



**SECTION 71 FINANCIAL
REPORT
31 OCTOBER 2017**

PURPOSE

To report on monthly actual performance of the municipality's budget for the period ending 31 October 2017.

LEGAL/STATUTORY REQUIREMENT

Municipal Finance Management Act No. 56 of 2003.

Municipal Budget and Reporting Regulations gazette No 32141

BACKGROUND

In terms of Section 71(1), (2) and (3) of the MFMA No 56, 2003 Chapter 8, the Accounting Officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement on the financial performance of that municipality.

The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information of financial performance.

Executive Mayors Report Summary

This report is a summary of the main budget issues arising from the in-year monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

a) Summary Statement of Financial Performance

The Summary Statement of Financial Performance shown below is prepared on a similar basis of the prescribed budget format, detailing revenue by source type and expenditure per vote.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M04 October

Description	Ref	2016/17	Budget Year 2017/18								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands											
Revenue By Source											
Property rates			16,771		1,813	8,479	5,590	2,889	52%	16,771	
Service charges - electricity revenue			41,643		4,746	11,039	13,881	(2,842)	-20%	41,643	
Service charges - water revenue			-		-	-	-	-	-	-	
Service charges - sanitation revenue			-		-	-	-	-	-	-	
Service charges - refuse revenue			10,032		911	3,642	3,344	298	9%	10,032	
Service charges - other			127		-	-	42	(42)	-100%	127	
Rental of facilities and equipment			1,004		4	131	335	(204)	-61%	1,004	
Interest earned - external investments			6,800		271	1,834	2,267	(433)	-19%	6,800	
Interest earned - outstanding debtors			2,640		359	855	880	(25)	-3%	2,640	
Dividends received			-		-	-	-	-	-	-	
Fines, penalties and forfeits			53		4	134	18	117	656%	53	
Licences and permits			-		-	-	-	-	-	-	
Agency services			4,066		346	701	1,355	(655)	-48%	4,066	
Transfers and subsidies			101,164		-	39,770	33,721	6,049	18%	101,164	
Other revenue			41,320		260	217	13,773	(13,556)	-98%	41,320	
Gains on disposal of PPE			-		-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)			-	225,621	-	8,714	66,803	75,207	(8,404)	-11%	225,621

The municipality is billing its debtors on a monthly basis. Property rates show an over achievement, this is due to the implementation of the supplementary valuation roll. Other service charges had a variance of 100% which points to the fact that no follow ups were made to identify illegal connections. Rental of facilities variance is due to non-renewal of some lease agreements. Fines penalties and forfeitures has increased drastically as a result

will need to be adjusted up. The variance in transfers and subsidies is 18% which is attributed to equitable share fully recognised on receipt of the grant. The interest on investments has a variance of 19% and this is attributed to a decline in municipal conditional grants and increase in expenditure trends resulting to weaker cash flows.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M04 October

Description	Ref	2016/17	Budget Year 2017/18								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands											
Expenditure By Type											
Employee related costs			113,568		9,198	37,937	37,856	81	0%	113,568	
Remuneration of councillors			13,244		959	2,844	4,415	(1,571)	-36%	13,244	
Debt impairment			5,000		417	1,667	1,667	-		5,000	
Depreciation & asset impairment			26,000		8,667	8,667	8,667	-		26,000	
Finance charges			100		-	6	33	(28)	-83%	100	
Bulk purchases			28,000		2,113	8,979	9,333	(354)	-4%	28,000	
Other materials			-		-	-	-	-		-	
Contracted services			2,782		798	1,121	927	193	21%	2,782	
Transfers and subsidies			-		-	-	-	-		-	
Other expenditure			36,927		785	18,908	12,309	6,600	54%	36,927	
Loss on disposal of PPE			-		-	-	-	-		-	
Total Expenditure			-	225,621	-	22,936	80,128	75,207	4,921	7%	225,621

Employee related costs is looking good at 0% variance but that is indicative of a problem because it's not yet December and in November service bonuses will be paid which then will result to a huge jump. Other expenditure has a variance of 54%, this variance is due to high rate of travelling; trainings, legal fees, catering, fuel and oil among other things as well as spending on programmes which were not planned.

Capital Expenditure

The following table provides a summary of the expenditure trends based on current year planned capital projects and actual spending.

EC124 Amahlathi - Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - M04 October

Month	2016/17	Budget Year 2017/18								
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget	
R thousands										
Monthly expenditure performance trend										
July		2,679		147	147	2,679	2,532	94.5%	0%	
August		2,679		774	921	5,358	4,436	82.8%	3%	
September		2,679		132	1,053	8,036	6,983	86.9%	3%	
October		2,679		371	1,425	10,715	9,291	86.7%	4%	
November		2,679				13,394	-			
December		2,679				16,073	-			
January		2,679				18,751	-			
February		2,679				21,430	-			
March		2,679				24,109	-			
April		2,679				26,788	-			
May		2,679				29,467	-			
June		2,679				32,145	-			
Total Capital expenditure		-	32,145	-	1,425					

Description	Original Budget	YTD Expenditure	%
INEG Grant	R5 000 000.00	R 37 588.00	0.75
MIG Projects	R27 145 300.00	R1 386 965.00	5.11

Cash and Investment management

The Municipality is covering its costs without the assistance of external funding. Call deposits amounts to R 56m as at end October 2017. The interest generated on investment during the month ending 31 October 2017 is R271 thousand.

Considerable care should be taken in further committing the institution as its liquidity is drastically decreasing. The table that details the call deposits made is reflected below:-

EC124 Amahlathi - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M04 October

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
		Yrs/Months							
R thousands									
Municipality									
INVESTEC - 456		days	Short tem		260		-	40,828	41,089
NEDBANK		days	Short tem				-	-	-
ABSA 1602		days	Short tem				-	10,132	10,132
FNB 3770		days	Short tem		0		1,565	(1,486)	79
FNB 9619		days	Short tem		0		616	(596)	20
FNB 1351		days	Short tem		1		242	2	244
FNB 9858		days	Short tem		10		7,597	(2,759)	4,848
Municipality sub-total					271		10,021	46,120	56,412
Entities									
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				271		10,021	46,120	56,412

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M04 October

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			16,771		14	3,387	5,590	(2,204)	-39%	16,771
Service charges			51,802		603	5,712	17,267	(11,555)	-67%	51,802
Other revenue			46,443		2,302	3,442	15,481	(12,039)	-78%	46,443
Government - operating			101,164		3,000	44,818	33,721	11,097	33%	101,164
Government - capital			32,145		-	12,639	10,715	1,924	18%	32,145
Interest			9,440		271	1,834	3,147	(1,313)	-42%	9,440
Dividends								-		
Payments										
Suppliers and employees			(225,521)		(13,853)	(69,789)	(75,174)	(5,385)	7%	(225,521)
Finance charges			(100)		-	6	(33)	(39)	117%	(100)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES			32,145		(7,663)	2,048	10,715	8,667	81%	32,145
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE								-		
Decrease (Increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments								-		
Payments										
Capital assets			(32,145)		(371)	(1,425)	(10,715)	(9,291)	87%	(32,145)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(32,145)		(371)	(1,425)	(10,715)	(9,291)	87%	(32,145)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
Payments										
Repayment of borrowing								-		
NET CASH FROM/(USED) FINANCING ACTIVITIES			-		-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD			-		(8,034)	624	0			-
Cash/cash equivalents at beginning:			105,825				105,825			-
Cash/cash equivalents at month/year end:			105,825			624	105,825			-

The total Cash available as at 30 October 2017 indicates a total balance of **R59 795 246.12** which is made up of the following:-

Closing bank balance account R 2 409 740.65
 Cheque account balance is R 973 400.47
 Investments R56 412 105.00
Total R59 795 246.12

Debt Management Outstanding debtors

The below table depicts the total amount owed to the municipality by debtors

EC124 Amahlathi - Supporting Table SC3 Monthly Budget Statement - aged debtors - M04 October

Description	NT Code	Budget Year 2017/18										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy	
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days			
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	5,200	2,268	-	1,383	958	645	1,441	-	11,895	4,427	-	-	
Receivables from Non-ex change Transactions - Property Rates	1400	1,441	1,238	-	1,044	1,019	(539)	14,063	-	18,268	15,588	-	-	
Receivables from Ex change Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from Ex change Transactions - Waste Management	1600	475	389	-	321	363	297	10,813	-	12,657	11,794	-	-	
Receivables from Ex change Transactions - Property Rental Debtors	1700	-	14	-	4	96	-	-	-	115	101	-	-	
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	191	4,218	-	4,409	4,409	-	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	36	13	-	(80)	(180)	16	1,175	-	980	931	-	-	
Total By Income Source	2000	7,152	3,922	-	2,673	2,256	610	31,711	-	48,323	37,250	-	-	
2016/17 - totals only														
Debtors Age Analysis By Customer Group														
Organs of State	2200									-	-			
Commercial	2300									-	-			
Households	2400									-	-			
Other	2500	7,152	3,922	-	2,673	2,256	610	31,711	-	48,323	37,250	-	-	
Total By Customer Group	2600	7,152	3,922	-	2,673	2,256	610	31,711	-	48,323	37,250	-	-	

Total outstanding debt for the month ending Oct 2017 is R48m. The collection rate as at 31 October 2017 stands at 68%. This is arrived by taking actual receipts to date against billed to date.

Outstanding Creditors

The municipality strives to pay its creditors within 30 days, however some delay to be paid when the process of procuring is not followed.

Grants allocations and expenditure – as at 30 September 2017

The conditional grants allocation gazetted for 2017/18 amounted to R133m and to date only R57.4m has been received. The expenditure on grants is detailed below.

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		-	99,964	-	2,297	31,912	33,321	(1,410)	-4.2%	104,964
Local Government Equitable Share			95,446		2,651	31,815	31,815	-		95,446
Finance Management			1,700		23	96	567	(470)	-83.0%	1,700
Municipal Systems Improvement			-		-	-	-	-		-
EPWP Incentive			1,389		(377)	-	463	(463)	-100.0%	1,389
PMU 5%			1,429		-	-	476	(476)	-100.0%	1,429
Other transfers and grants [insert description]			-		-	-	-	-		5,000
Provincial Government:		-	1,200	-	-	-	400	(400)	-100.0%	1,200
Sport and Recreation			1,200		-	-	400	(400)	-100.0%	1,200
Waste Collection Grant			-		-	-	-	-		-
Waste Management Grant			-		-	-	-	-		-
Other transfers and grants [insert description]			-		-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
[insert description]			-		-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
[insert description]			-		-	-	-	-		-
Total operating expenditure of Transfers and Grants:		-	101,164	-	2,297	31,912	33,721	(1,810)	-5.4%	106,164
Capital expenditure of Transfers and Grants										
National Government:		-	32,145	-	371	1,425	10,715	(9,291)	-86.7%	27,145
Municipal Infrastructure Grant (MIG)			27,145		347	1,387	9,048	(7,661)	-84.7%	27,145
			5,000		24	38	1,667	(1,629)	-97.7%	
Other capital transfers [insert description]			-		-	-	-	-		-
Provincial Government:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
Total capital expenditure of Transfers and Grants		-	32,145	-	371	1,425	10,715	(9,291)	-86.7%	27,145
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	133,309	-	2,669	33,336	44,436	(11,100)	-25.0%	133,309

Expenditure on councillor allowances and employee benefits

The expenditure on employee related costs and councillors allowance is detailed below.

EC124 Amahlathi - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M04 October										
Summary of Employee and Councillor remuneration	Ref	2016/17		Budget Year 2017/18						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages			8,098		671	1,865	2,699	(834)	-31%	8,098
Pension and UIF Contributions			1,064		-	-	355	(355)	-100%	1,064
Medical Aid Contributions			106		-	-	35	(35)	-100%	106
Motor Vehicle Allowance			2,911		209	616	970	(354)	-36%	2,911
Cellphone Allowance			1,064		60	180	355	(175)	-49%	1,064
Housing Allowances								-		
Other benefits and allowances					20	183		183	#DIV/0!	
Sub Total - Councillors			13,244		959	2,844	4,415	(1,571)	-36%	13,244
% increase	4		#DIV/0!							#DIV/0!
Other Municipal Staff										
Basic Salaries and Wages			81,382		6,387	26,867	27,127	(261)	-1%	81,382
Pension and UIF Contributions			13,414		1,199	4,588	4,471	117	3%	13,414
Medical Aid Contributions			4,369		412	1,496	1,456	40	3%	4,369
Overtime			2,500		197	858	833	25	3%	2,500
Bonus			1,250		94	173	417	(244)	-59%	1,250
Motor Vehicle Allowance			4,800		444	2,041	1,600	441	28%	4,800
Cellphone Allowance			1,200		94	353	400	(47)	-12%	1,200
Housing Allowances			3,800		280	828	1,267	(438)	-35%	3,800
Other benefits and allowances			440		91	689	147	543	370%	440
Payments in lieu of leave			413		-	43	138	(95)	-69%	413
Long service awards								-		
Post-retirement benefit obligations	2							-		
Sub Total - Other Municipal Staff			113,568		9,198	37,937	37,856	81	0%	113,568
% increase	4		#DIV/0!							#DIV/0!
Total Parent Municipality			126,812		10,157	40,780	42,271	(1,490)	-4%	126,812

Recommendations

1. That the monthly report for period ending 31 October 2017 **BE NOTED AND ACCEPTED.**

Cllr P Qaba
 The Mayor
 14/11/2017