



SECTION 71 FINANCIAL REPORT

31 January 2018

PURPOSE

To report on monthly actual performance of the municipality's budget for the period ending 31 January 2018.

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) - M07 January

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		14,013	16,771		1,715	13,723	9,783	3,939	40%	16,771
Service charges - electricity revenue		28,867	41,643		1,518	17,376	24,292	(6,916)	-28%	41,643
Service charges - water revenue		-	-		-	-	-	-		-
Service charges - sanitation revenue		-	-		-	-	-	-		-
Service charges - refuse revenue		9,133	10,032		909	6,375	5,852	523	9%	10,032
Service charges - other		6	127		-	23	74	(50)	-68%	127
Rental of facilities and equipment		827	1,004		18	343	586	(243)	-42%	1,004
Interest earned - external investments		8,442	6,800		318	2,817	3,967	(1,150)	-29%	6,800
Interest earned - outstanding debtors		2,302	2,640		815	2,167	1,540	627	41%	2,640
Dividends received		-	-		-	-	-	-		-
Fines, penalties and forfeits		172	53		0	139	31	108	346%	53
Licences and permits		-	-		-	-	-	-		-
Agency services		3,052	4,066		219	2,121	2,372	(250)	-11%	4,066
Transfers and subsidies		123,474	101,164		7,954	71,127	74,691	(3,564)	-5%	101,164
Other revenue		503	41,320		32	20,352	24,103	(3,752)	-16%	41,320
Gains on disposal of PPE		-	-		-	-	-	-		-
Total Revenue (excluding capital transfers and contributions)		190,790	225,621	-	13,498	136,562	147,291	(10,729)	-7%	225,621

The municipality is billing its debtors on a monthly basis. Property rates show a variance of 40% and this is due to the implementation of the supplementary valuation roll coupled with system problems which are being resolved on an on-going basis. Other service charges has a variance of 68% which points to capacity issues within the

electricity department. Fines penalties and forfeitures has increased drastically as a result will be adjusted up during adjustment budget. The interest on investments has a variance of 29% and this is attributed to a decline in municipal conditional grants and increase in expenditure trends resulting to weaker cash flows. The interest on debtors has a variance of 41% and this is attributed to late payments by customers as a result of various factors.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M07 January

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		112,135	113,568		9,203	72,405	66,248	6,158	9%	113,568
Remuneration of councillors		11,561	13,244		921	6,863	7,726	(863)	-11%	13,244
Debt impairment		7,916	5,000		417	2,917	2,917	-		5,000
Depreciation & asset impairment		29,038	26,000		2,167	15,167	15,167	-		26,000
Finance charges		2,507	100		-	10	58	(48)	-83%	100
Bulk purchases		26,165	28,000		-	14,702	16,333	(1,631)	-10%	28,000
Other materials		-	-		-	-	-	-		-
Contracted services		2,593	2,782		-	1,230	1,623	(393)	-24%	2,782
Transfers and subsidies		-	-		-	-	-	-		-
Other expenditure		61,711	36,927		1,144	29,634	21,540	8,094	38%	36,927
Loss on disposal of PPE		43,132	-		-	-	-	-		-
Total Expenditure		296,759	225,621	-	13,852	142,928	131,612	11,316	9%	225,621

Employee related costs has a variance of 9% and this is attributed to employment of casual workers not budgeted for. Other expenditure has a variance of 38% and this is attributed to high rate of travelling; trainings, legal fees and catering 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 - M07 January

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		6,168	7,592	13,394	5,802	43.3%	24%	
December		2,679		82	7,674	16,073	8,398	52.3%	24%	
January		2,679		1,739	9,413	18,751	9,338	49.8%	29%	
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	-	9,413					

Below is the detailed MIG expenditure per project:-

Projects	Vote Number	Budget	Total	Vat
			107,477	15,047
ETHEMBENI INTERNAL ROADS PH 5	C0040-4/IA00132	2,200,000	105,735	14,803
RHAWINI INTERNAL ROADS	C0040-5/IA00132	2,700,000	164,352	23,009
NOTHENGA INTERNAL ROADS	C0040-6/IA00132	2,345,300	392,013	54,882
KEI ROAD INTERNAL ROADS	C0040-7/IA00132	2,700,000	-	-
LANGDRAI INTERNAL ROADS	C0040-8/IA00132	2,800,000	321,418	44,999
ZINGCUKA INTERNAL ROADS	C0040-9/IA00132	2,900,000	-	-
AMAHLATHI HIGH MAST LIGHTS	C0023-1/IA07180	4,200,000	3,165,653	443,191
			147,033	49,647
KEISKAMMAHOEK FIRESTATION	C0228-1/IA00032	2,500,000	354,618	20,585
			562,294	78,721
MLUNGISI SPORTSFIELD	C0245-2/IA00032	4,800,000	83,168	11,644
LOWER KOLOGHA INTERNAL ROADS	C0040-10/IA00132	-	-	56,815
FRESHWATER INTERNAL ROADS	C0040-11/IA00132	-	-	-
WHITE CITY INTERNAL ROADS	C0040-12/IA00132	-	-	-
JERSEYVALE INTERNAL ROADS	C0040-13/IA00132	-	-	-
CHRIS HANI INTERNAL ROADS	C0040-14/IA00132	-	-	-
HAWKER STALLS	C0239-1/IA00032	-	74,113	-
	GENERAL LEDGER	27,145,300	5,477,874	813,342

Cash and Investment management

The Municipality is covering its costs without the assistance of external funding. Call deposits amounts to R27m as at end 31 January 2018. The interest generated on investment during the month ending 31 January 2018 is R318 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 - M07 January

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
R thousands		Yrs/Months							
Municipality									
INVESTEC - 456		days	Short tem		64		-	(64)	-
INVESTEC - 455		days	Short tem		128		-	20,082	20,210
NEDBANK		days	Short tem		-		-	-	-
ABSA 1602		days	Short tem		-		-	-	-
FNB 3770		days	Short tem		0		1,565	(1,486)	80
FNB 9619		days	Short tem		8		616	1,436	2,060
FNB 1351		days	Short tem		1		242	4	246
FNB 9858		days	Short tem		32		7,597	(2,687)	4,943
FNB 3696		days	Short tem		52		-	(52)	-
FNB 5352		days	Short tem		33		-	(33)	-
Municipality sub-total					318		10,021	17,201	27,540
TOTAL INVESTMENTS AND INTEREST	2				318		10,021	17,201	27,540

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M07 January

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		14,013	16,771		725	4,473	9,783	(5,310)	-54%	16,771
Service charges		38,006	51,802		1,739	14,810	30,218	(15,408)	-51%	51,802
Other revenue		4,553	46,443				27,092	(27,092)	-100%	46,443
Government - operating		123,474	101,164		-	79,229	79,229	-		101,164
Government - capital		23,147	32,145		-	24,484	24,484	-		32,145
Interest		8,442	9,440		330	2,953	5,507	(2,554)	-46%	9,440
Dividends								-		
Payments										
Suppliers and employees		(197,671)	(225,521)		(11,268)	(124,834)	(131,554)	(6,719)	5%	(225,521)
Finance charges		(2,507)	(100)		-	(10)	(58)	(48)	83%	(100)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,457	32,145	-	(8,475)	1,105	44,701	43,596	98%	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		(34,776)	(32,145)		(1,739)	(9,413)	(18,751)	(9,338)	50%	(32,145)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,776)	(32,145)	-	(1,739)	(9,413)	(18,751)	(9,338)	50%	(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		(23,319)	-	-	(10,213)	(8,309)	25,949			-
Cash/cash equivalents at beginning:		105,825	105,825			61,781	105,825			61,781
Cash/cash equivalents at month/year end:		82,506	105,825			53,473	131,775			61,781

The total Cash available as at 31 January 2018 indicates a total balance of **R53 472 750.58** which is made up of the following:-

Closing bank balance account	R25 932 588.96
Cheque account balance is	R 517.47
Investments	<u>R27 539 644.15</u>
Total	<u>R53 472 750.58</u>

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 - M07 January

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	1,910	-	1,437	940	720	873	2,805	649	9,334	5,988	-	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	1,348	-	1,159	1,035	1,122	1,081	3,431	11,388	20,564	18,057	-	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	1600	429	-	381	288	410	383	2,295	9,591	13,777	12,967	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	4	-	5	5	4	9	185	-	212	203	-	-	-
Interest on Arrear Debtor Accounts	1810	408	-	393	332	348	333	1,485	3,515	6,815	6,013	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	30	-	(63,160)	(4)	(7)	(15)	(199)	1,049	(62,306)	824	-	-	-
Total By Income Source	2000	4,129	-	(59,786)	2,596	2,598	2,666	10,001	26,192	(11,605)	44,053	-	-	-
2016/17 - totals only														
Debtors Age Analysis By Customer Group														
Organs of State	2200	864	-	911	767	891	967	2,581	2,836	9,817	8,042	-	-	-
Commercial	2300	1,728	-	1,112	614	444	470	1,879	3,767	10,013	7,173	-	-	-
Households	2400	1,342	-	1,174	1,044	1,093	1,067	5,442	19,208	30,371	27,855	-	-	-
Other	2500	195	-	(62,983)	171	169	163	98	382	(61,806)	982	-	-	-
Total By Customer Group	2600	4,129	-	(59,786)	2,596	2,598	2,666	10,001	26,192	(11,605)	44,053	-	-	-

Total outstanding debt for the month ending 31 January 2018 is R44m. The collection rate as at 31 January 2018 stands at 66%; this includes long outstanding debt from customers. This is derived by dividing total payments received to date against income raised to date for rates and services.

Outstanding Creditors

The municipality strives to pay its creditors within 30 days, however some delays are experienced when the procurement process is not adequately followed.

Grants allocations and expenditure – as at 31 January 2018

The conditional grants allocation gazetted for 2017/18 amounted to R133m and to date R103m has been received. The expenditure on grants is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M07 January

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:		117,974	99,964	–	7,975	75,095	73,991	1,104	1.5%	104,964
Local Government Equitable Share		113,780	95,446		7,954	71,127	71,356	(229)	-0.3%	95,446
Finance Management		1,625	1,700		21	1,461	992	469	47.3%	1,700
Municipal Systems Improvement		–	–		–	–	–	–		–
EPWP Incentive		1,062	1,389		–	1,389	810	579	71.4%	1,389
PMU 5%		1,507	1,429		–	1,118	833	285	34.2%	1,429
Other transfers and grants [insert description]			–				–	–		5,000
Provincial Government:		2,314	1,200	–	200	700	700	–		1,200
Sport and Recreation		1,200	1,200		200	700	700	–		1,200
Waste Collection Grant		647								
Waste Management Grant		297								
Other transfers and grants [insert description]		170								
District Municipality:		–	–	–	–	–	–	–		–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–		–
[insert description]										
Total operating expenditure of Transfers and Grants:		120,289	101,164	–	8,175	75,795	74,691	1,104	1.5%	106,164
Capital expenditure of Transfers and Grants										
National Government:		26,333	32,145	–	1,739	9,331	18,751	(9,421)	-50.2%	27,145
Municipal Infrastructure Grant (MIG)		21,640	27,145		1,739	6,291	15,835	(9,544)	-60.3%	27,145
		4,693	5,000		–	3,040	2,917	123	4.2%	
Other capital transfers [insert description]										
Provincial Government:		–	–	–	–	–	–	–		–
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total capital expenditure of Transfers and Grants		26,333	32,145	–	1,739	9,331	18,751	(9,421)	-50.2%	27,145
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		146,622	133,309	–	9,914	85,126	93,443	(8,317)	-8.9%	133,309

Expenditure on councilor allowances and employee benefits

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

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		7,984	8,098		597	4,180	4,724	(544)	-12%	8,098
Pension and UIF Contributions		239	1,064		-	-	621	(621)	-100%	1,064
Medical Aid Contributions		35	106		-	-	62	(62)	-100%	106
Motor Vehicle Allowance		2,438	2,911		206	1,730	1,698	32	2%	2,911
Cellphone Allowance		864	1,064		60	418	621	(203)	-33%	1,064
Housing Allowances								-		
Other benefits and allowances					59	535		535	#DIV/0!	
Sub Total - Councillors		11,561	13,244	-	921	6,863	7,726	(863)	-11%	13,244
% increase	4		14.6%							14.6%
Other Municipal Staff										
Basic Salaries and Wages		71,977	75,411		6,389	45,850	43,990	1,861	4%	75,411
Pension and UIF Contributions		12,011	13,414		1,172	7,994	7,825	169	2%	13,414
Medical Aid Contributions		3,674	4,369		429	2,732	2,549	184	7%	4,369
Overtime		2,865	2,500		139	1,358	1,458	(100)	-7%	2,500
Bonus		6,333	7,222		39	6,153	4,213	1,940	46%	7,222
Motor Vehicle Allowance		5,012	4,800		464	3,358	2,800	558	20%	4,800
Cellphone Allowance		1,186	1,200		97	686	700	(14)	-2%	1,200
Housing Allowances		3,249	3,800		272	1,902	2,216	(315)	-14%	3,800
Other benefits and allowances		5,202	440		181	1,482	257	1,226	477%	440
Payments in lieu of leave		624	413		19	889	241	649	270%	413
Long service awards								-		
Post-retirement benefit obligations	2							-		
Sub Total - Other Municipal Staff		112,135	113,568	-	9,203	72,405	66,248	6,158	9%	113,568
% increase	4		1.3%							1.3%
Total Parent Municipality		123,696	126,812	-	10,124	79,268	73,973	5,295	7%	126,812

Recommendations

1. That the monthly report for period ending 31 January 2018 **BE NOTED AND ACCEPTED.**

Cllr P Qaba
 The Mayor
 14/01/2018