



**SECTION 71 FINANCIAL
REPORT
28 FEBRUARY 2018**

PURPOSE

To report on monthly actual performance of the municipality's budget for the period ending 28 February 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) - M08 February

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	16,771	3,469	17,163	11,181	5,982	53%	16,771
Service charges - electricity revenue		28,867	41,643	42,143	1,221	15,654	28,096	(12,441)	-44%	42,143
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		9,133	10,032	10,032	917	7,292	6,688	604	9%	10,032
Service charges - other		6	127	127	58	82	84	(3)	-3%	127
Rental of facilities and equipment		827	1,004	1,004	18	367	670	(303)	-45%	1,004
Interest earned - external investments		8,442	6,800	6,800	156	2,817	4,533	(1,717)	-38%	6,800
Interest earned - outstanding debtors		2,302	2,640	2,640	448	3,604	1,760	1,844	105%	2,640
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		172	53	256	-	135	171	(35)	-21%	256
Licences and permits		-	-	2,482	310	1,943	1,654	289	17%	2,482
Agency services		3,052	4,066	1,584	202	577	1,056	(479)	-45%	1,584
Transfers and subsidies		123,474	101,164	102,531	-	71,356	68,354	3,002	4%	102,531
Other revenue		503	41,320	41,318	3,402	27,068	27,545	(477)	-2%	41,318
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		190,790	225,621	227,688	10,201	148,057	151,792	(3,735)	-2%	227,688

The municipality is billing its debtors on a monthly basis; however the implementation of mSCOA has posed some challenges; which result in late billing at times. Property rates show an over collection of 53% and this is due to system problems in billing which are being resolved. Rental of facilities and Equipment shows an under collection of 45% and this is attributed to lease agreements that expired and not renewed by debtors. The interest on

investments shows an under collection of 38% 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 shows an over collection of 105% and this is attributed to system issues relating to billing of property rates coupled with late payments by customers as a result of various factors.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M08 February

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	114,036	9,271	81,677	76,024	5,653	7%	114,036
Remuneration of councillors		11,561	13,244	13,244	1,651	7,979	8,829	(851)	-10%	13,244
Debt impairment		7,916	5,000	5,000	417	3,333	3,333	-		5,000
Depreciation & asset impairment		29,038	26,000	26,000	2,167	17,333	17,333	-		26,000
Finance charges		2,507	100	50	18	35	33	2	6%	50
Bulk purchases		26,165	28,000	28,000	1,911	16,589	18,667	(2,078)	-11%	28,000
Other materials		-	-	-	-	-	-	-		-
Contracted services		2,593	2,782	29,203	1,488	19,070	19,469	(399)	-2%	29,203
Transfers and subsidies		-	-	-	-	-	-	-		-
Other expenditure		61,711	36,927	38,279	2,107	34,033	25,519	8,514	33%	38,279
Loss on disposal of PPE		43,132	-	-	-	-	-	-		-
Total Expenditure		296,759	225,621	253,812	19,030	180,050	169,208	10,842	6%	253,812

Employee related costs shows an over expenditure of 7% and this is attributed to employment of casual workers which were not budgeted as well as annual bonus paid in November among other things. Other expenditure shows an over expenditure of 33% and this is attributed to high rate of travelling; trainings, legal fees and catering among other things; as remedial action to address the issue; a circular on austerity measures was issued for implementation with effect from 1 March 2018.

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 - M08 February

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		4,309	13,722	21,430	7,708	36.0%	43%	
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	-	13,722					

Below is the detailed MIG expenditure per project:-

Projects	Vote Number	Budget	Adjusted Budget	Total Expenditure	Balance	% Spent	
ETHEMBENI INTERNAL ROADS PH 5	C0040-4/IA00132	2,200,000	2,200,000	417,635.01	1,782,364.99	19%	
RHAWINI INTERNAL ROADS	C0040-5/IA00132	2,700,000	2,330,000	462,807.06	1,867,192.94	20%	
NOTHENGA INTERNAL ROADS	C0040-6/IA00132	2,345,300	2,390,000	631,082.34	1,758,917.66	26%	
KEI ROAD INTERNAL ROADS	C0040-7/IA00132	2,700,000	2,200,000	-	2,200,000.00	0%	
LANGDRAI INTERNAL ROADS	C0040-8/IA00132	2,800,000	2,470,000	791,734.09	1,678,265.91	32%	
ZINGCUKA INTERNAL ROADS	C0040-9/IA00132	2,900,000	2,200,000	-	2,200,000.00	0%	
AMAHLATHI HIGH MAST LIGHTS	C0023-1/IA07180	4,200,000	4,058,349	3,608,844.58	449,504.42	89%	
KEISKAMMAHOEK FIRESTATION	C0228-1/IA00032	2,500,000	501,651	680,699.82	-	179,048.82	136%
MLUNGISI SPORTSFIELD	C0245-2/IA00032	4,800,000	4,800,000	798,925.32	-	4,001,074.68	17%
LOWER KOLOGHA INTERNAL ROADS	C0040-10/IA00132	-	2,435,300	-	-	2,435,300.00	0%
FRESHWATER INTERNAL ROADS	C0040-11/IA00132	-	1,100,000	-	-	1,100,000.00	0%
WHITE CITY INTERNAL ROADS	C0040-12/IA00132	-	385,000	107,778.74	-	277,221.26	28%
HAWKER STALLS	C0239-1/IA00032	-	75,000	74,113.06	-	886.94	99%
PRIOR YEAR EXPENDITURE				3,026,500.00			
		27,145,300	27,145,300	10,600,120			

Cash and Investment management

The Municipality is covering its costs without the assistance of external funding. Call deposits amounts to R27m as at end 28 February 2018. The interest generated on investment during the month ending 28 February 2018 is R156 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 - M08 February

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				-	-	-
INVESTEC - 455		days	Short tem		116		-	20,210	20,326
NEDBANK		days	Short tem				-	-	-
ABSA 1602		days	Short tem				-	-	-
FNB 3770		days	Short tem		0		1,565	(1,485)	80
FNB 9619		days	Short tem		7		616	1,444	2,067
FNB 1351		days	Short tem		1		242	5	247
FNB 9858		days	Short tem		32		7,597	(2,655)	4,975
FNB 3696		days	Short tem				-	-	-
FNB 5352		days	Short tem				-	-	-
TOTAL INVESTMENTS AND INTEREST	2				156		10,021	17,519	27,696

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M08 February

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	16,771	725	5,198	11,181	(5,983)	-54%	16,771
Service charges		38,006	51,802	51,802	1,739	16,549	34,535	(17,986)	-52%	51,802
Other revenue		4,553	46,443	46,644	3,933	29,955	31,096	(1,141)	-4%	46,443
Government - operating		123,474	101,164	102,531	-	78,029	78,029	-		101,164
Government - capital		23,147	32,145	31,916	-	24,484	24,484	-		32,145
Interest		8,442	9,440	6,800	156	2,817	4,533	(1,717)	-38%	9,440
Dividends								-		
Payments										
Suppliers and employees		(197,671)	(225,521)	(222,762)	(16,429)	(159,348)	(148,508)	10,840	-7%	(222,762)
Finance charges		(2,507)	(100)	(50)	(18)	(35)	(33)	2	-6%	(50)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,457	32,145	33,653	(9,895)	(2,352)	35,317	37,669	107%	34,954
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)	(34,957)	(4,309)	(13,722)	(23,305)	(9,583)	41%	(34,957)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,776)	(32,145)	(34,957)	(4,309)	(13,722)	(23,305)	(9,583)	41%	(34,957)
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)	-	(1,305)	(14,204)	(16,074)	12,012			(3)
Cash/cash equivalents at beginning:		105,825	105,825	72,050		57,789	72,050			57,789
Cash/cash equivalents at month/year end:		82,506	105,825	70,745		41,716	84,062			57,786

The total Cash available as at 28 February 2018 indicates a total balance of **R41 715 551.81** which is made up of the following:-

Closing bank balance account	R 746 306.95
Cheque account balance is	R13 273 699.37
Investments	<u>R27 695 545.49</u>
Total	R41 715 551.81

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 - M08 February

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	2,002	1,320	1,278	855	748	956	2,070	672	9,900	5,301	-	-	
Receivables from Non-ex change Transactions - Property Rates	1400	1,032	1,182	1,098	1,004	975	893	2,788	11,430	20,402	17,089	-	-	
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from Exchange Transactions - Waste Management	1600	463	430	421	332	365	339	1,724	9,602	13,675	12,362	-	-	
Receivables from Exchange Transactions - Property Rental Debtors	1700	4	4	5	5	4	9	150	-	182	168	-	-	
Interest on Arrear Debtor Accounts	1810	392	396	375	328	338	322	1,247	3,561	6,959	5,796	-	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	7	3	6	(7)	(12)	(20)	(216)	1,042	803	787	-	-	
Total By Income Source	2000	3,900	3,335	3,182	2,516	2,419	2,499	7,763	26,307	51,921	41,504	-	-	
2016/17 - totals only										-	-			
Debtors Age Analysis By Customer Group														
Organs of State	2200	398	736	817	710	743	862	1,991	2,903	9,161	7,209	-	-	
Commercial	2300	1,833	1,048	924	485	405	440	1,467	3,770	10,372	6,567	-	-	
Households	2400	1,468	1,328	1,219	1,122	1,082	1,043	4,365	19,245	30,871	26,856	-	-	
Other	2500	200	223	222	200	189	154	(60)	389	1,518	872	-	-	
Total By Customer Group	2600	3,900	3,335	3,182	2,516	2,419	2,499	7,763	26,307	51,921	41,504	-	-	

Total outstanding debt for the month ending 28 February 2018 is R51m. The collection rate as for period ending 28 February 2018 stands at 66%; this percentage includes long outstanding debt from debtors. 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 28 February 2018

The adjusted conditional grants allocation inclusive of roll overs for 2017/18 amounted to R134m and to date R105m has been received. The expenditure on grants is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M08 February

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	99,964	7,975	75,804	74,826	978	1.3%	99,964
Local Government Equitable Share		113,780	95,446	95,446	7,954	71,814	71,814	-		95,446
Finance Management		1,625	1,700	1,700	21	1,482	1,133	349	30.8%	1,700
Municipal Systems Improvement		-	-	-	-	-	-	-		-
EPWP Incentive		1,062	1,389	1,389	-	1,389	926	463	50.0%	1,389
PMU 5%		1,507	1,429	1,429	-	1,118	952	166	17.4%	1,429
Other transfers and grants [insert description]			-				-	-		
Provincial Government:		2,314	1,200	2,566	525	1,474	1,711	(237)	-13.9%	2,566
Sport and Recreation		1,200	1,200	1,200	200	800	800	-		1,200
Waste Grant 2m		647		771	325	325	514	(189)	-36.7%	771
Waste Grant 770k		297		473	349	349	316	33	10.5%	473
Other transfers/grants [insert description]				122			82	(82)	-100.0%	122
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	102,530	8,501	77,277	76,537	741	1.0%	102,530
Capital expenditure of Transfers and Grants										
National Government:		26,333	32,145	31,916	4,309	13,640	21,278	(7,638)	-35.9%	31,916
Municipal Infrastructure Grant (MIG)		21,640	27,145	27,145	4,309	10,600	18,097	(7,497)	-41.4%	27,145
		4,693	5,000	4,771	-	3,040	3,181	(141)	-4.4%	4,771
Other capital transfers [insert description]										
Provincial Government:		-	-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
Total capital expenditure of Transfers and Grants		26,333	32,145	31,916	4,309	13,640	21,278	(7,638)	-35.9%	31,916
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		146,622	133,309	134,446	12,809	90,917	97,814	(6,897)	-7.1%	134,446

Expenditure on councillor allowances and employee benefits

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

EC124 Amahlathi - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M08 February

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	9,000	960	5,140	6,000	(860)	-14%	9,000
Pension and UIF Contributions		239	1,064	-	-	-	-	-	-	-
Medical Aid Contributions		35	106	-	-	-	-	-	-	-
Motor Vehicle Allowance		2,438	2,911	3,044	262	1,993	2,029	(37)	-2%	3,044
Cellphone Allowance		864	1,064	1,200	429	847	800	47	6%	1,200
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		11,561	13,244	13,244	1,651	7,979	8,829	(851)	-10%	13,244
% increase	4		14.6%	14.6%						14.6%
Basic Salaries and Wages		71,977	75,879	75,879	6,495	52,346	50,586	1,759	3%	75,879
Pension and UIF Contributions		12,011	13,414	13,414	1,168	9,162	8,943	219	2%	13,414
Medical Aid Contributions		3,674	4,369	4,369	436	3,168	2,913	255	9%	4,369
Overtime		2,865	2,500	2,500	117	1,475	1,667	(192)	-11%	2,500
Bonuses		6,333	7,222	7,222	18	6,172	4,815	1,357	28%	7,222
Motor Vehicle Allowance		5,012	4,800	4,800	493	3,852	3,200	652	20%	4,800
Cellphone Allowance		1,186	1,200	1,200	107	793	800	(7)	-1%	1,200
Housing Allowances		3,249	3,800	3,800	271	2,173	2,533	(360)	-14%	3,800
Other benefits and allowances		5,202	440	440	157	1,640	293	1,346	459%	440
Payments in lieu of leave		624	413	413	9	898	275	623	227%	413
Post-retirement benefit obligations										
Sub Total - Other Municipal Staff		112,135	114,036	114,036	9,271	81,677	76,024	5,653	7%	114,036
% increase	4		1.7%	1.7%						1.7%
Total Parent Municipality		123,696	127,280	127,280	10,922	89,656	84,853	4,802	6%	127,280
Unpaid salary, allowances & benefits in arrears:										
TOTAL SALARY, ALLOWANCES & BENEFITS		123,696	127,280	127,280	10,922	89,656	84,853	4,802	6%	127,280
% increase	4		2.9%	2.9%						2.9%
TOTAL MANAGERS AND STAFF		112,135	114,036	114,036	9,271	81,677	76,024	5,653	7%	114,036

Recommendations

1. That the monthly report for period ending 28 February 2018 **BE NOTED AND ACCEPTED.**

Cllr P Qaba
 The Mayor
 14/03/2018