

**MID-YEAR BUDGET & PERFORMANCE  
ASSESSMENT REPORT  
DECEMBER 2016**



## **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 2016/2017 budget classified by main revenue source

Description	Ref	2015/16	Budget Year 2016/17							
		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		59 014	64 184	64 184	5 357	31 748	32 092	(344)	-1%	63 496
Property rates - penalties & collection charges		2 318	2 132	2 132	264	1 613	1 066	547	51%	3 225
Service charges - electricity revenue		162 862	177 587	177 587	12 445	80 475	88 794	(8 319)	-9%	160 949
Service charges - water revenue		34 826	41 519	41 519	1 088	6 542	20 759	(14 217)	-68%	13 084
Service charges - sanitation revenue		22 901	26 428	26 428	1 841	11 028	13 214	(2 186)	-17%	22 055
Service charges - refuse revenue		17 391	19 496	19 496	1 573	9 531	9 748	(217)	-2%	19 062
Service charges - other		–	–	–	–	–	–	–		–
Rental of facilities and equipment		1 223	1 385	1 385	59	682	692	(11)	-2%	1 364
Interest earned - external investments		1 730	1 956	1 956	51	1 031	978	52	5%	2 061
Interest earned - outstanding debtors		15	16	16	1	6	8	(2)	-24%	12
Dividends received		–	–	–	–	–	–	–		–
Fines		8 621	1 606	1 606	123	545	803	(258)	-32%	1 090
Licences and permits		4 236	4 493	4 493	295	2 095	2 247	(152)	-7%	4 190
Agency services		–	–	–	–	–	–	–		–
Transfers recognised - operational		112 829	114 513	114 513	36 967	81 918	57 257	24 662	43%	114 513
Other revenue		60 993	2 479	2 479	104	861	1 240	(379)	-31%	1 722
Gains on disposal of PPE		–	–	–	–	–	–	–		–
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>488 961</b>	<b>457 794</b>	<b>457 794</b>	<b>60 170</b>	<b>228 073</b>	<b>228 897</b>	<b>(824)</b>	<b>0%</b>	<b>406 824</b>

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, 8 million. For the period under review the planned SDBIP target is R 256, 4 million and the actual revenue collected to date is R 260 million. When comparing the planned against the actual revenue there is a 1, 4% over performance shown. This is mainly due to the 1<sup>st</sup> and 2<sup>nd</sup> tranche of Equitable Share having been received as well as 58% of the MIG and INEP funding. 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 9,37% below the planned projection, this is due to electricity losses and the drought situation
- revenue from water sales is 68,49% below the planned projection, the severe drought is having a serious impact on the revenue from water sales
- revenue from sanitation sales is 16,54% below the planned projection this is due to the drought situation
- revenue from refuse sales is 2,22% below the planned projection
- the collection of fines is 32, 13% behind the planned projection. The collection of fines needs to be accelerated
- 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 and the continuing drought situation.
- revenue from investments is 5,4% more than budget, however due to the cash flow situation the municipality is unable to invest more funds
- 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 including penalties and collection charges – R 202,000 more than budget
- Service charges – R 24,939,000 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 801,000 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 2016/2017 budget classified by main expenditure source

## Expenditure by source

<b>Expenditure By Type</b>	-									
Employee related costs		127 059	142 358	142 358	10 194	68 359	71 179	(2 820)	-4%	131 063
Remuneration of councillors		15 798	16 620	16 620	1 332	8 097	8 310	(212)	-3%	16 195
Debt impairment		6 150	7 461	7 461	1 244	3 109	3 731	(622)	-17%	6 218
Depreciation & asset impairment		103 764	110 451	110 451	14 380	41 267	55 226	(13 958)	-25%	82 534
Finance charges		347	959	959	1	5	480	(474)	-99%	11
Bulk purchases		143 324	159 013	159 013	8 459	66 834	79 506	(12 673)	-16%	133 667
Other materials		18 727	29 659	29 659	1 143	9 771	14 829	(5 059)	-34%	19 541
Contracted services		38 950	60 088	60 088	8 484	24 564	30 044	(5 480)	-18%	49 128
Transfers and grants		15 721	26 112	26 112	1 428	8 120	13 056	(4 936)	-38%	16 240
Other expenditure		106 134	92 371	92 371	8 412	21 570	46 186	(24 616)	-53%	43 140
Loss on disposal of PPE		-	-	-	-	-	-	-		-
<b>Total Expenditure</b>		<b>575 974</b>	<b>645 093</b>	<b>645 093</b>	<b>55 077</b>	<b>251 696</b>	<b>322 546</b>	<b>(70 850)</b>	<b>-22%</b>	<b>497 738</b>



The approved operating expenditure budget amounts to R 512, 8 million, excluding the non-cash items. For the period under review the planned SDBIP target is R 256, 4 million and the actual expenditure to date is R 202, 3 million. When comparing the planned against the actual expenditure there is a 21, 1% saving.

**Reasons for major expenditure variance variances against budget are:**

- Employee costs – R 2, 8 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 expenditure for the year to date of R 8,156,028 (eight million, one hundred & fifty six thousand & twenty eight rand) which is R838, 418 less than budget and the projected amount for the year is R16, 3 million.
- Repairs and Maintenance – R 5, 1 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 1,484,970 (one million, four hundred & eighty four thousand, nine hundred & seventy rand) which is R 71,390 less than the budget and R 505,697 less than in the 2015/2016 financial year and projected to be in line with the budget for the year, however certain departments will have to monitor the spending within their departments which are estimated to overspend if the current spending continues. Departments and Council must be conservative in allowing Councillors and staff to attend workshops and meetings as this is one of the cost containment measures that National Treasury is monitoring.

The following table gives a breakdown of Councillors and staff remuneration

Summary of Employee and Councillor remuneration	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
	1	A	B	C						D
<b><u>Councillors (Political Office Bearers plus Other)</u></b>										
Basic Salaries and Wages		15 770	16 620	16 620	1 332	8 097	8 310	(212)	-3%	16 195
Pension and UIF Contributions		-	-	-	-	-	-	-		-
Medical Aid Contributions		-	-	-	-	-	-	-		-
Motor Vehicle Allowance		-	-	-	-	-	-	-		-
Cellphone Allowance		-	-	-	-	-	-	-		-
Housing Allowances		-	-	-	-	-	-	-		-
Other benefits and allowances		-	-	-	-	-	-	-		-
<b>Sub Total - Councillors</b>	4	15 770	16 620	16 620	1 332	8 097	8 310	(212)	-3%	16 195
<b>% increase</b>			5.4%	5.4%						2.7%
<b><u>Senior Managers of the Municipality</u></b>	3									
Basic Salaries and Wages		5 888	7 647	7 647	456	3 197	3 824	(627)	-16%	6 394
Pension and UIF Contributions		-	-	-	-	-	-	-		-
Medical Aid Contributions		-	-	-	-	-	-	-		-
Overtime		-	-	-	-	-	-	-		-
Performance Bonus		-	1 114	1 114	-	-	557	(557)	-100%	-
Motor Vehicle Allowance		-	-	-	-	-	-	-		-
Cellphone Allowance		-	-	-	-	-	-	-		-
Housing Allowances		-	-	-	-	-	-	-		-
Other benefits and allowances		-	-	-	-	-	-	-		-
Payments in lieu of leave		-	-	-	-	-	-	-		-
Long service awards		-	-	-	-	-	-	-		-
Post-retirement benefit obligations	2	-	-	-	-	-	-	-		-
<b>Sub Total - Senior Managers of Municipality</b>	4	5 888	8 761	8 761	456	3 197	4 380	(1 184)	-27%	6 394
<b>% increase</b>			48.8%	48.8%						8.6%
<b><u>Other Municipal Staff</u></b>										
Basic Salaries and Wages		67 248	73 787	73 787	5 802	35 049	36 893	(1 844)	-5%	70 098
Pension and UIF Contributions		14 548	16 107	16 107	1 253	7 608	8 053	(445)	-6%	15 217

Medical Aid Contributions		5 519	6 038	6 038	506	3 037	3 019	18	1%	6 074
Overtime		17 213	17 989	17 989	1 272	8 156	8 994	(838)	-9%	16 312
Performance Bonus		5 446	5 965	5 965	–	5 655	2 982	2 673	90%	5 655
Motor Vehicle Allowance		7 022	7 679	7 679	597	3 572	3 839	(267)	-7%	7 144
Cellphone Allowance		562	611	611	47	281	305	(24)	-8%	562
Housing Allowances		1 025	1 108	1 108	85	518	554	(36)	-6%	1 036
Other benefits and allowances		2 572	4 298	4 298	174	1 278	2 149	(871)	-41%	2 556
Payments in lieu of leave		4 067	3 815	3 815	636	1 590	1 907	(318)	-17%	3 179
Long service awards		23	31	31	1	8	16	(8)	-51%	15
Post-retirement benefit obligations	2	3 630	5 758	5 758	–	1 440	2 879	(1 440)	-50%	4 319
<b>Sub Total - Other Municipal Staff</b>		<b>128 873</b>	<b>143 185</b>	<b>143 185</b>	<b>10 374</b>	<b>68 191</b>	<b>71 592</b>	<b>(3 401)</b>	<b>-5%</b>	<b>132 167</b>
<b>% increase</b>	4		<b>11.1%</b>	<b>11.1%</b>						<b>2.6%</b>
<b>Total Parent Municipality</b>		<b>150 531</b>	<b>168 565</b>	<b>168 565</b>	<b>12 162</b>	<b>79 486</b>	<b>84 283</b>	<b>(4 797)</b>	<b>-6%</b>	<b>154 756</b>
<b>Unpaid salary, allowances &amp; benefits in arrears:</b>			<b>12.0%</b>	<b>12.0%</b>						<b>2.8%</b>
<b>Board Members of Entities</b>										
<b>Sub Total - Other Staff of Entities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>% increase</b>	4									
<b>Total Municipal Entities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>150 531</b>	<b>168 565</b>	<b>168 565</b>	<b>12 162</b>	<b>79 486</b>	<b>84 283</b>	<b>(4 797)</b>	<b>-6%</b>	<b>154 756</b>
<b>% increase</b>	4		<b>12.0%</b>	<b>12.0%</b>						<b>2.8%</b>
<b>TOTAL MANAGERS AND STAFF</b>		<b>134 761</b>	<b>151 945</b>	<b>151 945</b>	<b>10 830</b>	<b>71 388</b>	<b>75 973</b>	<b>(4 585)</b>	<b>-6%</b>	<b>138 561</b>

## Capital Expenditure

The capital budget increased from R 65, 3 million (2015/2016) to R 70, 6 million in 2016/2017

The following table is a summary of the 2016/2017 capital budget classified by department

Vote Description R thousand	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>Capital expenditure - Municipal Vote</b>	1									
<b>Expenditure of multi-year capital appropriation</b>										
<b>Vote 1 - Municipal Governance &amp; Administration</b>		-	-	-	-	-	-	-		-
1.1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-		-
1.2 - COUNCIL & EXECUTIVE		-	-	-	-	-	-	-		-
<b>Vote 2 - Budget &amp; Treasury</b>		-	-	-	-	-	-	-		-
2.1 - FINANCIAL SERVICES		-	-	-	-	-	-	-		-
<b>Vote 3 - Corporate Services</b>		-	-	-	-	-	-	-		-
3.1 - MANAGER CORPORATE SERVICES		-	-	-	-	-	-	-		-
3.2 - INFORMATION TECHNOLOGY		-	-	-	-	-	-	-		-
3.3 - HUMAN RESOURCES		-	-	-	-	-	-	-		-
<b>Vote 4 - Community &amp; Public Safety</b>		-	-	-	-	-	-	-		-
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 ADMIN		-	-	-	-	-	-	-		-
4.9 - VEHICLE LICENSING		-	-	-	-	-	-	-		-
<b>Vote 5 - Economic &amp; Environmental Services</b>		39 936	35 078	35 078	1 848	6 719	17 539	(10 820)	-62%	13 439
5.1 - ROADS		39 936	35 078	35 078	1 848	6 719	17 539	(10 820)	-62%	13 439
5.2 - TECHNICAL ADMIN		-	-	-	-	-	-	-		-
5.3 - PROJECT MANAGEMENT UNIT		-	-	-	-	-	-	-		-
5.4 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-		-
<b>Vote 6 - Trading Services</b>		18 089	20 000	20 000	1 243	1 825	10 000	(8 175)	-82%	3 650
6.1 - SANITATION		-	-	-	-	-	-	-		-
6.2 - WATER SERVICES		-	-	-	-	-	-	-		-
6.3 - ELECTRICITY SERVICES		18 089	20 000	20 000	1 243	1 825	10 000	(8 175)	-82%	3 650
6.4 - SOLID WASTE		-	-	-	-	-	-	-		-
<b>Vote 7 - Other</b>		-	-	-	-	-	-	-		-
7.1 - TOURISM SERVICES		-	-	-	-	-	-	-		-
<b>Total multi-year capital expenditure</b>		58 025	55 078	55 078	3 090	8 544	27 539	(18 995)	-69%	17 089

<b>Capital expenditure - Municipal Vote</b>										
<b>Expenditure of single-year capital appropriation</b>	1									
<b>Vote 1 - Municipal Governance &amp; Administration</b>		-	-	-	-	-	-	-	-	-
1.1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
1.2 - COUNCIL & EXECUTIVE		-	-	-	-	-	-	-	-	-
<b>Vote 2 - Budget &amp; Treasury</b>		122	426	426	-	-	213	(213)	-100%	-
2.1 - FINANCIAL SERVICES		122	426	426	-	-	213	(213)	-100%	-
<b>Vote 3 - Corporate Services</b>		189	821	821	139	273	410	(137)	-33%	546
3.1 - MANAGER CORPORATE SERVICES		46	53	53	-	1	27	(25)	-96%	2
3.2 - INFORMATION TECHNOLOGY		128	746	746	139	272	373	(101)	-27%	544
3.3 - HUMAN RESOURCES		14	21	21	-	-	11	(11)	-100%	-
<b>Vote 4 - Community &amp; Public Safety</b>		44	1 383	1 383	4	8	692	(684)	-99%	16
4.1 - LIBRARY		1	53	53	4	8	27	(19)	-70%	16
4.2 - MUSEUM		-	-	-	-	-	-	-	-	-
4.3 - COMMUNITY DEVELOPMENT		19	50	50	-	-	25	(25)	-100%	-
4.4 - CEMETERIES		-	1 166	1 166	-	-	583	(583)	-100%	-
4.5 - SAFETY & SECURITY		24	103	103	-	-	52	(52)	-100%	-
4.6 - HOUSING SERVICES		-	-	-	-	-	-	-	-	-
4.7 - HEALTH AND CLINICS		-	-	-	-	-	-	-	-	-
4.8 - COMMUNITY ADMIN		-	-	-	-	-	-	-	-	-
4.9 - VEHICLE LICENSING		-	11	11	-	-	5	(5)	-100%	-
<b>Vote 5 - Economic &amp; Environmental Services</b>		1 499	373	373	-	15	186	(172)	-92%	30
5.1 - ROADS		1 483	320	320	-	5	160	(155)	-97%	11
5.2 - TECHNICAL ADMIN		-	11	11	-	-	5	(5)	-100%	-
5.3 - PROJECT MANAGEMENT UNIT		-	-	-	-	-	-	-	-	-
5.4 - PLANNING & DEVELOPMENT		16	42	42	-	10	21	(12)	-55%	19
<b>Vote 6 - Trading Services</b>		5 479	12 536	12 536	23	45	6 268	(6 223)	-99%	90
6.1 - SANITATION		12	1 652	1 652	-	-	826	(826)	-100%	-
6.2 - WATER SERVICES		192	1 823	1 823	-	-	911	(911)	-100%	-
6.3 - ELECTRICITY SERVICES		5 275	9 000	9 000	23	45	4 500	(4 455)	-99%	90
6.4 - SOLID WASTE		-	61	61	-	-	30	(30)	-100%	-
<b>Vote 7 - Other</b>		-	-	-	-	-	-	-	-	-
7.1 - TOURISM SERVICES		-	-	-	-	-	-	-	-	-
<b>Total single-year capital expenditure</b>		7 334	15 539	15 539	165	341	7 770	(7 428)	(0)	682
<b>Total Capital Expenditure</b>		65 359	70 617	70 617	3 256	8 886	35 309	(26 423)	(0)	17 771

The approved capital budget amounts to R70, 6 million. For the period under review the planned SDBIP target is R35, 3 million and the actual expenditure to date is R8, 9 million. When comparing the planned against the actual expenditure, an under performance is shown.

It must be noted that both MIG and DoE projects were only approved during the 2<sup>nd</sup> quarter of 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.

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 tender has been advertised in December and awaiting award
- Electricity Reticulation – Prepaid meters in Coronation, the tender has been advertised on numerous occasions but not awarded
- Electricity Reticulation – Apollo Lighting, the contractor is onsite and payment will be made on completion of the project in the 3<sup>rd</sup> quarter
- Electricity Reticulation – heavy duty equipment for digging trenches not yet advertised due to cash flow constraints
- Water Reservoirs & Reticulation – replacement of water pipes in eMondlo to control leaks
- Community Services – Fencing of cemeteries
- Public Safety – Relief equipment not yet advertised due to cash flow constraints
- Sewerage Reticulation – the relay of eMondlo sewer network
- 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

<b>Funded by:</b>										
National Government		58 566	55 078	55 078	–	32 000	27 539	4 461	16%	55 078
Provincial Government								–		
District Municipality								–		
Other transfers and grants								–		
<b>Transfers recognised - capital</b>		<b>58 566</b>	<b>55 078</b>	<b>55 078</b>	<b>–</b>	<b>32 000</b>	<b>27 539</b>	<b>4 461</b>	<b>16%</b>	<b>55 078</b>
<b>Public contributions &amp; donations</b>	5							–		–
<b>Borrowing</b>	6							–		–
<b>Internally generated funds</b>		<b>7 334</b>	<b>15 539</b>	<b>15 539</b>	<b>1 295</b>	<b>7 770</b>	<b>7 770</b>	<b>–</b>		<b>15 539</b>
<b>Total Capital Funding</b>		<b>65 900</b>	<b>70 617</b>	<b>70 617</b>	<b>1 295</b>	<b>39 770</b>	<b>35 309</b>	<b>4 461</b>	<b>13%</b>	<b>70 617</b>

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	2015/16	Budget Year 2016/17							
		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>										
Ratepayers and other		344 946	341 208	341 208	22 989	94 530	170 604	(76 074)	-45%	189 061
Government - operating		112 829	114 513	114 513	36 967	81 918	57 257	24 662	43%	114 513
Government - capital		49 687	55 078	55 078	–	32 000	27 539	4 461	16%	55 078
Interest		1 746	1 972	1 972	51	1 031	986	44	5%	2 061
Dividends		–	–	–	–	–	–	–		–

<b>Payments</b>										
Suppliers and employees		(401 053)	(491 946)	(491 946)	(38 025)	(155 463)	(245 973)	(90 510)	37%	(310 927)
Finance charges		(926)	(959)	(959)	(1)	(5)	(480)	(474)	99%	(11)
Transfers and Grants		(15 721)	(26 112)	(26 112)	(1 428)	(8 120)	(13 056)	(4 936)	38%	(16 240)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>91 507</b>	<b>(6 246)</b>	<b>(6 246)</b>	<b>20 553</b>	<b>45 890</b>	<b>(3 123)</b>	<b>(49 013)</b>	<b>1569%</b>	<b>33 536</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		(294)	-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
<b>Payments</b>										
Capital assets		(65 359)	(70 617)	(70 617)	(3 090)	(8 720)	(35 309)	(26 588)	75%	(17 440)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(65 653)</b>	<b>(70 617)</b>	<b>(70 617)</b>	<b>(3 090)</b>	<b>(8 720)</b>	<b>(35 309)</b>	<b>(26 588)</b>	<b>75%</b>	<b>(17 440)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		692	-	-	-	415	-	415	#DIV/0!	829
<b>Payments</b>										
Repayment of borrowing		(14 369)	-	-	-	-	-	-		-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(13 677)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>415</b>	<b>-</b>	<b>(415)</b>	<b>#DIV/0!</b>	<b>829</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>12 177</b>	<b>(76 863)</b>	<b>(76 863)</b>	<b>17 462</b>	<b>37 585</b>	<b>(38 431)</b>			<b>16 924</b>
Cash/cash equivalents at beginning:		1 445	13 622	13 622		(63 241)	13 622			(63 241)
Cash/cash equivalents at month/year end:		13 622	(63 241)	(63 241)		(25 656)	(24 810)			(46 317)



## Supporting documentation

### Financial Position

Description	Ref	2014/15	Budget Year 2015/16			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b><u>ASSETS</u></b>						
<b>Current assets</b>						
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
<b>Total current assets</b>		<b>124 677</b>	<b>124 677</b>	<b>124 677</b>	<b>150 204</b>	<b>150 204</b>
<b>Non-current assets</b>						
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
<b>Total non-current assets</b>		<b>1 504 765</b>	<b>1 504 765</b>	<b>1 504 765</b>	<b>1 500 003</b>	<b>1 500 003</b>
<b>TOTAL ASSETS</b>		<b>1 629 441</b>	<b>1 629 441</b>	<b>1 629 441</b>	<b>1 650 207</b>	<b>1 650 207</b>
<b><u>LIABILITIES</u></b>						
<b>Current liabilities</b>						
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
<b>Total current liabilities</b>		<b>85 804</b>	<b>85 804</b>	<b>85 804</b>	<b>77 080</b>	<b>77 080</b>

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

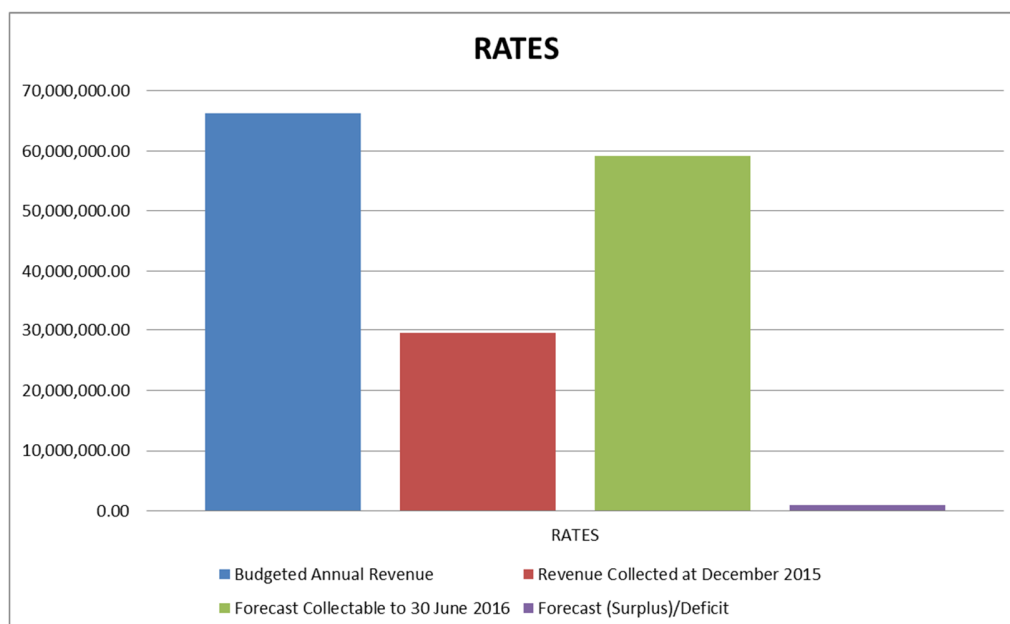
### Debtor's age analysis

The table below reflects the total outstanding debt owed to the Abaqulusi Municipality as at 31 December 2016.

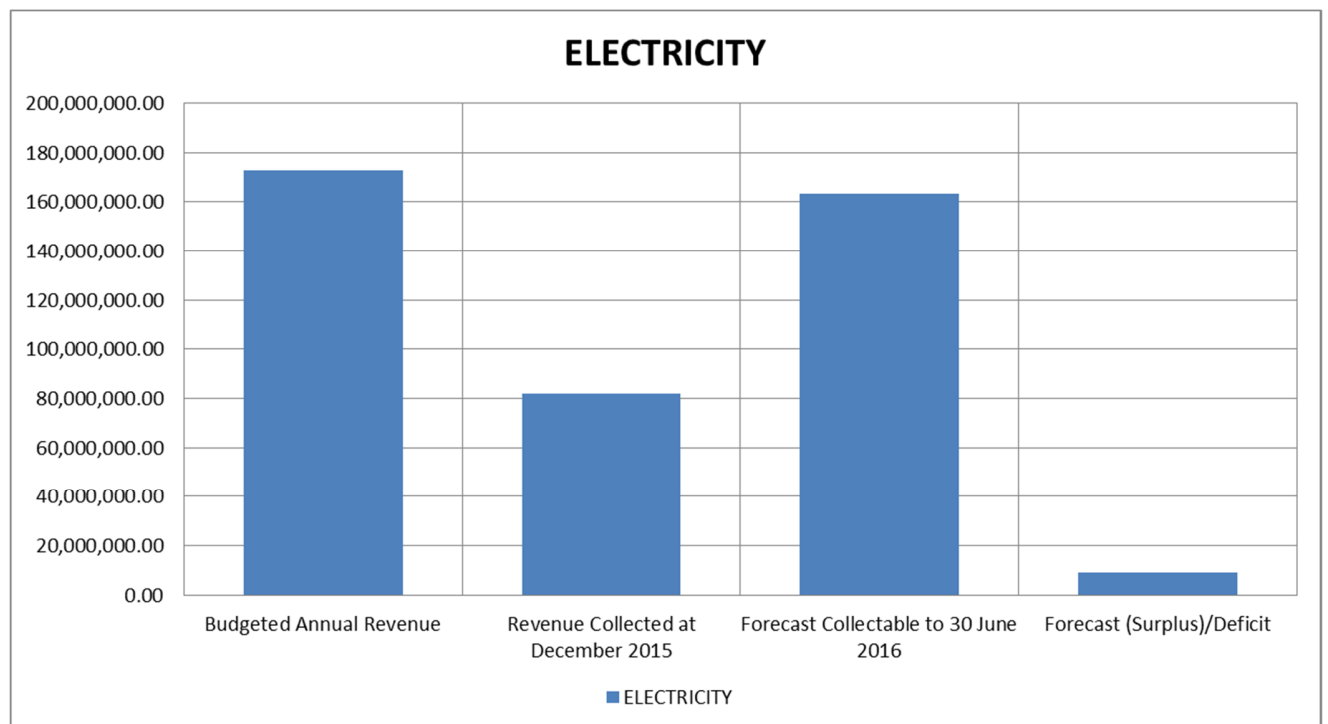
As at the end of December 2016, R117, 6 million was outstanding for debtors, with R92, 3 million outstanding for longer than 90 days.

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.

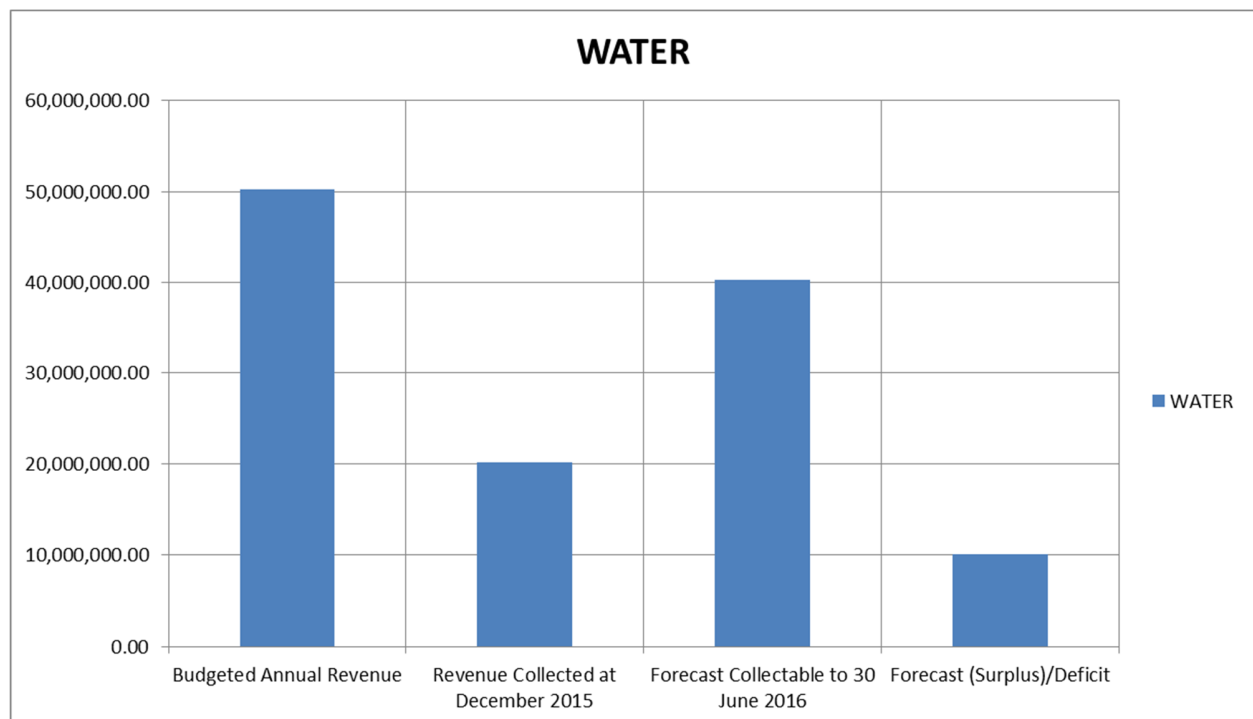
RATES		
	R	%
Budgeted Annual Revenue	64,183,860.00	100
Revenue Collected at December 2016	31,747,805.05	49,46
Forecast Collectable to 30 June 2017	63,495,610.10	98,92
Forecast (Surplus)/Deficit	688,249.90	0.08



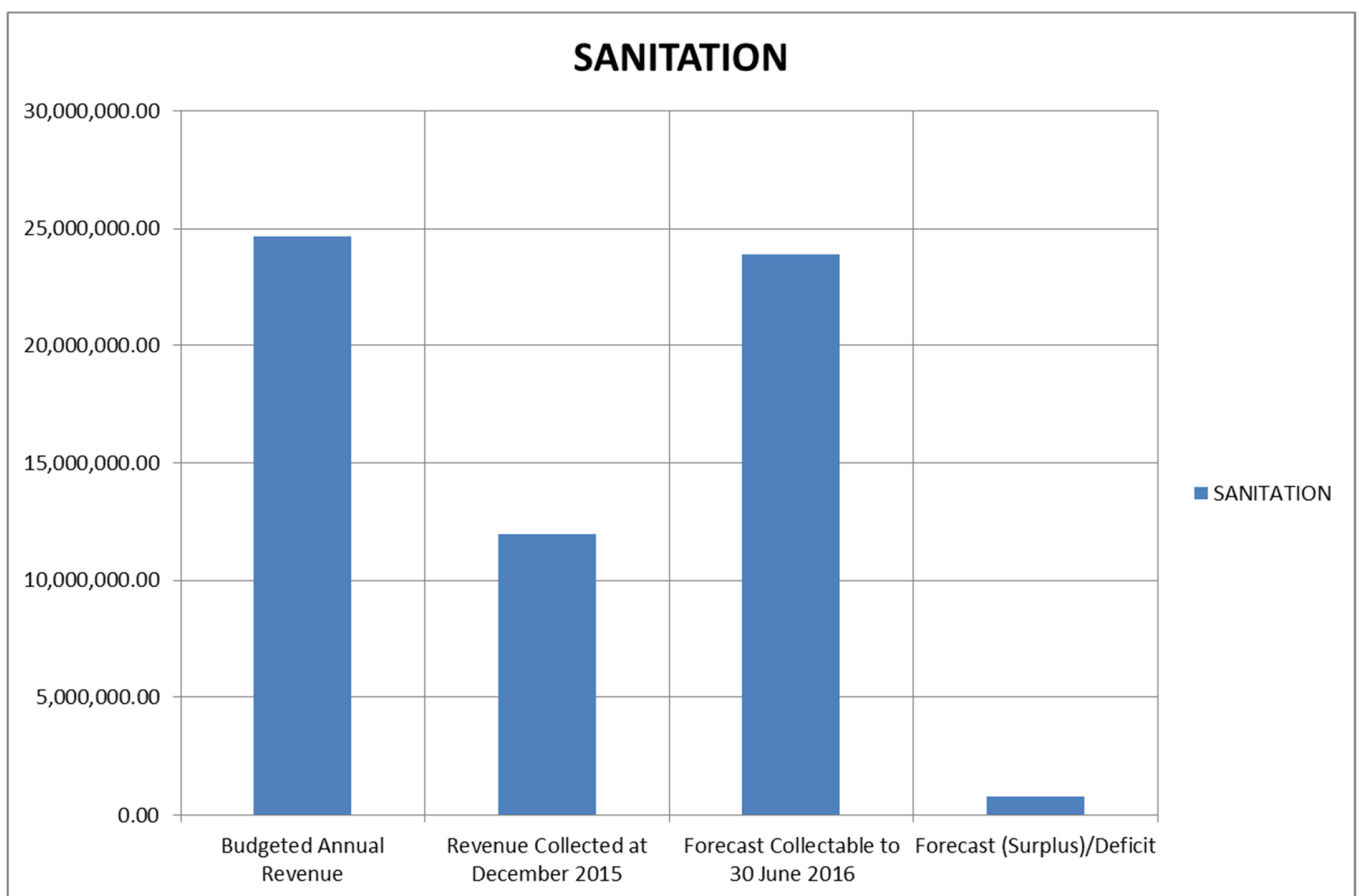
ELECTRICITY		
	R	%
Budgeted Annual Revenue	177,587,432.00	100
Revenue Collected at December 2016	80,474,666.00	45,32
Forecast Collectable to 30 June 2017	160,952,007.28	90,63
Forecast (Surplus)/Deficit	16,635,424.72	9,37



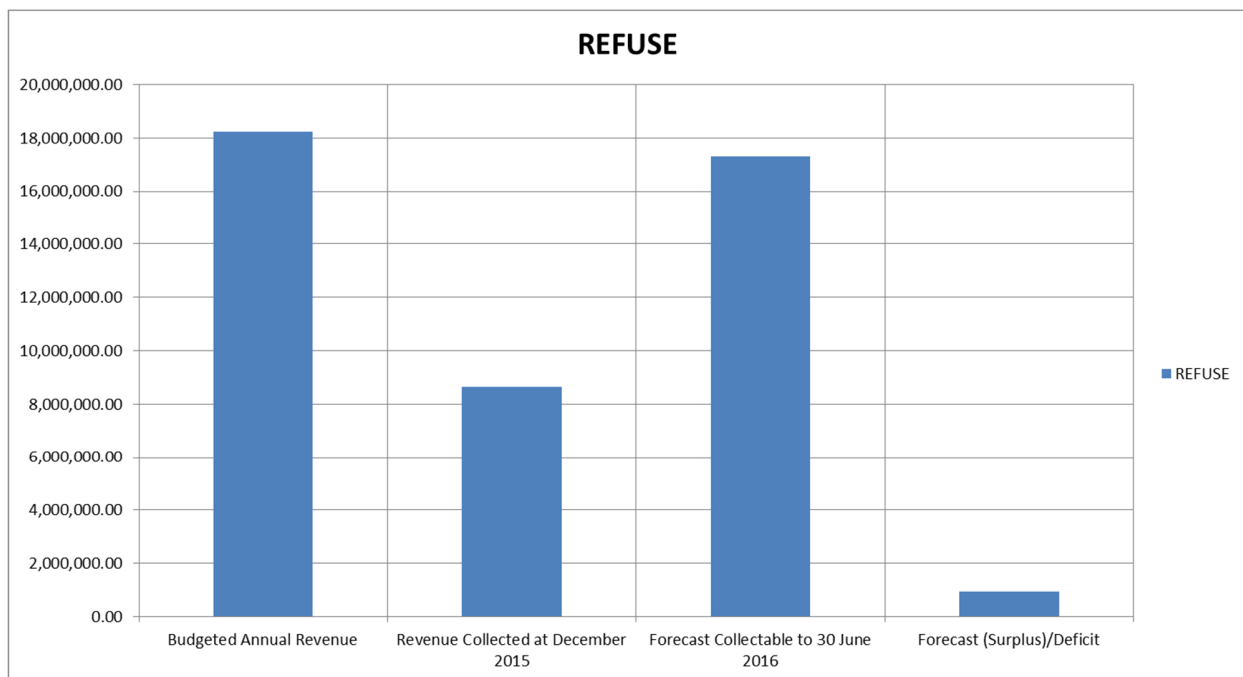
WATER		
	R	%
Budgeted Annual Revenue	41,518,500.00	100
Revenue Collected at December 2016	6,541,966.81	15,76
Forecast Collectable to 30 June 2017	13,083,933.62	31,51
Forecast (Surplus)/Deficit	28,434,566.38	68,49



SANITATION		
	R	%
Budgeted Annual Revenue	26,427,500.00	100
Revenue Collected at December 2016	11,027,742.82	41,73
Forecast Collectable to 30 June 2017	22,055,485.64	83,46
Forecast (Surplus)/Deficit	4,372,014.36	16,54

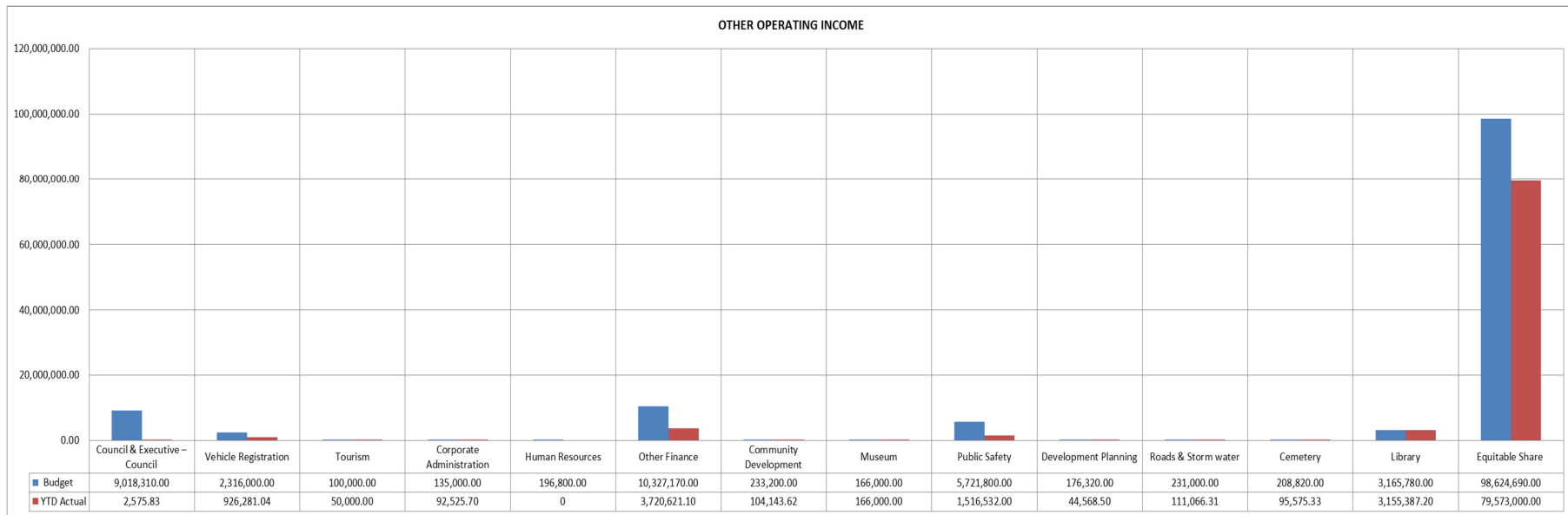


REFUSE		
	R	%
Budgeted Annual Revenue	19,496,400.00	100
Revenue Collected at December 2016	9,531,229.50	48,89
Forecast Collectable to 30 June 2017	19,062,459.00	97,77
Forecast (Surplus)/Deficit	433,941.00	2,23



OTHER OPERATING INCOME			
	Budget	YTD Actual	%
Council & Executive – Council	15,990.00	38,750.00	242
Vehicle Registration	2,316,000.00	926,281.04	39,99
Tourism	100,000.00	0.00	0
Corporate Administration	167,362.00	1,875.61	1,12
Other Finance	8,220,342.00	3,831,990.45	46,62
Community Development	202,839.00	42,607.30	21,01
Museum	175,000.00	0.00	0
Public Safety	4,066,790.00	1,683,746.00	41,40
Development Planning	197,006.00	88,150.33	44,74
Roads & Storm water	264,246.00	114,705.25	43,41
Cemetery	222,602.00	62,651.21	28,14
Library	3,551,710.00	14,792.65	0,42
Equitable Share	107,884,000.00	81,918,000.00	75,93





OPERATING EXPENDITURE					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
Salaries	142,357,836	71,178,918	68,359,045	131,063,120	11,294,716
Councillor Allowances	16,619,903	8,309,952	8,097,476	16,194,952	424,951
General Expenses	308,681,446	154,340,723	115,743,520	231,392,040	77,289,406
Repairs & Maintenance	29,658,869	14,829,434	9,770,645	19,541,290	10,117,579
Capital from own funding	15,539,080	7,769,540	341,050	682,101	14,856,979
Depreciation	110,958,214	55,479,107	41,267,096	82,534,192	28,424,022
Contributions	21,784,789	10,892,394	8,117,306	16,234,611	5,550,178
<b>Total</b>	645,600,137	322,800,068	251,696,139	497,642,307	147,957,830

CAPITAL BUDGET FROM EXTERNAL FUNDING					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
<b><u>MIG Funding</u></b>	<b>35,078,000.00</b>	<b>17,539,000.00</b>	<b>6,719,260</b>	<b>35,078,000</b>	<b>-</b>
Rural Roads					
<b><u>Department of Energy</u></b>	<b>20,000,000.00</b>	<b>10,000,000.00</b>	<b>1,825,238</b>	<b>20,000,000</b>	<b>-</b>

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 2016/2017 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 – 5,703 average per month
- b) Free Electricity – 50 kwh per month
- c) Cost per annum – R 3,206,206
- d) Free Water – 2,891 receiving 6 kl per month
- e) Cost per annum – R 1,304,746 including Basic Charge
- f) Free Refuse – 4,930 consumers, value of R 4,667,801 per annum
- g) Free Sanitation – 4,641 consumers, value R 5,264,831 per annum
- h) Free Rates – 1,420 consumers with house values less than R 80,000
- i) Cost per annum - R 1,724,684 per annum

### **Financial Statements – 2015/2016**

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 2016 and testing will start in the 3<sup>rd</sup> quarter on the mSCOA system which will allow for a monthly reconciliation.

### **Investments**

Council has an investment portfolio of R 10, 2 million; the Council's obligations are as follows:

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

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

### Water & Electricity losses

WATER LOSSES 2016/2017												
TOTAL		Vhd/Bhz/ Louws/HI ob/Coro		VHD/BHZ		Hlobane		eMondlo		Louwsbu rg		Coronatio n
KIOLITERS PURIFIED		922,700		260,000		103,600		385,000		0		174,100
KIOLITERS SOLD		405,514		15,815		37,866		341,768		7,789		2,276
KIOLITERS NOT ACCOUNTED FOR		517,186		244,185		65,734		43,232				171,824
OR %		56,05%		93,92%		63,45%		11,23%		%		98,69%

ELECTRICITY					
<i>For July 2016 to December 2016</i>					
	TOTAL	Vryheid Bhekuzulu	eMondlo	Hlobane	Coronation
Purchased	81,659,811	62,534,693	12,362,471	2,990,669	3,771,978
Sales	43,377,097	34,046,794	8,236,069	806,078	288,156
Losses	38,282,714	28,487,899	4,126,402	2,184,591	3,483,822
	46.88 %	45.56 %	33.38 %	73.05 %	92.36 %

### Other

The collection target that was reached in the second quarter was 92, 93% which is 6, 51% less in comparison with the first quarter and 6, 84% less than the collection rate at the same time last year.

The number of paying consumers decreased from 24,804 during the first quarter to 24,767 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 2016.

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 2016/2017 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

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**AUTHOR**

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**DATE**

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**CHIEF FINANCIAL OFFICER**

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**DATE**

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

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**ACTING MUNICIPAL MANAGER**

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**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, AB 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 2016 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: \_\_\_\_\_





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## 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**