

**MID-YEAR BUDGET & PERFORMANCE
ASSESSMENT REPORT
DECEMBER 2015**



INTRODUCTION

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:

- The Municipal Finance Management Act – No 56 of 2003, Section 72: and
- The Municipal Budget and Reporting Regulations, 35.

Section 72 - Mid-year budget and performance assessment

- (1) The accounting officer of a municipality must by 25 January of each year-
 - (a) assess the performance of the municipality during the first half of the financial year, taking into account-
 - (i) the monthly statements referred to in section 71 for the first half of the financial year;
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
 - (b) submit a report on such assessment to-
 - (i) the mayor of the municipality;
 - (ii) the National treasury; and
 - (iii) the relevant provincial treasury.
- (2) The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.
- (3) The accounting officer must, as part of the review-
 - (a) make recommendations as to whether an adjustment budget is necessary; and
 - (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Section 33 of the MBRR states:

“A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.”

The objective of these Regulations is to ensure sound and sustainable management of the budgeting and reporting practices of the municipality 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.

EXECUTIVE SUMMARY

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

The following categories provide a consolidated overview of the implementation of the budget of the municipality.

Operating Revenue

It should be noted that the figures for property rates and service charges relates to billed income and not cash collected.

The following table is a summary of the 2015/2016 budget classified by main revenue source

Description	Ref	2014/15	Budget Year 2015/16							
		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		49 844	60 210	60 210	5 079	29 106	30 105	(999)	-3%	58 211
Property rates - penalties & collection charges		1 306	1 700	1 700	191	1 092	850	242	28%	2 184
Service charges - electricity revenue		140 204	172 752	172 752	12 947	81 774	86 376	(4 602)	-5%	163 548
Service charges - water revenue		55 336	50 290	50 290	3 353	20 133	25 145	(5 011)	-20%	40 267
Service charges - sanitation revenue		–	24 685	24 685	1 980	11 957	12 342	(385)	-3%	23 914
Service charges - refuse revenue		13 953	18 238	18 238	1 457	8 655	9 119	(464)	-5%	17 311
Service charges - other		–	–	–	–	–	–	–		–
Rental of facilities and equipment		1 189	1 387	1 387	98	675	694	(18)	-3%	1 351
Interest earned - external investments		4 375	3 406	3 406	117	964	1 703	(739)	-43%	1 928
Interest earned - outstanding debtors		–	–	–	1	8	–	8		16
Dividends received		–	–	–	–	–	–	–		–
Fines		9 375	3 006	3 006	5	407	1 503	(1 096)	-73%	814
Licences and permits		4 415	4 538	4 538	230	2 041	2 269	(228)	-10%	4 081
Agency services		–	–	–	–	–	–	–		–
Transfers recognised - operational		130 672	113 935	113 935	–	85 525	56 968	28 558	50%	171 051
Other revenue		44 109	4 632	4 632	44	462	2 316	(1 854)	-80%	924
Gains on disposal of PPE		(782)	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		453 995	458 779	458 779	25 504	242 799	229 389	13 410	6%	485 599
Transfers recognised - capital		41 033	53 566	53 566	3 000	43 800	26 783	17 017	0	53 566
Contributions recognised - capital		–	–	–	–	–	–	–		–
Contributed assets		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions		(38 667)	2 180	2 180	(7 425)	62 665	1 090			99 453

Revenue generated from property rates and service charges forms a significant percentage of the revenue source of the municipality. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the municipality.

The approved operating revenue budget amounts to R 512,3 million. For the period under review the planned SDBIP target is R 256,1 million and the actual revenue collected to date is R 286,6 million. When comparing the planned against the actual revenue there is a 6% over performance shown. This is mainly due to the 1st and 2nd tranche of Equitable Share having been received. The estimation of the expected revenue will be addressed in the Adjustment Budget.

This is shown in the following graph:

Reasons for major variances between planned and actual revenue collected:

- revenue from electricity sales is 5% below the planned projection
- revenue from water sales is 20% below the planned projection
- revenue from sanitation sales is 3% below the planned projection
- revenue from refuse sales is 5% below the planned projection
- the collection of fines is 73% behind the planned projection. The collection of fines needs to be accelerated to reach the budgeted target
- revenue from other sources needs to be investigated and projections corrected during the Adjustment Budget
- revenue from service charges income has been affected as the municipality has now to give more free services as many more consumers have become Indigent over the past six months.
- revenue for training received from SITA has not been received
- revenue from investments is half the budgeted amount due to investments that were withdrawn during the last financial year
- revenue from Development Planning for building plan fees is less than the budgeted amount.
- Revenue from Community Services department no income has been received for the Caravan Park, swimming pool or dam entrances and less income than was budgeted for has been received for the hiring of the halls, library fines, lost book charges, membership fees and Photostat copies.
- It must also be noted that the half year income reflects the second tranche of the equitable share which must be carried over into next quarter. This inflates the six month Income figure as shown above.

The municipality is still expected to deliver services in an area which is growing with fewer funds to do so.

The major operating revenue variances against budget to date are:

- Property rates – R 757,000 less than budget
- Service charges – R 10,463,000 less than budget
- Government Grants and subsidies – Operating – no additional equitable share allocated by National Treasury to local municipalities
- Government Grants and subsidies – Capital – no additional grant funding was allocated to Abaqulusi Municipality
- Other Income – R 3,189,000 less than budget

The Directors and Managers are playing their oversight on their budgets and monitoring their spending as advised monthly by the Finance Department, the main concern is the lack of income and this is going to result in Finance again having to block non-essential votes to try and limit spending. This will hamper service delivery in the second half of the year and result in no additional funding being made available.

Operating Expenditure

The following table is a summary of the 2015/2016 budget classified by main expenditure source

Expenditure By Type	-									
Employee related costs		103 611	123 686	123 686	10 532	67 160	61 843	5 317	9%	126 162
Remuneration of councillors		13 981	16 390	16 390	1 237	7 420	8 195	(774)	-9%	14 841
Debt impairment		7 128	1 698	1 698	425	849	849	-		1 698
Depreciation & asset impairment		138 121	21 994	21 994	1 833	10 997	10 997	(0)	0%	21 994
Finance charges		884	650	650	-	-	325	(325)	-100%	-
Bulk purchases		122 108	154 400	154 400	9 666	68 655	77 200	(8 545)	-11%	137 310
Other materials		-	25 791	25 791	727	-	12 895	(12 895)	-100%	-
Contracted services		32 668	35 292	35 292	4 013	16 940	17 646	(706)	-4%	33 880
Transfers and grants		33 830	14 700	14 700	1 356	9 935	7 350	2 585	35%	19 869
Other expenditure		81 363	115 565	115 565	6 141	41 979	57 782	(15 804)	-27%	83 957
Loss on disposal of PPE		-	-	-	-	-	-	-		-
Total Expenditure		533 695	510 165	510 165	35 929	223 934	255 082	(31 148)	-12%	439 711

The approved operating expenditure budget amounts to R 510,1 million. For the period under review the planned SDBIP target is R 255 million and the actual expenditure to date is R 223,9 million. When comparing the planned against the actual expenditure there is a 12% saving.

This is shown in the following graph

Reasons for major expenditure variance variances against budget are:

- Employee costs – R 5,3 million more than budget. It must be noted and with great concern that overtime costs are causing a problem in this financial year as in the past with over expenditure for the year to date of R 2,977,476 (two million, nine hundred & seventy seven thousand, four hundred & seventy six rand) and projected for the year to overspend by more than R 5,9 million.
- Repairs and Maintenance – R 5, 2 million less than budget.
- Bulk purchases – The ESKOM accounts are in line with the budget.
- General expenses – S &T for the year to date is R 1,990,667 (one million, nine hundred & ninety thousand, six hundred & sixty seven rand) which is R 614,667 more than the budget and R 817,04 more than in the 2014/2015 financial year and projected to overspend by R 1,2 million for the year. Departments and Council must be conservative in allowing Councillors and staff to attend workshops and meetings.

The following table gives a breakdown of Councillors and staff remuneration

Summary of Employee and Councillor remuneration	Ref	2014/15	Budget Year 2015/16							
		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
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		14 819	16 390	16 390	1 200	7 363	8 195	(832)	-10%	14 726
Other benefits and allowances								–		
Sub Total - Councillors		14 819	16 390	16 390	1 200	7 363	8 195	(832)	-10%	14 726
% increase	4		10.6%	10.6%						-0.6%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		4 184	6 284	6 284	479	2 987	3 142	(155)	-5%	5 974
Performance Bonus		–	905	905	–	–	453	(453)	-100%	–
Post-retirement benefit obligations	2							–		
Sub Total - Senior Managers of Municipality		4 184	7 189	7 189	479	2 987	3 594	(608)	-17%	5 974
% increase	4		71.8%	71.8%						42.8%
Other Municipal Staff										
Basic Salaries and Wages		73 915	69 006	69 006	5 557	33 728	34 503	(775)	-2%	67 456
Pension and UIF Contributions		–	15 485	15 485	1 219	7 214	7 742	(529)	-7%	14 428
Medical Aid Contributions		18 308	5 677	5 677	442	2 882	2 838	44	2%	5 765
Overtime		12 348	9 633	9 633	1 301	7 794	4 817	2 977	62%	15 588
Performance Bonus		4 810	5 771	5 771	–	5 423	2 886	2 537	88%	5 420
Motor Vehicle Allowance		8 751	7 269	7 269	571	3 522	3 634	(112)	-3%	7 045
Cellphone Allowance		–	583	583	47	278	292	(14)	-5%	556
Housing Allowances		250	334	334	86	518	167	351	211%	1 036
Other benefits and allowances		2 055	2 703	2 703	153	1 432	1 352	80	6%	2 864
Payments in lieu of leave		–	–	–	–	–	–	–		–
Long service awards		2 304	36	36	1	15	18	(2)	-13%	31
Post-retirement benefit obligations	2	32	3 636	3 636	909	1 818	1 818	–		3 636
Sub Total - Other Municipal Staff		122 773	120 133	120 133	10 286	64 625	60 066	4 559	8%	123 825
% increase	4		-2.2%	-2.2%						0.9%
Total Parent Municipality		141 775	143 711	143 711	11 966	74 975	71 856	3 120	4%	144 525
Unpaid salary, allowances & benefits in arrears:			1.4%	1.4%						1.9%

Summary of Employee and Councillor remuneration	Ref	2014/15	Budget Year 2015/16							
		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
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-		-
% increase	4									
Total Municipal Entities		-	-	-	-	-	-	-		-
TOTAL SALARY, ALLOWANCES & BENEFITS		141 775	143 711	143 711	11 966	74 975	71 856	3 120	4%	144 525
% increase	4		1.4%	1.4%						1.9%
TOTAL MANAGERS AND STAFF		126 957	127 322	127 322	10 766	67 612	63 661	3 951	6%	129 799

Capital Expenditure

The capital budget increased from R 55, 4 million (2014/2015) to R 67, 5 million in 2015/2016

The following table is a summary of the 2015/2016 budget classified by department

Vote Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousand										
Capital expenditure - Municipal Vote	1									
Expenditure of multi-year capital appropriation										
Vote 1 - Municipal Governance & Administration		-	-	-	-	-	-	-		-
1.1 - MUNICIPAL MANAGER								-		
1.2 - COUNCIL & EXECUTIVE								-		
Vote 2 - Budget & Treasury		-	-	-	-	-	-	-		-
2.1 - FINANCIAL SERVICES								-		
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
3.1 - MANAGER CORPORATE SERVICES								-		
3.2 - INFORMATION TECHNOLOGY								-		
3.3 - HUMAN RESOURCES								-		

Vote Description R thousand	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Vote 4 - Community & Public Safety		-	-	-	-	-	-	-		-
4.1 - LIBRARY								-		
4.2 - MUSEUM								-		
4.3 - COMMUNITY DEVELOPMENT								-		
4.4 - CEMETERIES								-		
4.5 - SAFETY & SECURITY								-		
4.6 - HOUSING SERVICES								-		
4.7 - HEALTH AND CLINICS								-		
4.8 - COMMUNITY ADMINISTRATION								-		
Vote 5 - Economic & Environmental Services		40 911	35 566	35 566	4 293	33 245	17 783	15 462	87%	35 566
5.1 - PLANNING & DEVELOPMENT								-		
5.2 - ROADS		40 911	35 566	35 566	4 293	33 245	17 783	15 462	87%	35 566
5.3 - TECHNICAL ADMIN								-		
5.4 - VEHICLE LICENSING								-		
5.5 - PROJECT MANAGEMENT UNIT								-		
Vote 6 - Trading Services		9 000	18 000	18 000	3 585	15 013	9 000	6 013	67%	18 000
6.1 - SANITATION								-		
6.2 - WATER SERVICES								-		
6.3 - ELECTRICITY SERVICES		9 000	18 000	18 000	3 585	15 013	9 000	6 013	67%	18 000
6.4 - SOLID WASTE								-		
Vote 7 - Other		-	-	-	-	-	-	-		-
7.1 - TOURISM SERVICES								-		
Total multi-year capital expenditure		49 911	53 566	53 566	7 878	48 258	26 783	21 475	80%	53 566
Capital expenditure - Municipal Vote								-		
Expenditure of single-year capital appropriation	1							-		
Vote 1 - Municipal Governance & Administration		-	-	-	-	-	-	-		-
1.1 - MUNICIPAL MANAGER								-		
1.2 - COUNCIL & EXECUTIVE								-		
Vote 2 - Budget & Treasury		38	600	600	35	36	300	(264)	-88%	71
2.1 - FINANCIAL SERVICES		38	600	600	35	36	300	(264)	-88%	71

Vote Description R thousand	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Vote 3 - Corporate Services		275	770	770	–	79	385	–		
								(306)	-80%	157
3.1 - MANAGER CORPORATE SERVICES		24	50	50	–	24	25	(1)	-3%	49
3.2 - INFORMATION TECHNOLOGY		236	700	700	–	40	350	(310)	-88%	81
3.3 - HUMAN RESOURCES		15	20	20	–	14	10	4	40%	28
								–		
Vote 4 - Community & Public Safety		65	2 190	2 190	–	2	1 095	(1 093)	-100%	5
4.1 - LIBRARY		30	50	50	–	1	25	(24)	-96%	2
4.2 - MUSEUM		–	–	–	–	–	–	–		–
4.3 - COMMUNITY DEVELOPMENT		17	50	50	–	1	25	(24)	-95%	2
4.4 - CEMETERIES		17	1 120	1 120	–	–	560	(560)	-100%	–
4.5 - SAFETY & SECURITY		–	950	950	–	–	475	(475)	-100%	–
4.6 - HOUSING SERVICES		–	–	–	–	–	–	–		–
4.7 - HEALTH AND CLINICS		–	–	–	–	–	–	–		–
4.8 - COMMUNITY ADMINISTRATION		–	20	20	–	–	10	(10)	-100%	–
								–		
Vote 5 - Economic & Environmental Services		39	360	360	–	16	180	(164)	-91%	33
5.1 - PLANNING & DEVELOPMENT		22	40	40	–	16	20	(4)	-18%	33
5.2 - ROADS		–	255	255	–	–	128	(128)	-100%	–
5.3 - TECHNICAL ADMIN		18	35	35	–	–	18	(18)	-100%	–
5.4 - VEHICLE LICENSING		–	10	10	–	–	5	(5)	-100%	–
5.5 - PROJECT MANAGEMENT UNIT		–	20	20	–	–	10	(10)	-100%	–
								–		
Vote 6 - Trading Services		5 141	9 975	9 975	193	5 479	4 988	492	10%	5 908
6.1 - SANITATION		591	2 050	2 050	1	12	1 025	(1 013)	-99%	25
6.2 - WATER SERVICES		–	2 025	2 025	192	192	1 013	(821)	-81%	383
6.3 - ELECTRICITY SERVICES		4 524	5 580	5 580	–	5 275	2 790	2 485	89%	5 500
6.4 - SOLID WASTE		26	320	320	–	–	160	(160)	-100%	–
								–		
Vote 7 - Other		–	–	–	–	–	–	–		–
7.1 - TOURISM SERVICES								–		
								–		
								–		
								–		
Total single-year capital expenditure		5 558	13 895	13 895	228	5 612	6 948	(1 335)	(0)	6 174
								–		
Total Capital Expenditure		55 469	67 461	67 461	8 106	53 870	33 731	20 140	0	59 740

The approved capital budget amounts to R 67,4 million. For the period under review the planned SDBIP target is R 33,7 million and the actual expenditure to date is R 53,8 million. When comparing the planned against the actual expenditure, an over performance is shown.

It must be noted that both MIG and DoE projects are nearly complete for this financial year. Capital from own funding could not start on time or start at all due to funding constraints that the municipality is currently experiencing. At the beginning of July the municipality had to purchase a new 10 MVA transformer for eMondlo which was not budgeted for and the budget for capital will have to be reprioritized accordingly.

The following graph indicates the spending pattern per month

Reason for major variance of year-to-date capital expenditure, compared to departmental Service Delivery Budget Implementation Plans (SDBIP) targets for the municipal vote is:

- Electricity Reticulation – new transformer for eMondlo had to be purchased that was not budgeted for
- Electricity Reticulation – Prepaid meters in Coronation, the tender was advertised but not awarded
- Electricity Reticulation – Apollo Lighting
- Electricity Reticulation – heavy duty equipment for digging trenches only advertised in January 2016
- Water Reservoirs & Reticulation – replacement of water pipes in eMondlo to control leaks started late in December 2015
- Community Services – Fencing of cemeteries, tender advertised in January 2016
- Public Safety – Robot Camera has not yet been advertised
- Sewerage Reticulation – the relay of eMondlo sewer network has not yet been started
- Funds were allocated to small capital items funded from the operating budget for furniture but these funds will have to be adjusted and only capital for upgrading of infrastructure will now be available
- Capital program for eMondlo roads and rural roads is ongoing as well as the electrification of Eskom areas.

Capital funding by source

Funded by:										
National Government		50 358	53 566	53 566	3 000	43 800	26 783	17 017	64%	53 566
Provincial Government								–		
District Municipality								–		
Other transfers and grants								–		
Transfers recognised - capital		50 358	53 566	53 566	3 000	43 800	26 783	17 017	64%	53 566
Public contributions & donations	5							–		
Borrowing	6							–		
Internally generated funds		5 111	13 895	13 895	1 158	6 948	6 948	–		13 895
Total Capital Funding		55 469	67 461	67 461	4 158	50 748	33 731	17 017	50%	67 461

Borrowings – own resources need to be accumulated before capital projects are embarked upon. Due to the impact of the growth in external funding on the operating budget the municipality currently enters into finance leases for the acquisition of new vehicles rather than rely on external funding to fund the capital budget.

Cash flow statement

This statement reflects the actual cash that was received and spent by the municipality

Description	Ref	2014/15	Budget Year 2015/16							
		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, penalties & collection charges		53 992	61 910	61 910	5 155	29 572	30 955	(1 383)	-4%	59 143
Service charges		224 763	265 965	265 965	19 001	104 461	132 982	(28 522)	-21%	208 921
Other revenue		15 529	13 563	13 563	–	4 227	6 782	(2 555)	-38%	8 454
Government - operating		119 259	113 935	113 935	–	83 798	56 968	26 831	47%	113 935
Government - capital		45 426	53 566	53 566	3 000	40 800	26 783	14 017	52%	81 600
Interest		3 138	3 406	3 406	117	958	1 703	(745)	-44%	1 915
Dividends		–	–	–	–	–	–	–		–
Payments										
Suppliers and employees		(379 618)	(471 123)	(471 123)	(32 315)	(204 705)	(235 562)	(30 856)	13%	(409 411)
Finance charges		(942)	(650)	(650)	–	–	(325)	(325)	100%	–
Transfers and Grants		(33 978)	(14 700)	(14 700)	(1 356)	(9 935)	(7 350)	2 585	-35%	(19 869)

Description	Ref	2014/15	Budget Year 2015/16							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
NET CASH FROM/(USED) OPERATING ACTIVITIES		47 568	25 872	25 872	(6 399)	49 175	12 936	(36 239)	-280%	44 688
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		677	-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(59 670)	(53 566)	(53 566)	(7 878)	(48 258)	(26 783)	21 475	-80%	(53 566)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(58 994)	(53 566)	(53 566)	(7 878)	(48 258)	(26 783)	21 475	-80%	(53 566)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		(5 117)	-	-	-	-	-	-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(5 117)	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		(16 544)	(27 694)	(27 694)	(14 277)	917	(13 847)			(8 878)
Cash/cash equivalents at beginning:		53 151	36 608	36 608		27 651	36 608			27 651
Cash/cash equivalents at month/year end:		36 608	8 913	8 913		28 567	22 761			18 773

Supporting documentation

Financial Position

Description	Ref	2014/15	Budget Year 2015/16			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		36 608	36 608	36 608	27 651	27 651
Call investment deposits		–	–	–	–	–
Consumer debtors		31 888	31 888	31 888	68 487	68 487
Other debtors		50 776	50 776	50 776	39 717	39 717
Current portion of long-term receivables		–	–	–	–	–
Inventory		5 405	5 405	5 405	14 349	14 349
Total current assets		124 677	124 677	124 677	150 204	150 204
Non-current assets						
Long-term receivables		–	–	–	–	–
Investments		–	–	–	–	–
Investment property		14 062	14 062	14 062	14 062	14 062
Investments in Associate		–	–	–	–	–
Property, plant and equipment		1 486 713	1 486 713	1 486 713	1 482 037	1 482 037
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		138	138	138	52	52
Other non-current assets		3 852	3 852	3 852	3 852	3 852
Total non-current assets		1 504 765	1 504 765	1 504 765	1 500 003	1 500 003
TOTAL ASSETS		1 629 441	1 629 441	1 629 441	1 650 207	1 650 207
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		2 857	2 857	2 857	2 864	2 864
Consumer deposits		13 103	13 103	13 103	13 336	13 336
Trade and other payables		68 464	68 464	68 464	59 499	59 499
Provisions		1 381	1 381	1 381	1 381	1 381
Total current liabilities		85 804	85 804	85 804	77 080	77 080

Description	Ref	2014/15	Budget Year 2015/16			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
Non-current liabilities						
Borrowing		–	–	–	–	–
Provisions		117 914	117 914	117 914	121 330	121 330
Total non-current liabilities		117 914	117 914	117 914	121 330	121 330
TOTAL LIABILITIES		203 718	203 718	203 718	198 410	198 410
NET ASSETS	2	1 425 723	1 425 723	1 425 723	1 451 797	1 451 797
<u>COMMUNITY WEALTH/EQUITY</u>						
Accumulated Surplus/(Deficit)		1 425 723	1 425 723	1 425 723	1 451 797	1 451 797
Reserves		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	1 425 723	1 425 723	1 425 723	1 451 797	1 451 797

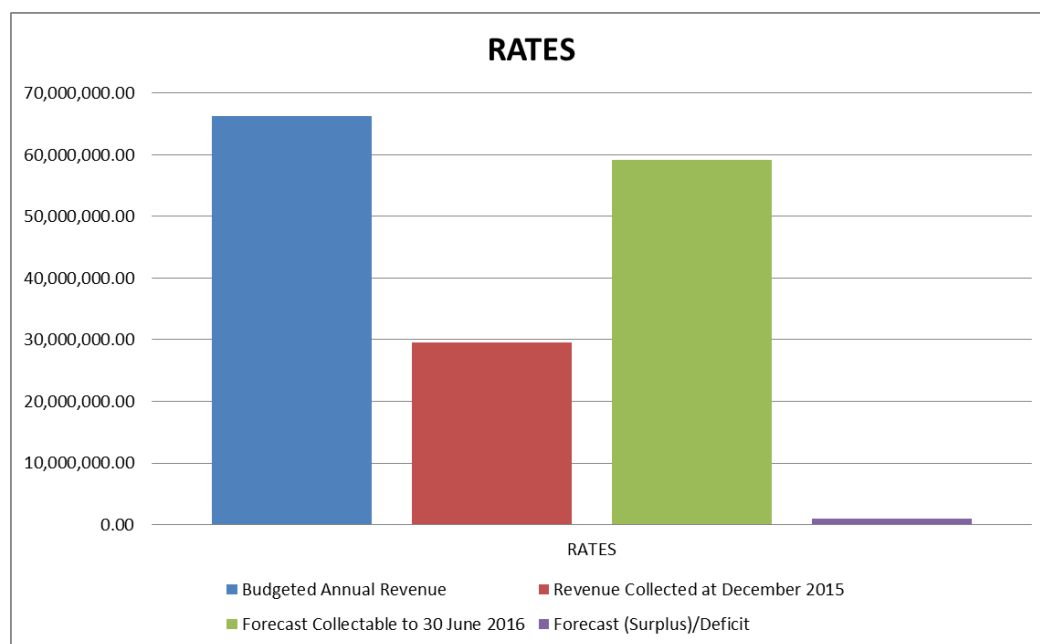
Debtor's age analysis

The table below reflects the total outstanding debt owed to the Abaqulusi Municipality as at 31 December 2015.

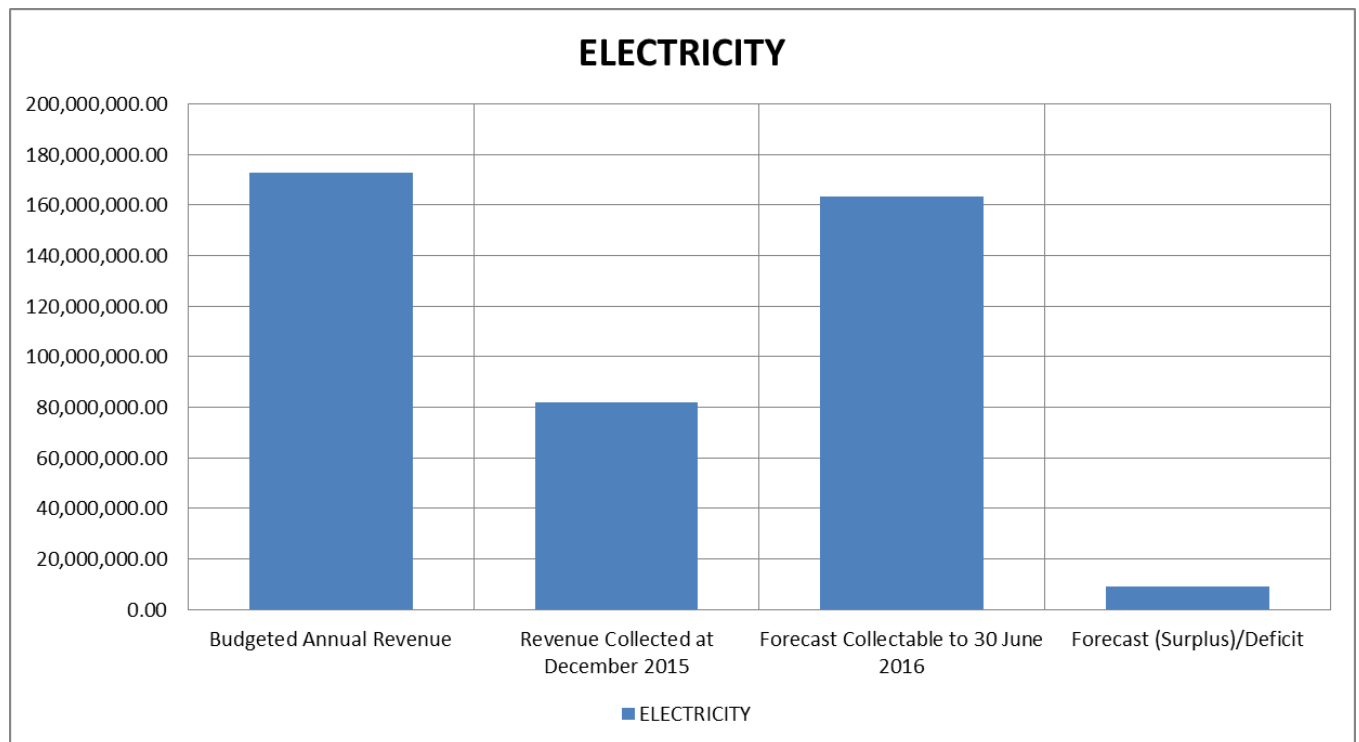
As at the end of December 2015, R 104,2 million was outstanding for debtors, with R 74,4 million outstanding for longer than 90 days.

The municipality has appointed Bigen Africa to assist with the debtor's book. The municipality needs to consider appointing staff/outsource for the continuous audit and social assessments of households to identify households that apply for indigent status.

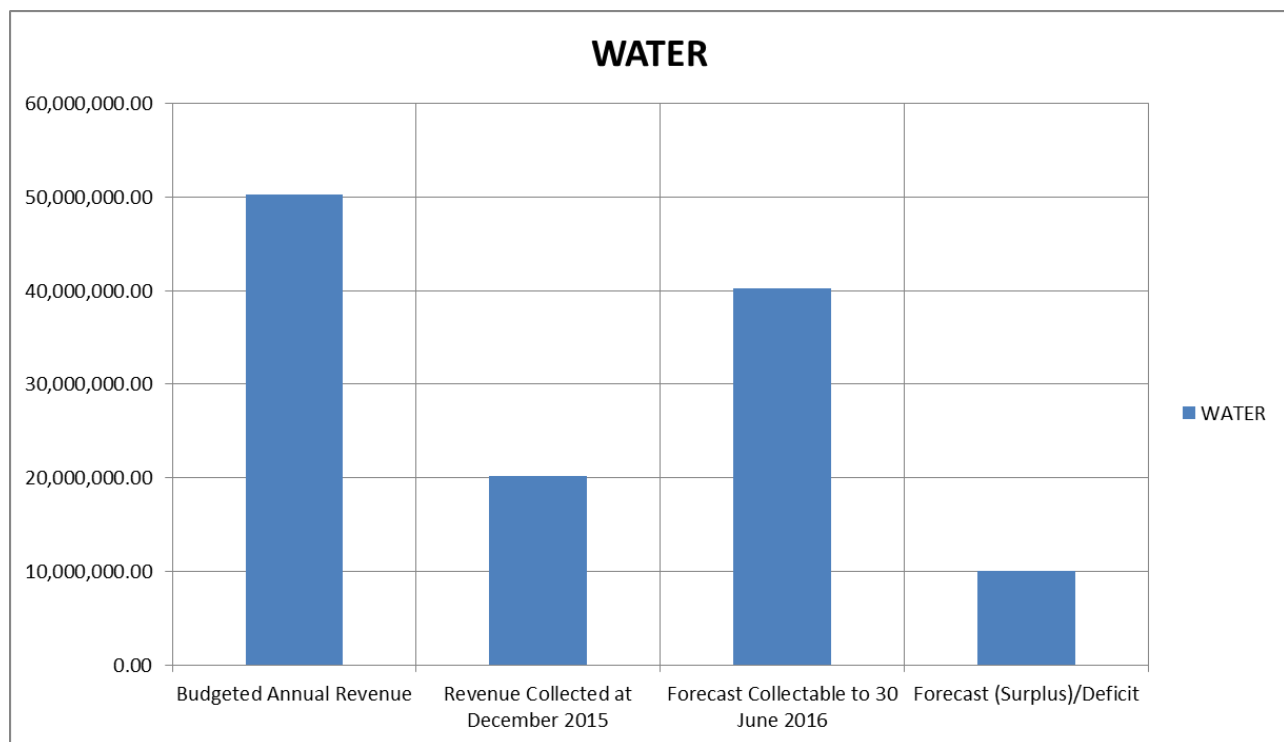
RATES		
	R	%
Budgeted Annual Revenue	66,210,000.00	100
Revenue Collected at December 2015	29,571,537.58	44,66
Forecast Collectable to 30 June 2016	59,143,075.16	89.22
Forecast (Surplus)/Deficit	1,066,924.84	10.67



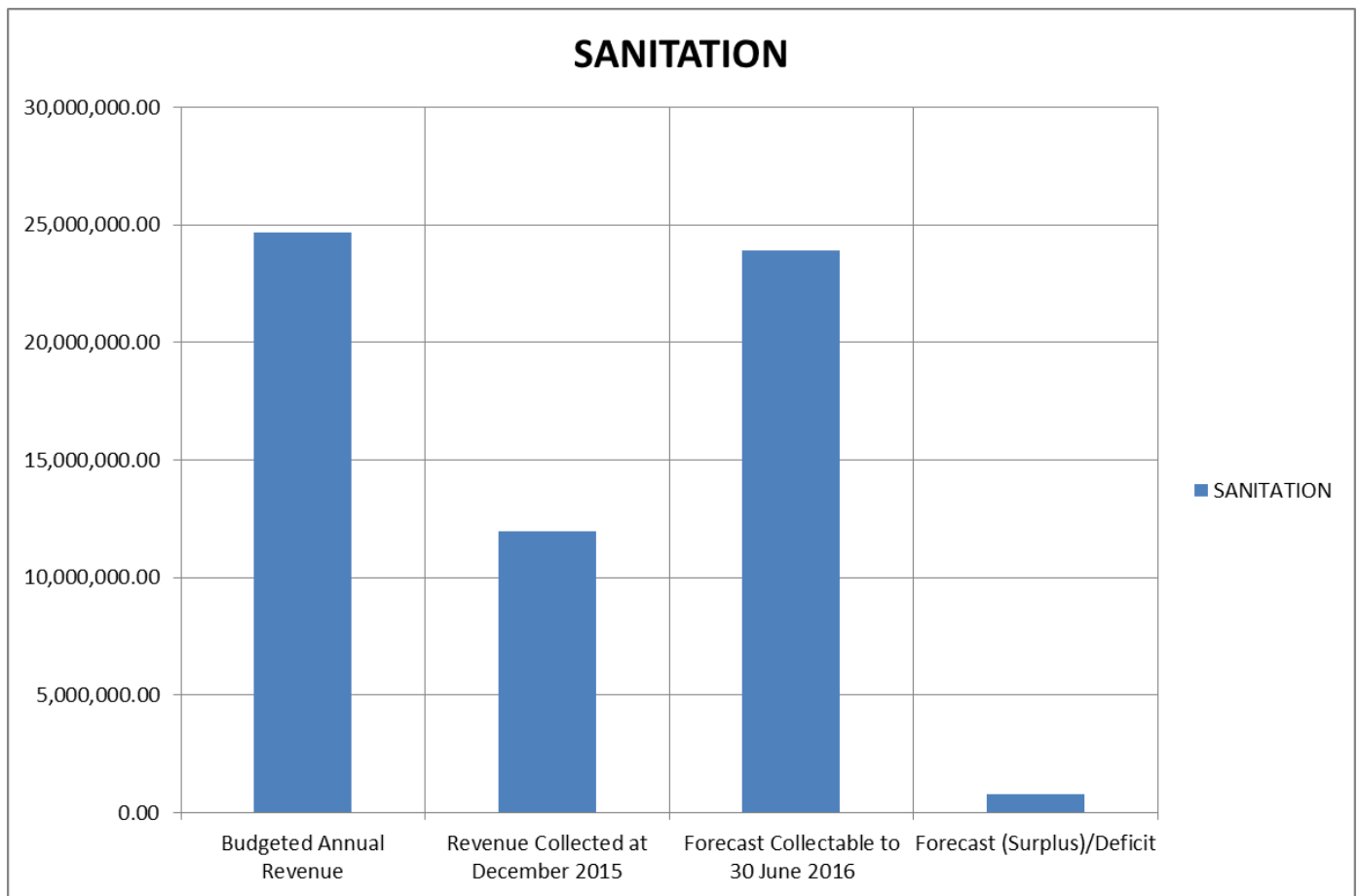
ELECTRICITY		
	R	%
Budgeted Annual Revenue	172,752,400.00	100
Revenue Collected at December 2015	81,773,974.54	47,34
Forecast Collectable to 30 June 2016	163,547,949.08	94,67
Forecast (Surplus)/Deficit	9,204,450.92	5,33



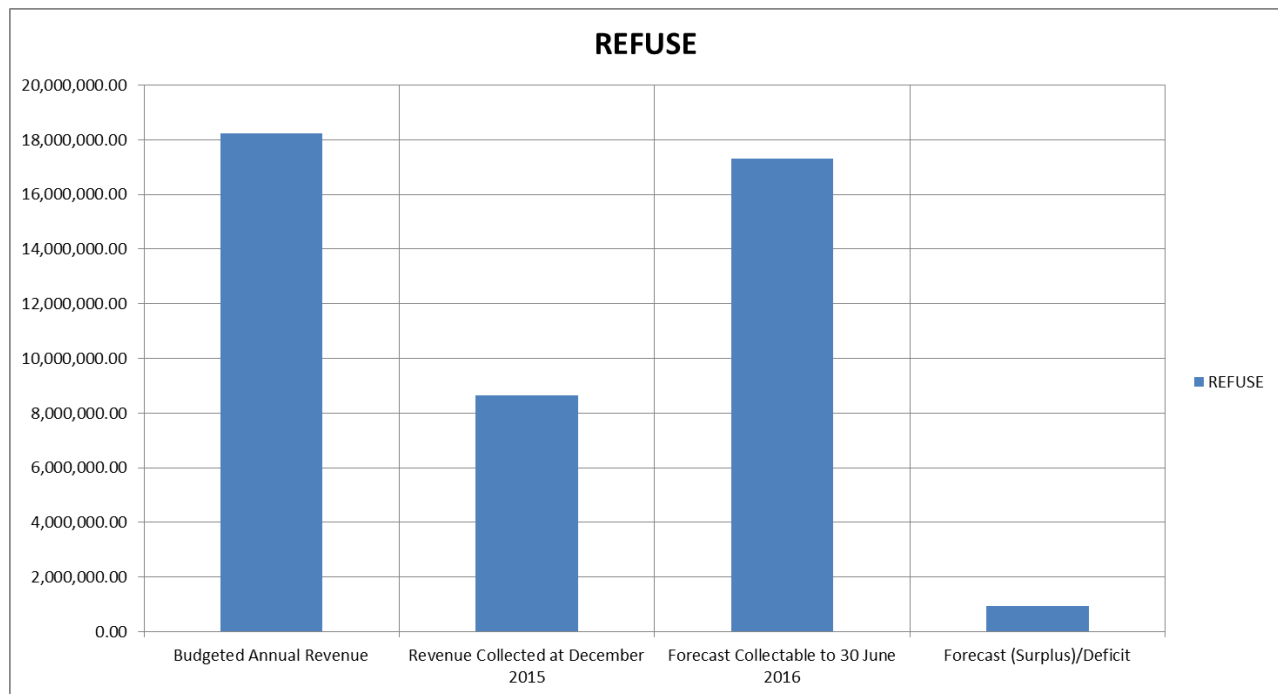
WATER		
	R	%
Budgeted Annual Revenue	50,289,500.00	100
Revenue Collected at December 2015	20,133,281.54	40,03
Forecast Collectable to 30 June 2016	40,266,563.08	80,07
Forecast (Surplus)/Deficit	10,022,936.92	19,93



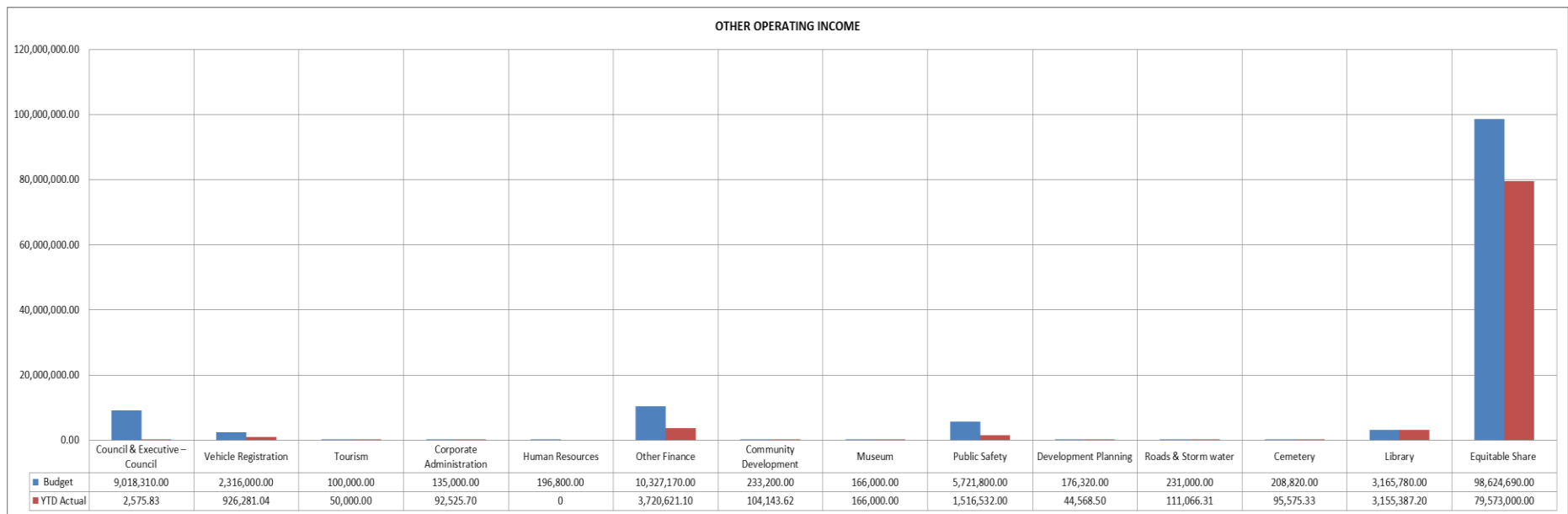
SANITATION		
	R	%
Budgeted Annual Revenue	24,684,800.00	100
Revenue Collected at December 2015	11,957,071.97	48,44
Forecast Collectable to 30 June 2016	23,914,143.94	96,88
Forecast (Surplus)/Deficit	770,656.06	3,12



REFUSE		
	R	%
Budgeted Annual Revenue	18,238,240.00	100
Revenue Collected at December 2015	8,655,350.85	47,46
Forecast Collectable to 30 June 2016	17,310,701.70	94,91
Forecast (Surplus)/Deficit	927,538.30	5,09



OTHER OPERATING INCOME			
	Budget	YTD Actual	%
Council & Executive – Council	9,018,310.00	2,575.83	0,03
Vehicle Registration	2,316,000.00	926,281.04	39,99
Tourism	100,000.00	50,000.00	50
Corporate Administration	135,000.00	92,525.70	71,50
Human Resources	196,800.00	0.00	0
Other Finance	10,327,170.00	3,720,621.10	36,03
Community Development	233,200.00	104,143.62	44,85
Museum	166,000.00	166,000.00	100
Public Safety	5,721,800.00	1,516,532.00	26,50
Development Planning	176,320.00	44,568.50	25,28
Roads & Storm water	231,000.00	111,066.31	48,08
Cemetery	208,820.00	95,575.33	45,77
Library	3,165,780.00	3,155,387.20	99,67
Equitable Share	98,624,690.00	79,573,000.00	80,68



OPERATING EXPENDITURE					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
Salaries	123,565,830	61,782,915	65,794,073	126,162,263	(2,596,433)
Councillor Allowances	16,389,540	8,194,770	7,363,208	14,726,416	1,663,124
General Expenses	297,121,960	148,560,980	124,192,616	279,027,247	18,094,713
Repairs & Maintenance	25,690,500	12,845,250	7,620,471	15,240,941	10,449,559
Capital from own funding	13,895,000	6,947,500	5,612,309	6,174,055	7,720,945
Depreciation	21,993,690	10,996,845	10,996,845	21,993,690	-
Contributions	11,392,4450	5,696,225	5,696,225	11,392,450	-
Total	510,048,970	255,024,485	227,275,745	474,717,059	35,331,911

CAPITAL BUDGET FROM EXTERNAL FUNDING					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
<u>MIG Funding</u>	35,566,000.00	17,783,000.00	33,245,285	35,566,000	-
Vryheid Ext Bulk Outfall Sewer					
eMondlo Roads & Storm water					
6B Bus Route Bhekuzulu					
Rural Roads					

CAPITAL BUDGET FROM EXTERNAL FUNDING					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
<u>Department of Energy</u>	18,000,000.00	9,000,000.00	15,012,869	18,000,000	-
Electrification					

The fact that the municipality is experiencing on-going cash flow challenges is highlighted and needs to be taken into account when approval is considered for specific initiatives. Departments continue to bypass the CFO for financial input for certain projects and this is impacting on the reprioritizing of funds during the Adjustment Budget due to the shortfall.

Other Financial Issues

This executive report continues to highlight the performance achievement of the Finance Department during the first half of the financial year, taking into account:

- i. The targets set in the service delivery and business delivery

The main strategic goals during the 2015/2016 as set out in the business plan and reported in the performance report were for the following:

- The optimization of revenue collection by using incentives to encourage payments, increasing the number of payment methods, increasing the billing coverage and vigorously implementing the credit control policy and bylaws through effective implementation of the existing legal processes.
- Increasing the number of paying consumers by improving better communication and better relationships with consumers.
- Reduction of costs through reduction in physical and bulk losses.
- Improve service delivery to community through best practices.
- Reduction and/or control of expenditures mainly through the control of overhead costs by utilizing effective systems (blocking votes on the financial system)
- Alignment of structure with organizational strategy.
- Counteract wasteful water and electricity practices through education and awareness campaigns.
- Raising the level of awareness of consumers about hygiene and environmental health in compliance with regulatory requirements.
- Continual development of the required strategic skills from managerial levels to lower levels.
- Identify and manage operational and financial risks within the existing regulatory framework/environment.
- Manage and maintain an effective and efficient network system within the total AbaQulusi area.

Indigent Statistics

- a) Number of indigents – 4 553 average per month
- b) Free Electricity – 50 kwh per month
- c) Cost per annum – R 2,624,573
- d) Free Water – 1 697 receiving 6 kl per month
- e) Cost per annum – R 2,488,240 including Basic Charge
- f) Free Refuse – 4 493 consumers, value of R 3,472,588 per annum
- g) Free Sanitation – 4 001 consumers, value R 4,680,792 per annum
- h) Free Rates – 2 047 consumers with house values less than R 80,000
- i) Cost per annum - R 1,260,332 per annum

Financial Statements – 2014/2015

The financial statements were completed in time and the municipality received an unqualified audit opinion

Assets

The asset register was realigned into the new categories as required by GRAP. All backlog and current depreciation has been calculated and raised. The Asset Register has been uploaded to the Munsoft system during December 2014 and testing started but the live asset register will only be implemented in July 2016 on the mSCOA system which will allow for a monthly reconciliation.

Investments

Council has an investment portfolio of R 12, 6 million; the Council's obligations are as follows:

- At least one month's operating expenditure
- Consumer deposits
- Unspent grants

The Council currently has sufficient resources to cover its monthly expenses at present.

Water & Electricity losses

WATER LOSSES 2015/2016						
TOTAL	Vhd/Bhz/ Louws/Hlob/Coro	VHD/BH Z	Hloban e	eMondlo	Louwsb urg	Coronati on
KIOLITERS PURIFIED	3,937,820	2,247,000	101,280	1,506,800	79,620	3,120
KIOLITERS SOLD	1,986,223	1,332,226	24,462	582,465	44,757	2,313
KIOLITERS NOT ACCOUNTED FOR	1,951,597	914,774	76,818	924,335	34,863	807
OR %	49.56%	40.71%	75.85%	61.34%	43.79%	25.87%

ELECTRICITY					
For July 2015 to December 2015					
	TOTAL	VHD BHEKUZULU	eMondlo	HLOBANE	CORONATION
Purchased	80,543,006	63,320,669	11,324,414	2,659,348	3,238,575
Sales	64,491,451	56,081,271	7,255,413	936,771	217,996
Losses	15,658,012	7,508,161	3,507,365	1,608,239	3,034,247
	19.44 %	11.86 %	30.97 %	60.47 %	93.96 %

Other

The collection target that was reached in the second quarter was 95, 28% which is 18.34% more in comparison with the first quarter and 6.99% more than the collection rate at the same time last year.

The number of paying consumers decreased from 35,672 during the first quarter to 35,360 in the second quarter.

Annual Report

The Annual Report contains the Annual Financial Statements, together with Audit report and the actions which the municipality will take to resolve the matters raised by the Auditor-General.

1. INSTITUTION/S CONSULTED

This report must be communicated to ward committees once it is approved.

2. IMPLICATIONS

➤ Finances

This report incorporates the financial status for the period ended 31 December 2015.

The implication of approval of this report is compliance to legislative requirements (Section 72 of the MFMA).

➤ Communication

In compliance to legislative requirements (Section 72 of the MFMA) this document is provided to all stakeholders by placing it on the AbaQulusi Municipality website and to the ward committees.

➤ Conclusion

This report meets with the requirements of the MFMA, Section 72 by submitting the 'In-Year report' to Council on the implementation of the budget and the financial status of the municipality.

3. RECOMMENDATIONS

3.1 That, in compliance with Section 72 of the MFMA, the financial results regarding the operating and capital budgets for the first half of the 2015/2016 financial year, and supporting documents as required by National Treasury, is submitted to Council; and

3.2 In order to comply, this report be submitted to the National Treasury and the relevant Provincial Treasury **within five days** of tabling of the report in the council, in both a Council approved document and in electronic format; and

3.3 It is recommended that an adjustment budget be prepared to recommend revised projections for revenue and expenditure where necessary

AUTHOR

DATE

CHIEF FINANCIAL OFFICER

DATE

**SUPPORTED/NOT SUPPORTED
APPROVED/NOT APPROVED**

ACTING MUNICIPAL MANAGER

DATE

Our Ref.: 9/1/1/7

Your Ref.

Enquiries: H A Mahomed

- -



✉ 57, VRYHEID 3100

c/o, Mark & High Street

(034) 982-2133



Fax: (034) 982-1939

E-mail: finance@abaqulusi.gov.za

QUALITY CERTIFICATE

I, **A B Mnikathi**, Acting Municipal Manager of **ABAQULUSI MUNICIPALITY**, hereby certify that:
(mark as appropriate)

☐

The monthly budget statement

☐

Quarterly report on the implementation of the budget and financial state of affairs to the municipality

☒

Mid-year budget and performance assessment

For the half year ending December of 2015 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

AB MNIKATHI

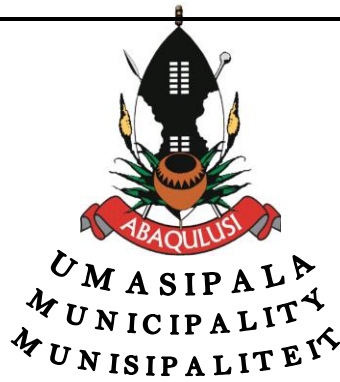
ACTING MUNICIPAL MANAGER

ABAQULUSI MUNICIPALITY

KZN263

SIGNATURE: _____

DATE: _____



CONFIRMATION CERTIFICATE

I, _____, the Chief Financial Officer of (**ABAQULUSI MUNICIPALITY**.)
have checked the Report and done the Review Session with my Department. The
POE's are categorised according to the index. (*Marked as appropriate*)

The December Monthly Report

☐

Quarterly Report on the implementation of the
Financial State of affairs to the Municipality

☐

Mid-year Performance Assessment

☒

Medium Term Report

☐

I hereby confirm that the above is a true reflection of the Finance Section and in full
compliance with Schedule 2 of the Municipal Systems Act.

H A MAHOMED

DATE

CHIEF FINANCIAL OFFICER

ABAQULUSI MUNICIPALITY

KZN263