



**QUARTERLY BUDGET
MONITORING REPORT-Q3
31 MARCH 2018**

QUARTERLY BUDGET MONITORING REPORT FOR PERIOD ENDING 31 MARCH 2018

LEGISLATIVE FRAMEWORK

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery. This report has been prepared in terms of the following legislative framework:

- ✓ Municipal Finance Management Act – No. 56 of 2003; **Section 71** which states that 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.
- ✓ Municipal Finance Management Act – No. 56 of 2003, **Section 52** which states that “The mayor of the Municipality must within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and financial state of affairs of the municipality, and
- ✓ MFMA: Municipal Budget and Reporting Regulations, 2009.

The objective of these regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the act.

Mayor's 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) - M09 March

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	1,753	18,915	12,579	6,336	50%	16,771
Service charges - electricity revenue		28,867	41,643	42,143	1,052	20,061	31,608	(11,547)	-37%	42,143
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		9,133	10,032	10,032	909	8,201	7,524	677	9%	10,032
Service charges - other		6	127	127	1	83	95	(12)	-13%	127
Rental of facilities and equipment		827	1,004	1,004	10	371	753	(382)	-51%	1,004
Interest earned - external investments		8,442	6,800	6,800	156	3,129	5,100	(1,971)	-39%	6,800
Interest earned - outstanding debtors		2,302	2,640	2,640	426	3,841	1,980	1,861	94%	2,640
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		172	53	256	1	136	192	(56)	-29%	256
Licences and permits		-	-	2,482	250	475	1,861	(1,386)	-74%	2,482
Agency services		3,052	4,066	1,584	574	968	1,188	(220)	-19%	1,584
Transfers and subsidies		123,474	101,164	102,531	23,861	95,446	95,446	-	-	102,531
Other revenue		503	41,320	41,318	3,354	30,407	30,989	(582)	-2%	41,318
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		190,790	225,621	227,688	32,349	182,033	189,314	(7,281)	-4%	227,688

Property Rates show an over collection of 50% and this is attributed to system problems in billing which are resolved on an ongoing basis. Rental of facilities and equipment show an under collection of 51% and this is attributed to lease agreements that expired and not renewed by debtors. Interest on investments show an under collection of 39% and this is attributed to declining excess cash not immediately needed to honour municipal obligations coupled with increase in expenditure trends. Interest on debtors is 94% more when compared to projections and this is attributed to system issues relating to billing which need to be analysed as well as late payments by debtors.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March

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	9,227	94,095	85,527	8,568	10%	114,036
Remuneration of councillors		11,561	13,244	13,244	1,002	8,981	9,933	(952)	-10%	13,244
Debt impairment		7,916	5,000	5,000	417	3,750	3,750	-	-	5,000
Depreciation & asset impairment		29,038	26,000	26,000	2,167	19,500	19,500	-	-	26,000
Finance charges		2,507	100	50	(0)	35	38	(2)	-6%	50
Bulk purchases		26,165	28,000	28,000	1,776	18,393	21,000	(2,607)	-12%	28,000
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		2,593	2,782	29,203	1,847	21,414	21,902	(488)	-2%	29,203
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Other expenditure		61,711	36,927	38,279	2,201	32,544	28,709	3,835	13%	38,279
Loss on disposal of PPE		43,132	-	-	-	-	-	-	-	-
Total Expenditure		296,759	225,621	253,812	18,636	198,713	190,359	8,354	4%	253,812

Employee related cost show an overspending of 10% when compared to projections. Projecting this trend to the end of the financial year it indicates an over expenditure in this component. Other expenditure show an overspending of 13% and this is attributable to high expenditure rate relating to travelling & accommodation among other items. The council has approved cost containment measures to control the escalating expenditure.

Capital Expenditure

The following table provides a summary of the expenditure trends based on current year planned capital projects and actual spending. At the end of the quarter actual capital expenditure was sitting at 49%.

EC124 Amahlathi - Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - M09 March

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		4,359	13,772	21,430	7,658	35.7%	43%
March		2,679		2,038	15,809	24,109	8,300	34.4%	49%
April		2,679				26,788	-		
May		2,679				29,467	-		
June		2,679				32,145	-		
Total Capital expenditure		-	32,145	-	15,809				

Projects	Vote Number	Budget	Adjusted Budget	Total Expenditure	Balance	% Spent
ETHEMBENI INTERNAL ROADS PH 5	C0040-4/IA00132	2,200,000	2,200,000	599,386.92	1,600,613.08	27%
RHAWINI INTERNAL ROADS	C0040-5/IA00132	2,700,000	2,330,000	801,822.35	1,528,177.65	34%
NOTHENGANGA 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	2,315,692.48	2,484,307.52	48%
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	12,637,654		

Cash and Investment management

The Municipality invests for short term funds that are not immediately needed to earn some interest in an effort to augment the municipal revenue. Call deposits amounts to R 27m for the period ending 31 March 2018. The interest generated on investments during the month ending 31 March 2018 is R156 thousand. The table that details the call deposits made is reflected below.

EC124 Amahlathi - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M09 March

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		124		-	20,326	20,450
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		2		616	1,451	2,069
FNB 1351		days	Short tem		1		242	5	248
FNB 9858		days	Short tem		29		7,597	(2,622)	5,005
FNB 3696		days	Short tem				-	-	-
FNB 5352		days	Short tem				-	-	-
Municipality sub-total					156		10,021	17,675	27,852
TOTAL INVESTMENTS AND INTEREST	2				156		10,021	17,675	27,852

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M09 March

Description	Ref	Budget Year 2017/18								
		2016/17 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	683	5,881	12,579	(6,698)	-53%	16,771
Service charges		38,006	51,802	51,802	3,083	19,632	38,852	(19,220)	-49%	51,802
Other revenue		4,553	46,443	46,644	4,189	32,357	34,983	(2,626)	-8%	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	2,925	5,100	(2,175)	-43%	9,440
Dividends								-		
Payments										
Suppliers and employees		(197,671)	(225,521)	(222,762)	(16,053)	(170,903)	(167,071)	3,832	-2%	(222,762)
Finance charges		(2,507)	(100)	(50)	0	(35)	(38)	(2)	6%	(50)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,457	32,145	33,653	(7,942)	(7,631)	26,917	34,549	128%	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)	(2,038)	(15,809)	(26,218)	(10,409)	40%	(34,957)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,776)	(32,145)	(34,957)	(2,038)	(15,809)	(26,218)	(10,409)	40%	(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)	(9,979)	(23,440)	699			(3)
Cash/cash equivalents at beginning:		105,825	105,825	72,050		79,802	72,050			79,802
Cash/cash equivalents at month/year end:		82,506	105,825	70,745		56,362	72,749			79,799

The total Cash available for period ending 31 March 2018 indicates a total balance of **R56 361 668.57** which is made up of the following:-

Closing bank balance account R12 659 983.81

Cheque account balance (MIG) R15 849 680.48

Investments R27 852 004.28

Total R56 361 668.57

Debt Management Outstanding debtors

The table below depicts the total amount owed to the municipality by various categories of debtors. The total debtors book of the municipality amount to R43m as at period ending 31 March 2018. The collection rate for period ending 31 March 2018 stands at 88%; this percentage is inclusive of long outstanding debtors.

EC124 Amahlathi - Supporting Table SC3 Monthly Budget Statement - aged debtors - M09 March

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	1,905	791	841	831	746	-	3,303	736	9,154	5,617	-	-	
Receivables from Non-ex change Transactions - Property Rates	1400	1,383	823	1,094	1,025	962	-	4,069	11,825	21,181	17,881	-	-	
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from Exchange Transactions - Waste Management	1600	490	366	396	398	318	-	2,126	9,818	13,911	12,659	-	-	
Receivables from Exchange Transactions - Property Rental Debtors	1700	4	4	4	5	5	-	65	-	87	74	-	-	
Interest on Arrear Debtor Accounts	1810	422	389	388	372	326	-	1,741	3,711	7,350	6,151	-	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	28	(14)	(2)	1	(11)	-	(269)	1,063	796	783	-	-	
Total By Income Source	2000	4,233	2,359	2,722	2,631	2,347	-	11,034	27,153	52,479	43,165	-	-	
2016/17 - totals only										-	-			
Debtors Age Analysis By Customer Group														
Organs of State	2200	869	337	703	741	607	-	3,199	3,073	9,529	7,620	-	-	
Commercial	2300	1,783	566	573	511	453	-	1,950	3,872	9,707	6,786	-	-	
Households	2400	1,387	1,259	1,225	1,159	1,089	-	5,618	19,805	31,542	27,670	-	-	
Other	2500	194	197	221	221	198	-	268	403	1,701	1,090	-	-	
Total By Customer Group	2600	4,233	2,359	2,722	2,631	2,347	-	11,034	27,153	52,479	43,165	-	-	

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 resulting to creditors payment period of above 30 days.

Grants allocations and expenditure – as at 31 March 2018

The conditional grants allocation gazetted for 2017/18 reflected an amount of R134m inclusive of roll overs; an amount of R229 thousand was surrendered to National Revenue Fund due to underspending in relation to the Integrated National Electrification. The expenditure on grants is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M09 March

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	99,457	98,834	623	0.6%	99,964
Local Government Equitable Share		113,780	95,446	95,446	7,954	95,446	95,446	-		95,446
Finance Management		1,625	1,700	1,700	21	1,504	1,275	229	17.9%	1,700
Municipal Systems Improvement		-	-	-	-	-	-	-		-
EPWP Incentive		1,062	1,389	1,389	-	1,389	1,042	347	33.3%	1,389
PMU 5%		1,507	1,429	1,429	-	1,118	1,072	47	4.4%	1,429
Other transfers and grants [insert description]		-	-	-	-	-	-	-		-
Provincial Government:		2,314	1,200	2,566	200	1,574	1,925	(351)	-18.2%	2,566
Sport and Recreation		1,200	1,200	1,200	200	900	900	-		1,200
Waste Grant 2m		647	-	771	-	325	578	(253)	-43.7%	771
Waste Grant 770k		297	-	473	-	349	355	(6)	-1.8%	473
Other transfers/grants [insert description]		-	-	122	-	-	92	(92)	-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	8,175	101,031	100,759	272	0.3%	102,530
Capital expenditure of Transfers and Grants										
National Government:		26,333	32,145	31,916	2,038	15,703	23,937	(8,234)	-34.4%	31,916
Municipal Infrastructure Grant (MIG)		21,640	27,145	27,145	2,038	12,638	20,359	(7,721)	-37.9%	27,145
		4,693	5,000	4,771	-	3,066	3,578	(513)	-14.3%	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	2,038	15,703	23,937	(8,234)	-34.4%	31,916
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		146,622	133,309	134,446	10,213	116,734	124,696	(7,962)	-6.4%	134,446

Expenditure on councillor allowances and employee benefits

The detailed expenditure on employee related costs and councillor allowances is detailed below.

EC124 Amahlathi - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M09 March

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	686	5,826	6,750	(924)	-14%	9,000
Pension and UIF Contributions		239	1,064	-	-	-	-	-	-	-
Medical Aid Contributions		35	106	-	-	-	-	-	-	-
Motor Vehicle Allowance		2,438	2,911	3,044	202	2,195	2,283	(88)	-4%	3,044
Cellphone Allowance		864	1,064	1,200	114	960	900	60	7%	1,200
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		11,561	13,244	13,244	1,002	8,981	9,933	(952)	-10%	13,244
% increase	4		14.6%	14.6%						14.6%
Other Municipal Staff										
Basic Salaries and Wages		71,977	75,879	75,879	6,387	63,257	56,909	6,347	11%	75,879
Pension and UIF Contributions		12,011	13,414	13,414	1,161	9,173	10,061	(888)	-9%	13,414
Medical Aid Contributions		3,674	4,369	4,369	435	3,603	3,277	326	10%	4,369
Overtime		2,865	2,500	2,500	77	1,552	1,875	(323)	-17%	2,500
Bonuses		6,333	7,222	7,222	37	6,209	5,416	792	15%	7,222
Motor Vehicle Allowance		5,012	4,800	4,800	521	4,372	3,600	772	21%	4,800
Cellphone Allowance		1,186	1,200	1,200	99	892	900	(8)	-1%	1,200
Housing Allowances		3,249	3,800	3,800	271	2,444	2,850	(406)	-14%	3,800
Other benefits and allowances		5,202	440	440	183	1,640	330	1,310	397%	440
Payments in lieu of leave		624	413	413	57	955	309	645	209%	413
Post-retirement benefit obligations										
Sub Total - Other Municipal Staff		112,135	114,036	114,036	9,227	94,095	85,527	8,568	10%	114,036
% increase	4		1.7%	1.7%						1.7%
Total Parent Municipality		123,696	127,280	127,280	10,229	103,076	95,460	7,616	8%	127,280

Recommendations

1. That the quarterly report for period ending 31 March 2018 **BE NOTED AND ACCEPTED.**

CIlr P Qaba
The Mayor
13/04/2018