



SECTION 71 FINANCIAL REPORT

30 November 2017

PURPOSE

To report on monthly actual performance of the municipality's budget for the period ending 30 November 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) - M05 November

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										
Revenue By Source										
Property rates		14,013	16,771		1,831	10,263	6,988	3,275	47%	16,771
Service charges - electricity revenue		28,867	41,643		1,630	13,771	17,351	(3,581)	-21%	41,643
Service charges - water revenue		-	-		-	-	-	-	-	-
Service charges - sanitation revenue		-	-		-	-	-	-	-	-
Service charges - refuse revenue		9,133	10,032		482	2,638	4,180	(1,542)	-37%	10,032
Service charges - other		6	127		13	13	53	(40)	-76%	127
Rental of facilities and equipment		827	1,004		17	281	418	(138)	-33%	1,004
Interest earned - external investments		8,442	6,800		365	2,036	2,833	(797)	-28%	6,800
Interest earned - outstanding debtors		2,302	2,640		351	1,959	1,100	859	78%	2,640
Dividends received		-	-		-	-	-	-	-	-
Fines, penalties and forfeits		172	53		1	139	22	116	524%	53
Licences and permits		-	-		-	-	-	-	-	-
Agency services		3,052	4,066		602	1,572	1,694	(122)	-7%	4,066
Transfers and subsidies		123,474	101,164		-	39,770	42,152	(2,382)	-6%	101,164
Other revenue		503	41,320		67	291	17,217	(16,926)	-98%	41,320
Gains on disposal of PPE		-	-		-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		190,790	225,621	-	5,360	72,731	94,009	(21,277)	-23%	225,621

The municipality is billing its debtors on a monthly basis. Property rates show a variance of 47% and this is due to the implementation of the supplementary valuation roll coupled with incorrect billing by the system which is being resolved. Other service charges has a variance of 76% which points to capacity issues within the electricity

department. Fines penalties and forfeitures has increased drastically as a result will need to be adjusted up. The interest on investments has a variance of 28% 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 78% 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) - M05 November

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		15,205	54,145	47,320	6,825	14%	113,568
Remuneration of councillors		11,561	13,244		928	4,712	5,518	(806)	-15%	13,244
Debt impairment		7,916	5,000		417	2,083	2,083	-		5,000
Depreciation & asset impairment		29,038	26,000		2,167	10,833	10,833	-		26,000
Finance charges		2,507	100		-	7	42	(34)	-82%	100
Bulk purchases		26,165	28,000		-	10,987	11,667	(680)	-6%	28,000
Other materials		-	-		-	-	-	-		-
Contracted services		2,593	2,782		81	1,202	1,159	43	4%	2,782
Transfers and subsidies		-	-		-	-	-	-		-
Other expenditure		61,711	36,927		5,481	24,389	15,386	9,003	59%	36,927
Loss on disposal of PPE		43,132	-		-	-	-	-		-
Total Expenditure		296,759	225,621	-	24,278	108,359	94,009	14,351	15%	225,621

Employee related costs has a variance of 14% and this is attributed to payment of employee bonuses paid in the month of November which then increases the expenditure for the month; employment of casual workers not budgeted for. Other expenditure has a variance of 59% 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 - M05 November

Month	2016/17	Budget Year 2017/18							% spend of Original Budget
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
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				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	-	7,592				

Description	Original Budget	YTD Expenditure	%
INEG Grant	R5 000 000.00	R3 023 241	60.46
MIG Projects	R27 145 300.00	R4 389 017	16.17

MIG Projects have been advertised and are in the process of being awarded and this will improve the spending by end of 3rd quarter.

Cash and Investment management

The Municipality is covering its costs without the assistance of external funding. Call deposits amounts to R23m as at end November 2017. The interest generated on investment during the month ending 30 November 2017 is R365 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 - M05 November

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		267		-	18,088	18,355
NEDBANK		days	Short tem		-		-	-	-
ABSA 1602		days	Short tem		61		-	(61)	-
FNB 3770		days	Short tem		0		1,565	(1,486)	80
FNB 9619		days	Short tem		4		616	(596)	24
FNB 1351		days	Short tem		1		242	2	245
FNB 9858		days	Short tem		32		7,597	(2,749)	4,880
Municipality sub-total					365		10,021	13,198	23,583
Entities									
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				365		10,021	13,198	23,583

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M05 November

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		658	4,045	6,988	(2,943)	-42%	16,771
Service charges		38,006	51,802		2,868	8,580	21,584	(13,004)	-60%	51,802
Other revenue		4,553	46,443		687	4,129	19,351	(15,223)	-79%	46,443
Government - operating		123,474	101,164		625	42,443	42,443	-		101,164
Government - capital		23,147	32,145		-	12,639	12,639	-		32,145
Interest		8,442	9,440		365	2,199	3,933	(1,735)	-44%	9,440
Dividends								-		
Payments										
Suppliers and employees		(197,671)	(225,521)		(21,695)	(95,435)	(93,967)	1,468	-2%	(225,521)
Finance charges		(2,507)	(100)		-	(7)	(42)	(34)	82%	(100)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,457	32,145	-	(16,492)	(21,408)	12,930	34,339	266%	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)		(6,168)	(7,592)	(13,394)	(5,802)	43%	(32,145)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,776)	(32,145)	-	(6,168)	(7,592)	(13,394)	(5,802)	43%	(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)	-	-	(22,660)	(29,001)	(463)			-
Cash/cash equivalents at beginning:		105,825	105,825			24,767	105,825			24,767
Cash/cash equivalents at month/year end:		82,506	105,825			(4,234)	105,362			24,767

The total Cash available as at 30 November 2017 indicates a total balance of **R24 766 911.23** which is made up of the following:-

Closing bank balance account R 1 182 019.95
 Cheque account balance is R 1 934.13
 Investments R23 582 957.15
Total R24 766 911.23

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 - M05 November

Description	NT Code	Budget Year 2017/18									Total over 90 days	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			
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	3,297	-	1,451	1,050	762	593	1,560		8,713	3,965		
Receivables from Non-exchange Transactions - Property Rates	1400	2,630	(22)	1,160	1,021	1,007	(483)	13,672		18,985	15,217		
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-		-	-		
Receivables from Exchange Transactions - Waste Management	1600	883	(15)	410	359	385	286	10,767		13,074	11,796		
Receivables from Exchange Transactions - Property Rental Debtors	1700	9	-	10	4	210	-	-		233	214		
Interest on Arrear Debtor Accounts	1810	700	-	345	312	306	190	4,222		6,075	5,030		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-		-	-		
Other	1900	36	(9)	(7)	(102)	(193)	14	1,150		889	869		
Total By Income Source	2000	7,556	(46)	3,368	2,644	2,477	600	31,371	-	47,970	37,092	-	-
2016/17 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	1,943	(1)	1,228	1,001	846	199	3,841		9,057	5,886		
Commercial	2300	2,612	(14)	808	530	535	152	4,739		9,361	5,955		
Households	2400	2,635	(21)	1,166	1,051	1,144	238	22,341		28,553	24,773		
Other	2500	367	(9)	165	63	(47)	10	451		999	477		
Total By Customer Group	2600	7,556	(46)	3,368	2,644	2,477	600	31,371	-	47,970	37,092	-	-

Total outstanding debt for the month ending November 2017 is R47m. The collection rate as at 30 November 2017 stands at 88%.; 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 30 September 2017

The conditional grants allocation gazetted for 2017/18 amounted to R133m and to date R58m has been received. The expenditure on grants is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M05 November

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	-	5,362	42,576	41,275	1,301	3.2%	104,964
Local Government Equitable Share			95,446		2,651	39,769	39,769	-		95,446
Finance Management			1,700		1,321	1,418	567	851	150.2%	1,700
Municipal Systems Improvement			-		-	-	-	-		-
EPWP Incentive			1,389		1,389	1,389	463	926	200.0%	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	400	-		1,200
Sport and Recreation			1,200		400	400	400	-		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	-	5,762	42,976	41,675	1,301	3.1%	106,164
Capital expenditure of Transfers and Grants										
National Government:		-	32,145	-	6,168	7,592	10,715	(3,123)	-29.1%	27,145
Municipal Infrastructure Grant (MIG)			27,145		3,002	4,389	9,048	(4,659)	-51.5%	27,145
			5,000		3,166	3,203	1,667	1,537	92.2%	-
Other capital transfers [insert description]			-		-	-	-	-		-
Provincial Government:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
			-		-	-	-	-		-
Total capital expenditure of Transfers and Grants		-	32,145	-	6,168	7,592	10,715	(3,123)	-29.1%	27,145
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		-	133,309	-	11,929	50,568	52,390	(1,822)	-3.5%	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 - M05 November										
Summary of Employee and Councillor remuneration	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		A	B	C						D
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages			8,098		628	3,090	3,374	(284)	-8%	8,098
Pension and UIF Contributions			1,064		-	-	443	(443)	-100%	1,064
Medical Aid Contributions			106		-	-	44	(44)	-100%	106
Motor Vehicle Allowance			2,911		201	1,018	1,213	(195)	-16%	2,911
Cellphone Allowance			1,064		60	299	443	(144)	-33%	1,064
Housing Allowances										
Other benefits and allowances					40	306		306		
Sub Total - Councillors			13,244		928	4,712	5,518	(806)	-15%	13,244
Other Municipal Staff										
Basic Salaries and Wages			75,411		6,538	33,691	31,421	2,270	7%	75,411
Pension and UIF Contributions			13,414		1,184	5,747	5,589	158	3%	13,414
Medical Aid Contributions			4,369		346	1,795	1,820	(25)	-1%	4,369
Overtime			2,500		162	1,061	1,042	20	2%	2,500
Bonus			7,222		5,668	5,924	3,009	2,915	97%	7,222
Motor Vehicle Allowance			4,800		454	2,551	2,000	551	28%	4,800
Cellphone Allowance			1,200		95	535	500	35	7%	1,200
Housing Allowances			3,800		275	1,326	1,583	(258)	-16%	3,800
Other benefits and allowances			440		214	835	183	651	355%	440
Payments in lieu of leave			413		269	679	172	507	295%	413
Long service awards										
Post-retirement benefit obligations	2									
Sub Total - Other Municipal Staff			113,568		15,205	54,145	47,320	6,825	14%	113,568
% increase	4									
Total Parent Municipality			126,812		16,133	58,857	52,838	6,019	11%	126,812

Recommendations

1. That the monthly report for period ending 30 November 2017 **BE NOTED AND ACCEPTED.**

Clr P Qaba
The Mayor
14/12/2017