

# **Harry Gwala District Municipality**

MFMA s71 & s52 (d) report for the period ending 30 June 2018.

Budget & Treasury Office

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## Glossary

**Adjustments budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**AFS** – Annual Financial Statements

**Budget** – The financial plan of the Municipality.

**Capital expenditure** - Spending on assets such as infrastructure, land & buildings minor assets etc. Any capital expenditure must be reflected as an asset on the Municipality's statement of financial position.

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable share** – An unconditional grant paid to municipalities. It is predominantly targeted towards funding the Indigent Policy.

**FMG** – Financial Management Grant.

**GRAP** – Generally Recognised Accounting Practice. The standard for municipal accounting.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality.

**MBRR** – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

**MFMA** – Local Government: Municipal Finance Management Act (56/2003). The principle legislation relating to municipal financial management.

**MIG** – Municipal Infrastructure Grant.

**MTREF** – Medium Term Revenue and Expenditure Framework (MTREF). The medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes financial information of the previous and current year.

**Operating expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages, repairs and maintenance etc.

**SDBIP** – Service Delivery and Budget Implementation Plan (SDBIP). A detailed plan comprising annual and quarterly performance information. Harry Gwala District Municipality MFMA s71 Monthly Report Page 5

**Strategic objectives** – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Vote** – one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. .

**YTD** – Year to date

**YoY** – Year on Year

**DBSA** – Development Bank of South Africa

## **1. PART 1 – MONTHLY REPORT**

### **1.1 Mayors Report**

In accordance with Section 52(d) of the Municipal Finance Management Act, I submit a report to the council within 30 days after the end of the Fourth quarter of 2017/18, on the implementation of the budget and the financial state of affairs of the Harry Gwala District Municipality.

The submission of this report forms part of the general responsibilities of the Mayor of a Municipality, and is intended to inform and enable the council to fulfil its oversight responsibility.

#### **1.1.2 Implementation of the budget in accordance with the SDBIP**

A comprehensive report detailing the implementation for the fourth quarter ended 30 June 2018 will be tabled in a separate report to council.

#### **1.1.3 Financial problems or risks facing the municipality**

The cash flow position as at 30 June 2018 of the Municipality shows a massive improvement when compared to the previous financial year. In the 2018/19 financial year, the municipality has formed an Interim Finance Committee that will monitor the expenditure and consider reducing non-essential expenditure by implementing cost containment measures as per Municipal Finance Management Act circular 82 to improve cash position and continue to implement the “belt-tightening” measures.

The municipality also has a revenue enhancement strategy that will assist the municipality to improve more in collection in order to reduce consumer debts as this will immensely contribute towards the municipality’s cash flow. Improving the debt collection will continue to rank high in the municipality’s priorities as we seek to improve financial sustainability.

## 1.2 Executive Summary

### Legislative Requirements

In terms of the section 71 of the MFMA the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- (a)* Actual revenue, per revenue source;
- (b)* actual borrowings;
- (c)* actual expenditure, per vote;
- (d)* actual capital expenditure, per vote;
- (e)* the amount of any allocations received;
- (f)* actual expenditure on those allocations, excluding expenditure on—
  - (i)* its share of the local government equitable share; and
  - (ii)* allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- (g)* when necessary, an explanation of—
  - (i)* any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
  - (ii)* any material variances from the service delivery and budget implementation plan; and
  - (iii)* any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's

**DELIBERATION**

The discussion that follows, in terms of MFMA Section 71 & Section 52 (d) above, intends to inform the Council on the progress made thus far in terms of implementing the 2017/2018 budget for the period ending 30 June 2018.

The following table summarises the overall position on the capital and operating budgets.

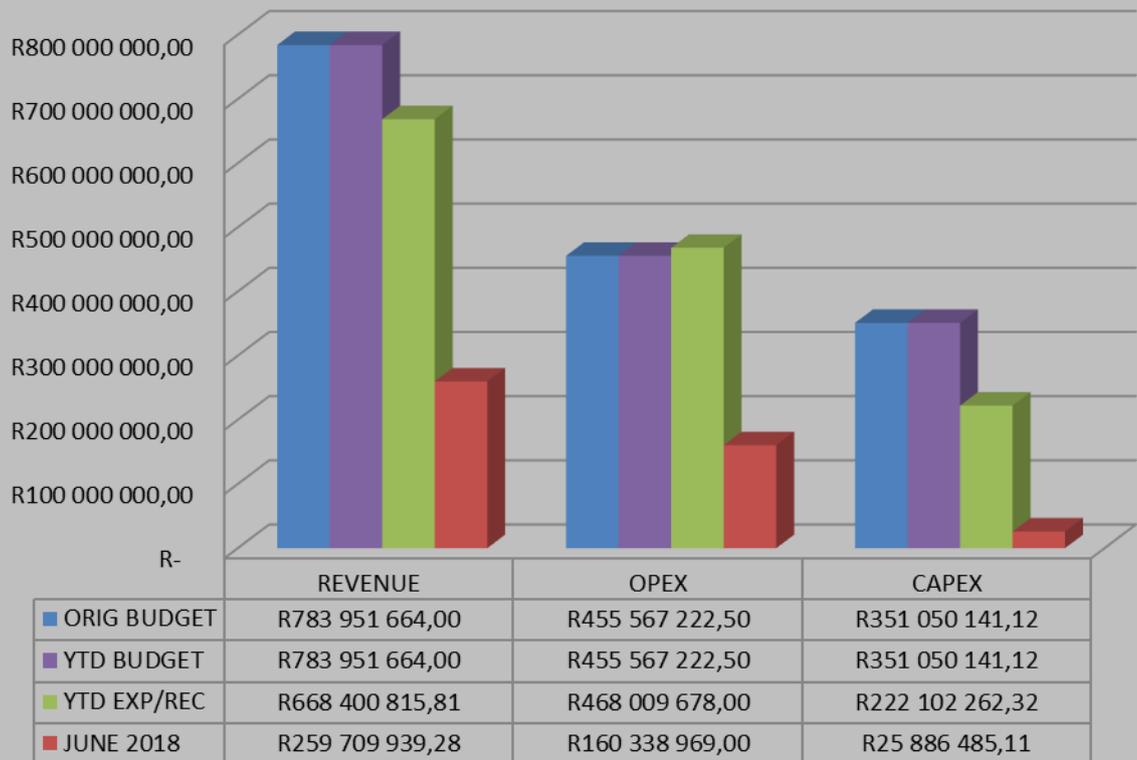
	CAPITAL EXPENDITURE R'000	OPERATING INCOME R'000	OPERATING EXPENDITURE R'000
ORIGINAL BUDGET	R 399 054 000	R 376 993 000	R 387 112 000
ADJUSTMENTS BUDGET	R 351 050 141	R 440 896 000	R 454 729 000
ACTUAL	R 222 102 262	R 307 504 000	R 468 009 678
% OF ORIGINAL BUDGET	56%	82%	121%
% OF ADJUSTMENTS BUDGET	63%	70%	103%

**Budget summary**

The budget summary is intended to give an overall summary with regards to the implementation of the 2017/18 budget for the period ending 30 June 2018. Chart 1 presented below gives a summary of the budgeted Revenue, Operating as well as Capital expenditure and the movements for the month of June as well as the Year to Date movements (YTD).

Furthermore it compares the quarterly projections for service delivery targets and performance indicators contained in the SDBIP, against the actual outcomes of the municipality's performance in service delivery for the 4th and last quarter of 2017/18.

### BUDGET SUMMARY JUNE 2018



#### Revenue by Source

The Year-to-Date actual revenue is 85% when compared to the YTD budget.

#### Borrowings

The balance of borrowings amounts to R12m at the end of June 2018. This balance is made up of the loan with ABSA Bank.

### **Operating expenditure by vote & type**

Operating expenditure is at 103% when compared to YTD budget for the period ending June 2018.

### **Capital expenditure**

The YTD expenditure on capital amounts to R222, 1million, or 63%, of a total budget of R351million. Capital expenditure is mainly funded by means of national grants in the form of Municipal Infrastructure Grant.

### **Cash flows**

The municipality started the year with a positive cashbook balance of R24, 2 million. The closing cash and cash equivalents as at the end of June 2018 was R96, 9million. Refer to Supporting Table SC5 for more detail on the cash position.

### **Allocations received (National & Provincial Grants)**

All DORA allocations for 2017/2018 fourth Quarter have been received as per payment schedule. Details of the grants have been presented in SC6.

### **Spending on Grants**

Spending on grants amounted to R222, 1million or 63% for 2017/18 fourth quarter.

### **1.3 Resolutions**

The following recommendations are linked to the responsibilities of the Mayor as contained in s54 of the MFMA.

It is recommended that the Mayor;

1. Notes the monthly budget statement and any other supporting documentation
2. Notes the quarterly report on the implementation of the budget in terms of s52 (d) of the MFMA

### **1.4 Monthly Budget Statement Tables**

#### **Monthly Budget Statements Summary**

Table C1 below provides a summary of the overall performance in the Municipality and is unpacked in the sections that follow.

DC43 Harry Gwala - Table C1 Consolidated Monthly Budget Statement Summary - M12 June

Description	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
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	33 447	55 390	67 394	14 245	44 597	67 394	(22 797)	-34%	55 390
Investment revenue	6 075	6 230	8 716	3 024	11 222	8 716	2 505	29%	6 230
Transfers and subsidies	324 383	303 218	347 365	78 195	309 337	347 365	(38 028)	-11%	303 218
Other own revenue	16 720	12 155	17 421	1 918	30 039	17 421	12 618	72%	12 155
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>380 625</b>	<b>376 993</b>	<b>440 896</b>	<b>97 382</b>	<b>395 195</b>	<b>440 896</b>	<b>(45 701)</b>	<b>-10%</b>	<b>376 993</b>
Employee costs	147 159	160 716	161 904	13 069	152 119	161 904	(9 784)	-6%	160 716
Remuneration of Councillors	7 906	8 539	6 340	476	4 087	6 340	(2 253)	-36%	8 539
Depreciation & asset impairment	42 844	34 996	50 650	36 772	62 848	50 650	12 198	24%	34 996
Finance charges	2 035	2 009	1 605	3 600	4 448	1 605	2 843	177%	2 009
Materials and bulk purchases	10 709	13 688	16 225	(2 321)	13 514	16 225	(2 711)	-17%	13 688
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Other expenditure	229 450	167 164	218 006	125 973	230 993	218 006	12 987	6%	167 164
<b>Total Expenditure</b>	<b>440 103</b>	<b>387 112</b>	<b>454 729</b>	<b>177 569</b>	<b>468 010</b>	<b>454 729</b>	<b>13 280</b>	<b>3%</b>	<b>387 112</b>
<b>Surplus/(Deficit)</b>	<b>(59 478)</b>	<b>(10 119)</b>	<b>(13 833)</b>	<b>(80 187)</b>	<b>(72 815)</b>	<b>(13 833)</b>	<b>(58 982)</b>	<b>426%</b>	<b>(10 119)</b>
Transfers and subsidies - capital (monetary allocations)	311 695	387 544	343 397	162 328	273 206	343 397	(70 191)	-20%	387 544
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>	<b>(129 172)</b>	<b>-39%</b>	<b>377 425</b>
<b>Surplus/ (Deficit) for the year</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>	<b>(129 172)</b>	<b>-39%</b>	<b>377 425</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>
Capital transfers recognised	309 100	387 544	343 397	23 590	218 500	343 097	(124 597)	-36%	343 397
Internally generated funds	4 244	11 510	7 953	2 296	3 602	7 953	(4 351)	-55%	7 953
<b>Total sources of capital funds</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>
<b>Financial position</b>									
Total current assets	67 853	52 126	50 920		167 470				52 126
Total non current assets	1 885 279	2 236 509	2 236 509		1 928 856				2 236 509
Total current liabilities	239 003	59 988	59 988		234 518				59 988
Total non current liabilities	32 449	41 270	41 270		37 704				41 270
<b>Community wealth/Equity</b>	<b>1 681 679</b>	<b>2 187 377</b>	<b>2 186 170</b>		<b>1 824 104</b>				<b>2 187 377</b>
<b>Cash flows</b>									
Net cash from (used) operating	274 241	405 784	337 801	(101 621)	776 779	337 801	(438 977)	-130%	337 801
Net cash from (used) investing	(277 696)	(399 054)	(351 550)	(25 886)	(203 504)	(351 550)	(148 046)	42%	(351 550)
Net cash from (used) financing	(4 369)	(3 130)	(3 130)	-	(3 330)	(2 347)	983	-42%	(3 130)
<b>Cash/cash equivalents at the month/year end</b>	<b>(2 005)</b>	<b>8 601</b>	<b>7 394</b>	<b>-</b>	<b>594 217</b>	<b>8 176</b>	<b>(586 041)</b>	<b>-7167%</b>	<b>7 394</b>
<b>Debtors &amp; creditors analysis</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91-120 Days</b>	<b>121-150 Dys</b>	<b>151-180 Dys</b>	<b>181 Dys-1 Yr</b>	<b>Over 1Yr</b>	<b>Total</b>
<b>Debtors Age Analysis</b>									
Total By Income Source	7 725	5 987	4 556	31 772	5 018	4 044	49 348	89 296	197 746
<b>Creditors Age Analysis</b>									
Total Creditors	3 820	708	1 328	32 783	-	-	-	-	38 639

## Financial Performance

Table C2 provides the statement of financial performance by standard classification.

DC43 Harry Gwala - Table C2 Consolidated Monthly Budget Statement - Financial Performance (functional classification) - M12 June

Description	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
<b>R thousands</b>									
<b>Revenue - Functional</b>									
<i>Governance and administration</i>	291 219	301 751	307 943	83 137	352 590	307 943	44 646	14%	301 751
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	291 219	301 751	307 943	83 137	352 590	307 943	44 646	14%	301 751
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	205	405	341	-	229	341	(112)	-33%	405
Planning and development	205	405	341	-	229	341	(112)	-33%	405
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	400 895	462 381	476 008	176 573	315 582	476 008	(160 426)	-34%	462 381
Energy sources	-	-	-	-	-	-	-	-	-
Water management	62 251	57 897	71 524	14 245	42 376	71 524	(29 148)	-41%	57 897
Waste water management	338 644	404 484	404 484	162 328	273 206	404 484	(131 278)	-32%	404 484
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>692 319</b>	<b>764 537</b>	<b>784 293</b>	<b>259 710</b>	<b>668 401</b>	<b>784 293</b>	<b>(115 892)</b>	<b>-15%</b>	<b>764 537</b>
<b>Expenditure - Functional</b>									
<i>Governance and administration</i>	137 169	141 710	152 958	62 830	165 552	152 958	12 594	8%	141 710
Executive and council	22 463	27 496	21 783	3 390	19 213	21 783	(2 570)	-12%	27 496
Finance and administration	114 706	114 213	131 175	59 440	146 339	131 175	15 163	12%	114 213
Internal audit	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	53 384	59 294	41 777	2 913	36 695	41 777	(5 082)	-12%	59 294
Planning and development	53 384	59 294	41 777	2 913	36 695	41 777	(5 082)	-12%	59 294
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	249 551	186 108	259 994	94 596	265 763	259 994	5 768	2%	186 108
Energy sources	-	-	-	-	-	-	-	-	-
Water management	180 179	147 917	174 092	79 211	145 808	174 092	(28 284)	-16%	147 917
Waste water management	69 372	38 191	85 902	15 385	119 955	85 902	34 053	40%	38 191
Waste management	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>440 103</b>	<b>387 112</b>	<b>454 729</b>	<b>160 339</b>	<b>468 010</b>	<b>454 729</b>	<b>13 280</b>	<b>3%</b>	<b>387 112</b>
<b>Surplus/ (Deficit) for the year</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>99 371</b>	<b>200 391</b>	<b>329 564</b>	<b>(129 172)</b>	<b>-39%</b>	<b>377 425</b>

This table assess the revenue by department and then the expenditure for the period ending 30 June 2018. Revenue receipts in June has largely constituted of by service charges which is water and sanitation.

Expenditure by standard classification presents the expenditures by the departments. Waste Water Services has largest expenditure accounting for 71% of the YTD expenditure for the period ending 30 June 2018. This being largely attributable to the backlog demand of operations and maintenance of water schemes in the District.

Table C3 presents the same information as the table above, the difference being that it's by Municipal vote.

**DC43 Harry Gwala - Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	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
<b>R thousands</b>									
<b>Revenue by Vote</b>									
Vote 1 - Mayor	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	291 219	301 751	307 943	83 137	352 590	307 943	44 646	14,5%	301 751
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-	-
Vote 5 - Social Services & Development Planning	205	405	341	-	229	341	(112)	-32,9%	405
Vote 6 - Infrastructure Services	338 644	404 484	404 484	162 328	273 206	370 777	(97 571)	-26,3%	404 484
Vote 7 - Water Services	62 251	57 897	71 524	14 245	42 376	65 564	(23 188)	-35,4%	57 897
<b>Total Revenue by Vote</b>	<b>692 319</b>	<b>764 537</b>	<b>784 293</b>	<b>259 710</b>	<b>668 401</b>	<b>744 626</b>	<b>(76 225)</b>	<b>-10,2%</b>	<b>764 537</b>
<b>Expenditure by Vote</b>									
Vote 1 - Mayor	9 763	12 346	9 184	788	9 128	9 184	(56)	-0,6%	12 346
Vote 2 - Municipal Manager	12 700	15 150	12 599	2 602	10 085	12 599	(2 513)	-19,9%	15 150
Vote 3 - Budget & Treasury Office	59 112	63 901	70 508	40 896	72 272	70 508	1 765	2,5%	63 901
Vote 4 - Corporate Services	55 594	50 312	60 668	18 544	74 066	54 212	19 854	36,6%	60 668
Vote 5 - Social Services & Development Planning	53 384	59 294	41 777	2 913	36 695	41 777	(5 082)	-12,2%	41 777
Vote 6 - Infrastructure Services	69 372	38 191	85 902	79 211	145 808	85 902	59 905	69,7%	85 902
Vote 7 - Water Services	180 179	147 917	174 092	15 385	119 955	174 092	(54 137)	-31,1%	174 092
<b>Total Expenditure by Vote</b>	<b>440 103</b>	<b>387 112</b>	<b>454 729</b>	<b>160 339</b>	<b>468 010</b>	<b>448 273</b>	<b>19 736</b>	<b>4,4%</b>	<b>453 837</b>
<b>Surplus/ (Deficit) for the year</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>99 371</b>	<b>200 391</b>	<b>296 352</b>	<b>(95 961)</b>	<b>-32,4%</b>	<b>310 700</b>

### Statement of financial Performance

This schedule provides information on the planned revenue and operational expenditures against the actual results for the period ending 30 June 2018.

DC43 Harry Gwala - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June

Description	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
<b>R thousands</b>									
<b>Revenue By Source</b>									
Property rates							-		
Service charges - electricity revenue							-		
Service charges - water revenue	18 039	39 269	47 671	9 972	31 218	47 671	(16 453)	-35%	39 269
Service charges - sanitation revenue	15 209	16 122	19 723	4 274	13 379	19 723	(6 343)	-32%	16 122
Service charges - other	199						-		
Rental of facilities and equipment							-		
Interest earned - external investments	6 075	6 230	8 716	3 024	11 222	8 716	2 505	29%	6 230
Interest earned - outstanding debtors	14 658	9 000	12 606	330	4 886	12 606	(7 720)	-61%	9 000
Transfers and subsidies	324 383	303 218	347 365	78 195	309 337	347 365	(38 028)	-11%	303 218
Other revenue	2 062	3 155	4 815	1 588	25 153	4 815	20 338	422%	3 155
Gains on disposal of PPE							-		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>380 625</b>	<b>376 993</b>	<b>440 896</b>	<b>97 382</b>	<b>395 195</b>	<b>440 896</b>	<b>(45 701)</b>	<b>-10%</b>	<b>376 993</b>
<b>Expenditure By Type</b>									
Employee related costs	147 159	160 716	161 904	13 069	152 119	161 904	(9 784)	-6%	160 716
Remuneration of councillors	7 906	8 539	6 340	476	4 087	6 340	(2 253)	-36%	8 539
Debt impairment	26 044	27 843	34 098	19 559	16 430	34 098	(17 668)	-52%	27 843
Depreciation & asset impairment	42 844	34 996	50 650	36 772	62 848	50 650	12 198	24%	34 996
Finance charges	2 035	2 009	1 605	3 600	4 448	1 605	2 843	177%	2 009
Bulk purchases	10 709	13 688	16 225	(2 321)	13 514	16 225	(2 711)	-17%	13 688
Contracted services	28 075	20 298	24 505	42 759	69 052	24 505	44 547	182%	20 298
Transfers and subsidies	-	-	-	-	-	-	-		-
Other expenditure	175 332	119 024	159 403	63 655	145 511	159 403	(13 892)	-9%	119 024
Loss on disposal of PPE							-		
<b>Total Expenditure</b>	<b>440 103</b>	<b>387 112</b>	<b>454 729</b>	<b>177 569</b>	<b>468 010</b>	<b>454 729</b>	<b>13 280</b>	<b>3%</b>	<b>387 112</b>
<b>Surplus/(Deficit)</b>	<b>(59 478)</b>	<b>(10 119)</b>	<b>(13 833)</b>	<b>(80 187)</b>	<b>(72 815)</b>	<b>(13 833)</b>	<b>(58 982)</b>	<b>0</b>	<b>(10 119)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	311 695	387 544	343 397	162 328	273 206	343 397	(70 191)	(0)	387 544
Transfers and subsidies - capital (in-kind - all)							-		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>			<b>377 425</b>
Taxation							-		
<b>Surplus/(Deficit) after taxation</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>			<b>377 425</b>
Attributable to minorities									
<b>Surplus/(Deficit) attributable to municipality</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>			<b>377 425</b>
Share of surplus/ (deficit) of associate									
<b>Surplus/ (Deficit) for the year</b>	<b>252 216</b>	<b>377 425</b>	<b>329 564</b>	<b>82 141</b>	<b>200 391</b>	<b>329 564</b>			<b>377 425</b>

### Capital Expenditure

Table C5 below reports on the capital expenditures by departments (municipal vote) and also by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects.

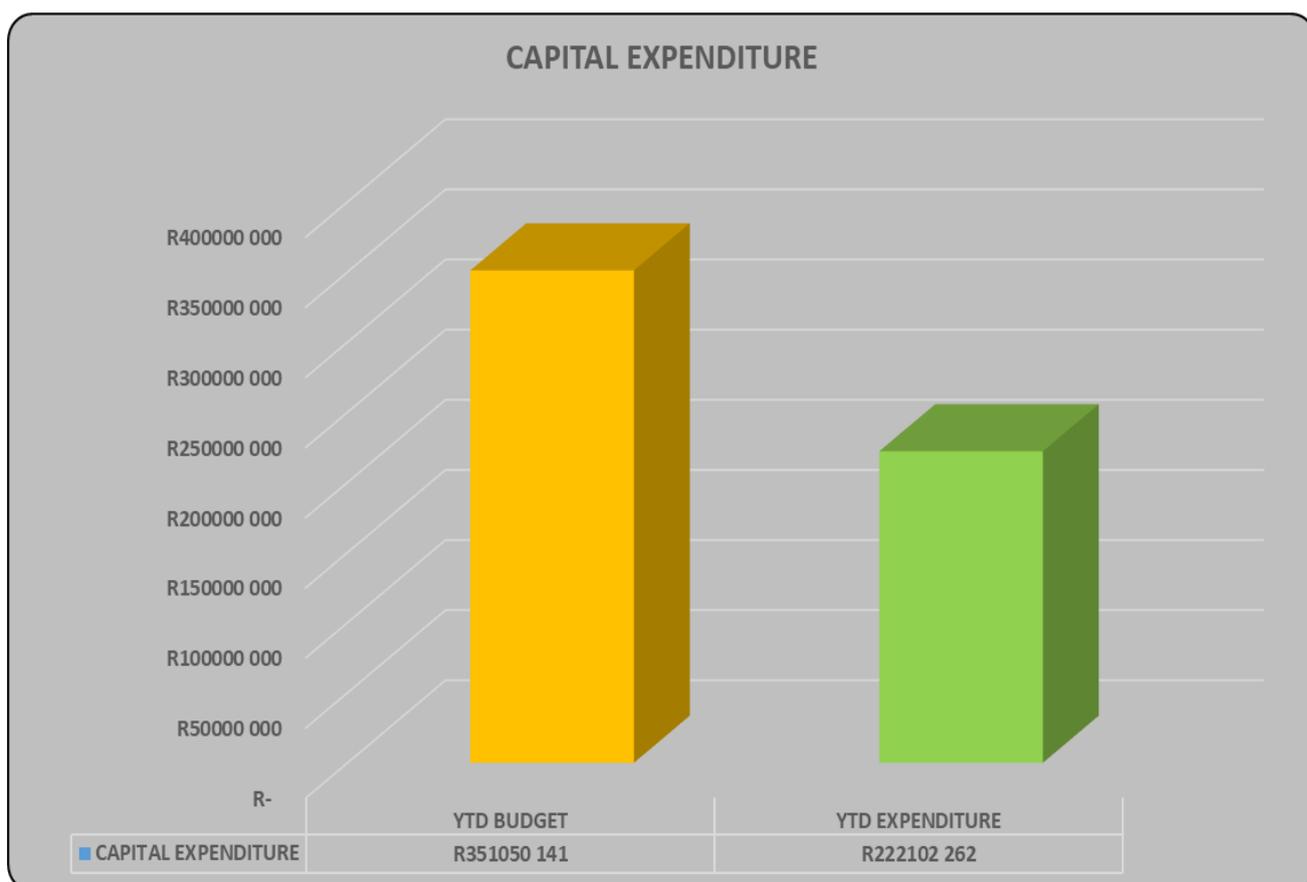
DC43 Harry Gwala - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and

Vote Description	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
<b>R thousands</b>									
<b>Multi-Year expenditure appropriation</b>									
Vote 1 - Mayor	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	2 732	5 110	6 153	436	1 627	6 153	(4 527)	-74%	6 153
Vote 5 - Social Services & Development Planning	1 511	500	300	-	116	300	(184)	-61%	300
Vote 6 - Infrastructure Services	299 101	330 444	343 397	23 590	218 500	343 097	(124 597)	-36%	343 397
Vote 7 - Water Services	10 000	63 000	1 500	1 860	1 860	1 500	360	24%	1 500
<b>Total Capital Multi-year expenditure</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>
<b>Total Capital Expenditure</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>
<b>Capital Expenditure - Functional Classification</b>									
<b>Governance and administration</b>	<b>2 732</b>	<b>5 110</b>	<b>6 153</b>	<b>436</b>	<b>1 627</b>	<b>6 153</b>	<b>(4 527)</b>	<b>-74%</b>	<b>6 153</b>
Executive and council	-	-	-	-	-	-	-	-	-
Finance and administration	2 732	5 110	6 153	436	1 627	6 153	(4 527)	-74%	6 153
Internal audit	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1 511</b>	<b>500</b>	<b>300</b>	<b>-</b>	<b>116</b>	<b>300</b>	<b>(184)</b>	<b>-61%</b>	<b>300</b>
Planning and development	1 511	500	300	-	116	300	(184)	-61%	300
Road transport	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>309 101</b>	<b>393 444</b>	<b>344 897</b>	<b>25 450</b>	<b>220 360</b>	<b>344 597</b>	<b>(124 237)</b>	<b>-36%</b>	<b>343 397</b>
Energy sources	-	-	-	-	-	-	-	-	-
Water management	10 000	330 444	343 397	23 590	218 500	343 097	(124 597)	-36%	343 397
Waste water management	299 101	63 000	1 500	1 860	1 860	1 500	360	24%	-
Waste management	-	-	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 500</b>
<b>Total Capital Expenditure - Functional Classification</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>
<b>Funded by:</b>									
National Government	309 100	387 544	343 397	23 590	218 500	343 097	(124 597)	-36%	343 397
Provincial Government	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>309 100</b>	<b>387 544</b>	<b>343 397</b>	<b>23 590</b>	<b>218 500</b>	<b>343 097</b>	<b>(124 597)</b>	<b>-36%</b>	<b>343 397</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>4 244</b>	<b>11 510</b>	<b>7 953</b>	<b>2 296</b>	<b>3 602</b>	<b>7 953</b>	<b>(4 351)</b>	<b>-55%</b>	<b>7 953</b>
<b>Total Capital Funding</b>	<b>313 343</b>	<b>399 054</b>	<b>351 350</b>	<b>25 886</b>	<b>222 102</b>	<b>351 050</b>	<b>(128 948)</b>	<b>-37%</b>	<b>351 350</b>

As alluded to above, the capital expenditure programme for the period ending 30 June was R222, 1m which represent 63% of capital expenditure and thus shows the reduction on expenditures reflected on National grant funding.

The chart below presents a high level analysis of YTD capital expenditure budget against the YTD actual expenditure.

**Chart 1: 2017/2018 FOURTH QUARTER CAPEX**



As at 30 June 2018, the year to date actual expenditure was R222, 1million against a YTD budget of R351million. In monetary terms, these figures represent 63% per cent performance against the capital development programme as at 30 June 2018.

**Table C6 displays the financial position of the municipality as at 30 June 2018.**

**DC43 Harry Gwala - Table C6 Consolidated Monthly Budget Statement - Financial Position - M12 June**

Description	2016/17	Budget Year 2017/18			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	3 642	8 601	7 394	103 776	8 601
Call investment deposits	2 931	-	-		-
Consumer debtors	48 078	36 156	36 156	58 912	36 156
Other debtors	12 818	7 107	7 107	4 610	7 107
Current portion of long-term receivables	-	-	-	-	-
Inventory	384	263	263	171	263
<b>Total current assets</b>	<b>67 853</b>	<b>52 126</b>	<b>50 920</b>	<b>167 470</b>	<b>52 126</b>
<b>Non current assets</b>					
Property, plant and equipment	1 881 807	2 236 142	2 236 142	1 927 802	2 236 142
Agricultural			-		
Intangible assets	3 472	366	366	1 054	366
Other non-current assets					
<b>Total non current assets</b>	<b>1 885 279</b>	<b>2 236 509</b>	<b>2 236 509</b>	<b>1 928 856</b>	<b>2 236 509</b>
<b>TOTAL ASSETS</b>	<b>1 953 132</b>	<b>2 288 635</b>	<b>2 287 428</b>	<b>2 096 326</b>	<b>2 288 635</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft					
Borrowing	3 330	3 758	3 758	6 159	3 758
Consumer deposits	1 593	1 794	1 794	1 606	1 794
Trade and other payables	229 775	53 417	53 417	226 185	53 417
Provisions	4 305	1 019	1 019	568	1 019
<b>Total current liabilities</b>	<b>239 003</b>	<b>59 988</b>	<b>59 988</b>	<b>234 518</b>	<b>59 988</b>
<b>Non current liabilities</b>					
Borrowing	12 353	12 379	12 379	16 757	12 379
Provisions	20 096	28 891	28 891	20 947	28 891
<b>Total non current liabilities</b>	<b>32 449</b>	<b>41 270</b>	<b>41 270</b>	<b>37 704</b>	<b>41 270</b>
<b>TOTAL LIABILITIES</b>	<b>271 453</b>	<b>101 258</b>	<b>101 258</b>	<b>272 222</b>	<b>101 258</b>
<b>NET ASSETS</b>	<b>1 681 679</b>	<b>2 187 377</b>	<b>2 186 170</b>	<b>1 824 104</b>	<b>2 187 377</b>
<b>COMMUNITY WEALTH/EQUITY</b>					
Accumulated Surplus/(Deficit)	1 681 679	2 187 377	2 186 170	1 824 104	2 187 377
Reserves					
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 681 679</b>	<b>2 187 377</b>	<b>2 186 170</b>	<b>1 824 104</b>	<b>2 187 377</b>

Table C7 below display the Cash Flow Statement for the period ending 30 June 2018.

DC43 Harry Gwala - Table C7 Consolidated Monthly Budget Statement - Cash Flow - M12 June

Description	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
<b>R thousands</b>									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates	-	-	-				-		-
Service charges	42 081	29 911	42 411	2 075	46 825	42 411	4 414	10%	42 411
Other revenue	310	3 155	4 779	889	5 491	4 779	712	15%	4 779
Government - operating	308 623	303 218	301 213	-	259 314	301 213	(41 899)	-14%	301 213
Government - capital	309 101	387 544	343 397	-	392 545	343 397	49 148	14%	343 397
Interest	7 138	6 230	8 816	3 024	8 969	8 816	153	2%	8 816
Dividends	-	-	-				-		-
<b>Payments</b>									
Suppliers and employees	(390 993)	(322 264)	(361 210)	(104 008)	68 083	(361 210)	(429 293)	119%	(361 210)
Finance charges	(2 019)	(2 009)	(1 605)	(3 600)	(4 448)	(1 605)	2 843	-177%	(1 605)
Transfers and Grants	-	-	-				-		-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>274 241</b>	<b>405 784</b>	<b>337 801</b>	<b>(101 621)</b>	<b>776 779</b>	<b>337 801</b>	<b>(438 977)</b>	<b>-130%</b>	<b>337 801</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Decrease (increase) other non-current receivables							-		
<b>Payments</b>									
Capital assets	(277 696)	(399 054)	(351 550)	(25 886)	(203 504)	(351 550)	(148 046)	42%	(351 550)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(277 696)</b>	<b>(399 054)</b>	<b>(351 550)</b>	<b>(25 886)</b>	<b>(203 504)</b>	<b>(351 550)</b>	<b>(148 046)</b>	<b>42%</b>	<b>(351 550)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Increase (decrease) in consumer deposits	178	200	200	-		150	(150)	-100%	200
<b>Payments</b>									
Repayment of borrowing	(4 547)	(3 330)	(3 330)	-	(3 330)	(2 498)	833	-33%	(3 330)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(4 369)</b>	<b>(3 130)</b>	<b>(3 130)</b>	<b>-</b>	<b>(3 330)</b>	<b>(2 347)</b>	<b>983</b>	<b>-42%</b>	<b>(3 130)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(7 824)</b>	<b>3 601</b>	<b>(16 879)</b>	<b>(127 507)</b>	<b>569 945</b>	<b>(16 096)</b>			<b>(16 879)</b>
Cash/cash equivalents at beginning:	5 819	5 000	24 273		24 273	24 273			24 273
Cash/cash equivalents at month/year end:	(2 005)	8 601	7 394		594 217	8 176			7 394

There has been an increase in collection levels signalled by a collection ratio of 66%. The interest earned on investments and on outstanding debtors for the period ending 30 June is R3, 6m recorded a 41% performance above the year to date budget.

## PART 2 – SUPPORTING DOCUMENTATION

### 2.1 Debtors Analysis

The table presented below summarises the Debtors Age Analysis as at 30 June 2018.

**Table 2.1.1: Debtors Age Analysis by Income Source**

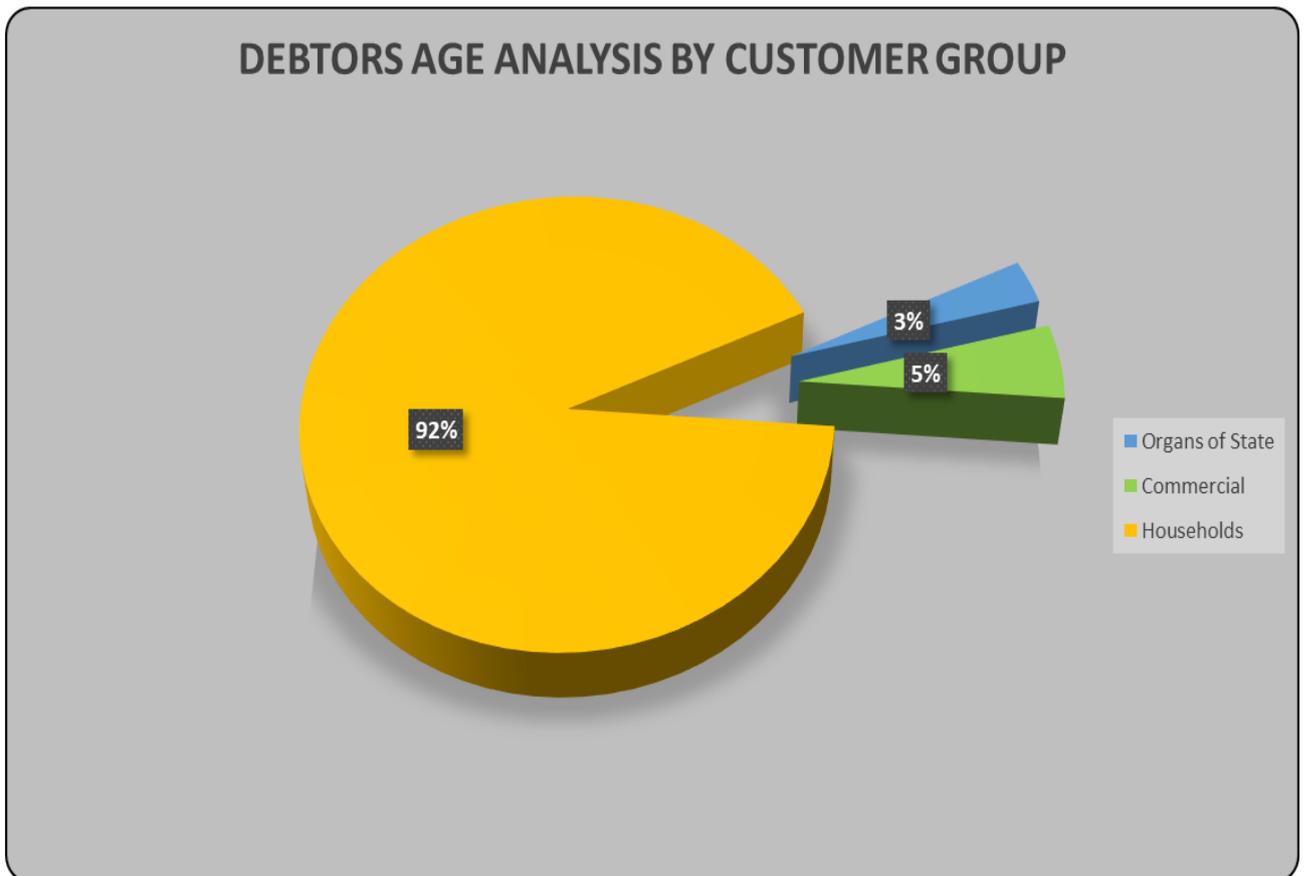
DC43 Harry Gwala - Supporting Table SC3 Monthly Budget Statement - aged debtors - M12 June

Description	Budget Year 2017/18									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days
<b>R thousands</b>										
<b>Debtors Age Analysis By Income Source</b>										
Trade and Other Receivables from Exchange Transactions - Water	5 001	3 885	2 967	20 437	3 263	2 638	31 720	41 258	111 168	99 316
Trade and Other Receivables from Exchange Transactions - Electricity	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Water Management	1 973	1 537	1 178	8 003	1 294	1 050	12 411	22 429	49 874	45 186
Receivables from Exchange Transactions - Waste Management	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	752	565	412	3 332	461	357	5 218	9 504	20 600	18 872
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total By Income Source</b>	<b>7 725</b>	<b>5 987</b>	<b>4 556</b>	<b>31 772</b>	<b>5 018</b>	<b>4 044</b>	<b>49 348</b>	<b>73 191</b>	<b>181 641</b>	<b>163 373</b>
<b>2016/17 - totals only</b>										
<b>Debtors Age Analysis By Customer Group</b>										
Organs of State	3 022	2 145	592	1 079	606	517	1 418	1 486	10 864	5 105
Commercial	569	398	240	1 683	218	145	2 395	4 210	9 858	8 651
Households	4 135	3 443	3 725	29 011	4 194	3 382	45 535	67 496	160 920	149 618
Other	-	-	-	-	-	-	-	-	-	-
<b>Total By Customer Group</b>	<b>7 725</b>	<b>5 987</b>	<b>4 556</b>	<b>31 772</b>	<b>5 018</b>	<b>4 044</b>	<b>49 348</b>	<b>73 191</b>	<b>181 641</b>	<b>163 373</b>

The municipal consumer debt is currently increasing citing rigorous actions to ensure that this trend is prevented from continuing as it has a direct negative impact on municipal cash flows.

### Debtors Age Analysis By Customer Category

Table 2.1.2 analyses consumer debt by Category. A further analysis in the form of a chart is provided below.



**Chart 2: Debtors Age Analysis by Customer Group**

The information presented in the chart above ranks total debt owed to the municipality from highest to the lowest,

- ✓ Households: 92%
- ✓ Government 3%
- ✓ Business 5%

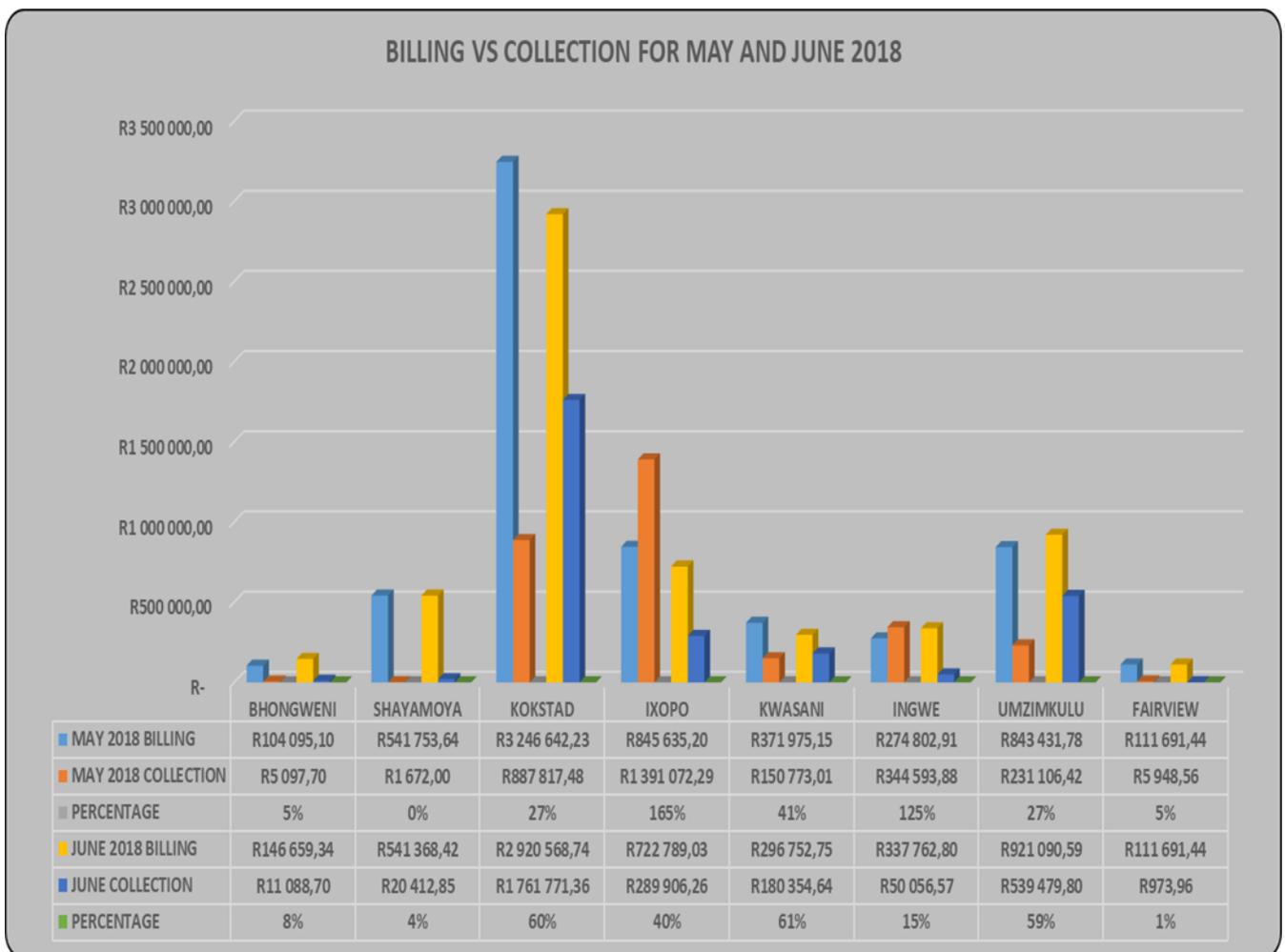
The chart above shows that for each debtor type the amounts owing to the municipality have increased on a year to year basis.

**Revenue receipts per Area**

AREA	AMOUNT		
		<b>JUNE 2018</b>	<b>MAY 2018</b>
Unallocated receipts	R 109 893.03	4%	34%
Bhongweni	R 11 088.70	0%	0%
Shayamoya	R 20 412.85	1%	0%
Kokstad	R 761 771.36 <sup>1</sup>	59%	19%
Ixopo	R 289 906.26	10%	30%
NDZ	R 230 411.21	8%	11%
Umzimkulu	R 539 479.80	18%	5%
Fairview	R 973.96	0%	0%
<b>TOTAL RECEIPTS INCL VAT</b>	<b>R 2 963 937.17</b>	100%	100%

The table above presents the cash receipts from consumer debtors in each of the detailed areas as well as the comparative receipts for the previous month. The total cash collected for June 2018 is R2, 9million.

### Billing vs Collection Trend



## 2.2 Creditors Analysis

Table SC presents the aged creditors as at 30 June 2018

DC43 Harry Gwala - Supporting Table SC4 Monthly Budget Statement - aged creditors - M12 June

Description	Budget Year 2016/17								Total
	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	
<b>R thousands</b>									
<b>Creditors Age Analysis By Customer Type</b>									
Bulk Electricity									-
Bulk Water	1 284	561	702	1 329					3 877
PAYE deductions									-
VAT (output less input)									-
Pensions / Retirement deductions									-
Loan repayments									-
Trade Creditors	5 800	550	488	2 132					8 971
Auditor General	165	-	-	-					165
Other									-
<b>Total By Customer Type</b>	<b>7 249</b>	<b>1 112</b>	<b>1 190</b>	<b>3 462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 012</b>

## 2.3 Investment Portfolio Analysis

The following information presents the cash at bank and short term investments balances broken down per investment type as at 30 June 2018.

### Cash and Bank Balances (Investments)

DC43 Harry Gwala - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M12 June

Investments by maturity Name of institution & investment ID R thousands	Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
<b>Municipality</b>								
FIRST NATIONAL BANK		CALL ACCOUNT		97		17 768	(16 622)	1 244
FIRST NATIONAL BANK		CALL ACCOUNT		201		46 774	(28 490)	34 076
FIRST NATIONAL BANK		ADMIN CALL		23		5 057	(4 900)	181
INVESTEC		FIXED DEPOSIT		179		34 392	(2 500)	32 071
FIRST NATIONAL BANK		FIXED DEPOSIT		108		21 072	(3 890)	17 290
FIRST NATIONAL BANK		CALL ACCOUNT		7		4 326	(4 323)	10
FIRST NATIONAL BANK		CALL ACCOUNT		0		68		68
FIRST NATIONAL BANK		CALL ACCOUNT		80		20 027	(10 917)	9 191
FIRST NATIONAL BANK		FIXED DEPOSIT		1		573	(572)	3
FIRST NATIONAL BANK		CURRENT ACCOUNT				12 311		2 793
<b>Municipality sub-total</b>				<b>696</b>		<b>162 370</b>	<b>(72 213)</b>	<b>96 926</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>				<b>696</b>		<b>162 370</b>	<b>(72 213)</b>	<b>96 926</b>

## 2.4 Allocation and Grant receipts and Expenditure

Table SC 6 displays information relating to grant receipts.

DC43 Harry Gwala - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M12 June

Description	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
<b>R thousands</b>									
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	300 862	303 218	347 365	-	284 548	347 365	(62 817)	-18,1%	347 365
Local Government Equitable Share	260 069	285 028	285 028	-	222 211	285 028	(62 817)	-22,0%	285 028
Finance Management	1 250	1 250	1 250	-	1 250	1 250	-		1 250
Municipal Systems Improvement	-	-	-	-	-	-	-		-
Municipal Infrastructure Grant (PMU)	16 084	5 001	49 148	-	49 148	49 148	-		49 148
Energy Efficiency And Demand Side Management Grant	8 000	8 000	8 000	-	8 000	8 000	-		8 000
Water Services Operating Subsidy	10 000	-	-	-	-	-	-		-
Rural Roads Asset Management Grant	2 095	2 221	2 221	-	2 221	2 221	-		2 221
Rural Household Infrastructure Grant	-	-	-	-	-	-	-		-
Expanded public works programme incentive grant	3 364	1 718	1 718	-	1 718	1 718	-		1 718
<b>Provincial Government:</b>	-	-	500	-	-	458	-		500
Infrastructure Sport Facilities	-	-	-	-	-	-	-		-
Accredited Councillors Training	-	-	-	-	-	-	-		-
Development Planning Shared Services	-	-	500	-	-	458	-		500
Tourism route	-	-	-	-	-	-	-		-
<b>Total Operating Transfers and Grants</b>	<b>300 862</b>	<b>303 218</b>	<b>347 865</b>	<b>-</b>	<b>284 548</b>	<b>347 824</b>	<b>(62 817)</b>	<b>-18,1%</b>	<b>347 865</b>
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	309 101	387 544	343 397	-	343 397	343 397	-		343 397
Municipal Infrastructure Grant (MIG)	174 983	199 544	155 397	-	155 397	155 397	-		155 397
Regional Bulk Infrastructure	48 000	90 000	90 000	-	90 000	90 000	-		90 000
Municipal Water Infrastructure Grant	76 118	98 000	98 000	-	98 000	98 000	-		98 000
Expanded public works programme incentive grant	-	-	-	-	-	-	-		-
Rural Household Infrastructure Grant	-	-	-	-	-	-	-		-
Drought Relief	10 000	-	-	-	-	-	-		-
<b>Total Capital Transfers and Grants</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>-</b>	<b>343 397</b>	<b>343 397</b>	<b>-</b>		<b>343 397</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>609 963</b>	<b>690 762</b>	<b>691 262</b>	<b>-</b>	<b>627 945</b>	<b>691 220</b>	<b>(62 817)</b>	<b>-9,1%</b>	<b>691 262</b>

It is clear from the chart above that the bulk of the grants received by the municipality are from the National Treasury.

**Table SC7 track the expenditure on Conditional grant funding.**

DC43 Harry Gwala - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M12 June

Description	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
<b>R thousands</b>									
<b>EXPENDITURE</b>									
<b>Operating expenditure of Transfers and Grants</b>									
<b>National Government:</b>	<b>300 862</b>	<b>303 218</b>	<b>347 365</b>	<b>-</b>	<b>284 548</b>	<b>318 418</b>	<b>(33 870)</b>	<b>-10,6%</b>	<b>347 365</b>
Local Government Equitable Share	260 069	285 028	285 028		222 211	261 276	(39 065)	-15,0%	285 028
Finance Management	1 250	1 250	1 250		1 250	1 146	104	9,1%	1 250
Municipal Systems Improvement	-	-	-		-	-	-		-
Municipal Infrastructure Grant (PMU)	16 084	5 001	49 148		49 148	45 053	4 096	9,1%	49 148
Energy Efficiency And Demand Side Management Grant	8 000	8 000	8 000		8 000	7 333	667	9,1%	8 000
Water Services Operating Subsidy	10 000	-	-		-	-	-		-
Rural Roads Asset Management Grant	2 095	2 221	2 221		2 221	2 036	185	9,1%	2 221
Rural Household Infrastructure Grant	-	-	-		-	-	-		-
Expanded public works programme incentive grant	3 364	1 718	1 718		1 718	1 575	143	9,1%	1 718
0									
Other transfers/grants [insert description]									
<b>Provincial Government:</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>500</b>
Infrastructure Sport Facilities	-	-							
LG Seta	-	-							
DBSA	-	-							
Developent of Economic Development grant	-	-	500						500
Accredited Councillors Training	-	-							
[insert description]									
<b>Total operating expenditure of Transfers and Grants:</b>	<b>300 862</b>	<b>303 218</b>	<b>347 865</b>	<b>-</b>	<b>284 548</b>	<b>318 418</b>	<b>(33 870)</b>	<b>-10,6%</b>	<b>347 865</b>
<b>Capital expenditure of Transfers and Grants</b>									
<b>National Government:</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>-</b>	<b>343 397</b>	<b>314 780</b>	<b>20 450</b>	<b>6,5%</b>	<b>343 397</b>
Municipal Infrastructure Grant (MIG)	174 983	199 544	155 397		155 397	142 447	12 950	9,1%	155 397
Regional Bulk Infrastructure	48 000	90 000	90 000		90 000	82 500	7 500	9,1%	90 000
Municipal Water Infrastructure Grant	76 118	98 000	98 000		98 000	89 833			98 000
Expanded public works programme incentive grant	-	-							
Rural Household Infrastructure Grant	-	-							
Drought Relief	10 000	-							
<b>Total capital expenditure of Transfers and Grants</b>	<b>309 101</b>	<b>387 544</b>	<b>343 397</b>	<b>-</b>	<b>343 397</b>	<b>314 780</b>	<b>20 450</b>	<b>6,5%</b>	<b>343 397</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>609 963</b>	<b>690 762</b>	<b>691 262</b>	<b>-</b>	<b>627 945</b>	<b>633 199</b>	<b>(13 420)</b>	<b>-2,1%</b>	<b>691 262</b>

## 2.5 Councillor and Staff Benefits

Table SC8 presents the expenditure of councillor and staff benefits at 30 June 2018.

# Harry Gwala District Municipality

DC43 Harry Gwala - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M12 June

Summary of Employee and Councillor remuneration	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	A	B	C						D
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	5 361	5 790	4 299	345	4 137	5 307	(1 170)	-22%	4 299
Pension and UIF Contributions	399	431	320	26	308	395	(87)	-22%	320
Medical Aid Contributions	94	101	75	6	72	93	(21)	-22%	75
Motor Vehicle Allowance	1 178	1 272	944	76	909	1 166	(257)	-22%	944
Cellphone Allowance	259	279	207	17	200	256	(56)	-22%	207
Other benefits and allowances	616	665	494	40	475	610	(134)	-22%	494
<b>Sub Total - Councillors</b>	<b>7 906</b>	<b>8 539</b>	<b>6 340</b>	<b>509</b>	<b>6 101</b>	<b>7 827</b>	<b>(1 726)</b>	<b>-22%</b>	<b>6 340</b>
% increase		8,0%	-19,8%						-19,8%
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	6 391	4 509	4 509	639	6 984	4 133	2 851	69%	4 509
Pension and UIF Contributions	3	4	4	0	4	3	0	10%	4
Medical Aid Contributions	6	6	6	1	7	6	1	10%	6
Motor Vehicle Allowance	3 511	3 797	3 797	351	3 836	3 481	356	10%	3 797
Cellphone Allowance	164	178	178	16	180	163	17	10%	178
Other benefits and allowances	5	5	5	0	5	5	1	10%	5
<b>Sub Total - Senior Managers of Municipality</b>	<b>10 080</b>	<b>8 500</b>	<b>8 500</b>	<b>1 007</b>	<b>11 016</b>	<b>7 791</b>	<b>3 225</b>	<b>41%</b>	<b>8 500</b>
% increase		-15,7%	-15,7%						-15,7%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	89 226	98 912	101 821	8 915	97 509	90 669	6 839	8%	101 821
Pension and UIF Contributions	15 087	16 318	16 798	1 507	16 487	14 958	1 529	10%	16 798
Medical Aid Contributions	2 085	2 255	2 321	208	2 278	2 067	211	10%	2 321
Overtime	1 863	2 015	2 074	186	2 036	1 847	189	10%	2 074
Performance Bonus	8 267	8 942	9 205	826	9 035	8 197	838	10%	9 205
Motor Vehicle Allowance	3 800	4 110	4 231	380	4 153	3 768	385	10%	4 231
Cellphone Allowance	648	701	722	65	708	643	66	10%	722
Housing Allowances	56	61	63	6	62	56	6	10%	63
Other benefits and allowances	2 485	2 688	2 767	248	2 716	2 464	252	10%	2 767
<b>Sub Total - Other Municipal Staff</b>	<b>123 518</b>	<b>136 002</b>	<b>140 002</b>	<b>12 341</b>	<b>134 983</b>	<b>124 669</b>	<b>10 314</b>	<b>8%</b>	<b>140 002</b>
% increase		10,1%	13,3%						13,3%
<b>Total Parent Municipality</b>	<b>141 504</b>	<b>153 040</b>	<b>154 842</b>	<b>13 857</b>	<b>152 100</b>	<b>140 287</b>	<b>11 813</b>	<b>8%</b>	<b>154 842</b>
		8,2%	9,4%						9,4%
<b>Unpaid salary, allowances &amp; benefits in arrears:</b>									
Housing Allowances							-		
Other benefits and allowances		100	-				-		
Board Fees	360	250	300	14	294	250	44	18%	300
<b>Sub Total - Board Members of Entities</b>	<b>360</b>	<b>350</b>	<b>300</b>	<b>14</b>	<b>294</b>	<b>250</b>	<b>44</b>	<b>18%</b>	<b>300</b>
% increase		-2,8%	-16,7%						-16,7%
<b>Senior Managers of Entities</b>									
Basic Salaries and Wages	1 018	2 006	2 006	208	2 496	1 839	657	36%	2 006
Motor Vehicle Allowance	1 299	288	288			264	(264)	-100%	288
Cellphone Allowance	57	55	55			50	(50)	-100%	55
Other benefits and allowances	50	55	55			50	(50)	-100%	55
<b>Sub Total - Senior Managers of Entities</b>	<b>2 424</b>	<b>2 404</b>	<b>2 404</b>	<b>208</b>	<b>2 496</b>	<b>2 204</b>	<b>292</b>	<b>13%</b>	<b>2 404</b>
% increase		-0,8%	-0,8%						-0,8%
<b>Other Staff of Entities</b>									
Basic Salaries and Wages	5 715	12 923	10 160	399	5 555	9 314	(3 759)	-40%	10 160
Motor Vehicle Allowance	161	175	175			160	(160)	-100%	175
Other benefits and allowances	332	362	362			332	(32)	-100%	362
<b>Sub Total - Other Staff of Entities</b>	<b>6 208</b>	<b>13 460</b>	<b>10 697</b>	<b>399</b>	<b>5 555</b>	<b>9 806</b>	<b>(4 251)</b>	<b>-43%</b>	<b>10 697</b>
% increase		116,8%	72,3%						72,3%
<b>Total Municipal Entities</b>	<b>8 992</b>	<b>16 214</b>	<b>13 402</b>	<b>621</b>	<b>8 345</b>	<b>12 260</b>	<b>(3 915)</b>	<b>-32%</b>	<b>13 402</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>									
	<b>150 496</b>	<b>169 255</b>	<b>168 244</b>	<b>14 478</b>	<b>160 445</b>	<b>152 547</b>	<b>7 898</b>	<b>5%</b>	<b>168 244</b>
% increase		12,5%	11,8%						11,8%
<b>TOTAL MANAGERS AND STAFF</b>									
	<b>142 230</b>	<b>160 366</b>	<b>161 604</b>	<b>13 955</b>	<b>154 050</b>	<b>144 470</b>	<b>9 580</b>	<b>7%</b>	<b>161 604</b>

## **2.6 Material Variances to the SDBIP**

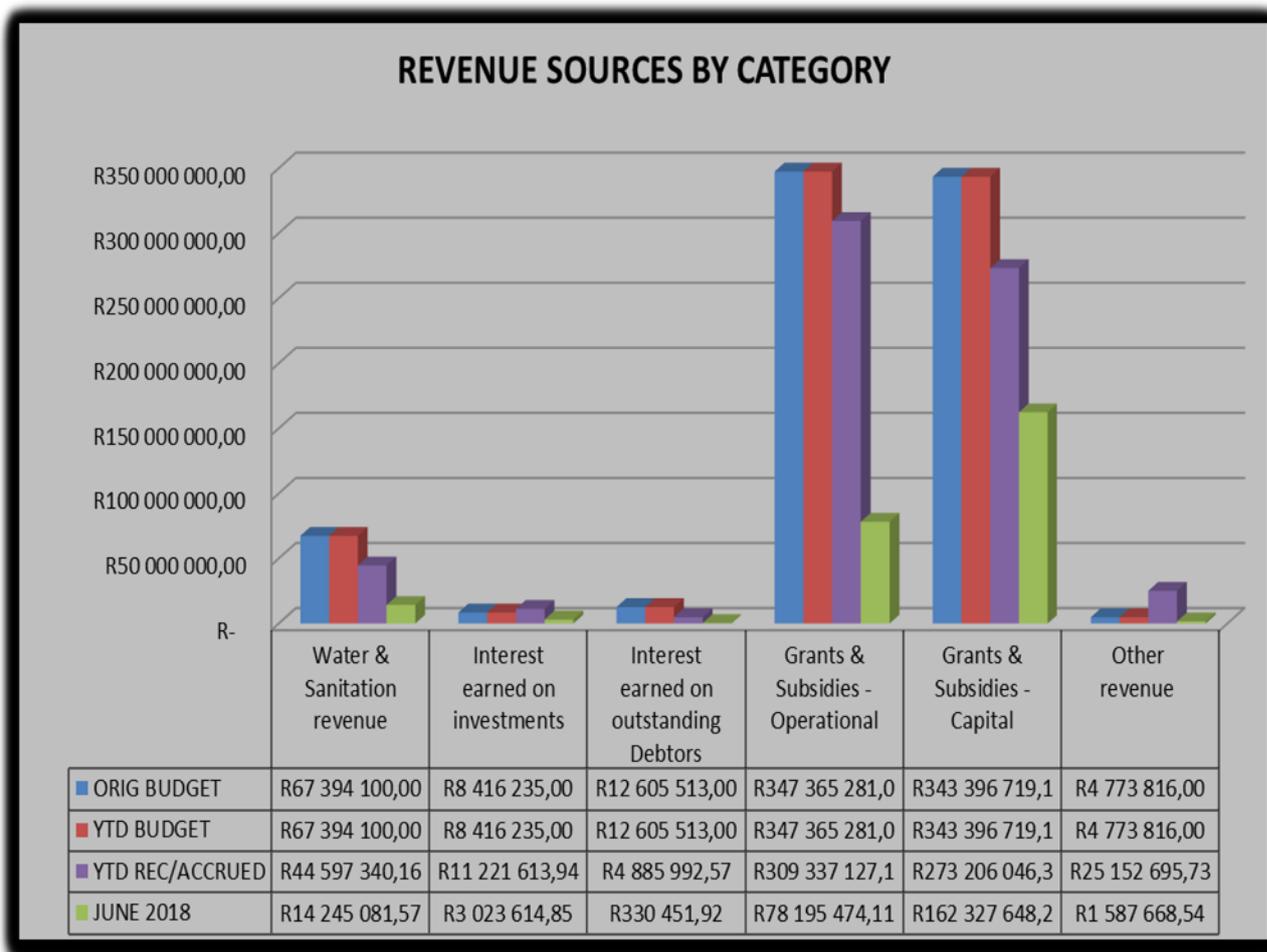
The following section analyses material variances between the actual targets as at 30 June 2018 and the budget for the same period. This report analyses each major component under following headings;

- ✓ Revenue by Source
- ✓ Operational Expenditure by Type, and
- ✓ Capital Expenditure
- ✓ Financial Position
- ✓ Cash Flows

### **REVENUE**

The chart displays a comparison between the 2017/2018 financial year revenue budget and the performance against this budget as depicted in the form of Year to date (YTD) Actual figures. It should be emphasised that the information presented relates to "performance" rather than "cash movements" in terms of the revenue items listed below. This accounting principle relating to municipal performance is best illustrated in the analysis that follows.

### **Chart 3: Revenue Analysis**



### Water & Sanitation Charges

The year to date **actual** water & sanitation charges (**billing**) as at 30 June 2018 was R44, 5million against a year to date **budget** of R67, 3million 66%. However, this percentage measures the municipal performance in terms of the ability to bill consumers that are receiving services from the municipality and **is not** a measure of the ability to collect outstanding consumer accounts.

### Interest Earned on External Investments

The year to date actual interest earned on external investments for the period ended June 2018 is R11, 2m against a year to date budget of R8, 4m.

### **Transfers Recognised - Operational**

The operational grants revenue of R343, 3million against a budget of R347, 3million is largely attributable to the YTD equitable share.

### **Transfers Recognised – Capital**

The expenditure trends on grant funded expenditure had resulted in a positive way as expected against the set targets. The actual R222, 1million (against a YTD budget of R351million) represent the conditions met in capital expenditures against the conditional grant allocation received.

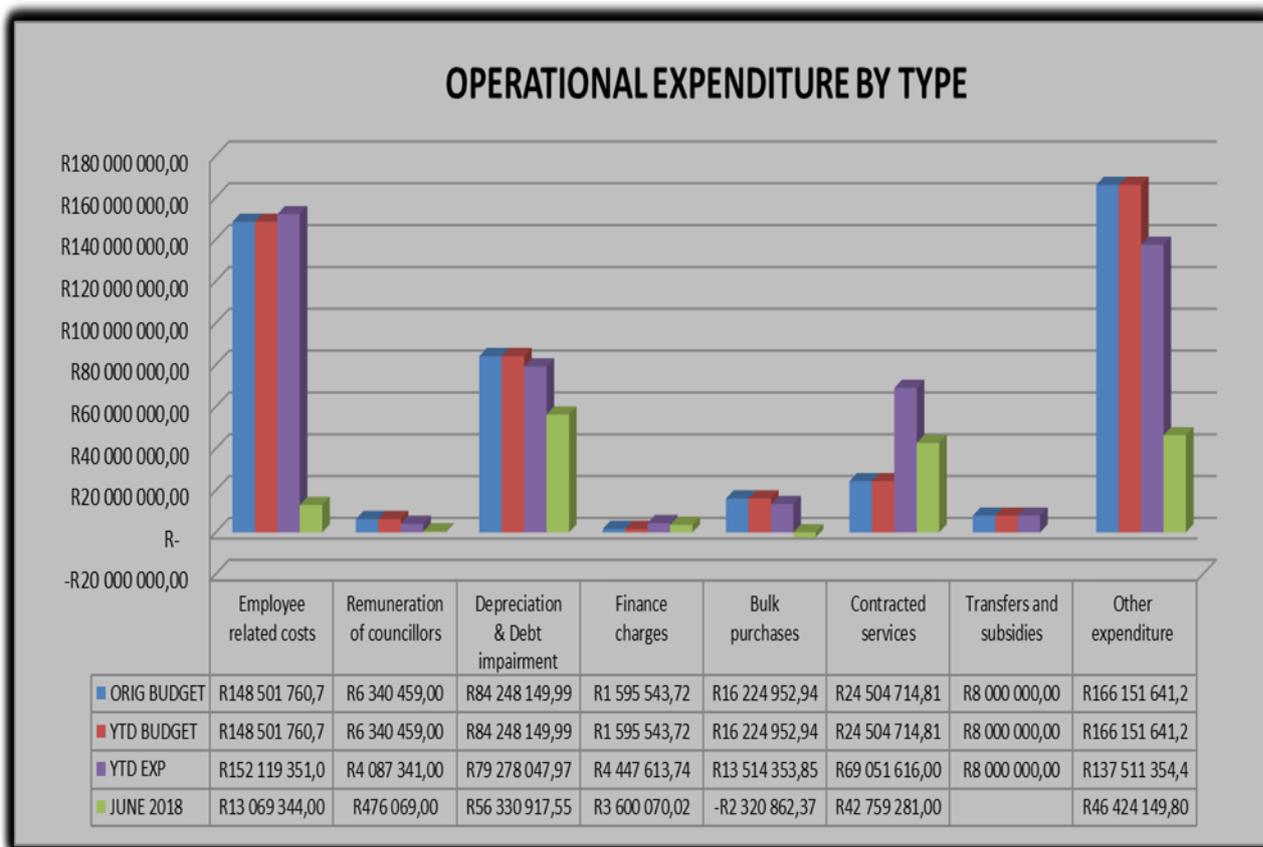
### **Other Revenue**

The YTD performance of other revenue is R25, 1m against YTD budget of R4, 7m of original budget.

### OPERATIONAL EXPENDITURE

The chart below presents the YTD operational expenditure movements against the YTD budgets. An analysis of each expenditure line item category is discussed below.

**Chart 4: 2017/18 Financial year Opex**



#### Employee Related Costs

The YTD budget for employee related costs is R148, 5million against a YTD actual of R152, 1million. Employee related costs over performed by 2% in monetary R3, 6million.

### **Remuneration of Councillors**

The remuneration of councillor's expenditure as at 30 June 2018 was R4million against a budget of R6, 3million resulting in a 64% under expenditure.

### **Finance Charges**

As at 30 June 2018, the finance charges Year to date budget was R1, 5million and the year to date actual is R4, 4million 279%.

### **Bulk Purchases**

As at end of June 2018, the municipality had spent 83 percent on Bulk water purchases which is too low as compared to previous financial year. The year to budget is R16, 2million against year to date expenditure of R13, 5million for the period ending 30 June 2018.

### **Other Expenditure**

The YTD budget for other expenditure was at R 166million against a YTD expenditure of R 137, 5million.

### **Performance assessment**

The section that follows takes a look at actual performance achieved against planned targets

## SUMMARY OF FOURTH QUARTER PERFORMANCE TARGETS

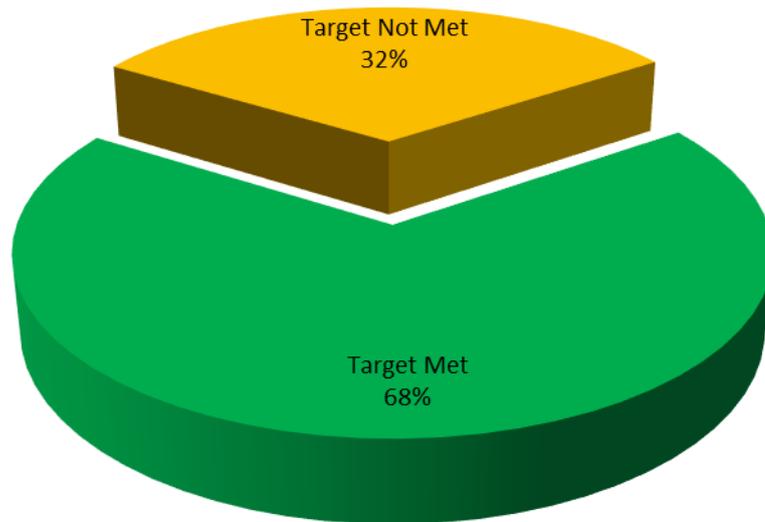
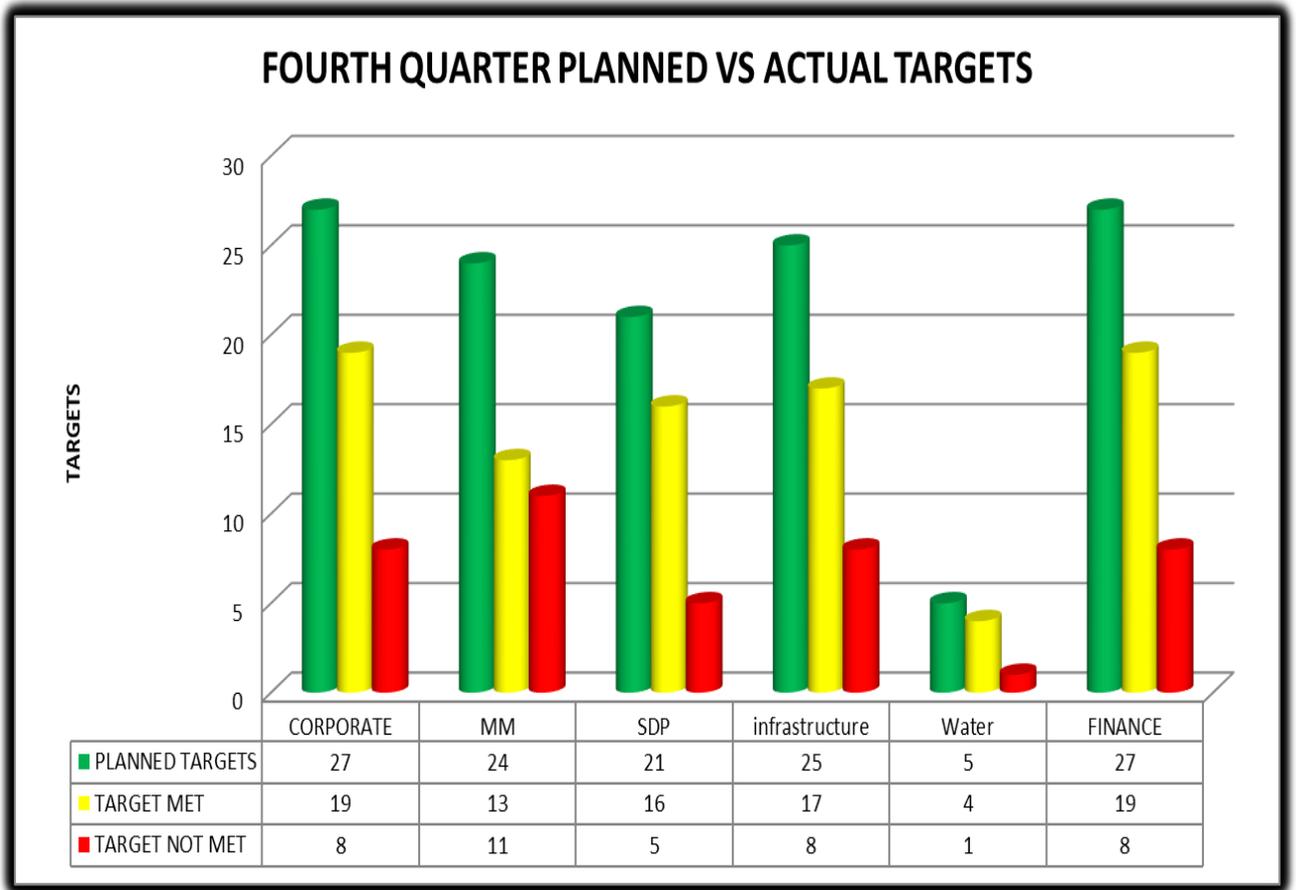


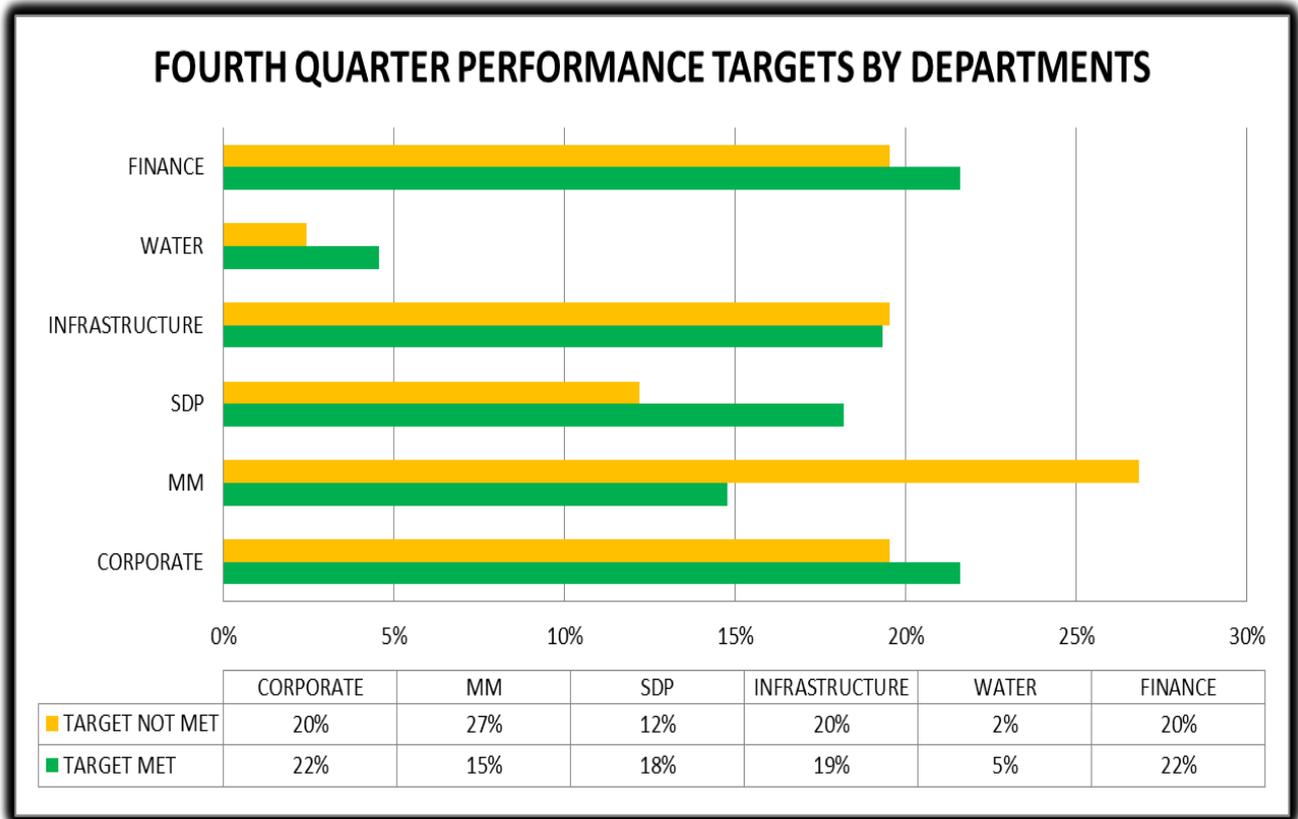
Chart 5 above provides a summary of the targets met (68%) as well the targets not met (32%). It can be stated that the performance of the municipality year ending 30 June 2018 is slightly above average. There is an excess of reasons why some of the targets could not be met, and as such, the Performance Management unit has listed all the possible challenges that have hindered to non- performance or non - implementation of the 32% targets not met.

**Departmental performance targets**



The chart below analyses the extent to which performance targets, in percentage terms, were met by ranking departments from the highest (achieved) to the lowest

**Performance Targets Departments**



**The next section looks at the performance of the capital expenditure**

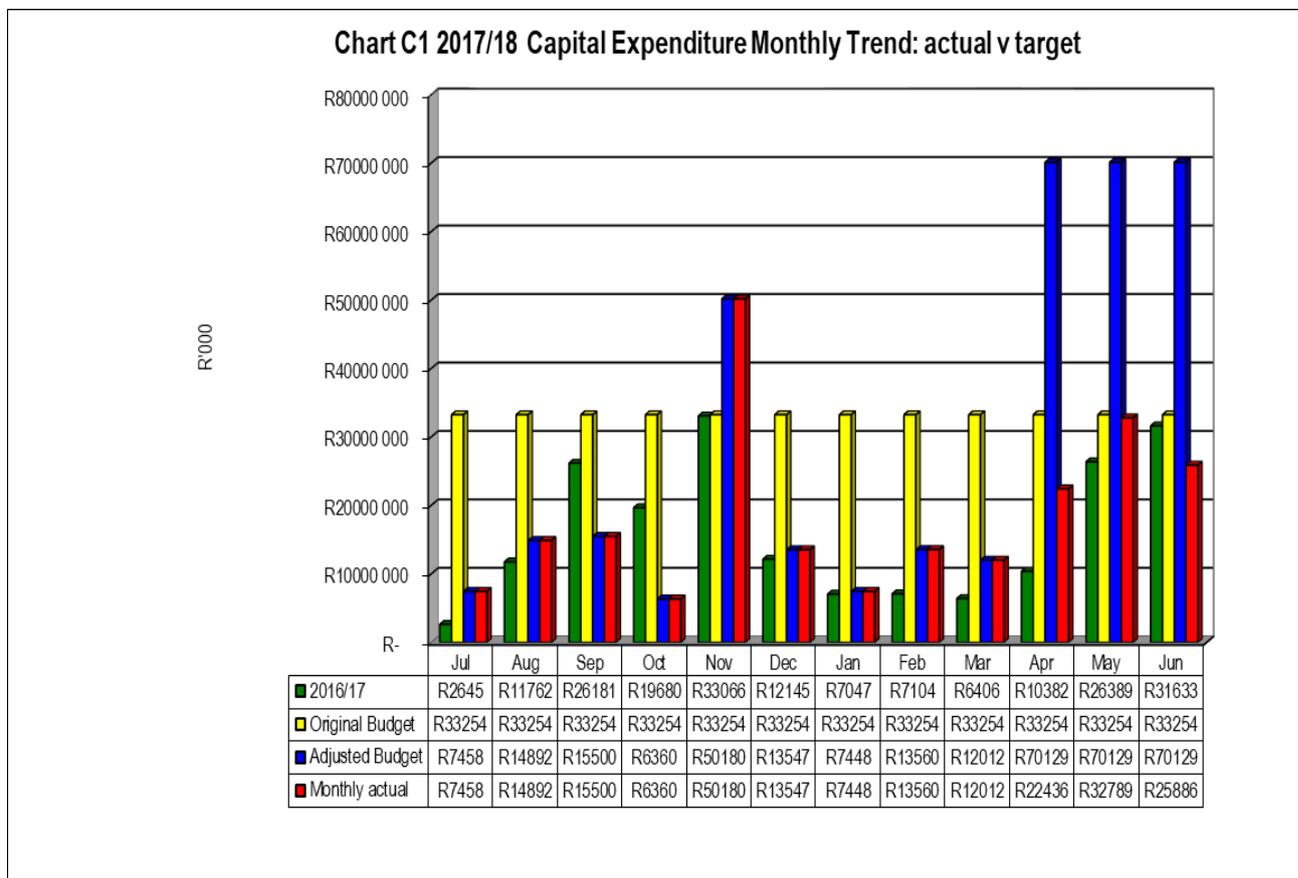
DC43 Harry Gwala - Supporting Table SC12 Consolidated Monthly Budget Statement - capital expenditure trend - M12 June

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
<b>R thousands</b>									
<b>Monthly expenditure performance trend</b>									
July	2 645	33 255	7 458	7 458	7 458	7 458	-		2%
August	11 763	33 255	14 892	14 892	22 351	22 351	-		6%
September	26 181	33 255	15 501	15 501	37 852	37 852	-		9%
October	19 680	33 255	6 361	6 361	44 212	44 212	-		11%
November	33 067	33 255	50 180	50 180	94 393	94 393	-		24%
December	12 146	33 255	13 547	13 547	107 940	107 940	-		27%
January	7 047	33 255	7 449	7 449	115 388	115 388	-		29%
February	7 105	33 255	13 561	13 561	128 949	128 949	-		32%
March	6 407	33 255	12 013	12 013	140 962	140 962	-		35%
April	10 383	33 255	70 129	22 436	163 398	211 091	47 693	22,6%	0
May	26 389	33 255	70 129	32 789	196 187	281 221	85 033	30,2%	0
June	31 633	33 255	70 129	25 886	222 074	351 350	129 276	36,8%	0
<b>Total Capital expenditure</b>	<b>194 447</b>	<b>399 054</b>	<b>351 350</b>	<b>222 074</b>					

This next section looks at the performance of the capital expenditure programme. This performance is best illustrated in the charts that follow.

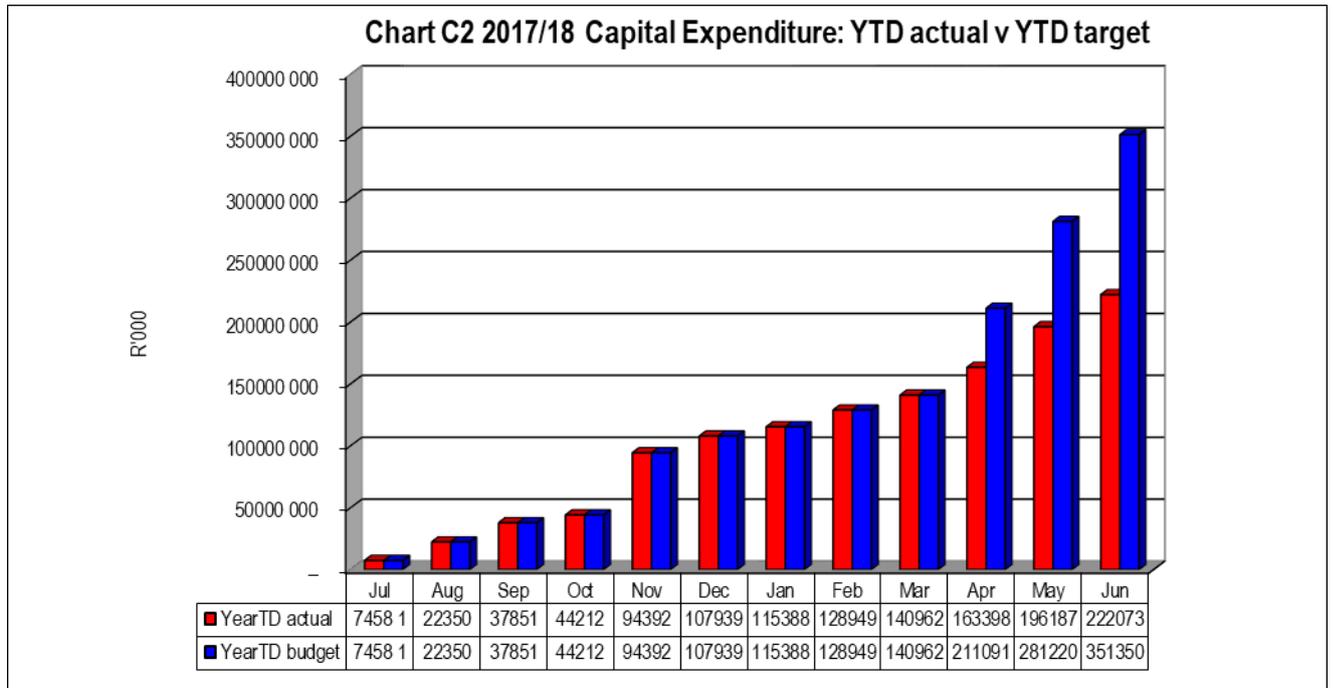
Chart C1 below display a comparison between the previous year’s capital expenditure performances to that of the current year for the period under review. A comparison between the monthly expenditure for the periods January to June 2018 and the planned monthly targets is also displayed

### Capital Expenditure Monthly Trend: Actual v Target



The chart below, on the other hand, track the capital expenditure’s cumulative balances budget versus actual. It is clearly that expenditure started on a rather slower trend but showed acceleration towards the end of the mid-year.

**Capital Expenditure: YTD Actual v YTD Target**



In order for the municipality to reach its annual targets in the capital development programme, expenditure in this budget would have to be maintained or increased at the trends experienced in June 2018.

### Capital Expenditure on New Assets by Asset Class

DC43 Harry Gwala - Supporting Table SC13a Consolidated Monthly Budget Statement - capital expenditure on new assets by asset class - M12 June

Description	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									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	<b>304 661</b>	<b>388 944</b>	<b>338 697</b>	<b>13 589</b>	<b>178 193</b>	<b>339 718</b>	161 525	<b>47,5%</b>	<b>338 697</b>
Water Supply Infrastructure	275 814	326 401	280 553	11 970	140 633	286 320	145 687	<b>50,9%</b>	280 553
Dams and Weirs							-		
Water Treatment Works	275 814	326 401	280 553	11 970	140 633	286 320	145 687	<b>50,9%</b>	280 553
Capital Spares							-		
Sanitation Infrastructure	28 847	62 543	58 143	1 619	37 561	53 398	15 837	<b>29,7%</b>	58 143
Pump Station							-		
Reticulation							-		
Waste Water Treatment Works	28 847	62 543	58 143	1 619	37 561	53 398	15 837	<b>29,7%</b>	58 143
Outfall Sewers							-		
<b>Other assets</b>	<b>1 500</b>	<b>1 000</b>	<b>1 000</b>	<b>-</b>	<b>772</b>	<b>917</b>	<b>144</b>	<b>15,7%</b>	<b>1 000</b>
Operational Buildings	1 500	1 000	1 000	-	772	917	144	<b>15,7%</b>	1 000
Municipal Offices	-	1 000	1 000	-	772	917	144	<b>15,7%</b>	1 000
Stores	1 500	-	-	-	-	-	-		-
<b>Intangible Assets</b>	<b>950</b>	<b>2 000</b>	<b>2 100</b>	<b>-</b>	<b>-</b>	<b>1 925</b>	<b>1 925</b>	<b>100,0%</b>	<b>2 100</b>
Servitudes							-		
Licences and Rights	950	2 000	2 100	-	-	1 925	1 925	<b>100,0%</b>	2 100
Water Rights							-		
Effluent Licenses							-		
Solid Waste Licenses							-		
Computer Software and Applications	950	2 000	2 100	-	-	1 925	1 925	<b>100,0%</b>	2 100
<b>Computer Equipment</b>	<b>-</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
Computer Equipment		400	-	-	-	-	-		-
<b>Furniture and Office Equipment</b>	<b>783</b>	<b>210</b>	<b>210</b>	<b>46</b>	<b>418</b>	<b>193</b>	<b>(225)</b>	<b>-117,1%</b>	<b>210</b>
Furniture and Office Equipment	783	210	210	46	418	193	(225)	<b>-117,1%</b>	210
<b>Machinery and Equipment</b>	<b>2 600</b>	<b>200</b>	<b>3 043</b>	<b>-</b>	<b>-</b>	<b>2 790</b>	<b>2 790</b>	<b>100,0%</b>	<b>3 043</b>
Machinery and Equipment	2 600	200	3 043	-	-	2 790	2 790	<b>100,0%</b>	3 043
<b>Transport Assets</b>	<b>-</b>	<b>1 300</b>	<b>1 300</b>	<b>-</b>	<b>-</b>	<b>1 192</b>	<b>1 192</b>	<b>100,0%</b>	<b>1 300</b>
Transport Assets		1 300	1 300	-	-	1 192	1 192	<b>100,0%</b>	1 300
<b>Total Capital Expenditure on new assets</b>	<b>310 493</b>	<b>394 054</b>	<b>346 350</b>	<b>13 635</b>	<b>179 384</b>	<b>346 733</b>	<b>167 350</b>	<b>48,3%</b>	<b>346 350</b>

## 2.7 Municipal Manager's Quality's Certificate

### Quality Certificate

I, Adelaide Nomnandi Dlamini, the Municipal Manager of Harry Gwala District Municipality, hereby certify that-

- The monthly budget statement, and
- Quarterly report on the implementation of the budget and financial state of affairs of the municipality

For the month of June 2018 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Adelaide Nomnandi Dlamini

Municipal Manager of: Harry Gwala District Municipality

Signed \_\_\_\_\_

Date \_\_\_\_\_

