



SECTION 71 FINANCIAL REPORT

30 April 2018

PURPOSE

To report on monthly actual performance of the municipality's budget for the period ending 30 April 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.

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	1,749	18,853	13,976	4,877	35%	16,771
Service charges - electricity revenue		28,867	41,643	42,143	5,018	25,079	35,119	(10,041)	-29%	42,143
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		9,133	10,032	10,032	(2,280)	5,002	8,360	(3,358)	-40%	10,032
Service charges - other		6	127	127	0	83	106	(22)	-21%	127
Rental of facilities and equipment		827	1,004	1,004	30	400	837	(436)	-52%	1,004
Interest earned - external investments		8,442	6,800	6,800	412	3,541	5,667	(2,126)	-38%	6,800
Interest earned - outstanding debtors		2,302	2,640	2,640	(2,012)	1,829	2,200	(371)	-17%	2,640
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		172	53	256	10	146	213	(67)	-31%	256
Licences and permits		-	-	2,482	(121)	355	2,068	(1,713)	-83%	2,482
Agency services		3,052	4,066	1,584	834	1,802	1,320	482	37%	1,584
Transfers and subsidies		123,474	101,164	102,531	8,107	101,242	85,442	15,800	18%	102,531
Other revenue		503	41,320	41,318	3,371	33,778	34,432	(654)	-2%	41,318
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		190,790	225,621	227,688	15,119	192,110	189,740	2,370	1%	227,688

Property rates show an over billing of 35% and this is attributed to system problems in billing. Service Charges: Refuse show an under billing of 40% and this is attributed to misallocation of remissions on refuse. Service Charges: Electricity show an under billing of 29% and this is attributed to misallocation of remissions on electricity.

These discrepancies are currently being attend to. Rental of Facilities and Equipment show an under billing of 52% and this is attributed to lease rentals that expired and not renewed.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M10 April

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	10,507	112,484	95,030	17,454	18%	114,036
Remuneration of councillors		11,561	13,244	13,244	1,038	10,256	11,037	(781)	-7%	13,244
Debt impairment		7,916	5,000	5,000	417	4,167	4,167	-		5,000
Depreciation & asset impairment		29,038	26,000	26,000	2,167	21,667	21,667	-		26,000
Finance charges		2,507	100	50	4	39	42	(2)	-6%	50
Bulk purchases		26,165	28,000	28,000	3,460	21,853	23,333	(1,480)	-6%	28,000
Other materials		-	-	-	-	-	-	-		-
Contracted services		2,593	2,782	29,203	1,624	23,038	24,336	(1,297)	-5%	29,203
Transfers and subsidies		-	-	-	-	-	-	-		-
Other expenditure		61,711	36,927	38,279	2,504	35,048	31,899	3,149	10%	38,279
Loss on disposal of PPE		43,132	-	-	-	-	-	-		-
Total Expenditure		296,759	225,621	253,812	21,721	228,552	211,510	17,043	8%	253,812

Employee related costs shows an over expenditure of 18% when compared to projections and this indicates that the employee related costs component will be overspent by the end of the financial year. Other expenditure shows an over expenditure of 10% when compared to projections and this is attributed to expenditure incurred due to unforeseen expenditure and other factors.

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 - M10 April

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	2,913	147	147	2,913	2,766	95.0%	0%
August		2,679	2,913	774	921	5,826	4,905	84.2%	3%
September		2,679	2,913	132	1,053	8,739	7,686	87.9%	3%
October		2,679	2,913	371	1,425	11,652	10,228	87.8%	4%
November		2,679	2,913	6,168	7,592	14,566	6,973	47.9%	24%
December		2,679	2,913	82	7,674	17,479	9,804	56.1%	24%
January		2,679	2,913	1,739	9,413	20,392	10,979	53.8%	29%
February		2,679	2,913	4,359	13,772	23,305	9,533	40.9%	43%
March		2,679	2,913	2,038	15,809	26,218	10,409	39.7%	49%
April		2,679	2,913	2,535	18,344	29,131	10,787	37.0%	0
May		2,679	2,913			32,044	-		
June		2,679	2,913			34,957	-		
Total Capital expenditure		-	32,145	34,957	18,344				

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	424,813.02	1,775,186.98	19%
RHAWINI INTERNAL ROADS	C0040-5/IA00132	2,700,000	2,330,000	801,822.35	1,528,177.65	34%
NOTHENGA INTERNAL ROADS	C0040-6/IA00132	2,345,300	2,390,000	1,427,665.57	962,334.43	60%
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	1,357,135.33	1,112,864.67	55%
ZINGCUKA INTERNAL ROADS	C0040-9/IA00132	2,900,000	2,200,000	-	2,200,000.00	0%
AMALHATHI HIGH MAST LIGHTS	C0023-1/IA07180	4,200,000	4,058,349	4,034,650.70	23,698.30	99%
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	2,366,313.87	2,433,686.13	49%
LOWER KOLOGHA INTERNAL ROADS	C0040-10/IA00132	-	2,435,300	0.36	2,435,299.64	0%
FRESHWATER INTERNAL ROADS	C0040-11/IA00132	-	1,100,000	863,068.12	236,931.88	78%
WHITE CITY INTERNAL ROADS	C0040-12/IA00132	-	385,000	139,708.84	245,291.16	36%
JERSEYVALE INTERNAL ROADS	C0040-13/IA00132	-	-	-	-	-
CHRIS HANI INTERNAL ROADS	C0040-14/IA00132	-	-	-	-	-
HAWKER STALLS	C0239-1/IA00032	-	75,000	74,113	886.94	99%
Prior Year Projects				3,026,500.00	-	
		27,145,300	27,145,300	15,196,491	14,975,309	56%

Cash and Investment management

The Municipality is covering its costs without the assistance of external funding. Call deposits amounts to R26m as at end 30 April 2018. The interest generated on investment during the month ending 30 April 2018 is R151 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 - M10 April

Investments by maturity Name of institution & investment ID	Ref	Period of	Type of	Expiry date	Accrued	Yield for the	Market	Change in	Market
		Investment	Investment	of investment	interest for	month 1	value at	market	value at end
R thousands		Yrs/Months			the month	(%)	beginning	value	of the
							of the		month
Municipality									
INVESTEC - 456		days	Short tem				-	-	-
INVESTEC - 455		days	Short tem		116		-	20,450	20,566
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	(47)	571
FNB 1351		days	Short tem		1		242	6	248
FNB 9858		days	Short tem		33		7,597	(2,593)	5,038
FNB 3696		days	Short tem				-	-	-
FNB 5352		days	Short tem				-	-	-
Municipality sub-total					151		10,021	16,331	26,503
TOTAL INVESTMENTS AND INTEREST	2				151		10,021	16,331	26,503

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M10 April

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	693	6,574	13,976	(7,402)	-53%	16,771
Service charges		38,006	51,802	51,802	3,076	22,708	43,168	(20,460)	-47%	51,802
Other revenue		4,553	46,443	46,644	4,125	36,482	38,870	(2,388)	-6%	46,443
Government - operating		123,474	101,164	102,531	8,107	101,242	85,442	15,800	18%	101,164
Government - capital		23,147	32,145	31,916	2,559	15,196	26,597	(11,400)	-43%	32,145
Interest		8,442	9,440	6,800	412	3,541	5,667	(2,126)	-38%	9,440
Dividends								-		
Payments										
Suppliers and employees		(197,671)	(225,521)	(222,762)	(31,777)	(202,680)	(185,635)	17,045	-9%	(222,762)
Finance charges		(2,507)	(100)	(50)	(4)	(39)	(42)	(2)	6%	(50)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		11,457	32,145	33,653	(12,808)	(16,976)	28,044	45,020	161%	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)	(2,561)	(18,344)	(29,131)	(10,787)	37%	(34,957)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,776)	(32,145)	(34,957)	(2,561)	(18,344)	(29,131)	(10,787)	37%	(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)	(15,369)	(35,320)	(1,087)			(3)
Cash/cash equivalents at beginning:		105,825	105,825	72,050		81,115	72,050			81,115
Cash/cash equivalents at month/year end:		82,506	105,825	70,745		45,795	70,963			81,112

The total cash available as at 30 April 2018 indicates a total balance of **R45 795 494.29** which is made up of the following:-

Closing bank balance account R 3 397 138.50
 Cheque account balance is R15 895 271.24
 Investments R26 503 084.55
Total R45 795 494.29

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 - M10 April

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	2,780	(34)	1,525	693	-	602	2,039	665	8,270	3,999	-	-	
Receivables from Non-ex change Transactions - Property Rates	1400	2,278	(40)	1,958	1,016	2	944	4,046	11,693	21,897	17,701	-	-	
Receivables from Ex change Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from Ex change Transactions - Waste Management	1600	806	(19)	788	372	(8)	317	2,105	9,773	14,135	12,559	-	-	
Receivables from Ex change Transactions - Property Rental Debtors	1700	9	-	9	5	-	5	65	-	92	74	-	-	
Interest on Arrear Debtor Accounts	1810	817	-	771	370	-	325	1,735	3,701	7,719	6,131	-	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	46	(12)	(17)	(3)	(4)	(12)	(271)	1,063	790	773	-	-	
Total By Income Source	2000	6,735	(104)	5,034	2,453	(9)	2,181	9,718	26,894	52,903	41,237	-	-	
2016/17 - totals only														
Debtors Age Analysis By Customer Group														
Organs of State	2200									-	-			
Commercial	2300									-	-			
Households	2400									-	-			
Other	2500	6,735	(104)	5,034	2,453	(9)	2,181	9,718	26,894	52,903	41,237	-	-	
Total By Customer Group	2600	6,735	(104)	5,034	2,453	(9)	2,181	9,718	26,894	52,903	41,237	-	-	

Total outstanding debt for the month ending 30 April 2018 is R52m. The collection rate as for period ending 30 April 2018 stands at 72%; 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 30 April 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 - M10 April

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	95,599	99,610	99,211	400	0.4%	99,964
Local Government Equitable Share		113,780	95,446	95,446	95,446	95,446	95,446	-		95,446
Finance Management		1,625	1,700	1,700	153	1,657	1,417	240	17.0%	1,700
Municipal Systems Improvement		-	-	-	-	-	-	-		-
EPWP Incentive		1,062	1,389	1,389	-	1,389	1,158	232	20.0%	1,389
PMU 5%		1,507	1,429	1,429	-	1,118	1,191	(72)	-6.1%	1,429
Other transfers and grants [insert description]		-	-	-	-	-	-	-		-
		2,314	1,200	2,566	-	1,632	2,139	(507)	-23.7%	2,566
Provincial Government:										
Sport and Recreation		1,200	1,200	1,200	-	1,000	1,000	-		1,200
Waste Grant 2m		647	-	771	-	283	642	(359)	-55.9%	771
Waste Grant 770k		297	-	473	-	349	395	(46)	-11.6%	473
Other transfers/grants [insert description]		-	-	122	-	-	102	(102)	-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	95,599	101,242	101,349	(107)	-0.1%	102,530
Capital expenditure of Transfers and Grants										
National Government:		26,333	32,145	31,916	2,561	18,238	26,597	(8,359)	-31.4%	31,916
Municipal Infrastructure Grant (MIG)		21,640	27,145	27,145	2,559	15,196	22,621	(7,425)	-32.8%	27,145
		4,693	5,000	4,771	2	3,042	3,976	(934)	-23.5%	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	2,561	18,238	26,597	(8,359)	-31.4%	31,916
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		146,622	133,309	134,446	98,160	119,480	127,946	(8,466)	-6.6%	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 - M10 April

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	645	6,454	7,500	(1,046)	-14%	9,000
Pension and UIF Contributions		239	1,064	-	-	-	-	-	-	-
Medical Aid Contributions		35	106	-	-	-	-	-	-	-
Motor Vehicle Allowance		2,438	2,911	3,044	278	2,665	2,537	128	5%	3,044
Cellphone Allowance		864	1,064	1,200	114	1,137	1,000	137	14%	1,200
Housing Allowances								-	-	
Other benefits and allowances								-	-	
Sub Total - Councillors		11,561	13,244	13,244	1,038	10,256	11,037	(781)	-7%	13,244
% increase	4		14.6%	14.6%						14.6%
Other Municipal Staff										
Basic Salaries and Wages		71,977	75,879	75,879	6,887	71,714	63,233	8,481	13%	75,879
Pension and UIF Contributions		12,011	13,414	13,414	1,108	11,220	11,178	41	0%	13,414
Medical Aid Contributions		3,674	4,369	4,369	431	4,170	3,641	529	15%	4,369
Overtime		2,865	2,500	2,500	209	1,779	2,083	(304)	-15%	2,500
Bonuses		6,333	7,222	7,222	40	7,452	6,018	1,434	24%	7,222
Motor Vehicle Allowance		5,012	4,800	4,800	706	6,866	4,000	2,866	72%	4,800
Cellphone Allowance		1,186	1,200	1,200	212	2,113	1,000	1,113	111%	1,200
Housing Allowances		3,249	3,800	3,800	270	2,728	3,166	(438)	-14%	3,800
Other benefits and allowances		5,202	440	440	286	3,108	367	2,741	747%	440
Payments in lieu of leave		624	413	413	359	1,335	344	991	288%	413
Post-retirement benefit obligations								-	-	
Sub Total - Other Municipal Staff		112,135	114,036	114,036	10,507	112,484	95,030	17,454	18%	114,036
% increase	4		1.7%	1.7%						1.7%
Total Parent Municipality		123,696	127,280	127,280	11,545	122,740	106,067	16,673	16%	127,280
Unpaid salary, allowances & benefits in arrears:										
TOTAL SALARY, ALLOWANCES & BENEFITS		123,696	127,280	127,280	11,545	122,740	106,067	16,673	16%	127,280
% increase	4		2.9%	2.9%						2.9%
TOTAL MANAGERS AND STAFF		112,135	114,036	114,036	10,507	112,484	95,030	17,454	18%	114,036

Recommendations

1. That the monthly report for period ending 30 April 2018 **BE NOTED AND ACCEPTED.**

Cllr P Qaba
The Mayor
15/05/2018