

EMAKHAZENI LOCAL MUNICIPALITY



SECOND QUARTER BUDGET PERFORMANCE REPORT ENDING 31 DECEMBER 2017

EMAKHAZENI BUDGET PERFORMANCE FOR THE 2ND QUARTER ENDING 31 DECEMBER 2017

As per MFMA Section 52 (d): The mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality. Below is the Executive Summary of the second quarter Budget Performance report.

1. Executive Summary

Table C1: Quarterly Budget Statement Summary

For the second quarter for October 2017 to December 2017, total revenue to the amount of R 49 014 million was realised compared to the quarterly performance targets of R 58 355 million. This reflects a unfavourable deviation of 16% and this is due less revenue generated on property rates and water services. Capital expenditure for the quarter amounts to R 31 422 million compared to a quarterly projection of R 13 871 million.

Taking into consideration the above, the cash flow balance for the second quarter amounted to R 23 165 million. Outstanding debtors comprises of consumer accounts and the outstanding debtors amounting to R 224 590 million as per age analysis. Total creditors as per age analysis amounted to R 82 220 million.

Debtors as at 30 September 2017 amounted to R 229 million as compared to debtors as at 31 December 2017 of R 224 million which indicates a decrease of R 5 million in debtors for the second quarter. Currently the system is not classifying debtors according to categories.

Creditors as at 30 September 2017 amounted to R 82 429 million as compared to creditors as at 31 December 2017 of R 82 220 million which reflects a decrease of R 209 000 in creditors for second quarter.

2. In-Year Budget Statements Tables

Table C4: Quarterly Financial Performance by Revenue Source and Expenditure Type

This table provides the quarterly details for revenue by source and expenditure by type. For the purpose of reporting, Table C4 will be used to provide explanation on deviations. Reasons for deviations will only be provided in cases where the percentage differs with more than 10% and can be viewed in supporting Table SC1

Table C5: Quarterly Capital Expenditure by Vote

The C5 indicates the quarterly actual on capital expenditure for all votes and measures the quarterly performance targets against the actual capital expenditure figures.

For the quarter ending 31 December 2017 capital expenditure to the amount of R 31 422 million was realised against the quarterly target of R 13 871 million which reflect a favourable spending of 126% due to slow procurement process during the first quarter.

Table C6: Quarterly Budget Statement Financial Position

In general the community wealth of the municipality amounts to R 1 149 686 billion. The total liabilities amounts to R 100 864 million whilst the total assets amounts to R1 250 551 billion.

Table C7: Quarterly Budget Statement Cash flow

Table C7 provides detail of the monthly cash in and outflow. For the quarter ended 31 December 2017, the net cash flow balance amounted to R 23 165 116.91 million.

GRANT SPENDING TABLE SC SC12

The grant expenditure is projected to amount to R 13 871-million for second quarter. Grant expenditure for 01 October 2017- 31 December 2017 amounted to R 31 422 million. Percentage spent to date equals to 126% which is due to most of service providers commencing with the actual construction work.

SUPPORTING SCHEDULES

MP314 Emakhazeni - Table C1 Monthly Budget Statement Summary - Q2 Second Quarter										
Description	2016/17	Budget Year 2017/18								
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Q2 Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
Financial Performance										
Property rates	53 460	57 512	57 512	6 818	14 378	25 458	28 756	(3 298)	-11%	-
Service charges	86 022	84 802	84 802	19 410	21 200	40 724	42 401	(1 677)	-4%	-
Investment revenue	643	4 128	4 128	147	1 032	259	2 064	(1 805)	-87%	-
Transfers and subsidies	53 914	60 632	60 632	18 407	15 158	43 640	25 263	18 377	73%	-
Other own revenue	10 383	26 346	26 346	4 232	6 586	9 582	13 173	(3 591)	-27%	-
Total Revenue (excluding capital transfers and contributions)	204 422	233 420	233 420	49 014	58 355	119 663	111 657	8 006	7%	-
Employee costs	87 617	100 161	100 161	25 872	25 040	45 973	47 047	(1 074)	-2%	-
Remuneration of Councillors	5 560	6 066	6 066	1 517	1 517	3 033	3 033	-	-	-
Depreciation & asset impairment	43 412	44 243	44 243	-	11 061	-	22 122	(22 122)	-100%	-
Finance charges	5 473	3 937	3 937	1 375	984	2 784	1 968	816	41%	-
Materials and bulk purchases	47 337	56 605	56 605	9 221	14 151	23 248	28 303	(5 054)	-18%	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	81 537	121 092	121 092	5 659	30 273	35 284	60 546	(25 262)	-42%	-
Total Expenditure	270 936	332 104	332 104	43 643	83 026	110 323	163 019	(52 696)	-32%	-
Surplus/(Deficit)	(66 513)	(98 685)	(98 685)	5 371	(24 671)	9 340	(51 362)	60 702	-118%	-
Transfers and subsidies - capital (monetary all	34 621	54 560	54 560	13 757	13 640	30 484	22 733	7 751	34%	-
Contributions & Contributed assets	-	22 033	22 033	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(31 892)	(22 092)	(22 092)	19 128	(11 031)	39 824	(28 629)	68 453	-239%	-
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	(31 892)	(22 092)	(22 092)	19 128	(11 031)	39 824	(28 629)	68 453	-239%	-

Description	Ref	2016/17	Budget Year 2017/18								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Q2 Budget	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands											
Revenue By Source											
Property rates		53 460	57 512	57 512	6 818	14 378	25 458	28 756	(3 298)	-11%	
Service charges - electricity revenue		51 596	43 643	43 643	10 838	10 911	24 070	21 822	2 249	10%	
Service charges - water revenue		14 214	17 675	17 675	2 609	4 419	4 708	8 838	(4 130)	-47%	
Service charges - sanitation revenue		10 154	14 113	14 113	3 116	3 528	6 135	7 057	(921)	-13%	
Service charges - refuse revenue		10 059	9 370	9 370	2 846	2 343	5 810	4 685	1 125	24%	
Service charges - other		-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment		1 042	4 713	4 713	9	1 178	17	2 357	(2 339)	-99%	
Interest earned - external investments		643	4 128	4 128	147	1 032	259	2 064	(1 805)	-87%	
Interest earned - outstanding debtors		-	3 522	3 522	-	881	-	1 761	(1 761)	-100%	
Dividends received		-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		9 173	12 713	12 713	3 183	3 178	7 483	6 356	1 126	18%	
Licences and permits		1	6	6	0	2	0	3	(3)	-97%	
Agency services		-	-	-	-	-	-	-	-	-	
Transfers and subsidies		53 914	60 632	60 632	18 407	15 158	43 640	25 263	18 377	73%	
Other revenue		167	5 391	5 391	1 041	1 348	2 082	2 695	(614)	-23%	
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)		204 422	233 420	233 420	49 014	58 355	119 663	111 657	8 006	7%	-
Expenditure By Type											
Employee related costs		87 617	100 161	100 161	25 872	25 040	45 973	47 047	(1 074)	-2%	
Remuneration of councillors		5 560	6 066	6 066	1 517	1 517	3 033	3 033	-	-	
Debt impairment		31 189	59 236	59 236	-	14 809	-	29 618	(29 618)	-100%	
Depreciation & asset impairment		43 412	44 243	44 243	-	11 061	-	22 122	(22 122)	-100%	
Finance charges		5 473	3 937	3 937	1 375	984	2 784	1 968	816	41%	
Bulk purchases		47 337	49 851	49 851	9 221	12 463	23 248	24 925	(1 677)	-7%	
Other materials		-	6 754	6 754	-	1 689	-	3 377	(3 377)	-100%	
Contracted services		4 096	5 560	5 560	434	1 390	2 426	2 780	(354)	-13%	
Transfers and subsidies		-	-	-	-	-	-	-	-	-	
Other expenditure		46 252	56 297	56 297	5 226	14 074	32 858	28 148	4 710	17%	
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	
Total Expenditure		270 936	332 104	332 104	43 643	83 026	110 323	163 019	(52 696)	-32%	-
Surplus/(Deficit)		(66 513)	(98 685)	(98 685)	5 371		9 340	(51 362)	60 702	(0)	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		34 621	54 560	54 560	13 757		30 484	22 733	7 751	0	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-		-	-	-	-	
Transfers and subsidies - capital (in-kind - all)		-	22 033	22 033	-		-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions		(31 892)	(22 092)	(22 092)	19 128		39 824	(28 629)			-
Taxation		-	-	-	-		-	-	-	-	
Surplus/(Deficit) after taxation		(31 892)	(22 092)	(22 092)	19 128		39 824	(28 629)			-
Attributable to minorities		-	-	-	-		-	-	-	-	
Surplus/(Deficit) attributable to municipality		(31 892)	(22 092)	(22 092)	19 128		39 824	(28 629)			-
Share of surplus/ (deficit) of associate		-	-	-	-		-	-	-	-	
Surplus/ (Deficit) for the year		(31 892)	(22 092)	(22 092)	19 128		39 824	(28 629)			-

MP314 Emakhazeni - Table C6 Monthly Budget Statement - Financial Position - Q2 Second Quarter

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		2 778	193	193	28	
Call investment deposits		5 292	57 057	57 057	23 165	
Consumer debtors		40 270	113 786	113 786	224 590	
Other debtors		140	2 214	2 214	-	
Current portion of long-term receivables		-	-	-	-	
Inventory		2 414	2 878	2 878	2 414	
Total current assets		50 895	176 128	176 128	250 197	-
Non current assets						
Long-term receivables						
Investments						
Investment property		195 035	195 036	195 036	195 036	
Investments in Associate		-				
Property, plant and equipment		794 380	768 722	768 722	794 380	
Agricultural		-				
Biological assets		-				
Intangible assets		681	680	680	681	
Other non-current assets		10 256			10 256	
Total non current assets		1 000 352	964 438	964 438	1 000 353	-
TOTAL ASSETS		1 051 247	1 140 565	1 140 565	1 250 551	-
LIABILITIES						
Current liabilities						
Bank overdraft		-				
Borrowing		-	-	-	-	
Consumer deposits		1 759	-	-	1 797	
Trade and other payables		134 649	72 202	72 202	72 202	
Provisions		2 964	419	419	2 964	
Total current liabilities		139 372	72 621	72 621	76 963	-
Non current liabilities						
Borrowing		-	-	-	-	
Provisions		36 317	39 872	39 872	23 901	
Total non current liabilities		36 317	39 872	39 872	23 901	-
TOTAL LIABILITIES		175 689	112 493	112 493	100 864	-
NET ASSETS	2	875 559	1 028 073	1 028 073	1 149 686	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		875 559	1 028 073	1 028 073	1 149 686	
Reserves						
TOTAL COMMUNITY WEALTH/EQUITY	2	875 559	1 028 073	1 028 073	1 149 686	-

MP314 Emakhazeni - Supporting Table SC2 Monthly Budget Statement - performance indicators - Q2 Second Quarter

Description of financial indicator	Basis of calculation	Ref	2016/17	Budget Year 2017/18			
			Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
Borrowing Management							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		2.0%	14.5%	14.5%	2.5%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		15.4%	7.0%	7.0%	6.3%	0.0%
Gearing	Long Term Borrowing/ Funds & Reserves		0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity							
Current Ratio	Current assets/current liabilities	1	36.5%	242.5%	242.5%	325.1%	0.0%
Liquidity Ratio	Monetary Assets/Current Liabilities		5.8%	78.8%	78.8%	30.1%	0.0%
Revenue Management							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing						
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		19.8%	49.7%	49.7%	187.7%	0.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0.0%	0.0%	0.0%	0.0%	0.0%
Creditors Management							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
Funding of Provisions							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
Other Indicators							
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	2					
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	2					
Employee costs	Employee costs/Total Revenue - capital revenue		42.9%	42.9%	42.9%	38.4%	0.0%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Depreciation	I&D/Total Revenue - capital revenue		23.9%	20.6%	20.6%	2.3%	0.0%
IDP regulation financial viability indicators							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year						
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services						
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure						

MP314 Emakhazeni - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q2 Second Quarter

Description	NT Code	Budget Year 2017/18								Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr				
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200									-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	1300									-	-		
Receivables from Non-exchange Transactions - Property Rates	1400									-	-		
Receivables from Exchange Transactions - Waste Water Management	1500									-	-		
Receivables from Exchange Transactions - Waste Management	1600									-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700									-	-		
Interest on Arrear Debtor Accounts	1810									-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-		
Other	1900	7 776	7 694	7 160	6 303	16 132	35 701	143 823	-	224 590	201 959	-	-
Total By Income Source	2000	7 776	7 694	7 160	6 303	16 132	35 701	143 823	-	224 590	201 959	-	-
2016/17 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200									-	-		
Commercial	2300									-	-		
Households	2400									-	-		
Other	2500	7 776	7 694	7 160	6 303	16 132	35 701	143 823	-	224 590	201 959	-	-
Total By Customer Group	2600	7 776	7 694	7 160	6 303	16 132	35 701	143 823	-	224 590	201 959	-	-

Chart C3 Aged Consumer Debtors Analysis

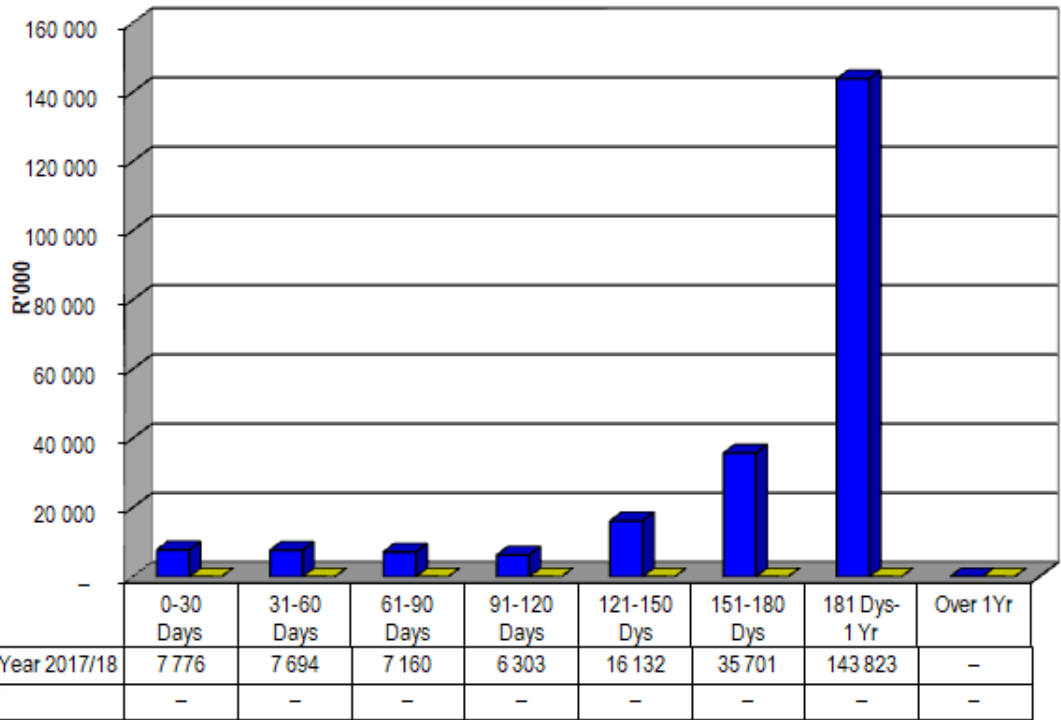
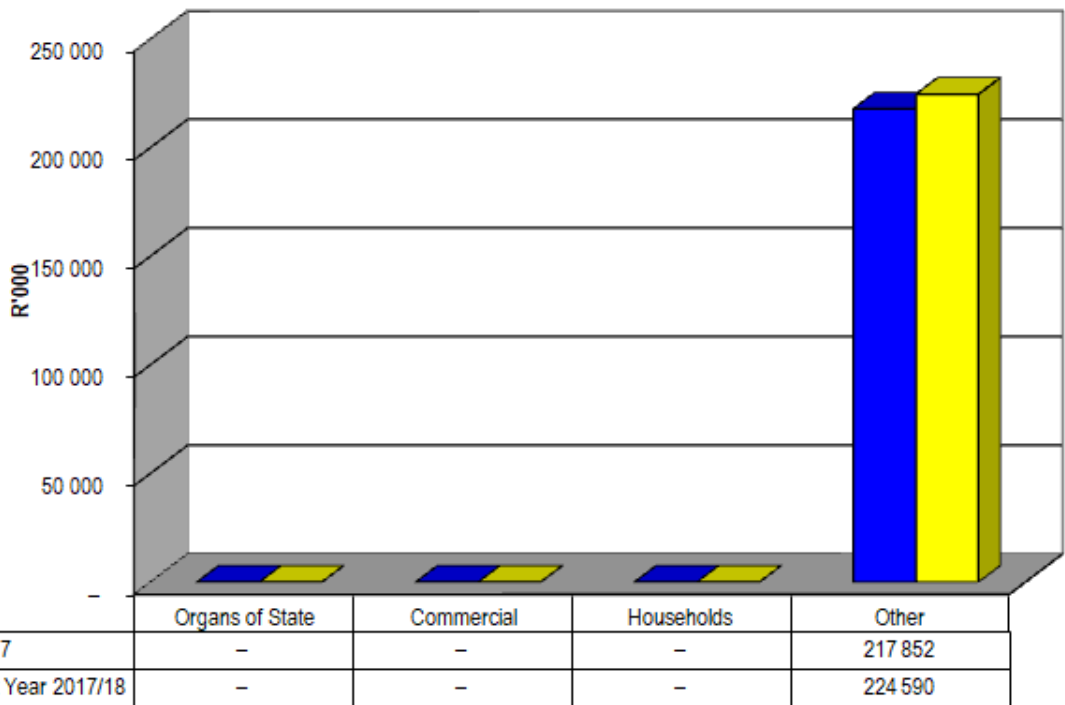
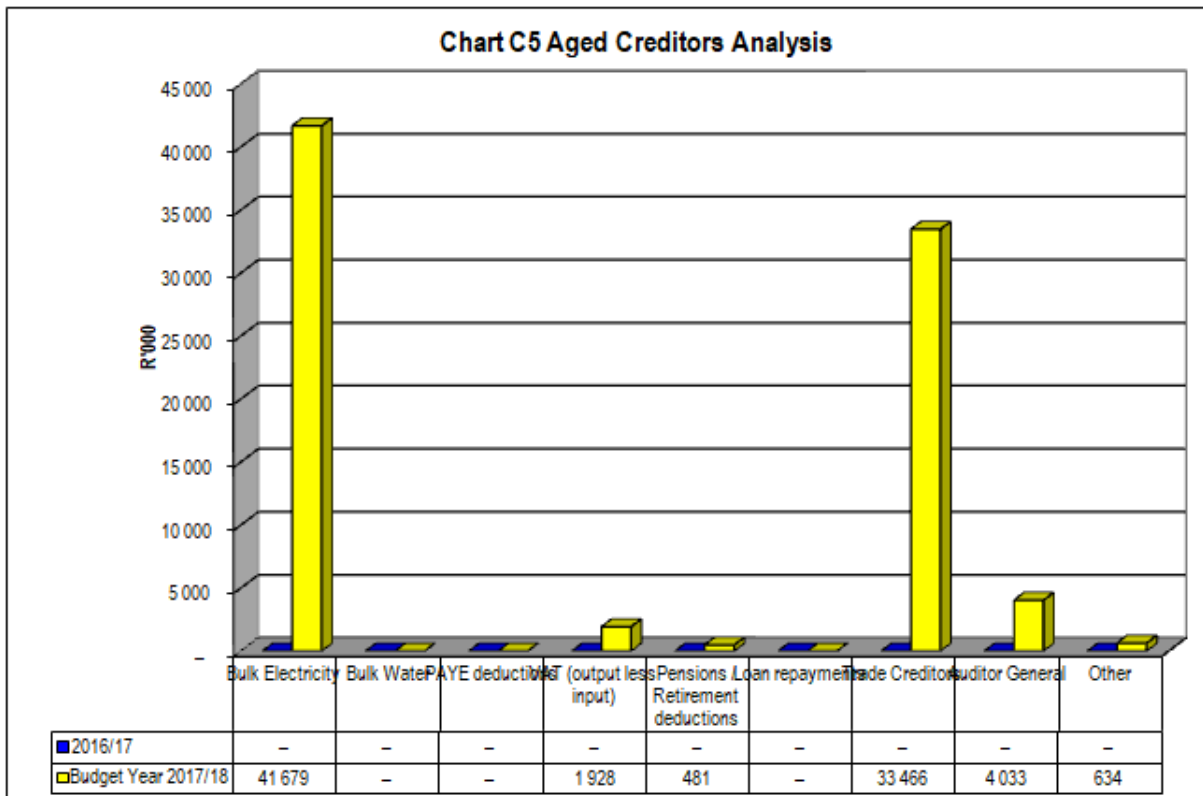


Chart C4 Consumer Debtors (total by Debtor Customer Category)



MP314 Emakhazeni - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q2 Second Quarter

Description	NT Code	Budget Year 2017/18								
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	3 873	430	-	1 017	36 358	-	-	-	41 679
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	1 928	-	-	-	-	-	-	-	1 928
Pensions / Retirement deductions	0500	319	162	-	-	-	-	-	-	481
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	3 676	200	1 421	1 160	27 010	-	-	-	33 466
Auditor General	0800	332	1 870	1 831	-	-	-	-	-	4 033
Other	0900	175	458	-	-	-	-	-	-	634
Total By Customer Type	1000	10 304	3 120	3 252	2 177	63 368	-	-	-	82 220



MP314 Emakhazeni - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Q2 Second Quarter

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:										
Operating Transfers and Grants										
National Government:	1,2	62 429	65 412	65 412	21 407	51 220	9 803	41 417	422.5%	-
Local Government Equitable Share		51 387	55 222	55 222	18 407	41 417		41 417	#DIV/0!	
Finance Management		1 825	1 900	1 900	-	1 900	1 900			
Integrated National Electrification Programme		8 000	7 000	7 000	3 000	7 000	7 000			
EPWP Incentive		1 217	1 290	1 290	-	903	903			
	3							-		
								-		
								-		
								-		
								-		
Provincial Government:		-	-	-	-	-	-	-		-
								-		
								-		
Other transfers and grants [insert description]	4							-		
District Municipality:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
Other grant providers:		-	-	-	-	-	-	-		-
								-		
								-		
Total Operating Transfers and Grants	5	62 429	65 412	65 412	21 407	51 220	9 803	41 417	422.5%	-
Capital Transfers and Grants										
National Government:		25 404	18 484	18 484	6 757	8 484	10 000	(1 516)	-15.2%	-
Municipal Infrastructure Grant (MIG)		25 404	18 484	18 484	6 757	8 484	10 000	(1 516)	-15.2%	
								-		
								-		
Other capital transfers [insert description]								-		
Provincial Government:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
District Municipality:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
Other grant providers:		-	30 000	30 000	-	15 000	30 000	(15 000)	-50.0%	-
Water Service Improvement Grant			30 000	30 000	-	15 000	30 000	(15 000)	-50.0%	
								-		
Total Capital Transfers and Grants	5	25 404	48 484	48 484	6 757	23 484	40 000	(16 516)	-41.3%	-
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	87 833	113 896	113 896	28 164	74 704	49 803	24 901	50.0%	-

MP314 Emakhazeni - Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - Q2 Second Quarter

Month	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
R thousands									
Monthly expenditure performance trend									
July		4 624	4 624	140	140	4 624	4 484	97.0%	0%
August		4 624	4 624	104	244	9 247	9 004	97.4%	0%
September		4 624	4 624	634	878	13 871	12 993	93.7%	2%
October		4 624	4 624	4 662	5 540	18 495	12 955	70.0%	10%
November		4 624	4 624	7 196	12 736	23 118	10 382	44.9%	23%
December		4 624	4 624	19 564	32 300	27 742	(4 558)	-16.4%	58%
January		4 624	4 624	-		32 366	-		
February		4 624	4 624	-		36 989	-		
March		4 624	4 624	-		41 613	-		
April		4 624	4 624	-		46 237	-		
May		4 624	4 624	-		50 860	-		
June		4 624	4 624	-		55 484	-		
Total Capital expenditure	-	55 484	55 484	32 300					