote - Unauthorised expenditure current year - Capital</u>				
Executive & Council	578 019	825 000	(246 981)	-
Planning & Development	49 947	270 000	(220 053)	-
Corporate Services	5 021 953	9 700 000	(4 678 047)	-
Housing	-	-	-	-
Public Safety	714 460	900 000	(185 540)	-
Budget & Treasury	393 320	500 000	(106 680)	-
Road Transport	35 306 465	37 793 968	(2 487 503)	-
Waste Water Management	-	-	-	-
Water	-	-	-	-
Electricity	1 275 693	4 450 000	(3 174 307)	-
Community & Social Services	4 089 958	6 254 582	(2 164 624)	-
Sport & Recreation	2 350 545	5 366 000	(3 015 455)	-
Waste Management	2 947 020	4 430 000	(1 482 980)	-
Totals	52 727 380	70 489 550	(17 762 170)	-

No Unauthorised Capital Expenditure was incurred for the year under review

EXPENDITURE AUTHORISED IN TERMS OF SECTION 32 OF THE MFMA Fruitless & Wasteful Expenditure

Fruitless and Wasteful expenditure for the financial year (2013/14) amounted to R 978 906 and R 2 029 794 was incurred during the previous financial year. The Balance of R 742 700 originates from the (2011/12) Details of this are provided within the table below:

Incident	Disciplinary steps/criminal proceedings
Electricity losses higher than the norm 2013	None - R2 029 794
Electricity losses higher than the norm 2014	None - R969 302
Interest paid to Eskom, Telkom and Kirchmanns	None - R9 604.63

Irregular Expenditure

Irregular expenditure increased from R 2 228 867 (2012/13) with R 20 900 to R 2 249 767 in the 2013/14 financial year. The irregular expenditure resulted from non-compliance with SCM regulations. This is regarded in a very serious light by the Municipality and has resulted in efforts to strengthen its control environment to ensure that irregular expenditure is eliminated completely.

5.2 GRANTS

APPENDIX D - Unaudited												
SENQU MUNICIPALITY												
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Grant Description	Balance 1 July 2013	Transfers	Restated balance 1 July 09	Transfers	Contributions during the year	Interest on investments	Other income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year transferred to Revenue	Returned National Revenue Fund	Transferred to Trade Payables	Balance 30 June 2014
CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R	R		R	R	R	R	R	R		R
National Government Grants												
Equitable Share	-	-	-	-	98 133 000	-		98 133 000	-	-		-
Municipal Finance Management	-	-	-	-	1 550 000	-		1 550 000	-	-		-
Municipal Infrastructure Grant	11 733 701	-	11 733 701	-	27 953 000	-		6 384 633	34 288 139	-		(986 071)
Municipal Systems Improvement	-	-	-	-	890 000	-		890 000	-	-		-
NDPG (Neighbourhood Development Partnership Grant)	7 919 056	-	-	-	-	-		-	-	1 307 000	4 602 000	2 010 056
EPWP (Expanded Public Works Program)	-	-	-	-	2 160 000	-		2 160 000	-	-		-
Dept Sport (Youth Development - Sport Fields)	-				1 398 033	-		-	1 398 033	-		-
Total National Government Grants	19 652 757	-	11 733 701	-	132 084 033	-	-	109 117 633	35 686 172	1 307 000	4 602 000	1 023 985
Provincial Government Grants												
HoloHlahatsi Agricultural Project	-	-	-	-	-	-		-	-	-		-
ProvGov - Housing (Hillside)	453 424	-	453 424	-	-	-		220 771	-	-	-	232 652
Implementation Ownership	-	-	-	-	-	-		-	-	-	-	-
Rossouw Agricultural Project	-	-	-	-	-	-		-	-	-	-	-
Herschel People's Housing	7 719 169	-	7 719 169	-	-	334 344		-	-	-	-	8 053 512
Plastic Products	-	-	-	-	-	-		-	-	-	-	-
Provincial Roads (Musong Road)	-	-	-	-	-	-		-	-	-	-	-
Greenest Municipality	-	-	-	-	-	-		-	-	-	-	-
Second Economy Regeneration (LED)	-	-	-	-	-	-		-	-	-	-	-
Clean Audit	-				-	-		-	-	-	-	-
Vuna Awards	-				470 000	-		110 404	-	-	-	359 596
Alien Vegetation Eradication	-				1 523 000	-		878 088	-	-	-	644 912
Libraries	-				1 200 000	-		1 200 000	-	-	-	-
Total Provincial Government Grants	8 172 592	-	8 172 592	-	3 193 000	334 344	-	2 409 263	-	-	-	9 290 673
District Municipality Grants												
Commonage Management Plan	-	-	-	-	-	-		-	-	-		-
Total District Municipality Grants	-	-	-	-	-	-	-	-	-	-	-	-
Total	27 825 350	-	19 906 293	-	135 277 033	334 344	-	111 526 897	35 686 172	1 307 000	4 602 000	10 314 658

Comments regarding Grant Funding

- The Opening Balance for Grant Funding at the beginning of the year stood at R 27 825 350. Contributions received during the financial year amounted to R 135 277 033.
- Operating Grant Conditions met during the financial year and transferred to revenue amount to R 111 526 897 whilst conditions met for Capital Conditional Grants transferred to revenue amount to R 35 686 172.
- Reasons for the under-spending on grants can be largely attributed to the tribal land dispute issues in the Herschel Housing project that prevents work from continuing.
- An amount of R 1 307 000 was returned to the National Treasury for the Neighbourhood Development Partnership Grant

5.3 ASSET MANAGEMENT

Introduction to Asset Management

The Municipal Finance Management Act No. 56 of 2003 clearly states in Section 62[1][a] that the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Furthermore an Accounting Officer of a municipality is responsible for the management, safeguarding and maintenance of assets and liabilities and must for this purpose take all reasonable steps to ensure that the municipality has and implements the following:

- Maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- That assets and liabilities are valued in accordance with standards of Generally Recognised Accounting Practice; and
- Maintains a system of internal control of assets and liabilities, including an asset and liabilities register.

ROLES & RESPONSIBILITIES

Role of the Municipal Manager

As the Accounting officer of the municipality, the Municipal Manager is regarded as the principal custodian of all of the municipality's fixed assets. Accordingly the Municipal Manager is responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to. The Municipal Manager may in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003 delegate this responsibility.

Role of the Senior Managers

Chief Financial Officer

The Chief Financial Officer shall be the fixed asset registrar of the municipality and is required to ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained. No amendments, deletions, additions or transfers between departments to the fixed asset register shall be made other than by the Chief Financial Officer, or by an official acting under the written instruction of the Chief Financial Officer.

The Chief Financial Officer shall:

- Ensure implementation of the Asset Management and Insurance Policy;
- Ensure the verification of all assets in possession of council annually, as at 30 June each year, within the last three months of that specific financial year;
- Keep a complete and balanced record (assets register) of all assets in possession of the council; and
- Report in writing all asset losses to the council.

Other Senior Managers

- The responsibility for the physical control of assets rests with the relevant Head of Department to whom the responsibility was delegated in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003.
- Each Head of Department shall ensure that assets entrusted to him / her are adequately maintained, properly used and insured and ensure that section 78 of the Municipal Finance Management Act, No 56 of 2003, is adhered to.
- The Chief Financial Officer must approve any transfer of assets between departments after arrangements between the relevant Heads of departments were made.
- Upon the resignation / retirement of an employee, the applicable Head of Department must inform the Chief Financial Officer and Corporate Service Department in writing that the inventory and asset items entrusted to that employee to execute his / her duties are in good order and returned. When necessary the applicable Head of Department must inform the Corporate Services Department of any losses and the value of such losses. The ultimate responsibility of any losses lies with the relevant Head of Department.

The Municipalities Asset Management Policy was adopted by council on 28 May 2013 as part of the budget related policies.

Although capacity within the municipality's asset management section is limited due to the size of the municipality, capacitation programmes have been identified and increased internal control over assets is observed. Clearly this shows the commitment from management to ensure that capacity is improved.

Additions during the financial year for capital assets amounted to R 52 727 380 which include the following categories of assets. This is including an amount of R 160 005 for intangible assets not included in the table below.

CAPITAL ASSETS 2013/2014

PROPERTY, PLANT AND EQUIPMENT	
Land and Buildings	6 366 392
Land	-
Buildings	6 366 392
Infrastructure	34 169 011
Main: Roads	28 988 934
Main: Storm Water	4 013 053
Main: Waste Management	220 098
Main: Electricity	791 311
Taxi Ranks	155 616
Community Assets	4 754 143
Sports Fields	2 120 192
Node Development	-
Parks & Gardens	944 813
Cemetery	1 689 138
Clinics	-
Leased Assets	-
Office Equipment	-
Other Assets	7 381 484
Motor Vehicles	1 381 816
Plant & Equipment	2 304 553
Office Equipment	132 499
Furniture & Fittings	1 086 140
Loose Equipment	324 821
Computer Equipment	419 198
Specialised Vehicles	1 732 456
Security Items	-
Total	52 671 029

TABLE: SCHEDULE A9 ASSET MANAGEMENT SUMMARY SHEET

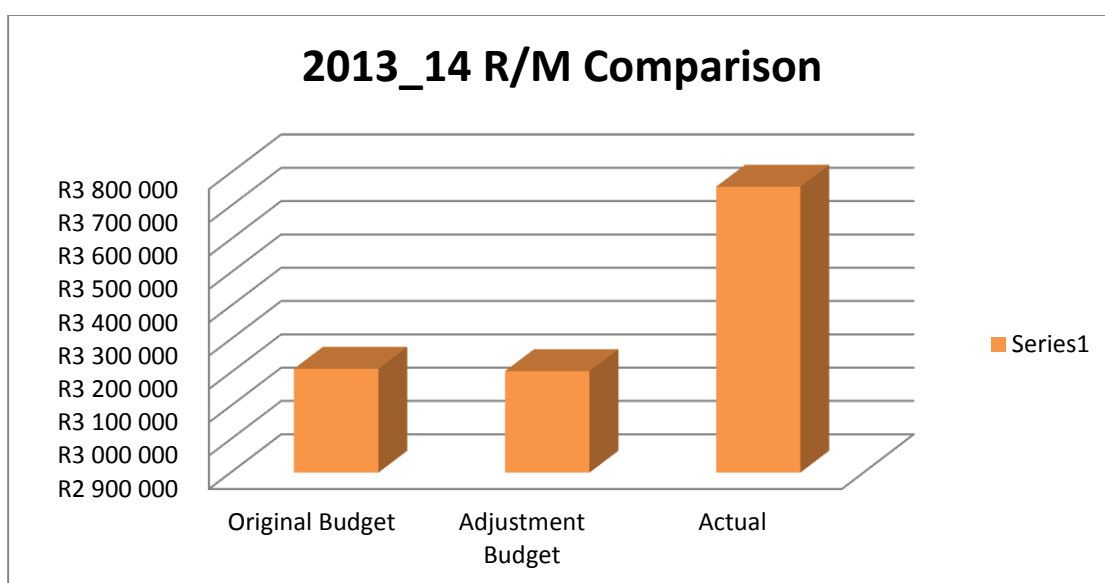
Description R thousand	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		66 308	76 867	85 583	108 443	118 682	118 682	107 126	117 286	120 432
Infrastructure - Electricity		3 547	4 577	8 017	11 029	11 397	11 397	16 148	22 183	28 806
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		3 002	3 232	13 324	8 447	10 102	10 102	11 400	10 921	10 413
Infrastructure		72 857	84 676	106 924	127 919	140 180	140 180	134 673	150 390	159 651
Community		10	9	9	26 746	37 632	37 632	42 575	55 454	77 963
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		12 549	12 549	12 549	12 549	12 549	12 549	12 549	12 549	12 549
Other assets		50 431	61 404	65 786	48 162	70 436	70 436	81 820	83 812	88 954
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		320	300	258	303	258	258	215	164	103
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	136 166	158 939	185 525	215 679	261 055	261 055	271 832	302 367	339 220

REPAIRS & MAINTENANCE (2012/2013)

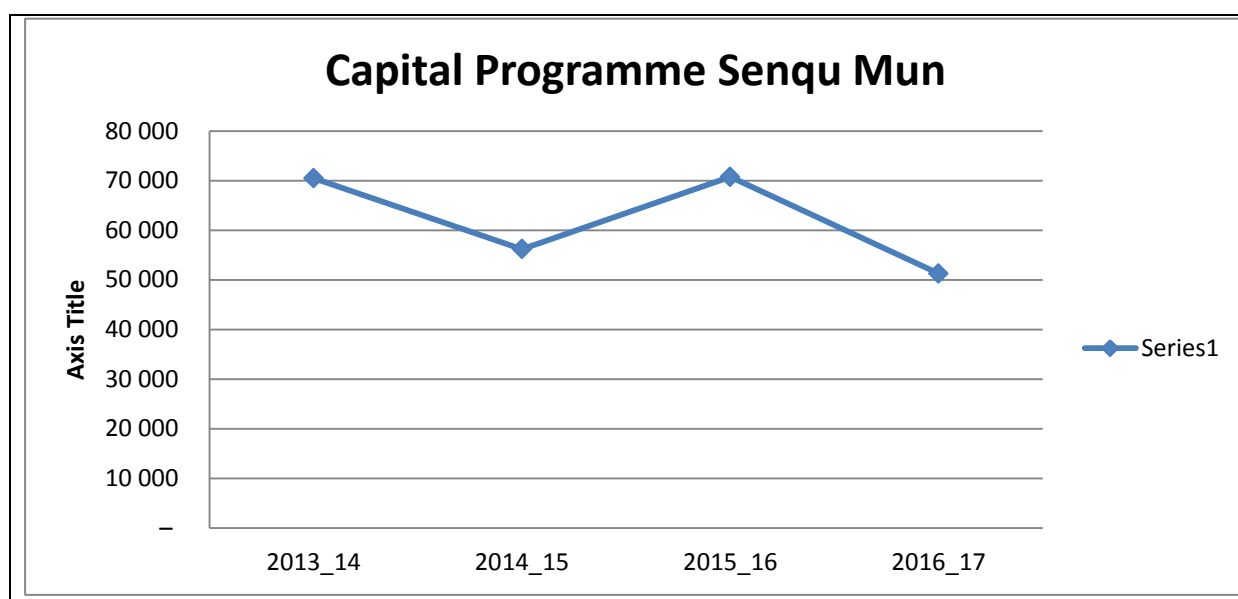
Repairs and Maintenance Expenditure Year June 2014				
Repairs and Maintenance Expenditure	Original Budget	Adjustment Budget	Actual	Budget variance %
Totals	R 3 211 671	R3 204 671	R 3 758 247	17.27 % Variance – Adjusted Budget vs. Actual Exp R/M

Comments on Repairs and Maintenance:

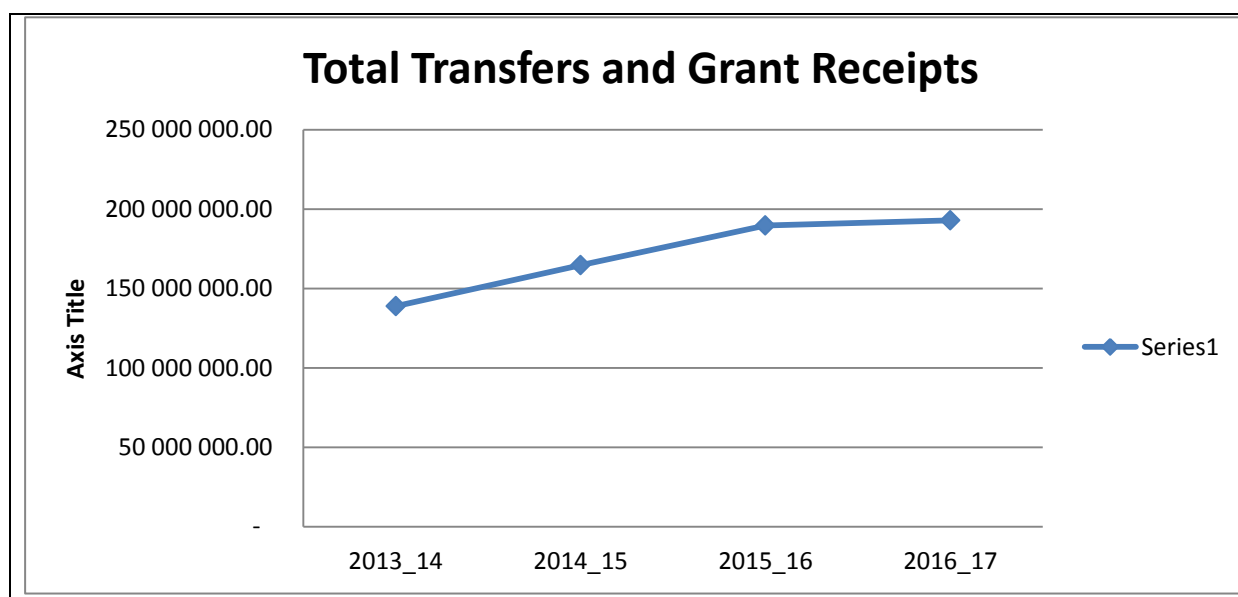
- ❖ During the Adjustment Budget process, the original amount for repairs and maintenance was reduced from R 3 211 671 to R3 204 671 (R 7 000 reduction).
- ❖ 117.27% of the Adjustment Budget was subsequently spent which shows a deviation of 17.27 % more than approved adjusted budget with actual expenditure amounting to R 3 758 247. Reference is made to the graph below for a comparison of basis of the table above.



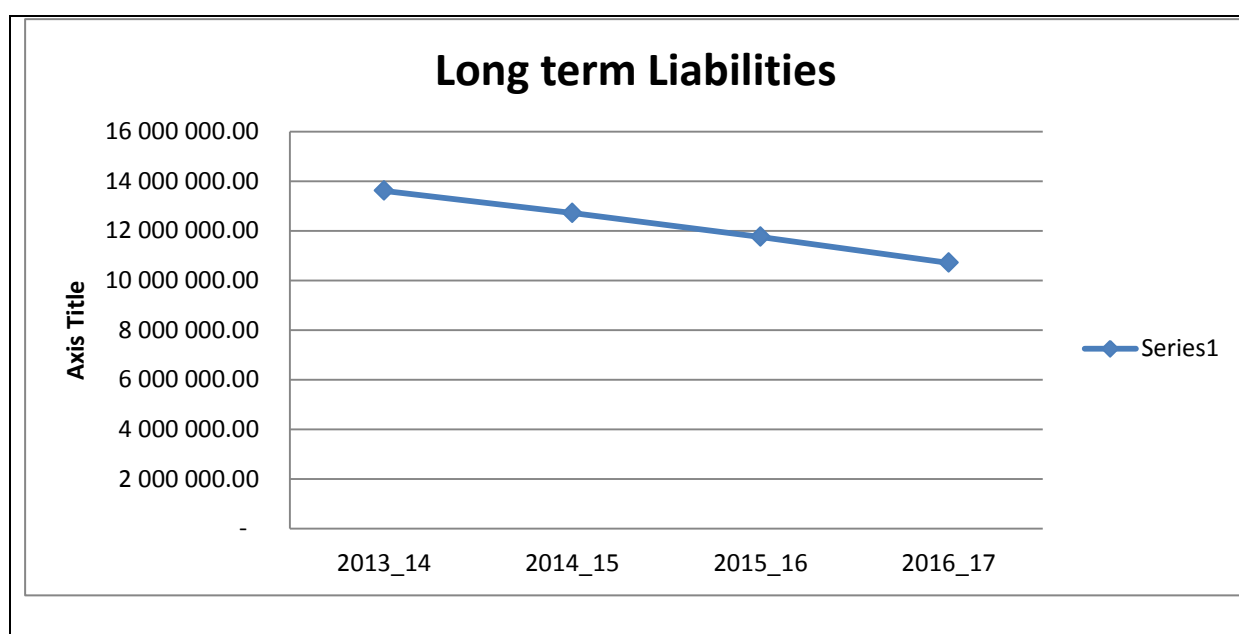
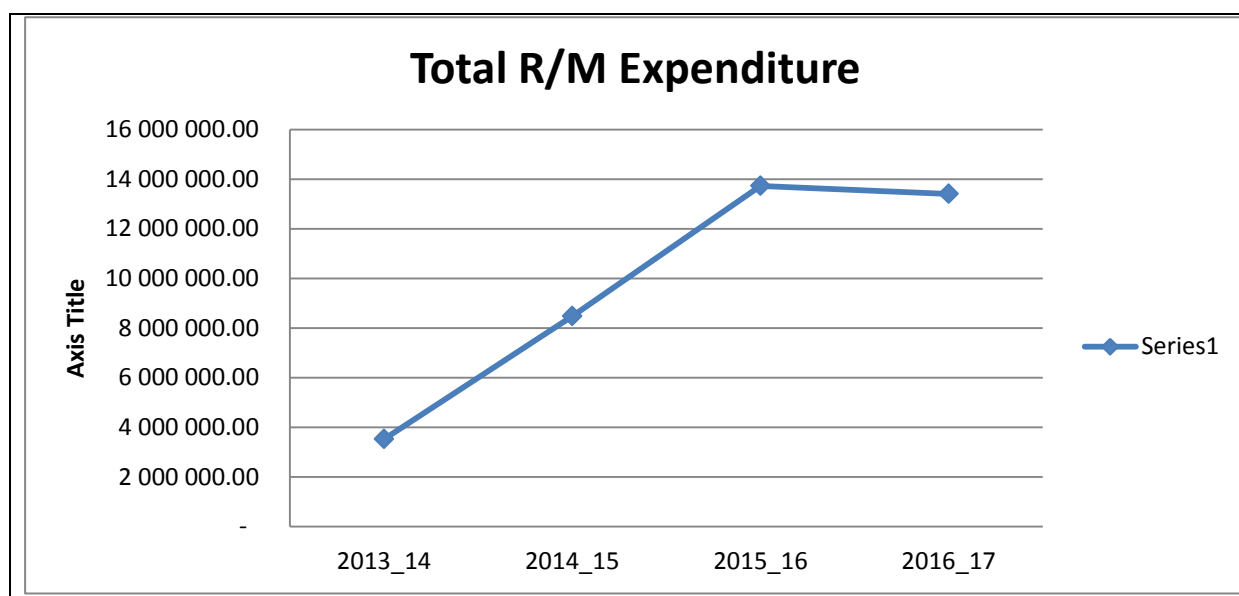
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



The Graph shows the movement of Capital Expenditure from the financial year 2013-2014 to the financial year 2016-2017.



The Graphs above and below show the estimated increase of total grants receipts and expenditure for repairs and maintenance for Senqu Municipality over the MTEF



Long term liabilities are expected to decrease within the future financial period as initial loans are redeemed and no additional loans are expected to be undertaken

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

Introduction to Spending against Capital Budget

- ❖ Capital expenditure relates mainly to construction projects that will have lasting value over many years.
- ❖ Capital expenditure is funded from grants, and the municipality's capital replacement reserve.

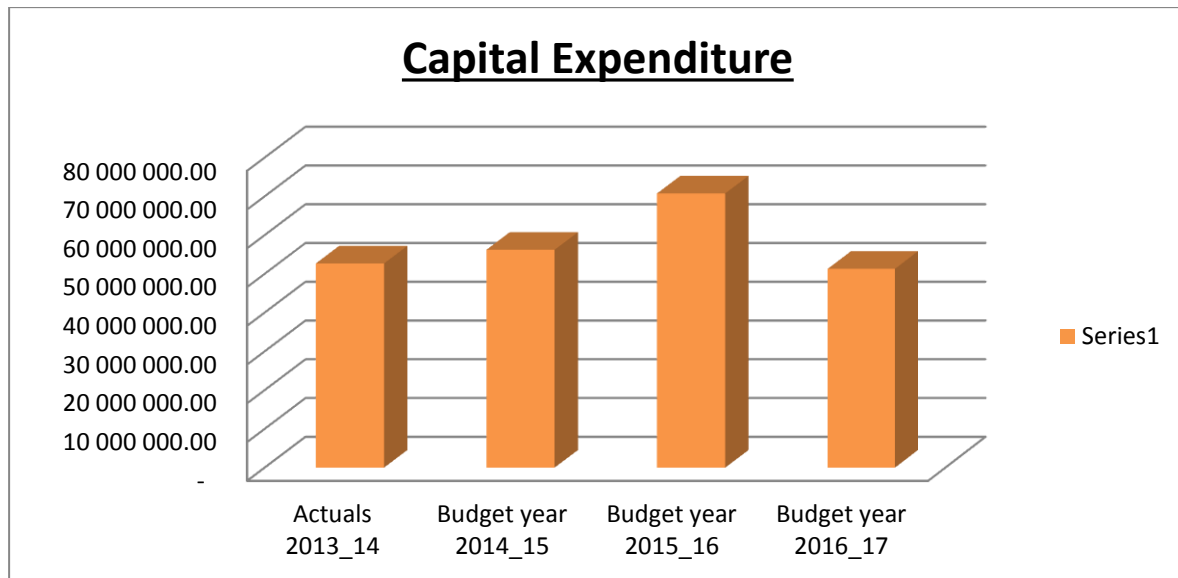
TABLE: SENQU MUNICIPALITIES CAPITAL ACQUISITION PROGRAMME

Actuals 2013_14		Budget year 2014_15		Budget year 2015_16		Budget year 2016_17	
		New	Renew	New	Renew	New	Renew
Infrastructure	34 169 011	22 408 244	-	38 973 030	-	29 474 910	-
Infrastructure - Road transport Roads, Pavements & Bridges & taxi Ranks	29 144 549	14 405 994	-	21 052 743	-	25 974 910	-
Storm water	4 013 053	-	-	-	-	-	-
Infrastructure - Electricity		3 450 000	-	13 238 105	-	3 500 000	-
Generation		-	-	-	-	-	-
Transmission & Reticulation	791 311	2 350 000	-	11 700 000	-	-	-
Street Lighting		1 100 000	-	1 538 105	-	3 500 000	-
Infrastructure - Water		-	-	-	-	-	-
Dams & Reservoirs		-	-	-	-	-	-
Water purification		-	-	-	-	-	-
Reticulation		-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-
Reticulation		-	-	-	-	-	-
Sewerage purification		-	-	-	-	-	-
Infrastructure - Other		4 552 250	-	4 682 183	-	-	-
Waste Management	220 098	4 552 250	-	4 682 183	-	-	-
Transportation		-	-	-	-	-	-
Gas		-	-	-	-	-	-
Other		-	-	-	-	-	-
Community	4 754 143	15 787 856	1 200 000	13 034 969	1 500 000	9 235 640	1 500 000
Parks & gardens	944 813	-	-	500 000	-	-	-
Sportsfields & stadia	2 120 192	8 817 856	-	2 324 594	-	5 875 350	-
Swimming pools		-	-	-	-	-	-
Community halls		3 170 000	-	6 900 000	1 500 000	-	1 500 000
Libraries		-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-
Security and policing		-	-	-	-	-	-
Buses		-	-	-	-	-	-
Clinics		-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-

Actuals 2013_14		Budget year 2014_15		Budget year 2015_16		Budget year 2016_17	
		New	Renew	New	Renew	New	Renew
Cemeteries	1 689 138	3 800 000	1 200 000	3 310 375	-	3 360 290	-
Social rental housing		-	-	-	-	-	-
Other		-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-
Buildings		-	-	-	-	-	-
Other		-	-	-	-	-	-
Investment properties		-	-	-	-	-	-
Housing development		-	-	-	-	-	-
Other		-	-	-	-	-	-
Other assets	13 747 875	16 210 000	600 000	17 231 000	-	11 070 400	-
General vehicles	3 114 272	6 290 000	-	12 405 000	-	8 810 000	-
Specialised vehicles		-	-	-	-	-	-
Plant & equipment	2 629 374	1 455 000	-	2 564 000	-	1 610 400	-
Computers - hardware/equipment	419 198	350 000	-	-	-	-	-
Furniture and other office equipment	1 218 640	1 465 000	-	320 000	-	400 000	-
Abattoirs		-	-	-	-	-	-
Markets		-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-
Other Buildings	6 366 392	6 650 000	600 000	1 942 000	-	250 000	-
Other Land		-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-
Other		-	-	-	-	-	-
Agricultural assets		-	-	-	-	-	-
<i>List sub-class</i>		-	-	-	-	-	-
Biological assets		-	-	-	-	-	-
<i>List sub-class</i>		-	-	-	-	-	-
Intangibles		-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-
Total Capital Expenditure on new assets	52 671 029	54 406 100	1 800 000	69 238 999	1 500 000	49 780 950	1 500 000

5.5 CAPITAL EXPENDITURE

The following graph indicates the Capital Expenditure over the next 3 years



5.6 SOURCES OF FINANCE

The table below shows the sources of finances to be used for Capital Acquisitions for Senqu Municipality. It must be noted that the municipality mainly uses the MIG Grant Funding and it's Capital Replacement Reserves to fund capital acquisitions:

Senqu Municipality Capital Acquisition Program	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funded by:				
National Government	35 686 171.98	44 614 393.00	47 291 256.58	50 128 731.97
Provincial Government	-	-	-	-
District Municipality	-	-	-	-
Other transfers and grants	-	-	-	-
Transfers recognised - capital	35 686 171.98	44 614 393.00	47 291 256.58	50 128 731.97
Public contributions & donations	-	-	-	-
Borrowing	-	-	-	-
Internally generated funds	16 984 857.02	11 591 707.48	23 447 742.73	1 152 218.03
Total Capital Funding	52 671 029	56 206 100.48	70 738 999.31	51 280 950.00

The following table aims to highlight the infrastructure assets and progress regarding these assets during the financial year 2013 /2014

Project	Amount
Constr Access Roads 4,5 & 6;	423 356.44
Project:Constr Road Ward 1,2	685 069.28
Project:Surfaced Road;	2 842 944.66
Project: Musong Road;	84 549.90
Constr Access Road Ward 7,8,	9 419 984.70
Access Roads Ward 15;	2 836 555.51
Transwilger Bridge;	15 242.58
Constr Access Road Ward 7,8,	9 202 697.02
Constr Access Road Ward 7,8,	176 098.63
Roads & Street Paving Ward 1	3 163 941.48
Gravel Road Ward 1;	1 920 044.00
Project: Sterkspruit Taxi Ra	1 026 640.80
Project: Moghesi Bus Route;	97 622.08
Parks;	230 353.00
Renovations: Community Halls	1 220 640.95
Project: Community Halls;	1 547 843.61
Cemeteries (Phase 2);	1 014 618.54
Fencing: Cemeteries;	674 519.23
Project: Pounds;	714 460.21
Sport Facilities ;	722 158.68
Sport Facilities ;	220 098.30
Project: Sport Field Lighting	716 760.00
Project: Sport Field Lighting	681 273.00

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Introduction to Cash Flow Management and Investments

Having displayed exceptionally good financial management and investment practices, it must be noted that the municipality is currently experiencing an extremely favourable cash flow and finds itself in a position to meet its long and short term commitments in a timely manner. The council of the municipality is regarded as the trustee of the public revenues, which it collects and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently. Under these circumstances, the Council has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in respect of these investments. The overall responsibility of investments lies with the Municipal Manager. However, it must be noted that the day-to-day handling of investments remains the responsibility of the Chief Financial Officer or his/hers delegates.

As part of the Cash Management Programme, the Chief Financial Officer prepares an annual estimate of the municipality's cash flow divided into calendar months and updates this estimate on a monthly basis. This estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts

investments will have to be liquidated, and when (if applicable) either long-term or short-term debt must be incurred.

5.9 CASH FLOW

The table that follows will detail comparisons regarding Senqu Municipalities Cash Flow for 2013/14 financial year

SENQU MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014 COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET				
	2014 R	2014 R	2014 R	
	(Actual)	(Final Budget)	(Variance)	Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	33 317 851	25 118 282	8 199 569	33%
Government	134 304 377	150 553 200	(16 248 823)	-11%
Interest	8 881 444	7 843 394	1 038 050	13%
Dividends	-	-	-	
Payments				
Suppliers and Employees	(113 986 749)	(159 140 982)	45 154 233	-28%
Finance charges	(1 280 551)	(1 638 890)	358 339	-22%
Transfers and Grants	(110 773)	(334 000)	223 227	-67%
NET CASH FROM/(USED) OPERATING ACTIVITIES	61 125 598	22 401 004	-	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	127 662	-	127 662	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(51 892 170)	(70 489 550)	18 597 380	-26%
NET CASH FROM/(USED) INVESTING ACTIVITIES	(51 764 508)	(70 489 550)	18 725 042	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	169 255	74 778	94 477	
Payments				
Repayment of borrowing	(793 324)	(791 198)	(2 125)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(624 069)	(716 421)	92 352	
NET INCREASE/(DECREASE) IN CASH HELD	8 737 022	(48 804 967)	18 817 394	
Cash and Cash Equivalents at the beginning of the year	154 252 933	154 252 933	-	0%
Cash and Cash Equivalents at the end of the year	162 989 955	105 447 966	57 541 989	55%

5.10 BORROWING AND INVESTMENTS

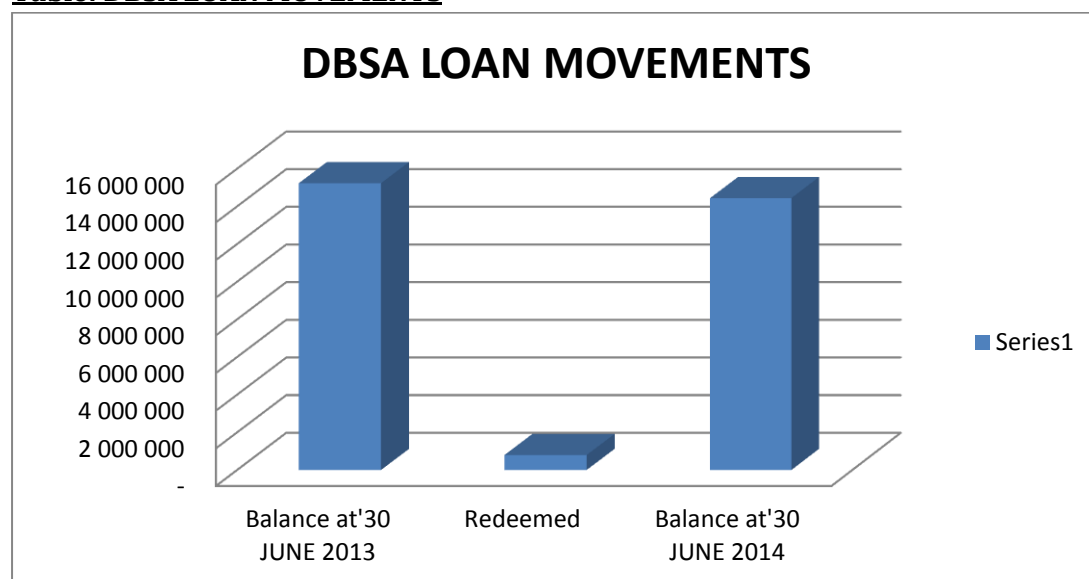
Introduction to Borrowing and Investments

The Municipality currently has 2 long term borrowing commitments both payable to the Development Bank of South Africa.

One loan relates to the extension of the Senqu Municipality office building and the second loan relates to the purchase of electrical infrastructure to reduce electricity losses and improve service delivery.

APPENDIX A - Unaudited SENQU MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014							
EXTERNAL LOANS	Rate	Loan No.	Redeem-able	Balance at 30 JUNE 2013	Balance at 30 JUNE 2013 Restated	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS							
DBSA loan	Floating	103126/1	2029	10 425 693	10 425 693	631 860	9 793 833
DBSA loan	Fixed	103126/2	2030	4 793 367	4 793 367	149 954	4 643 414
Total Annuity Loans				15 219 060	15 219 060	781 814	14 437 246
LEASE LIABILITY							
Finance Leases			2013	11 510	11 510	11 510	-
Total Lease Liabilities				11 510	11 510	11 510	-
TOTAL EXTERNAL LOANS				15 230 570	15 230 570	793 324	14 437 246

Table: DBSA LOAN MOVEMENTS



5.11 PUBLIC PRIVATE PARTNERSHIPS

Public Private Partnerships

Council has not entered into any private public partnerships during this financial year.

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

Introduction to Supply Chain Management

The Council and management remain committed to ensuring that all SCM legislation and regulations are complied with in order to ensure that fair and transparent tender processes are followed at all times and to ensure full compliance with the applicable legislation. In support of this, the Municipal SCM policy has been reviewed and approved by council on the 30th of May 2014 as part of the review of all budget related policies.

In order to comply with section 119 of the MFMA all members serving on Bid Specification, Evaluation and Adjudication Committees and all SCM staff are attending National Treasury approved training to ensure that they meet the prescribed minimum competency levels relating to SCM.

Various other control measures are also being implemented to ensure that SCM practices are effected in a fair, equitable and transparent manner. Supply Chain Management continues to be seen as an area of priority for top management.

5.13 GRAP COMPLIANCE

Introduction to GRAP Compliance

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. The Municipality is currently in full compliance with all provisions of GRAP.

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014