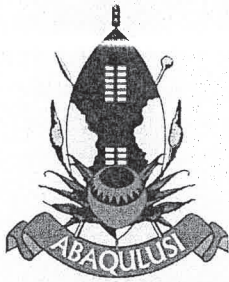


**SECTION 72 REPORT MID-YEAR  
BUDGET & PERFORMANCE  
ASSESSMENT REPORT DECEMBER  
2019**

**FOR CONSIDERATION**



# FINANCIAL SERVICES

## INTEROFFICE MEMORANDUM FINANCIAL SECTION

<b>ENQUIRIES</b>	:	<b>CHIEF FINANCIAL OFFICER</b>
<b>REFERENCE</b>	:	<b>9/1/1/7</b>
<b>TELEPHONE</b>	:	<b>034 9822133X2235</b>
<b>FAX.</b>	:	<b>086 645 2165</b>
<b>EMAIL</b>	:	<a href="mailto:finance@abaqulusi.gov.za">finance@abaqulusi.gov.za</a>
<b>DATE</b>	:	<b>FRIDAY, 17 JANUARY 2020</b>

**TO** : **COUNCIL**

**SUBJECT** : **SECTION 72 REPORT – DECEMBER 2019**

### 1. PURPOSE

To comply with Section 72 of the MFMA, by the provision of a statement of Performance to Council containing certain financial and performance particulars to achieve MFMA compliance.

### 2. DELIBERATION

Strategic Objective: "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."

Section 72 of the MFMA requires that:

The Accounting Officer of a municipality must by no later than the 25th of January submit to the Mayor of the municipality, and the relevant National & Provincial Treasury, a statement in the prescribed format on the state of the municipality's performance reflecting certain particulars for the six months (July to December) taking into account the monthly statements referred to as the Section 71 reports for the first half of the financial year, the municipality's service delivery performance, the service delivery targets and performance indicators set in the service delivery and budget implementation plan. The past year's annual report and progress on resolving problems identified in the annual report.

The Accounting Officer must as part of the review make recommendations as to whether an adjustment budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

**3. INSTITUTION/S CONSULTED**

National and Provincial Treasury  
Finance

**4. FINANCIAL IMPLICATIONS**

This interim report indicates various financial risks:

- Achievement of the operating revenue budget
- Achievement of the operating expenditure budget
- Achievement of the capital expenditure budget

**5. RECOMMENDATIONS**

- 5.1 That Council notes the Mid-year budget & performance assessment report that is submitted in terms of Section 72 of MFMA; and
- 5.2 Council recommends that an Adjustment Budget be prepared revising the projections of revenue and expenditure as necessary for 2019/2020

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**CHIEF FINANCIAL OFFICER**

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2020/01/17  
**DATE**

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

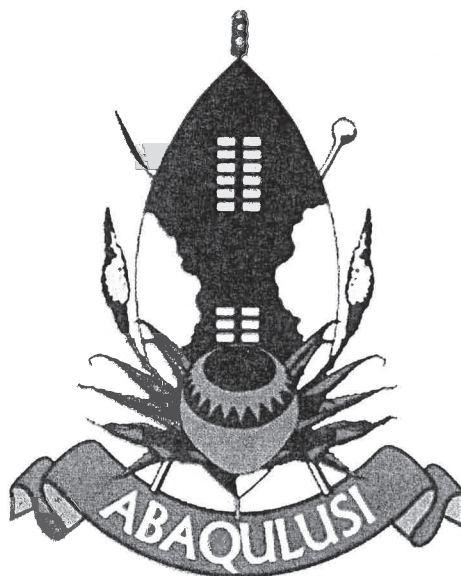
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**ACTING MUNICIPAL MANAGER**

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20 | 1 | 20  
**DATE**

**MID-YEAR BUDGET & PERFORMANCE  
ASSESSMENT REPORT  
DECEMBER 2019**





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## **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.

Provincial Treasury will undertake an assessment of the 2019/20 Mid-Year Budget & Performance Assessment Report and intends visiting the municipality to engage on the report in terms of Provincial Treasury's oversight and monitoring role. For the visit the relevant role players of the municipality must be present which includes the Municipal Manager, CFO, Directors, the Manager responsible for Budgeting, planning and any technical experts on infrastructure. The municipality is also encouraged to invite the Budget Steering Committee or Finance Committee Chairperson as the councilor responsible for financial matters to be part of the presentation as per the guide attached to the Provincial Treasury Circular. The feedback report is required to be tabled back to Council and proof that it was tabled must be submitted to Provincial Treasury.

## MAYOR'S REPORT

2019/2020 Mid-Year Budget & Performance Assessment Report presentation by his worship the Mayor, Councillor MC Maphisa, at Abaqulusi Council Chambers, on 24 January 2020

Mr Speaker, I wish to present an assessment of the Mid-Year Budget & Performance for the 2019/2020 budget year. This document is prepared in terms of the Municipal Budget and Reporting Regulations. It serves as a mechanism which seeks to review the progress made in realizing the targets the municipality set itself at the beginning of the financial year.

With the tabling and approval of the 2019/2020 budget, a strong focus was placed on Service Delivery and fighting poverty.

The highlight of financial performance, challenges and risks for the period 1 July to 31 December 2019 are:

- Total operating revenue received to date is R308,3 million which is 21% more than the budgeted target of R254,7 million. This additional income is due to the 1<sup>st</sup> and 2<sup>nd</sup> tranches of Equitable Share having been received.
- The collection rate has fluctuated during the 1<sup>st</sup> 6 months of the financial year from 52,2% in July to 85,3% in December, averaging 85,27% for the 6 months. This is having a negative effect on the cashflow of the municipality because in previous financial years the norm has been 90%. The collection of old debt remains a challenge, however the municipality is in the process of preparing a list of debt which is irrecoverable which Council needs to approve being written off which will then only show debt that is collectable.
- When comparing the service rates and comparing to the previous financial year:
  - Electricity in 2018/19 was 9% below targeted budget and in 2019/20 the collection is 30% above the estimated budget.
  - Water in 2018/19 was 10% below and in 2019/20 the actual is 1% more than the estimated budget.
  - Sanitation actual is 1% more than the estimated budget
  - Refuse actual is 1% less than the estimated budget
- An analysis of the losses was carried out during the 1<sup>st</sup> half of 2019/20 and a report was submitted identifying the areas and during the Adjustment Budget these areas will be addressed. In total for the 6 months the electricity losses have reduced to 15,82% compared to 20,94% in the previous financial year. Water losses have increased from 51,85% to 71,78%.
- Operating expenditure is over budget with expenditure to date of R271,7 million compared to a budget of R258,4 million.
- Whilst the municipality has collected more revenue (R308,3 million) and only spent R271,7 million which can be seen as good news from a financial perspective, the challenge remains in ensuring expenditure is further reduced as much as possible on nice-to-have but not to the detriment of service delivery, but to stabilize the cash flow position of the municipality and to ensure all outstanding payments to creditors are paid.

Mr Speaker, based on the findings of this report, adjustments need to be made in the adjustment budget. I recommend to Council that an adjustment budget be tabled to address the variances as well as the additional grant funding the municipality will be receiving.

## RESOLUTIONS

### It is resolved and noted

That, in compliance with Section 72 of the MFMA, the financial results regarding the operating and capital budgets for the first half of the 2019/2020 financial year, and supporting documents as required by National Treasury, is submitted to Council; and

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

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

## 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 2019/2020 budget classified by main revenue source





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 R509,4 million. For the period under review the planned SDBIP target is R254,7 million and the actual revenue collected to date is R308,3 million. When comparing the planned against the actual revenue there is a 21% 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 66% of the MIG and 70% of the INEP grants. The Arts & Culture grants for the Library have not yet been received. The estimation of the expected revenue will be addressed in the Adjustment Budget.

**Reasons for major variances between planned and actual revenue collected:**

- revenue billed for rates is 20% more than the planned projection and in the previous year the projection was 1,02% below the planned projection
- revenue billed for electricity sales is 30% more than the planned projection and in the previous financial year the sales were 9% below the planned projection, this is due to electricity losses being monitored and addressed.
- revenue billed for water sales is 1% above the planned projection compared to the 10% below the planned projection in the previous financial year, this is due to meters being changed and monitored.
- revenue billed for sanitation sales is 1% above the planned projection compared to 79% above the planned projection in the previous financial year
- revenue billed for refuse sales is 1% below the planned projection compared to 63% above the planned projection in the previous financial year
- overall billed revenue from the 4 trading services is 22,1% (R22,1 million) above the projected budget which is a fair indication that the community is paying for services and the revenue enhancement team are assisting the municipality in ensuring revenue is being collected
- the collection of fines is 47% below the planned projection compared to 14% below the planned projection in the previous financial year
- revenue from other sources needs to be investigated and projections corrected during the Adjustment Budget
- revenue from service charges income for free services has not been impacted so severely as in the past as all indigent applications had to reapply for the 2019/2020 financial year.
- revenue from investments is less than budget, this is due to no additional revenue being available to invest
- 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 swimming pool or dam entrances and less income than was budgeted for has been received for the 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 7,8 million more than budget
- Service charges – R 22,1 million more 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 funding allocated
- Other Income – R 1,8 million more 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 only major concern is the lack of adhering to the cost containment measures and this is going to result in Finance again having to block non-essential projects 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. The 2018/19 Evaluation Report was used during the preparation of the report

KZN263 Abaqulusi - Table C1 Monthly Budget Statement Summary - M06  
December

Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	70 969	78 789	78 789	8 085	47 222	39 395	7 827	20%	94 444
Service charges	254 617	229 847	229 847	22 790	137 110	114 923	22 186	19%	274 220
Investment revenue	365	1 000	1 000	154	905	500	405	81%	1 810
Transfers and subsidies	152 764	179 813	179 813	49 427	111 211	89 906	21 305	24%	179 813
Other own revenue	63 391	30 007	20 007	1 795	11 895	10 003	1 891	19%	23 789
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>542 106</b>	<b>519 456</b>	<b>509 456</b>	<b>82 250</b>	<b>308 343</b>	<b>254 728</b>	<b>53 615</b>	<b>21%</b>	<b>574 076</b>
Employee costs	130 942	152 728	142 033	17 701	73 531	71 017	2 514	4%	147 061
Remuneration of Councillors	16 029	18 300	18 300	1 351	6 791	9 150	(2359)	-26%	13 582
Depreciation & asset impairment	74 857	60 445	60 445	–	13	30 222	(30209)	-100%	27
Finance charges	513	–	–	123	624	–	624		1 249

Materials and bulk purchases	185 779	185 621	182 824	35 077	132 447	91 412	41 035	45%	264 894
Transfers and subsidies	6 526	10 081	16 379	689	4 579	8 190	(3 610)	-44%	9 159
Other expenditure	171 816	125 260	96 950	13 174	53 801	48 475	5 326	11%	107 602
<b>Total Expenditure</b>	<b>586 461</b>	<b>552 436</b>	<b>516 932</b>	<b>68 115</b>	<b>271 787</b>	<b>258 466</b>	<b>13 321</b>	<b>5%</b>	<b>543 573</b>
<b>Surplus/(Deficit)</b>	<b>(44 356)</b>	<b>(32 980)</b>	<b>(7 476)</b>	<b>14 135</b>	<b>36 556</b>	<b>(3 738)</b>	<b>40 294</b>	<b>1078%</b>	<b>30 503</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	30 047	35 278	35 278	10 573	23 300	25 000	(1 700)	-7%	35 278
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(14 309)</b>	<b>2 299</b>	<b>27 803</b>	<b>24 708</b>	<b>59 856</b>	<b>21 262</b>	<b>38 594</b>	<b>182%</b>	<b>65 781</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>(14 309)</b>	<b>2 299</b>	<b>27 803</b>	<b>24 708</b>	<b>59 856</b>	<b>21 262</b>	<b>38 594</b>	<b>182%</b>	<b>65 781</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>7 047</b>	<b>35 279</b>	<b>35 279</b>	<b>3 344</b>	<b>10 527</b>	<b>17 639</b>	<b>(7 113)</b>	<b>-40%</b>	<b>-</b>
Capital transfers recognised	(4 996)	35 278	35 278	10 573	23 300	17 639	5 661	32%	35 278
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	100	-	-	-	199	-	199	-	-
<b>Total sources of capital funds</b>	<b>(4 897)</b>	<b>35 278</b>	<b>35 278</b>	<b>10 573</b>	<b>23 499</b>	<b>17 639</b>	<b>5 860</b>	<b>33%</b>	<b>35 278</b>

## Operating Expenditure

The following table is a summary of the 2019/2020 budget classified by main expenditure source

## Expenditure by source

KZN263 Abaqulusi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description		Ref	Budget Year 2019/20									
			2018/19	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		130 942	152 728	142 033	17 701	73 531	71 017	2 514	4%			147 061
Remuneration of councillors		16 029	18 300	18 300	1 351	6 791	9 150	(2 359)	-26%			13 582
Debt impairment		44 771	7 881	7 881	-	-	3 941	(3 941)	-100%			-
Depreciation & asset impairment		74 857	60 445	60 445	-	13	30 222	(30 209)	-100%			27
Finance charges		513	-	-	123	624	-	624	#DIV/0!			1 249
Bulk purchases		165 871	172 000	169 203	34 618	126 699	84 602	42 098	50%			253 399
Other materials		19 907	13 621	13 621	459	5 748	6 811	(1 063)	-16%			11 495
Contracted services		79 478	68 519	68 519	2 853	29 057	34 259	(5 203)	-15%			58 113
Transfers and subsidies		6 526	10 081	16 379	689	4 579	8 190	(3 610)	-44%			9 159
Other expenditure		47 567	48 860	20 550	10 322	24 744	10 275	14 469	141%			49 489
Loss on disposal of PPE		-	-	-	-	-	-	-				-
Total Expenditure		586 461	552 436	516 932	68 115	271 787	258 466	13 321	5%			543 573

The approved operating expenditure budget amounts to R 516,9 million, including the non-cash items. For the period under review the planned SDBIP target is R 258,4 million and the actual expenditure to date is R 271,7 million. When comparing the planned against the actual expenditure there is only a 5% overspending.

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

- Employee costs – R 2,5 million more than budget. Overtime costs is less than in the previous financial year with expenditure for the year to date of R4,532,119.17 (four million, five hundred & thirty-two thousand, one hundred & nineteen rand) which is R858,284.95 less than the previous financial year and the projected amount for the year is R9 million.
- Repairs and Maintenance (other materials) – R 1 million less than budget, despite the extensive and ongoing repairs to water and sanitation infrastructure
- Bulk purchases – to date Eskom has been paid R126,7 million and there is still an amount of R88 million owing to Eskom
- General expenses – R24,7 million has been spent to date. Included in this expenditure is an amount of R8,2 million paid to BTMN for electrification of Eskom areas
- Contract payments – R29 million has been spent to date



The following table gives a breakdown of Councillors and staff remuneration

KZN263 Abaqulusi - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	Ref	2018/19		Budget Year 2019/20		Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
		A	B	C	D							
R thousands												
<b>Councillors (Political Office Bearers plus Other)</b>												
1												D
Basic Salaries and Wages		821	-	-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	-	-	-	-	-	-	-
Cellphone Allowance		15 207	18 300	18 300	1 351	6 791	9 150	(2 359)	-26%	13 582	-15.3%	
Housing Allowances		-	-	-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-	-	-
<b>Sub Total - Councillors</b>	<b>4</b>	<b>16 029</b>	<b>18 300</b>	<b>18 300</b>	<b>1 351</b>	<b>6 791</b>	<b>9 150</b>	<b>(2 359)</b>	<b>-26%</b>	<b>13 582</b>	<b>-15.3%</b>	
% increase			14.2%	14.2%								
<b>Senior Managers of the Municipality</b>												
3												
Basic Salaries and Wages		-	-	-	-	-	-	-	-	-	-	-
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-	-	-
Overtime		-	-	-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	-	-	-	-	-	-	-
Cellphone Allowance		-	-	-	-	-	-	-	-	-	-	-
Housing Allowances		-	-	-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
% increase												
<b>Other Municipal Staff</b>												
4												
Basic Salaries and Wages		98 240	112 692	101 997	16 975	65 703	50 999	14 704	29%	131 405	-90%	360
Pension and UIF Contributions		685	3 672	3 672	-	180	1 836	(1 656)				

Medical Aid Contributions	6 974	8 444	8 444	551	3 245	4 222	(977)	-23%	6 491
Overtime	10 538	8 700	8 700	-	1 625	4 350	(2 725)	-63%	3 250
Performance Bonus	6 320	6 735	6 735	10	45	3 368	(3 323)	-99%	89
Motor Vehicle Allowance	8 278	8 160	8 160	80	2 254	4 080	(1 826)	-45%	4 507
Cellphone Allowance	-	-	-	-	-	-	-	-	-
Housing Allowances	978	975	975	85	479	487	(8)	-2%	958
Other benefits and allowances	-	-	-	-	-	-	-	-	-
Payments in lieu of leave	-	-	-	-	-	-	-	-	-
Long service awards	-	2 000	2 000	-	-	1 000	(1 000)	-100%	-
Post-retirement benefit obligations	(1 071)	1 350	1 350	-	-	675	(675)	-100%	-
<b>Sub Total - Other Municipal Staff</b>	<b>130 942</b>	<b>152 728</b>	<b>142 033</b>	<b>17 701</b>	<b>73 531</b>	<b>71 017</b>	<b>2 514</b>	<b>4%</b>	<b>147 061</b>
<b>% increase</b>		<b>16.6%</b>	<b>8.5%</b>						<b>12.3%</b>
<b>Total Parent Municipality</b>	<b>146 971</b>	<b>171 029</b>	<b>160 334</b>	<b>19 052</b>	<b>80 321</b>	<b>80 167</b>	<b>155</b>	<b>0%</b>	<b>160 643</b>
<b>Unpaid salary, allowances &amp; benefits in arrears:</b>		<b>16.4%</b>	<b>9.1%</b>						<b>9.3%</b>
<b>Board Members of Entities</b>									
Basic Salaries and Wages							-		
Pension and UIF Contributions							-		
Medical Aid Contributions							-		
Overtime							-		
Performance Bonus							-		
Motor Vehicle Allowance							-		
Cellphone Allowance							-		
Housing Allowances							-		
Other benefits and allowances							-		
Board Fees							-		
Payments in lieu of leave							-		
Long service awards							-		
Post-retirement benefit obligations							-		
<b>Sub Total - Board Members of Entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>% increase</b>									
<b>Senior Managers of Entities</b>									
Basic Salaries and Wages							-		
Pension and UIF Contributions							-		
Medical Aid Contributions							-		
Overtime							-		
Performance Bonus							-		
Motor Vehicle Allowance							-		

## Capital Expenditure

The capital budget decreased from R 41,2 million (2018/2019) to R35,2 million in 2019/2020

The following table is a summary of the 2019/2020 capital budget classified by department

KZN263 Abaqulusi - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December												
Vote Description		Ref	2018/19		Budget Year 2019/20							
R thousands			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast	
<u>Multi-Year expenditure appropriation</u>		2									%	
Vote 1 - VOTE1			-	-	-	-	-	-	-	-	-	
Vote 2 - Vote 2 : Finance & Administration			-	-	-	-	-	-	-	-	-	
Vote 3 - Vote 3 : Community & Social Services			-	-	-	-	-	-	-	-	-	
Vote 4 - Vote 4 : Energy Sources			-	-	-	-	-	-	-	-	-	
Vote 5 - Vote 5 : Housing			-	-	-	-	-	-	-	-	-	
Vote 6 - Vote 6 : Internal Audit			-	-	-	-	-	-	-	-	-	
Vote 7 - Vote 7 : Other			-	-	-	-	-	-	-	-	-	
Vote 8 - Vote 8 : Planning and Development			-	-	-	-	-	-	-	-	-	
Vote 9 - Vote 9 : Public Safety			-	-	-	-	-	-	-	-	-	
Vote 10 - Vote 10 : Road Transport			-	-	-	-	-	-	-	-	-	
Vote 11 - Vote 11 : Sport and Recreation			-	-	-	-	-	-	-	-	-	
Vote 12 - Vote 12 : Waste Management			-	-	-	-	-	-	-	-	-	
Vote 13 - Vote 13 : Waste Water Management			-	-	-	-	-	-	-	-	-	
Vote 14 - Vote 14 : Water Management			-	-	-	-	-	-	-	-	-	
Vote 15 -			-	-	-	-	-	-	-	-	-	
Total Capital Multi-year expenditure		4,7	-	-	-	-	-	-	-	-	-	



Internal audit	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>	11 664	12 429	12 429	12 429	2 135	6 029	6 214	-	(185)	-	-3%	-
Community and social services	11 664	12 429	12 429	12 429	1 435	3 928	6 214	-	(2 286)	-	-37%	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	701	2 101	-	-	2 101	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	14 828	22 850	22 850	22 850	1 209	4 397	11 425	-	(7 028)	-	-62%	-
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	14 828	22 850	22 850	22 850	1 209	4 397	11 425	-	(7 028)	-	-62%	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	5 999	-	-	-	-	101	-	-	101	-	-	-
Energy sources	2 512	-	-	-	-	101	-	-	101	-	-	-
Water management	185	-	-	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	-	-	-
Waste management	3 303	-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional Classification</b>	<b>7 047</b>	<b>35 279</b>	<b>35 279</b>	<b>35 279</b>	<b>3 344</b>	<b>10 527</b>	<b>17 639</b>	<b>(7 113)</b>	<b>-40%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funded by:</b>												
National Government	(4 996)	35 278	35 278	35 278	10 573	23 300	17 639	5 661	32%	35 278	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-



Transfers recognised - capital		(4 996)	35 278	35 278	10 573	23 300	17 639	5 661	32%	35 278
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		100	-	-	-	199	-	199	-	-
Total Capital Funding		(4 897)	35 278	35 278	10 573	23 499	17 639	5 860	33%	35 278

The approved capital budget amounts to R35,2million. For the period under review the planned SDBIP target is R17,6 million and the actual expenditure to date is R16,1 million. When comparing the planned against the actual expenditure, an under performance is shown.

Capital from own funding was budgeted to start in the 3<sup>rd</sup> quarter depending on the cashflow constraints that the municipality is currently experiencing.

**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 mainly due to cashflow constraints:**

- Electricity Reticulation – repairs to Cross Roads Substation, appointment has been done, consultant to commence in January 2019
- Electricity Reticulation – Lighting not yet advertised due to cash flow constraints
- Water Reservoirs & Reticulation – replacement of water pipes in eMondlo to control leaks
- Community Services – equipment for halls
- Public Safety – Relief equipment not yet advertised due to cash flow constraints
- Funds were allocated to small capital items funded from the operating budget for computers
- capital program for MIG is ongoing
- electrification of Eskom areas is ongoing and is no longer shown as capital due to the asset being transferred back to Eskom when the electrification is complete

## Capital funding by source

KZN263 Abaqulusi - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	2018/19		Budget Year 2019/20		Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
		Audited Outcome	Original Budget								%	
R thousands	1											
<b>Funded by:</b>												
National Government		(4 996)	35 278		10 573	35 278	10 573	23 300	17 639	5 661	32%	35 278
Provincial Government		-	-		-	-	-	-	-	-	-	-
District Municipality		-	-		-	-	-	-	-	-	-	-
Other transfers and grants		-	-		-	-	-	-	-	-	-	-
Transfers recognised - capital		(4 996)	35 278		10 573	35 278	10 573	23 300	17 639	5 661	32%	35 278
Borrowing	6	-	-		-	-	-	-	-	-	-	-
Internally generated funds		100	-		-	-	-	199	-	199	-	-
Total Capital Funding		(4 897)	35 278		10 573	35 278	10 573	23 499	17 639	5 860	33%	35 278

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

KZN263 Abaqulusi - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Annual Budget Statement - Table 07 monthly Budget Statement - Cash Flow - M06 December												
Description	Ref	2018/19		Budget Year 2019/20		Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
		Audited Outcome		Original Budget								
R thousands	1											%
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		70 969	78 789	78 789	8 085	47 222	39 395	7 827			20%	94 444
Service charges		239 765	229 847	229 847	22 790	137 110	114 923	22 186			19%	274 220
Other revenue		-	30 007	20 007	1 795	11 895	10 003	1 892			19%	23 790
Government - operating		140 767	179 813	179 813	49 427	111 211	89 906	21 305			24%	179 813
Government - capital		30 047	35 278	35 278	10 573	23 300	17 639	5 661			32%	35 278
Interest		365	1 000	1 000	154	905	500	405			81%	1 810
Dividends		-	-	-	-	-	-	-			-	-
Payments												
Suppliers and employees		(446 447)	(528 313)	(432 196)	(67 303)	(266 570)	(216 098)	50 472			-23%	(533 139)
Finance charges		(2 098)	-	-	(123)	(624)	-	624				(1 249)
Transfers and Grants		-	(16 367)	(16 367)	(689)	(4 579)	(8 184)	(3 604)			44%	(9 159)
NET CASH FROM/(USED) OPERATING ACTIVITIES		33 368	10 054	96 171	24 708	59 870	48 086	(11 784)			-25%	65 808
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		(27 437)	(35 279)	(35 279)	(3 344)	(10 527)	(10 527)	-				(35 279)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(27 437)	(35 279)	(35 279)	(3 344)	(10 527)	(10 527)	-				(35 279)

<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>											
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>											
Cash/cash equivalents at beginning:	5 931	(25 224)	60 892	21 364	49 343	37 559	-	-	-	-	30 530
Cash/cash equivalents at month/year end:	11 939	17 871	-	-	(12 012)	17 871	-	-	-	-	(12 012)
Cash/cash equivalents at month/year end:	17 870	(7 353)	60 892	-	37 331	55 430	-	-	-	-	18 518

Provisions		30 445	-	-	19 526	-
Total current liabilities		200 272	(66 310)	(66 310)	412 764	-
Non current liabilities						
Borrowing		-	-	-	(212)	-
Provisions		69 464	-	-	23 059	-
Total non current liabilities		69 464	-	-	22 847	-
TOTAL LIABILITIES		269 736	(66 310)	(66 310)	435 611	-
NET ASSETS	2	1 377 089	2 299	2 299	1 425 709	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		1 377 089	2 299	2 299	1 425 709	-
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	1 377 089	2 299	2 299	1 425 709	-

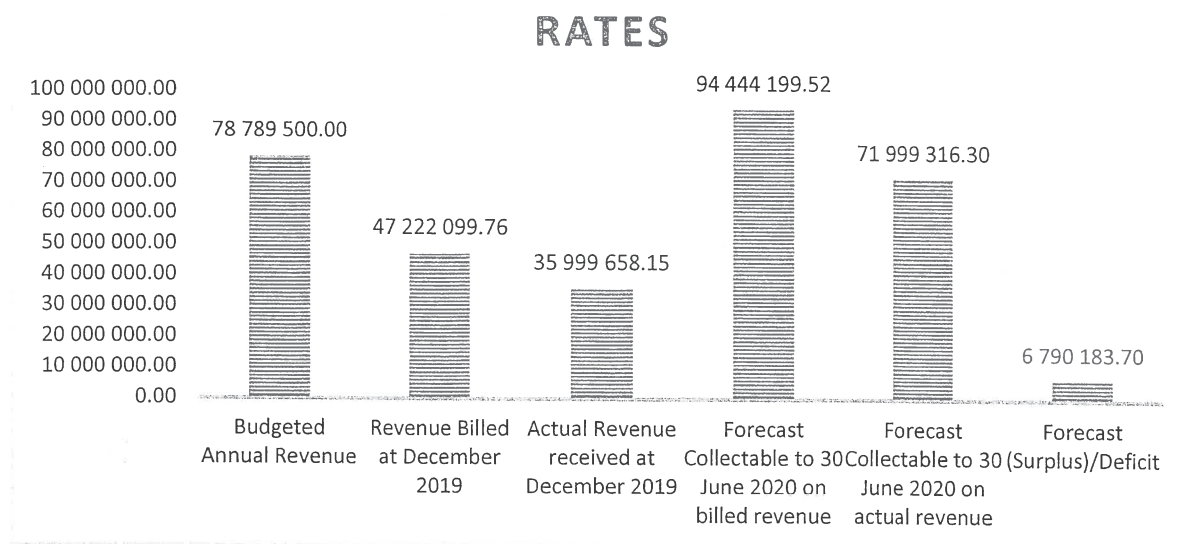


## Debtor's age analysis

The total outstanding debt owed to the Abaqulusi Municipality as at 31 December 2019 is R174,9.

As at the end of December 2019 - R 143,3 million is outstanding for longer than 90 days.

RATES		
	R	%
Budgeted Annual Revenue	78,789,500.00	100
Revenue Billed at December 2019	47,222,099.76	59,93
Actual Revenue received at December 2019	35,999,658.15	45,69
Forecast Collectable to 30 June 2020 on billed revenue	94,444,199.52	119,87
Forecast Collectable to 30 June 2020 on actual revenue	71,999,316.30	91,38
Forecast (Surplus)/Deficit	6,790,183.70	8.62



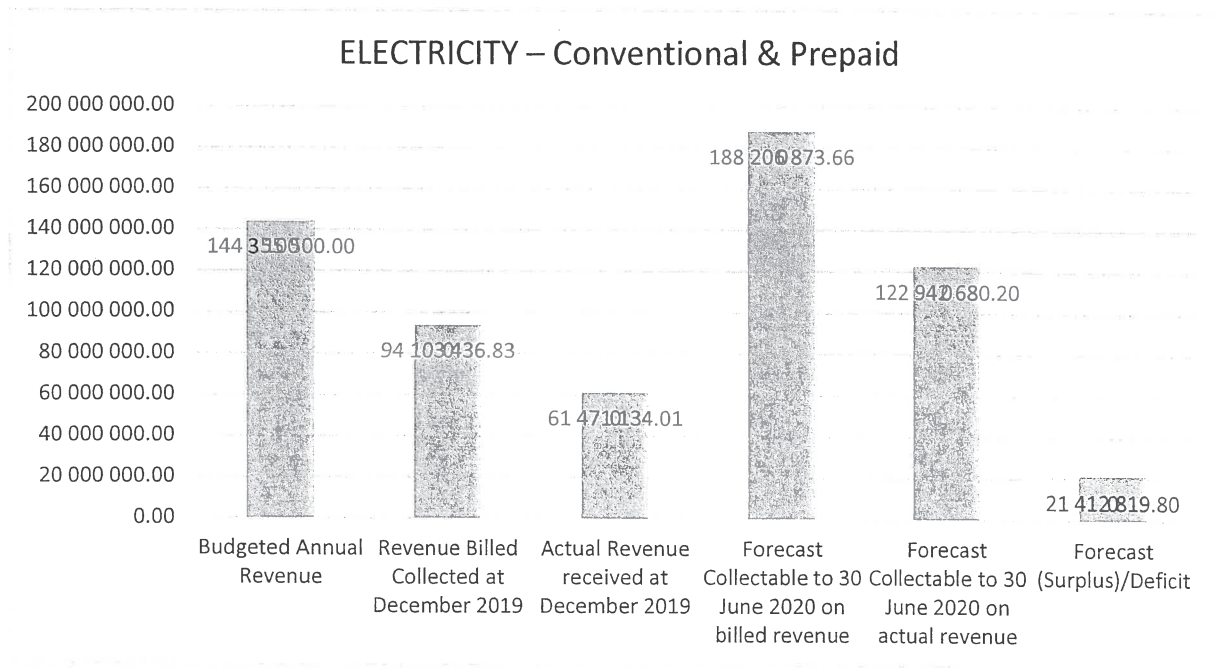
## Supporting documentation

### Financial Position

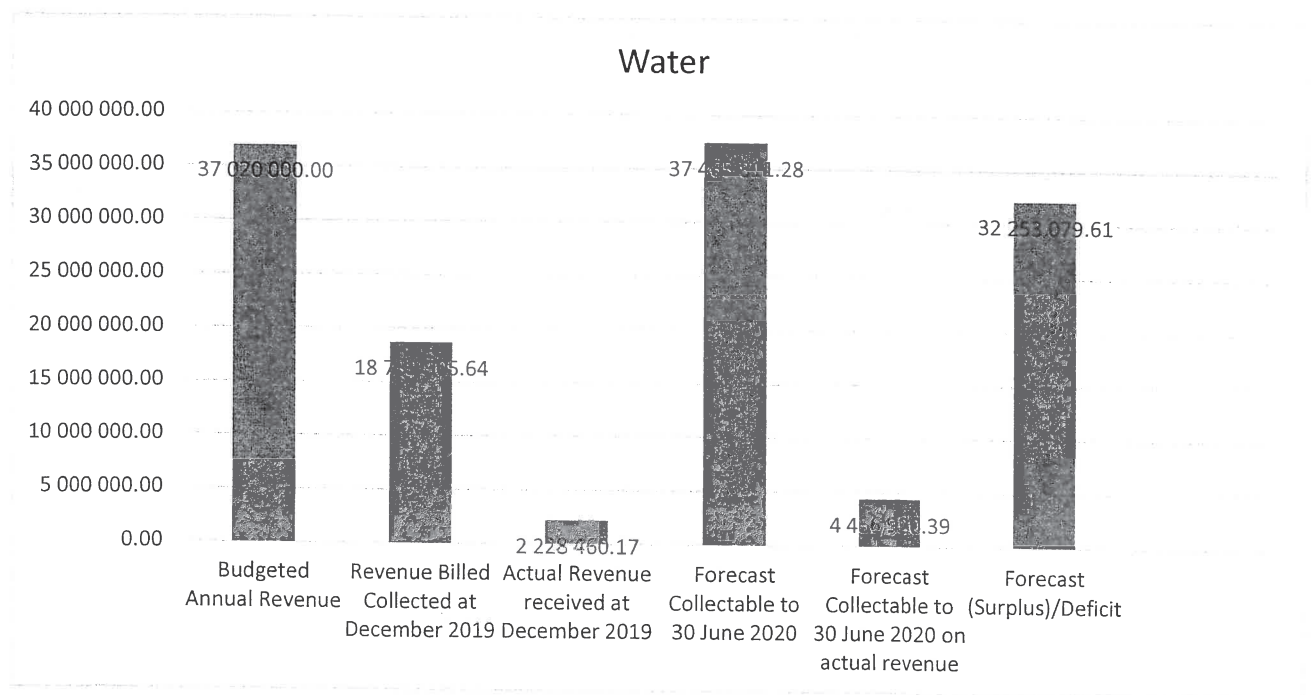
KZN263 Abaqulusi - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2018/19	Budget Year	Adjusted	YearTD	Full Year
		Audited Outcome	2019/20			
R thousands	1			Budget	actual	Forecast
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		6	(340 332)	(340 332)	13 800	-
Call investment deposits		17 864	-	-	33 600	-
Consumer debtors		61 018	320 636	320 636	125 282	-
Other debtors		66 942	2 142	2 142	188 494	-
Current portion of long-term receivables		6 149	-	-	5 502	-
Inventory		15 551	(13 621)	(13 621)	10 376	-
<b>Total current assets</b>		<b>167 531</b>	<b>(31 175)</b>	<b>(31 175)</b>	<b>377 055</b>	<b>-</b>
<b>Non current assets</b>						
Long-term receivables		5 502	-	-	-	-
Investments		-	-	-	-	-
Investment property		66 249	-	-	66 244	-
Investments in Associate		-	-	-	-	-
Property, plant and equipment		1 403 023	(32 712)	(32 712)	1 417 356	-
Biological		-	-	-	-	-
Intangible		666	(125)	(125)	666	-
Other non-current assets		3 855	-	-	-	-
<b>Total non current assets</b>		<b>1 479 295</b>	<b>(32 836)</b>	<b>(32 836)</b>	<b>1 484 265</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>1 646 825</b>	<b>(64 011)</b>	<b>(64 011)</b>	<b>1 861 320</b>	<b>-</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		-	-	-	-	-
Borrowing		-	-	-	-	-
Consumer deposits		11 858	-	-	11 998	-
Trade and other payables		157 969	(66 310)	(66 310)	381 239	-

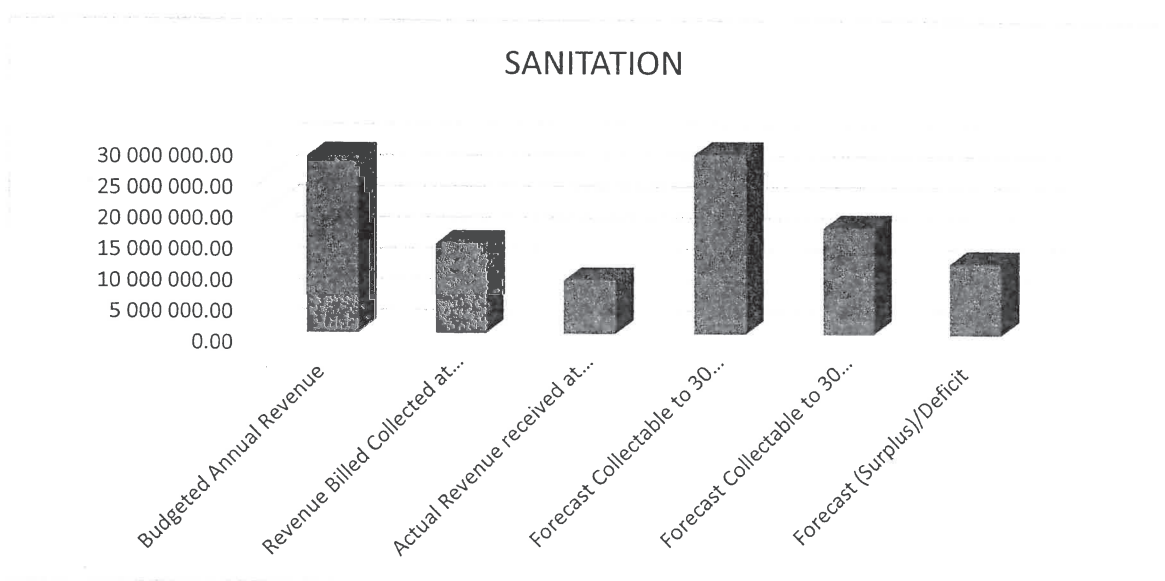
ELECTRICITY – Conventional & Prepaid		
	R	%
Budgeted Annual Revenue	144,355,500.00	100
Revenue Billed Collected at December 2019	94,103,436.83	65,19
Actual Revenue received at December 2019	61,471,134.01	42,58
Forecast Collectable to 30 June 2020 on billed revenue	188,206,873.66	130,38
Forecast Collectable to 30 June 2020 on actual revenue	122,942,680.20	85,16
Forecast (Surplus)/Deficit	21,412,819.80	14,84



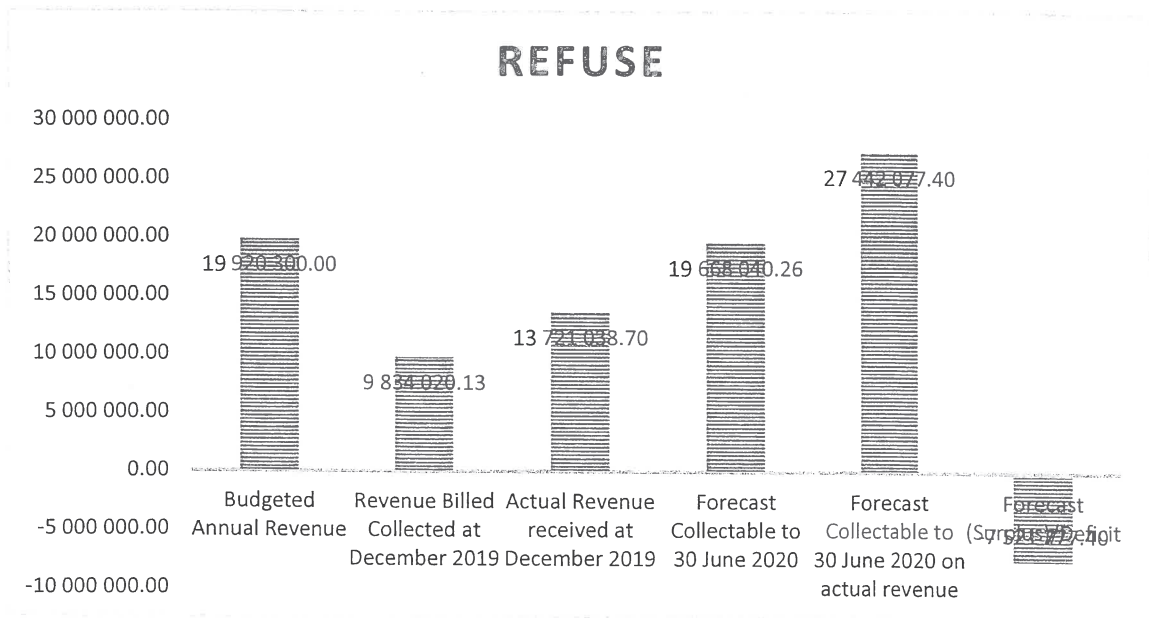
WATER		
	R	%
Budgeted Annual Revenue	37,020,000.00	100
Revenue Billed Collected at December 2019	18,732,905.64	50,60
Actual Revenue received at December 2019	2,228,460.17	6,02
Forecast Collectable to 30 June 2020	37,465,811.28	101,20
Forecast Collectable to 30 June 2020 on actual revenue	4,456,920.39	12,04
Forecast (Surplus)/Deficit	32,253,079.61	87,96



SANITATION		
	R	%
Budgeted Annual Revenue	28,550,900.00	100
Revenue Billed Collected at December 2019	14,439,481.07	50,57
Actual Revenue received at December 2019	8,554,569.99	29,96
Forecast Collectable to 30 June 2020	28,878,962.14	101,15
Forecast Collectable to 30 June 2020 on actual revenue	17,109,139.98	59,93
Forecast (Surplus)/Deficit	11,441,760.02	40,07



REFUSE		
	R	%
Budgeted Annual Revenue	19,920,300.00	100
Revenue Billed Collected at December 2019	9,834,020.13	49,37
Actual Revenue received at December 2019	13,721,038.70	68,88
Forecast Collectable to 30 June 2020	19,668,040.26	98,73
Forecast Collectable to 30 June 2020 on actual revenue	27,442,077.40	137,76
Forecast (Surplus)/Deficit	(7,521,777.40)	(37,76)



OTHER OPERATING INCOME			
	Budget	YTD Actual	%
Council & Executive – Council	-	-	0
Vehicle Registration	2,250,000.00	2,713,360.99	120.6
Tourism	-	-	0
Property Services	200 000.00	122 688.51	61.3
Other Finance	246,130,000.00	167,889, 000.00	68.2
Community Development	1,200,000.00	278,203.10	23.1
Museum	202 000.00	0.00	0
Public Safety	12,676,128.00	0	0
Development Planning	995,000.00	-128,001.33	-12.86
Roads & Storm water	-	0	
Cemetery	300 000.00	133 111.85	44.3
Library	4 749 000.00	15,043.48	0.3
Equitable Share	148 281 000.00	111,211,000.00	75



OPERATING EXPENDITURE					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
Salaries	142,033,000	71,017,000	73, 530574.66	147, 061, 000	-5,028,000
Councillor Allowances	18,300,000	9,150,000	6,790,782.66	13,582,000	4,718,000
General Expenses	20,550,000	10, 275,000	24,744,449.73	49,489,000.00	-28,589,000.00
Repairs & Maintenance	13,621,200.00	6,811,000.00	5,747,719.22	11,495,000.00	2,126,200
Bulk Purchases	172,000,000.00	84,602,000.00	126,699,363.75	253,399,000.00	-81,399,000
Depreciation	60,445,000.00	30,222,500.00	13,260.27	27,000.00	-60,418,000.00
Contracted Services	68,518,500.00	34,259,000.00	29,056,732.82	58,113,00.00	62,707,200.00

CAPITAL BUDGET FROM EXTERNAL FUNDING					
	Annual Budget	YTD Budget	YTD Actual	Forecast Outturn	Forecast Variance
<u>MIG Funding</u>	35,278,000.00	17,639,000.00	23,300,000.00	35,278,000.00	-
<u>Department of Energy</u>	19,000,000.00	9,500,000.00	13,300,000.00	19,000,000.00	-

Project Title	Original Budget 2019/2020		Actual Expenditure Jul - Dec 2019	% Expenditure vs Budget	Status	Comment	Budget Adjustment for 2019/2020
PMU		R 1 856 750.00	R 1 450 865.82	78%	Ongoing		R 1 856 750.00
Ezimbomvu Community Hall (AFA) MIS 317107		R 1 256 865.57	R 1 120 695.57	89%	Retention		R 1 256 865.57
Bhozimini Gravel Road		R 250 000.00		0%	Retention	Snags outstanding	R 250 000.00
Ezingadini Gravel Road		R 91 000.00	R 90 392.88	99%	Complete		R 90 392.88
Ngilandi Gravel Road		R 145 000.00	R 144 506.41	100%	Complete		R 144 506.41
Mkhumbane Gravel Road		R 80 000.00		0%	Retention	Snags outstanding	R 80 000.00
Zwelisha Gravel Road		R 138 000.00	R 137 592.15	100%	Complete		R 137 592.15

Ezingadini Low Level Bridge	R 300 000.00	R 17 421.60	6%Construction	Practical Completion Reached	R 300 000.00
Emadoshini Paved Road					
	R 319 809.84	R 319 809.84	100%Complete		R 319 809.84
Mnunse/Eastmine Rivercrossings					
	R 121 978.26	R 121 978.26	100%Complete		R 121 978.26
Emadresini Cemetry Fencing Ward 16					
	R 39 077.42	R 39 077.42	100%Complete		R 39 077.42
Emadresini Creche Ward 16	R 76 630.88	R 76 630.88	100%Complete		R 76 630.88
The Rehabilitation of Bhekuzulu Hall	R 142 517.65	R 142 517.65	100%Complete		R 142 517.65
Upgrading of Coronation Community Hall Ward 06				Practical Completion Reached	
	R 1 084 901.05	R 539 750.27	50%Construction		R 1 084 901.05
Upgrading of Cecil Emmett Hall Ward 08					
	R 598 815.39	R 603 142.43	101%Retention		R 610 000.00
Construction of Ncengumusa Creche Ward 18	R 1 355 544.53	R 1 100 227.50	81%Construction	98%	R 1 355 544.53
Louwsburg Taxi Rank	R 4 728 766.36	R 2 793 503.05	59%Construction	80%	R 4 728 766.36

Ward 11 Library	R 0.00	R 0.00	SCM	Appointment of Contractor Pending	R 3 870 000.00
Tarring of Zama to kwaBalele - Bhukumtetho Road Ward 19 (Phase 1)	R 4 348 475.24	R 872 017.35	20%Construction	9%	R 4 348 475.24
Tarring of Zama to kwaBalele - Bhukumtetho Road Ward 19 (Phase 2)	R 3 800 000.00		0%SCM	Appointment of Contractor Pending	R 800 000.00
Tarring of KwaBalele to next to Police Station - Ward 12 & 20 (Phase 1)	R 2 427 552.31	R 692 615.14	29%Construction	79%	R 2 427 552.31
Tarring of KwaBalele to next to Police Station - Ward 12 & 21 (Phase 2)	R 4 050 000.00	R 67 055.19	2%SCM	Appointment of Contractor Pending	R 3 903 620.90
Mpongoza Access Road and Bridge Structure Project - Ward 4 - Phase 1	R 165 248.50	R 92 248.50	56%Retention		R 165 248.50
Mpongoza Access Road and Bridge Structure Project - Phase 2	R 200 000.00		0%Planning		R 200 000.00
Bhekuzulu Road Paving - Ward 11 & 13 (Phase 1)	R 2 500 000.00	R 272 443.49	11%SCM	Appointment of Contractor Pending	R 800 000.00
Road Paving New Lakeside - Ward 22 - Phase 2	R 2 800 000.00	R 0.00	0%Construction	13%	R 2 800 000.00

Makhukhula Community Hall - Ward 4	R 4 172 081.64	R 903 605.60	22%Construction	5%	R 4 172 081.64
Abaqulusi Municipality Testing Facilities (Ward 9)	R 2 500 000.00	R 2 100 584.73	84%Planning		R 2 500 000.00
Construction of Cliffdale Community Hall - WARD 7	R 4 437 688.41	R 1 250 998.01	28%Construction	5%	R 4 437 688.41
Upgrading of Shoba Roads - Phase 1 - Ward 5	R 500 000.00		0%Planning		R 500 000.00
Upgrading of Mezzelfontein Road - Ward 12 (Phase 1)	R 583 297.00	R 400 944.50	69%Planning		R 1 420 000.00
Construction of Ward 13 Community Hall	R 150 000.00		0%Planning		R 280 000.00
Upgrading of Extension 16 (SASCO) Roads - Ward 8 (Phase 1)	R 500 000.00		0%Planning		R 500 000.00
Upgrading of Nkotheni Road Ward 18 (Phase 1)	R 230 000.00		0%Planning		R 230 000.00
Upgrading of Duma Road - Ward 18 (Phase 1)	R 330 000.00		0%Planning		R 330 000.00

Upgrading of Mhlanga Gravel Road - Ward 15 (Phase 1)	R400 000.00	0% Planning			R400 000.00
Magweshe Community Hall - Ward 3	R0.00	Planning			R500 000.00
Mhlongo Community Hall - Ward 21	R0.00	Planning			R500 000.00
	46 680 000		15 350 624.24		47 680 000



Project Title	Scope of Work	Appointed Consultant	Total Project Cost	Original Budget 2019/2020	Expenditure to date	Status	Comment
Electrification of Ward 2 - Phase 1	Electrification of 75 households	BTMN	R 2 923 044.90	R 1 762 000.00	R 1 263 199.27	Construction	95%
Electrification of Ward 3 - Phase 1	Electrification of 148 households	BTMN	R 4 176 311.80	R 1 988 000.00	R 1 409 285.35	Construction	93%
Electrification of Ward 7 - Phase 1	Electrification of 294 households	BTMN	R 7 093 458.83	R 1 881 000.00	R 1 636 802.49	Complete	
Electrification of Ward 2 - Phase 2	Electrification of 56 households	BTMN	R 2 000 000.00	R 2 238 000.00	R 0.00	Planning	Appointment of Service Provider pending
Electrification of Ward 3 - Phase 2	Electrification of 43 households	BTMN	R 2 500 000.00	R 2 012 000.00	R 0.00	Planning	Appointment of Service Provider pending
Refurbishment of Crossroads Substation	Replacement of 8 x 11KV Switchgear	TBA	R 2 500 000.00	R 2 500 000.00	R 0.00	Planning	Appointment of Service Provider pending
Electrification of Ward 4 - Phase 1	Electrification of 506 households	BTMN	R 17 550 191.49	R 5 500 000.00	R 4 834 398.41	Construction	73%
Electrification of Ward 7 - Phase 2	Electrification of 159 households	BTMN	R 3 619 273.00	R 1 119 000.00	R 0.00	Planning	Appointment of Service Provider pending
			77 362 280.02	19 000 000	9 143 686		

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 2019/2020 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 – 3 420 average per month
- b) Free Electricity – 50 kwh per month
- c) Cost per annum – R904,554
- d) Free Water – 1 709 average receiving 6 kl per month
- e) Cost per annum – R711,667.19 including Basic Charge
- f) Free Refuse – 2 315 consumers, value of R1,352,008.48 per annum
- g) Free Sanitation – 2 310 consumers, value R1,873,701.77 per annum
- h) Free Rates – 1 844 consumers with house values less than R 80,000
- i) Cost per annum – R450,801.92 per annum

### **Financial Statements – 2018/2019**

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 have been calculated and raised. The Asset Register needs to be uploaded to the Munsoft system during 2019/2020.

### **Investments**

Council has an investment portfolio of R 24,2 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

TOTAL	Total	Vhd/Bzulu	Hlobane	eMondlo	Louwsburg	Coronation
KILOLITERS PURIFIED	4 571 600	2 943 600	1 259 000	118 100	195 300	55 600
KILOLITERS SOLD	1 290 333	876 709	364 287	30 787	1 538	17 012
KILOLITERS NOT ACCOUNTED FOR	3 281 267	2 066 891	894 713	87 313	193 762	38 588
	<b>71.78%</b>	<b>70.22%</b>	<b>71.07%</b>	<b>73.93%</b>	<b>99.21%</b>	<b>69.40%</b>

ELECTRICITY					
For July 2019 to December 2019					
	TOTAL	Vryheid Bhekuzulu	eMondlo	Hlobane	Coronation
Purchased	74 006 095	57 468 482	11 558 705	2 794 480	2 184 428
Sales	62 299 911	51 491 028	9 621 343	834 821	352 718
Losses	11 706 184	5 977 454	1 937 362	1 959 659	1 831 710
	<b>15.82%</b>	<b>10.40%</b>	<b>16.76%</b>	<b>70.13%</b>	<b>83.85%</b>

### Other

The collection target that was reached in the second quarter was 85,27% which is 3,32% more in comparison with the first quarter and 4,29% less than the collection rate at the same time last year.

The number of paying consumers decreased from the first quarter to the second quarter.

MONTH	Monthly Billing	Total Billing to date	Actual cash Received	Actual cash Received to date	Total consumer Outstanding balance	% YTD Collections	% Monthly Collections
Balance carried over from 30/06/2019					<b>R 185 286 769.27</b>		
Jul-19	30 583 546.31	30 583 546.31	15 993 013.61	15 993 013.61	199 877 301.97	52.29	52.29

<b>Aug-19</b>	27 306 620.29	57 890 166.60	24 099 513.45	40 092 527.06	203 084 408.81	69.26	88.26
<b>Sep-19</b>	30 122 994.70	88 013 161.30	32 035 841.99	72 128 369.05	201 171 561.52	81.95	106.35
<b>Oct-19</b>	31 089 834.97	119 102 996.27	26 640 910.03	98 769 279.08	205 620 486.46	82.93	85.69
<b>Nov-19</b>	28 643 251.15	147 746 247.42	28 476 722.05	127 246 001.13	205 787 015.56	86.12	99.42
<b>Dec-19</b>	28 064 746.64	175 810 994.06	22 664 064.70	149 910 065.83	211 187 697.50	85.27	80.76

Payments Per  
Town

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>VRYHEID</b>	Billing	20 658 264.43	18 348 515.63	19 742 616.98	21 484 758.49	19 413 040.64	19 525 534.50
VRYHEID	RECEIPTS	11 331 816.63	18 332 754.75	20 530 601.06	18 800 610.87	19 721 758.42	16 668 468.33
		54.85	99.91	103.99	87.51	101.59	85.37

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>BHEKUZULU</b>	Billing	2 528 091.22	2 217 120.70	2 077 408.57	2 079 635.49	2 140 460.51	1 666 239.77
BHEKUZULU	RECEIPTS	1 309 627.24	1 634 048.79	1 692 158.52	1 376 245.65	1 413 284.61	1 342 484.00
		51.80	73.70	81.46	66.18	66.03	80.57

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>EMONDLO</b>	Billing	1 676 557.45	1 415 358.39	1 382 911.73	1 612 318.35	1 305 002.60	1 498 841.10
EMONDLO	RECEIPTS	666 102.28	906 497.65	1 363 004.77	808 905.15	1 053 233.07	835 622.27
		39.73	64.05	98.56	50.17	80.71	55.75

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>HLOBANE</b>	Billing	105 088.45	102 764.63	79 616.15	135 056.44	105 858.97	82 518.92
HLOBANE	RECEIPTS	73 141.63	41 266.09	20 321.10	49 589.61	35 197.47	102 072.00
		69.60	40.16	25.52	36.72	33.25	123.70

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
TUTUKANI	Billing	179 824.73	218 894.34	174 926.12	216 870.87	187 140.33	177 267.00
TUTUKANI	RECEIPTS	105 645.30	36 556.10	82 803.56	39 757.01	46 205.36	28 943.96
		58.75	16.70	47.34	18.33	24.69	16.33

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
VAALBANK	Billing	112 304.81	110 373.38	122 924.33	103 293.81	111 046.04	105 608.94
VAALBANK	RECEIPTS	52 972.50	75 593.72	85 972.07	95 269.59	104 904.87	85 547.49
		47.17	68.49	69.94	92.23	94.47	81.00

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
LOUWSBURG	Billing	277 633.73	301 082.20	334 869.40	319 853.62	293 347.99	281 683.68
LOUWSBURG	RECEIPTS	33 986.90	68 036.05	119 262.87	54 476.14	135 383.22	41 706.78
		12.24	22.60	35.61	17.03	46.15	14.81

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
CORONATION	Billing	326 239.43	295 051.85	282 959.05	291 161.70	282 081.69	183 446.24
CORONATION	RECEIPTS	50 253.21	512 527.41	74 177.54	69 671.80	68 990.69	57 981.67
		15.40	173.71	26.21	23.93	24.46	31.61

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
NKONGOLWA NE		158 838.45	158 840.58	158 844.87	158 849.17	158 853.46	158 857.76
		504.00	559.60	560.20	560.20	560.10	560.35
		0.32	0.35	0.35	0.35	0.35	0.35



		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
FARMS		4 526 304.95	4 110 795.16	4 155 676.42	4 109 276.31	4 065 448.30	3 775 348.69
FARMS	RECEIPTS	2 290 036.66	2 122 196.96	2 827 592.10	3 378 679.07	5 225 135.21	2 075 668.65
		50.59	51.62	68.04	82.22	128.53	54.98

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
VRYHEID-EAST		34 398.66	27 381.99	32 162.70	32 185.78	34 395.68	34 586.80
VRYHEID-EAST	RECEIPTS	3 656.40	6 117.65	1 004.25	5 419.75	2 850.60	2 536.99
		10.63	22.34	3.12	16.84	8.29	7.34
Unidentified		110.27	441.44	1 578 078.38	546 574.94	546 574.94	574 813.19

		Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>Total billing</b>		30 424 707.86	27 147 338.27	30 122 994.70	31 089 834.97	28 643 251.15	28 064 746.59
Payments		15 917 742.75	23 736 154.77	26 797 458.04	24 679 184.84	27 807 503.62	21 241 592.49
Payments in advance		R 75 270.86	363358.715	238 383.95	1 961 725.19	669 218.43	1 422 472.11
Total income		<u>15 993 013.61</u>	<u>24 099 513.48</u>	<u>32 035 841.99</u>	<u>26 640 910.03</u>	<u>28 476 722.05</u>	<u>22 664 064.60</u>

### 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.

### Cost Containment Register

The municipality adopted and implemented the cost containment measures from the 1<sup>st</sup> of July 2019 and the municipality must disclose the cost containment measures



applied in the in-year reports and annual cost savings must be disclosed in the annual report.

Use of Consultants – during the period under review Consultants were appointed for MIG projects. No needs assessment was done. The municipality will be preparing a reduction of consultant's policy as requested by the Auditor-General during the audit for adoption with the Adjustment Budget.

Travel & Subsistence including the attendance of conferences, seminars and workshops – a list is attached of all Councillors and Employees and the meetings they attended. The cost containment was monitored by the Municipal Manager

Temporary appointments, contractual appointments, unemployed graduates and experiential learners – all appointments were done in terms of the HR policy

Acting allowances – all acting was in accordance with the HR and Cost Containment policies

Overtime – this was paid in accordance with the SALGBC Collective Agreements and exemption granted where necessary. Overtime is limited to 40 hours per month unless approved by the Municipal Manager. The overtime report is tabled monthly as part of the Section 71 report and overtime has reduced compared to the previous financial year

Catering, refreshments & entertainment – the policy has been adhered to

Sponsorships & events – the policy has been adhered to

Municipal workshops, retreats, strategic sessions and internal training – the policy has been adhered to

Projects/program launches – there were no project/program launches during the period 1 July to 31 December 2019

Telephone costs – private calls are recovered from employees

Uniforms and clothing – the reconciliation was not performed but the municipality will ensure that it is tabled with the 3<sup>rd</sup> quarter report

## **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 2019.

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

➤ **Communication**

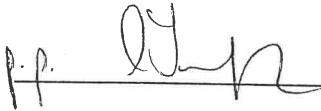
In compliance to legislative requirements (Section 72 of the MFMA) this document is provided to all stakeholders by placing it on the Abaqulusi Municipality website and to the ward committees.

➤ **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.

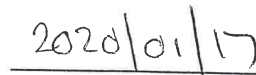
**3. RECOMMENDATIONS**

That Council notes the Mid-year budget & performance assessment report that is submitted in terms of Section 72 of MFMA; and  
Council recommends that an Adjustment Budget be prepared revising the projections of revenue and expenditure as necessary for 2019/2020



**HA MAHOMED**

**CHIEF FINANCIAL OFFICER**

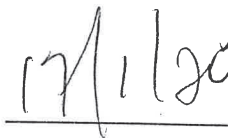


**DATE**

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



**ZT SHONGWE  
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](mailto:finance@abaqulusi.gov.za)

## QUALITY CERTIFICATE

I, ZT Shongwe, 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 2018 has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

ZT SHONGWE

ACTING MUNICIPAL MANAGER

ABAQULUSI MUNICIPALITY

KZN263

SIGNATURE:

DATE:

MID-YEAR BUDGET & PERFORMANCE ASSESSMENT REPORT

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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

☐

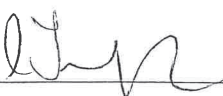
Mid-year Performance Assessment

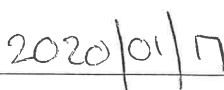
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Medium Term Report

☐

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.

P-P 

 2020/01/17

**H A MAHOMED**

**DATE**

**CHIEF FINANCIAL OFFICER**

**ABAQULUSI MUNICIPALITY**

**KZN263**