



**MONTHLY & QUARTERLY  
BUDGET MONITORING REPORT-  
Q2**

**31 DECEMBER 2017**

## **QUARTERLY BUDGET MONITORING REPORT FOR PERIOD ENDING 31 DECEMBER 2017**

### **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) - M06 December

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
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		14,013	16,771		1,773	12,036	8,386	3,650	44%	16,771
Service charges - electricity revenue		28,867	41,643		2,275	16,034	20,822	(4,788)	-23%	41,643
Service charges - water revenue		-	-		-	-	-	-	-	-
Service charges - sanitation revenue		-	-		-	-	-	-	-	-
Service charges - refuse revenue		9,133	10,032		475	3,112	5,016	(1,904)	-38%	10,032
Service charges - other		6	127		10	23	63	(40)	-63%	127
Rental of facilities and equipment		827	1,004		10	290	502	(212)	-42%	1,004
Interest earned - external investments		8,442	6,800		258	2,278	3,400	(1,122)	-33%	6,800
Interest earned - outstanding debtors		2,302	2,640		22	1,757	1,320	437	33%	2,640
Dividends received		-	-		-	-	-	-	-	-
Fines, penalties and forfeits		172	53		(0)	139	27	112	420%	53
Licences and permits		-	-		-	-	-	-	-	-
Agency services		3,052	4,066		561	1,902	2,033	(131)	-6%	4,066
Transfers and subsidies		123,474	101,164		31,586	71,356	50,582	20,774	41%	101,164
Other revenue		503	41,320		20,023	20,319	20,660	(341)	-2%	41,320
Gains on disposal of PPE		-	-		-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>190,790</b>	<b>225,621</b>	<b>-</b>	<b>56,992</b>	<b>129,247</b>	<b>112,810</b>	<b>16,437</b>	<b>15%</b>	<b>225,621</b>

Accounts have been raised for the municipal debtors for property rates as well as service charges (electricity and refuse). Other service charges (temper fees) are 63% less when compared to projections and this is attributable to capacity issues in the electricity department. Interest on investments are 33% less when compared to projections and this is due to a decline in conditional grants coupled with increase in expenditure trends. Fines have increased drastically and will be adjusted accordingly.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

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
<b>R thousands</b>										
<b>Expenditure By Type</b>										
Employee related costs		112,135	113,568		9,301	62,543	56,784	5,759	10%	113,568
Remuneration of councillors		11,561	13,244		922	5,641	6,622	(981)	-15%	13,244
Debt impairment		7,916	5,000		417	2,500	2,500	-	-	5,000
Depreciation & asset impairment		29,038	26,000		2,167	13,000	13,000	-	-	26,000
Finance charges		2,507	100		0	8	50	(42)	-85%	100
Bulk purchases		26,165	28,000		1,969	12,958	14,000	(1,042)	-7%	28,000
Other materials		-	-		-	-	-	-	-	-
Contracted services		2,593	2,782		28	1,230	1,391	(161)	-12%	2,782
Transfers and subsidies		-	-		-	-	-	-	-	-
Other expenditure		61,711	36,927		5,331	28,490	18,463	10,027	54%	36,927
Loss on disposal of PPE		43,132	-		-	-	-	-	-	-
<b>Total Expenditure</b>		<b>296,759</b>	<b>225,621</b>	<b>-</b>	<b>20,134</b>	<b>126,369</b>	<b>112,810</b>	<b>13,559</b>	<b>12%</b>	<b>225,621</b>

Employee related costs are 10% more when compared to projections and this is attributable to employment of casual workers not budgeted for. Remuneration of councillors is 15% less as at 30 December, this is due to provision for implementation of the gazette on upper limits. Other expenditure is 54% more when compared to projections and this is attributable to high expenditure rate in travelling; accommodation & trainings to mention a few.

## 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 - M06 December

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									
<b>Monthly expenditure performance trend</b>									
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				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	-		
<b>Total Capital expenditure</b>	-	<b>32,145</b>	-	<b>7,674</b>					

The Contractors have been appointed and are onsite for the following Infrastructure Projects; Ethembeni Internal Roads; Rhawini Internal Roads; Nothenga Internal Roads and Langdraai Internal Roads. Professional services for all other projects have been awarded and are at design stage. Thus the Infrastructure projects expenditure is projected to increase by the 3<sup>rd</sup> quarter. ICT Hardware will be provided for during the adjustment budget.

## Cash and Investment management

The Municipality invests for short term the funds that are not readily needed to generate interest. Call deposits amounts to R 65m for the period ending 31 December 2017. The interest generated on investment during the month ending 31 December 2017 is R258 thousand. The table that details the call deposits made is reflected below.

EC124 Amahlathi - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

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									
<b>Municipality</b>									
INVESTEC - 456		days	Short tem		115		-	18,355	18,470
INVESTEC - 455		days	Short tem		82		-	20,000	20,082
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		28		616	1,408	2,052
FNB 1351		days	Short tem		1		242	3	245
FNB 9858		days	Short tem		31		7,597	(2,718)	4,911
FNB 3696		days	Short tem		-		-	10,000	10,000
FNB 5352		days	Short tem		-		-	10,000	10,000
<b>Entities sub-total</b>					-		-	-	-
<b>TOTAL INVESTMENTS AND INTEREST</b>	2				<b>258</b>		<b>10,021</b>	<b>55,562</b>	<b>65,841</b>

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M06 December

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
<b>R thousands</b>	1									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates		14,013	16,771		466	4,511	8,386	(3,875)	-46%	16,771
Service charges		38,006	51,802		2,022	10,602	25,901	(15,299)	-59%	51,802
Other revenue		4,553	46,443		20,593	22,650	23,222	(572)	-2%	46,443
Government - operating		123,474	101,164		31,586	74,029	74,258	(229)	0%	101,164
Government - capital		23,147	32,145		12,845	28,484	28,484	-		32,145
Interest		8,442	9,440		258	2,517	4,720	(2,203)	-47%	9,440
Dividends								-		
<b>Payments</b>										
Suppliers and employees		(197,671)	(225,521)		(17,523)	(110,861)	(112,760)	(1,899)	2%	(225,521)
Finance charges		(2,507)	(100)		(0)	(8)	(50)	(42)	85%	(100)
Transfers and Grants								-		
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>11,457</b>	<b>32,145</b>	<b>-</b>	<b>50,247</b>	<b>31,924</b>	<b>52,160</b>	<b>20,236</b>	<b>39%</b>	<b>32,145</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE								-		
Decrease (Increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments								-		
<b>Payments</b>										
Capital assets		(34,776)	(32,145)		(82)	(7,674)	(16,073)	(8,398)	52%	(32,145)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(34,776)</b>	<b>(32,145)</b>	<b>-</b>	<b>(82)</b>	<b>(7,674)</b>	<b>(16,073)</b>	<b>(8,398)</b>	<b>52%</b>	<b>(32,145)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
<b>Payments</b>										
Repayment of borrowing								-		
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(23,319)</b>	<b>-</b>	<b>-</b>	<b>50,165</b>	<b>24,250</b>	<b>36,088</b>			<b>-</b>
Cash/cash equivalents at beginning:		105,825	105,825			66,821	105,825			66,821
Cash/cash equivalents at month/year end:		82,506	105,825			91,071	141,913			66,821

The total Cash available for period ending 31 December 2017 indicates a total balance of **R66 821 392.98** which is made up of the following:-

Closing bank balance account R	978 877.02
Cheque account balance is R	1 595.74
Investments	R65 840 920.22
<b>Total</b>	<b>R66 821 392.98</b>

## Debt Management Outstanding debtors

The table below depicts the total amount owed to the municipality by debtors. The total debtors book of the municipality amount to R37m as at period ending 31 December 2017. The collection rate for period ending 31 December 2017 stands at 72%; this percentage is inclusive of long outstanding debtors.

**EC124 Amahlathi - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December**

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			
<b>R thousands</b>														
<b>Debtors Age Analysis By Income Source</b>														
Trade and Other Receivables from Exchange Transactions - Water	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	2,052	1,229	1,439	1,047	762	593	1,560		8,683	3,962			
Receivables from Non-exchange Transactions - Property Rates	1400	1,331	1,268	1,159	1,020	1,007	(483)	13,667		18,969	15,211			
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-		-	-			
Receivables from Exchange Transactions - Waste Management	1600	403	464	410	359	383	285	10,765		13,070	11,793			
Receivables from Exchange Transactions - Property Rental Debtors	1700	5	4	9	4	210	-	-		233	214			
Interest on Arrear Debtor Accounts	1810	339	361	344	312	306	190	4,222		6,075	5,030			
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-		-	-			
Other	1900	14	13	(7)	(102)	3	(182)	1,147		885	866			
<b>Total By Income Source</b>	<b>2000</b>	<b>4,145</b>	<b>3,339</b>	<b>3,355</b>	<b>2,641</b>	<b>2,672</b>	<b>403</b>	<b>31,362</b>	<b>-</b>	<b>47,914</b>	<b>37,077</b>	<b>-</b>	<b>-</b>	
<b>2016/17 - totals only</b>										-	-			
<b>Debtors Age Analysis By Customer Group</b>														
Organs of State	2200	837	1,102	1,221	997	846	199	3,841		9,043	5,883			
Commercial	2300	1,787	799	803	530	535	152	4,733		9,339	5,949			
Households	2400	1,343	1,257	1,166	1,051	1,143	237	22,337		28,533	24,767			
Other	2500	177	180	165	63	149	(186)	451		999	477			
<b>Total By Customer Group</b>	<b>2600</b>	<b>4,145</b>	<b>3,339</b>	<b>3,355</b>	<b>2,641</b>	<b>2,672</b>	<b>403</b>	<b>31,362</b>	<b>-</b>	<b>47,914</b>	<b>37,077</b>	<b>-</b>	<b>-</b>	

## 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 above 30 days.

## Grants allocations and expenditure – as at 31 December 2017

The conditional grants allocation gazetted for 2017/18 reflected an amount of R133m and to date R103m has been received. An amount of R229 thousand was surrendered to National Revenue Fund due to underspending in the Integrated National Electrification grant resulting to a shortfall of R229 thousand in equitable share. The expenditure on grants is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

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
<b>R thousands</b>										
<b>EXPENDITURE</b>										
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		117,974	99,964	–	3,791	51,670	49,982	1,688	3.4%	104,964
Local Government Equitable Share		113,780	95,446		2,651	47,723	47,723	–		95,446
Finance Management		1,625	1,700		21	1,439	850	589	69.3%	1,700
Municipal Systems Improvement		–	–		–	–	–	–		–
EPWP Incentive		1,062	1,389		–	1,389	695	695	100.0%	1,389
PMU 5%		1,507	1,429		1,118	1,118	714	404	56.6%	1,429
Other transfers and grants [insert description]			–				–	–		5,000
<b>Provincial Government:</b>		2,314	1,200	–	200	600	600	–		1,200
Sport and Recreation		1,200	1,200		200	600	600	–		1,200
Waste Collection Grant		647						–		
Waste Management Grant		297						–		
Other transfers and grants [insert description]		170						–		
<b>District Municipality:</b>		–	–	–	–	–	–	–		–
[insert description]								–		
<b>Other grant providers:</b>		–	–	–	–	–	–	–		–
[insert description]								–		
<b>Total operating expenditure of Transfers and Grants:</b>		120,289	101,164	–	3,991	52,270	50,582	1,688	3.3%	106,164
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		26,333	32,145	–	–	7,592	16,073	(8,480)	-52.8%	27,145
Municipal Infrastructure Grant (MIG)		21,640	27,145		–	4,553	13,573	(9,020)	-66.5%	27,145
		4,693	5,000		–	3,040	2,500	540	21.6%	
Other capital transfers [insert description]								–		
<b>Provincial Government:</b>		–	–	–	–	–	–	–		–
<b>District Municipality:</b>		–	–	–	–	–	–	–		–
<b>Other grant providers:</b>		–	–	–	–	–	–	–		–
<b>Total capital expenditure of Transfers and Grants</b>		26,333	32,145	–	–	7,592	16,073	(8,480)	-52.8%	27,145
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		146,622	133,309	–	3,991	59,862	66,655	(6,793)	-10.2%	133,309

Grants Received Todate:-

GRANT NAME	BUDGET	TRANSFERS GAZETTED	DATE GAZETTED	AMOUNT RECEIVED	DATE RECEIVED	AMOUNT OUTSTANDING	COMMENTS
<b>NATIONAL GRANTS</b>							
EQUITABLE SHARE	95,446,000.00	39,770,000.00	07/07/2017	39,770,000.00	07/07/2017	-	
		31,815,000.00	01/12/2017	31,586,000.00	2017/12/01	229,000.00	Amount surrendered due to underspending in INEG Grant
		23,861,000.00	19/03/2018			23,861,000.00	
<b>Total</b>		<b>95,446,000.00</b>		<b>71,356,000.00</b>		<b>24,090,000.00</b>	
MIG	28,574,000.00	12,639,000.00	17/07/2017	12,639,000.00	17/07/2017	-	
		11,845,000.00	08/12/2017	11,845,000.00	2017/12/19	-	
		4,090,000.00	23/03/2018			4,090,000.00	
<b>Total</b>		<b>28,574,000.00</b>		<b>24,484,000.00</b>		<b>4,090,000.00</b>	
INEG	5,000,000.00	3,000,000.00	10/10/2017	3,000,000.00	2017/10/10	-	
		1,000,000.00	08/12/2017	1,000,000.00	2017/12/08	-	
		1,000,000.00	09/02/2018			1,000,000.00	
<b>Total</b>		<b>5,000,000.00</b>		<b>4,000,000.00</b>		<b>1,000,000.00</b>	
FMG	1,700,000.00	1,700,000.00	26/07/2017	1,700,000.00	26/07/2017	-	
		1,700,000.00		1,700,000.00		-	
EPWP	1,389,000.00	348,000.00	15/08/2017	348,000.00		-	
		625,000.00	15/11/2017			625,000.00	
		416,000.00	15/02/2018			416,000.00	
<b>Total</b>		<b>1,389,000.00</b>		<b>348,000.00</b>		<b>1,041,000.00</b>	
<b>PROVINCIAL GRANTS</b>							
Libraries	1,200,000.00	1,200,000.00		1,200,000.00	2017-12-12	-	
		1,200,000.00		1,200,000.00			
<b>TOTAL ALLOCATION</b>	<b>133,309,000.00</b>			<b>103,088,000.00</b>			



## 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 - M06 December										
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										
	1	A	B	C						D
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		7,984	8,098		597	3,583	4,049	(467)	-12%	8,098
Pension and UIF Contributions		239	1,064		-	-	532	(532)	-100%	1,064
Medical Aid Contributions		35	106		-	-	53	(53)	-100%	106
Motor Vehicle Allowance		2,438	2,911		203	1,227	1,456	(228)	-16%	2,911
Cellphone Allowance		864	1,064		60	359	532	(174)	-33%	1,064
Housing Allowances								-		
Other benefits and allowances					62	472		472		
<b>Sub Total - Councillors</b>		<b>11,561</b>	<b>13,244</b>	<b>-</b>	<b>922</b>	<b>5,641</b>	<b>6,622</b>	<b>(981)</b>	<b>-15%</b>	<b>13,244</b>
Basic Salaries and Wages		71,977	75,411		6,286	38,485	40,691	(2,207)	-5%	75,411
Pension and UIF Contributions		12,011	13,414		1,177	7,054	6,707	347	5%	13,414
Medical Aid Contributions		3,674	4,369		404	2,439	2,185	254	12%	4,369
Overtime		2,865	2,500		110	1,229	1,250	(21)	-2%	2,500
Bonus		6,333	7,222		246	6,182	3,611	2,571	71%	7,222
Motor Vehicle Allowance		5,012	4,800		454	2,585	2,400	185	8%	4,800
Cellphone Allowance		1,186	1,200		94	574	600	(26)	-4%	1,200
Housing Allowances		3,249	3,800		274	1,644	1,900	(256)	-13%	3,800
Other benefits and allowances		5,202	440		225	1,461	220	1,241	564%	440
Payments in lieu of leave		624	413		31	891	206	685	332%	413
Long service awards								-		
Post-retirement benefit obligations	2							-		
<b>Sub Total - Other Municipal Staff</b>		<b>112,135</b>	<b>113,568</b>	<b>-</b>	<b>9,301</b>	<b>62,543</b>	<b>59,770</b>	<b>2,773</b>	<b>10%</b>	<b>113,568</b>
<b>% increase</b>	4		<b>1.3%</b>							<b>1.3%</b>

## Recommendations

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

Cllr P Qaba  
The Mayor  
15/01/2018