

Harry Gwala District Municipality



**MFMA S 72 Midyear Budget & Performance Assessment
Incorporating S 52 (d) and S 71 Monthly report.**

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1. PART 1 – IN YEAR REPORT

1.1 Mayors Report

The report will be tabled to the Mayor and to the Council and hence the Mayors report will be available when the report is tabled to council in terms of section 52 (d) and section 72 of the MFMA.

1.2 Executive Summary

Legislative Requirements

In terms of Section 72 of the MFMA, the Accounting Officer of the Municipality is required to submit a report in the prescribed format to the Mayor by the 25 January of each year, reviewing the financial performance of the municipality for the first six months of the year. This mid-year report is a critical stage in the in year reporting cycle. As part of the review, in terms of Section 72(3), the accounting officer needs to make recommendations as to whether the SDBIP and Annual budget, i.e. Both Operational & Capital, need to be adjusted. Furthermore, Section 54(f) of the MFMA requires the Mayor to consider and submit a report to Council by 31 January.

Midyear Budget & Performance Assessment

The municipality's implementation of the approved budget is best summarised in table C1 under the heading "1.4 In Year Budget statement Tables". While the operational budget expenditure has been good, accelerated implementation of the Capital projects would have to be sought in order to increase the provision of basic services to the communities. Piling outstanding consumer debts still continue to be a challenge and pose a threat to the municipality's liquidity position. A more rigorous approach is necessary to deal with this challenge.

Material Variances in the SDBIP

The performance of the Municipality, as discussed in detail under 2.6 Material Variances in the SDBIP, shows that the Municipality has managed to achieve 79% of the planned target as at midyear. It can be stated that the performance of the municipality at midyear is slightly above average; however there is still more room for improvement.

Section 2.6 also assesses the material variances between the planned operational, capital and revenue targets an analysis which is crucial to give direction to the second half of the final year. The revenue of the municipality would have to be reviewed to for adjustments of underperformance as well as over performance and to recognise National & Provincial additional budget allocations.

REVENUE

The actual year to date revenue recognised as at 31 December 2015 was R318, 8million against a year to date budget of R294, 1million representing over performance of 8%.

OPERATIONAL EXPENDITURE

The operational budget performance at midyear was 18% above the Year to Date YTD budget.

CAPITAL EXPENDITURE

As at Midyear, the capital budget was underspent by 20%. This is an indication for an accelerated infrastructure expenditure programme.

An adjustment would result in both operational and capital budget adjustments.

It should be noted that the Dec Section 71 and Section 52 (d), quarterly budget monitoring report will be incorporated into this report. This report is detailed to an extent that additional comments will be limited to the most important aspects.

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) MFMA
3. Notes the Midyear budget & Performance assessment in terms of s72 of the MFMA.
4. Notes the Midyear budget & performance assessment report for the Harry Gwala Development Agency.
5. Prepares the adjustments budget for Tabling to Council before the 25th February 2016 in terms of Municipal Budget Regulations.
6. Revise the projections for Revenue & Expenditure in the SDBIP to reflect the adjustments to the Annual Budget.

1.4 In Year 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 Sisonke - Table C1 Monthly Budget Statement Summary - M06 December

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Financial Performance								
Property rates	-	-	-	-	-	-		-
Service charges	52 603	55 902	3 571	25 290	27 951	(2 662)	-10%	55 902
Investment revenue	3 500	4 375	200	1 993	2 188	(194)	-9%	4 375
Transfers recognised - operational	263 824	249 823	423	178 564	124 912	53 653	43%	249 823
Other own revenue	16 229	7 328	815	4 826	3 664	1 162	32%	7 328
Total Revenue (excluding capital transfers and contributions)	336 155	317 429	5 009	210 672	158 714	51 958	33%	317 429
Employee costs	104 700	114 031	10 343	56 915	57 015	(100)	-0%	114 031
Remuneration of Councillors	6 655	7 321	506	2 873	3 660	(787)	-22%	7 321
Depreciation & asset impairment	35 000	30 000	15 000	15 000	15 000	-		30 000
Finance charges	3 200	2 228	1 155	1 185	1 114	71	6%	2 228
Materials and bulk purchases	8 009	8 706	1 277	4 981	4 353	628	14%	8 706
Transfers and grants	21 400	20 000	3 952	12 096	10 000	2 096	21%	20 000
Other expenditure	197 317	163 336	40 675	111 551	81 668	29 883	37%	163 336
Total Expenditure	376 281	345 621	72 908	204 601	172 811	31 790	18%	345 621
Surplus/(Deficit)	(40 126)	(28 193)	(67 899)	6 072	(14 096)	20 168	-143%	(28 193)
Transfers recognised - capital	252 033	270 790	40 545	108 157	112 829	(4 672)	-4%	270 790
Contributions & Contributed assets	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	211 907	242 597	(27 354)	114 229	98 733	15 496	16%	242 597
Surplus/ (Deficit) for the year	211 907	242 597	(27 354)	114 229	98 733	15 496	16%	242 597
Capital expenditure & funds sources								
Capital expenditure	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540
Capital transfers recognised	257 533	270 790	40 545	108 157	135 395	(27 238)	-20%	270 790
Internally generated funds	6 809	7 750	184	2 776	3 875	(1 099)	-28%	7 750
Total sources of capital funds	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540
Financial position								
Total current assets	41 940	85 442		113 939				85 442
Total non current assets	1 540 924	1 600 660		1 470 664				1 600 660
Total current liabilities	64 952	56 886		164 563				56 886
Total non current liabilities	31 936	31 018		41 394				31 018
Community wealth/Equity	1 485 976	1 598 198		1 378 646				1 598 198
Cash flows								
Net cash from (used) operating	290 047	268 665	(20 778)	156 447	177 840	21 393	12%	268 665
Net cash from (used) investing	(279 846)	(248 610)	(40 729)	(110 119)	(124 305)	(14 187)	11%	(248 610)
Net cash from (used) financing	(3 356)	(3 684)	-	-	(1 842)	(1 842)	100%	(3 684)
Cash/cash equivalents at the month/year end	32 717	42 242	-	72 200	77 564	5 364	7%	42 242
Debtors & creditors analysis								
	0-30 Days	31-60 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis								
Total By Income Source	3 988	4 768	3 454	3 783	3 544	17 921	92 105	133 047
Creditors Age Analysis								
Total Creditors	22 330	-	-	-	-	-	-	22 330

Financial Performance

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

DC43 Sisonke - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - M06 December

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue - Standard								
Governance and administration	252 538	249 598	1 380	185 009	124 799	60 210	48%	249 598
Executive and council	-	-	-	-	-	-		-
Budget and treasury office	252 538	249 598	1 380	185 009	124 799	60 210	48%	249 598
Corporate services	-	-	-	-	-	-		-
Economic and environmental services	750	1 100	-	-	550	(550)	-100%	1 100
Planning and development	750	1 100	-	-	550	(550)	-100%	1 100
Trading services	334 901	337 520	44 173	133 820	168 760	(34 940)	-21%	337 520
Electricity	-	-	-	-	-	-		-
Water	52 600	61 230	3 628	25 663	30 615	(4 952)	-16%	61 230
Waste water management	282 301	276 290	40 545	108 157	138 145	(29 988)	-22%	276 290
Other	-	-	-	-	-	-		-
Total Revenue - Standard	588 189	588 218	45 553	318 830	294 109	24 720	8%	588 218
Expenditure - Standard								
Governance and administration	123 447	133 932	26 008	67 419	66 966	453	1%	133 932
Executive and council	23 099	28 719	3 108	12 203	14 360	(2 157)	-15%	28 719
Budget and treasury office	58 787	59 527	18 671	33 812	29 763	4 049	14%	59 527
Corporate services	41 561	45 686	4 228	21 404	22 843	(1 439)	-6%	45 686
Economic and environmental services	52 368	54 286	6 636	25 853	27 143	(1 290)	-5%	54 286
Planning and development	52 368	54 286	6 636	25 853	27 143	(1 290)	-5%	54 286
Trading services	200 466	157 403	40 264	111 328	78 702	32 627	41%	157 403
Electricity	-	-	-	-	-	-		-
Water	150 528	134 197	33 942	94 715	67 098	27 617	41%	134 197
Waste water management	49 938	23 206	6 322	16 613	11 603	5 010	43%	23 206
Other	-	-	-	-	-	-		-
Total Expenditure - Standard	376 281	345 621	72 908	204 601	172 811	31 790	18%	345 621
Surplus/ (Deficit) for the year	211 907	242 597	(27 354)	114 229	121 298	(7 069)	-6%	242 597

The table starts by assessing the midyear revenue by department followed by an expenditure analysis. The actual year to date revenue recognised as at December 2015 was R 318, 8million against a year to date budget of R 294, 1million representing over performance of 8%.

Expenditure by standard classification presents the expenditure by the departments. The operational budget performance at midyear was 18% against the year to date budget of 16%.

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

DC43 Sisonke - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06 December

Vote Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue by Vote								
Vote 1 - Council	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	252 538	249 598	1 380	185 009	124 799	60 210	48,2%	249 598
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-
Vote 5 - Social & Development Planning	750	1 100	-	-	550	(550)	-100,0%	1 100
Vote 6 - Infrastructure Services	282 301	276 290	40 545	108 157	138 145	(29 988)	-21,7%	276 290
Vote 7 - Water Services	52 600	61 230	3 628	25 663	30 615	(4 952)	-16,2%	61 230
Total Revenue by Vote	588 189	588 218	45 553	318 830	294 109	24 720	8,4%	588 218
Expenditure by Vote								
Vote 1 - Council	10 517	13 164	796	6 157	6 582	(425)	-6,5%	13 164
Vote 2 - Municipal Manager	12 582	15 555	2 312	6 046	7 778	(1 732)	-22,3%	15 555
Vote 3 - Budget & Treasury Office	58 787	59 527	18 671	33 812	29 763	4 049	13,6%	59 527
Vote 4 - Corporate Services	41 561	45 686	4 228	21 404	22 843	(1 439)	-6,3%	45 686
Vote 5 - Social & Development Planning	52 368	54 286	6 636	25 853	27 143	(1 290)	-4,8%	54 286
Vote 6 - Infrastructure Services	49 938	23 206	6 322	16 613	11 603	5 010	43,2%	23 206
Vote 7 - Water Services	150 528	134 197	33 942	94 715	67 098	27 617	41,2%	134 197
Total Expenditure by Vote	376 281	345 621	72 908	204 601	172 811	31 790	18,4%	345 621
Surplus/ (Deficit) for the year	211 907	242 597	(27 354)	114 229	121 298	(7 069)	-5,8%	242 597

Statement of financial Performance

This schedule provides information on the planned revenue and operational expenditures against the actual results for the period ending 31 December 2015.

DC43 Sisonke - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue By Source								
Service charges - water revenue	36 235	38 409	2 500	17 703	19 205	(1 502)	-8%	38 409
Service charges - sanitation revenue	15 529	16 461	1 071	7 587	8 231	(644)	-8%	16 461
Service charges - other	839	1 032	-	-	516	(516)	-100%	1 032
Interest earned - external investments	3 500	4 375	200	1 993	2 188	(194)	-9%	4 375
Interest earned - outstanding debtors	6 000	6 360	724	4 122	3 180	942	30%	6 360
Transfers recognised - operational	263 824	249 823	423	178 564	124 912	53 653	43%	249 823
Other revenue	10 229	968	91	703	484	219	45%	968
Total Revenue (excluding capital transfers and contributions)	336 155	317 429	5 009	210 672	158 714	51 958	33%	317 429
Expenditure By Type								
Employee related costs	104 700	114 031	10 343	56 915	57 015	(100)	0%	114 031
Remuneration of councillors	6 655	7 321	506	2 873	3 660	(787)	-22%	7 321
Debt impairment	23 000	24 692	12 346	12 346	12 346	0	0%	24 692
Depreciation & asset impairment	35 000	30 000	15 000	15 000	15 000	-		30 000
Finance charges	3 200	2 228	1 155	1 185	1 114	71	6%	2 228
Bulk purchases	8 009	8 706	1 277	4 981	4 353	628	14%	8 706
Contracted services	37 057	32 015	5 205	26 294	16 008	10 287	64%	32 015
Transfers and grants	21 400	20 000	3 952	12 096	10 000	2 096	21%	20 000
Other expenditure	137 260	106 629	23 124	72 911	53 315	19 596	37%	106 629
Loss on disposal of PPE			-		-	-		
Total Expenditure	376 281	345 621	72 908	204 601	172 811	31 790	18%	345 621
Surplus/(Deficit)	(40 126)	(28 193)	(67 899)	6 072	(14 096)	20 168	(0)	(28 193)
Transfers recognised - capital	252 033	270 790	40 545	108 157	112 829	(4 672)	(0)	270 790
Surplus/(Deficit) after capital transfers & contributions	211 907	242 597	(27 354)	114 229	98 733			242 597
Surplus/(Deficit) after taxation	211 907	242 597	(27 354)	114 229	98 733			242 597
Surplus/(Deficit) attributable to municipality	211 907	242 597	(27 354)	114 229	98 733			242 597
Surplus/ (Deficit) for the year	211 907	242 597	(27 354)	114 229	98 733			242 597

A detailed analysis of the anomalies is provided under "2.6 Material Variances in the SDBIP"

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 Sisonke - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M06 December

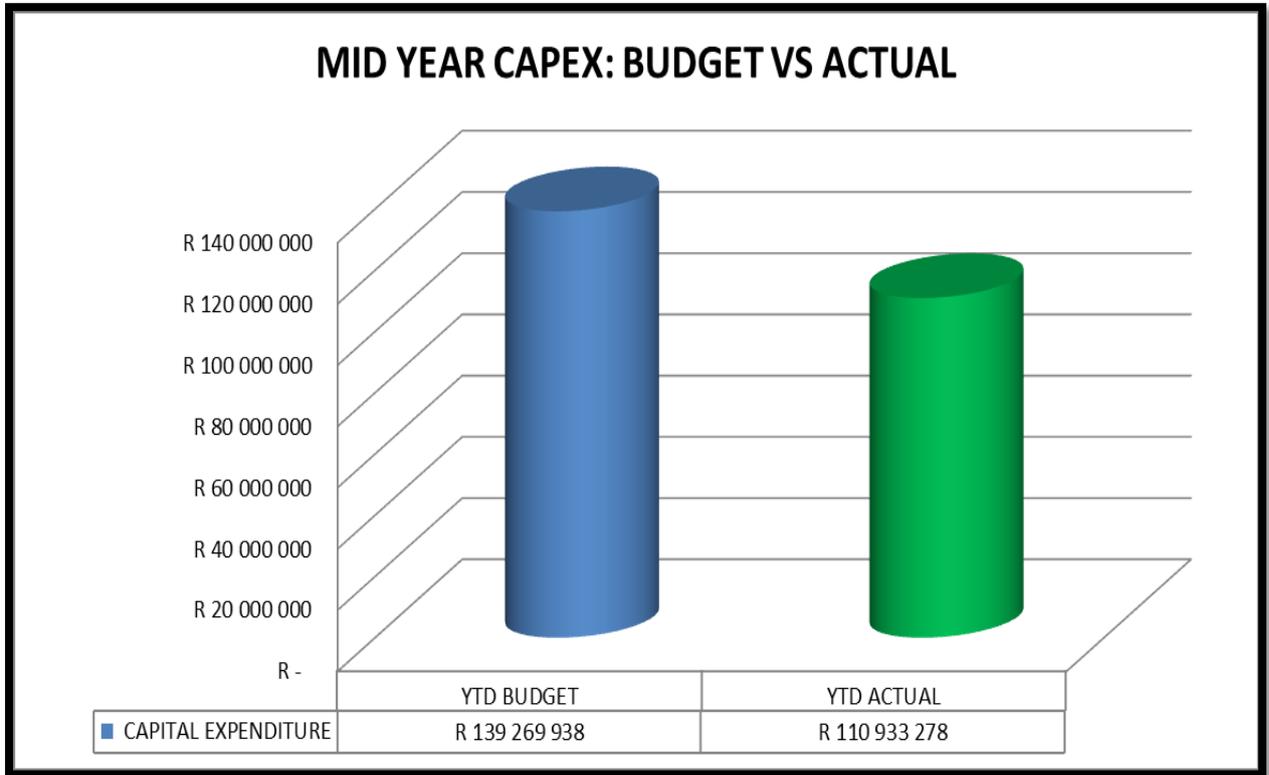
Vote Description	2014/15	Budget Year 2015/16						Full Year Forecast
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
Multi-Year expenditure appropriation								
Vote 1 - Council	–	–	–	–	–	–	–	–
Vote 2 - Municipal Manager	–	–	–	–	–	–	–	–
Vote 3 - Budget & Treasury Office	–	–	–	–	–	–	–	–
Vote 4 - Corporate Services	2 104	2 650	–	483	1 325	(842)	-64%	2 650
Vote 5 - Social & Development Planning	800	800	–	400	400	(0)	0%	800
Vote 6 - Infrastructure Services	257 533	270 790	40 545	106 100	135 395	(29 295)	-22%	270 790
Vote 7 - Water Services	3 905	4 300	184	3 951	2 150	1 801	84%	4 300
Total Capital Multi-year expenditure	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540
Total Capital Expenditure	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540
Capital Expenditure - Standard Classification								
Governance and administration	2 104	2 650	184	2 776	1 325	1 451	110%	2 650
Executive and council						–		
Budget and treasury office						–		
Corporate services	2 104	2 650	184	2 776	1 325	1 451	110%	2 650
Economic and environmental services	800	800	–	400	400	(0)	0%	800
Planning and development	800	800	–	400	400	(0)	0%	800
Trading services	261 438	275 090	40 545	107 757	137 545	(29 787)	-22%	275 090
Electricity						–		
Water	3 905	4 300	184	3 951	2 150	1 801	84%	4 300
Waste water management	257 533	270 790	40 360	103 807	135 395	(31 588)	-23%	270 790
Other						–		
Total Capital Expenditure - Standard Classification	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540
Funded by:								
National Government	257 533	270 790	40 545	108 157	135 395	(27 238)	-20%	270 790
Transfers recognised - capital	257 533	270 790	40 545	108 157	135 395	(27 238)	-20%	270 790
Internally generated funds	6 809	7 750	184	2 776	3 875	(1 099)	-28%	7 750
Total Capital Funding	264 342	278 540	40 729	110 933	139 270	(28 337)	-20%	278 540

As compared to the 2014/15 mid-year capital expenditure the 2015/16 mid-year capital expenditure has underspend by 20% from year to date to budget, improvement is still needed in the expenditure of CAPEX as it affects the grant funding given by National and Provincial Treasury.

The capital budget continues to be largely dependent on the National Government grants.

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

Chart 1: Midyear Capex



As at midyear, the year to date actual expenditure was R110, 9million against a YTD budget of R139, 2million. In monetary terms, these figures a represent 80% percent performance against the capital development programme as at midyear.

Table C6 displays the financial position of the municipality as at 31 December 2015.

DC43 Sisonke - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	2014/15	Budget Year 2015/16		
	Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
R thousands				
<u>ASSETS</u>				
Current assets				
Cash	30 347	52 691	49 927	52 691
Call investment deposits	-	-	-	-
Consumer debtors	307	16 091	41 490	16 091
Other debtors	10 968	12 065	22 269	12 065
Current portion of long-term receivables	-	4 246	-	4 246
Inventory	318	349	253	349
Total current assets	41 940	85 442	113 939	85 442
Non current assets				
Property, plant and equipment	1 539 540	1 599 476	1 469 807	1 599 476
Agricultural	-	-	-	-
Biological assets	-	-	-	-
Intangible assets	1 384	1 184	857	1 184
Total non current assets	1 540 924	1 600 660	1 470 664	1 600 660
TOTAL ASSETS	1 582 864	1 686 102	1 584 603	1 686 102
<u>LIABILITIES</u>				
Current liabilities				
Bank overdraft	-	-	-	-
Borrowing	3 266	3 592	3 266	3 592
Consumer deposits	1 265	1 415	1 307	1 415
Trade and other payables	53 128	43 710	157 049	43 710
Provisions	7 293	8 169	2 941	8 169
Total current liabilities	64 952	56 886	164 563	56 886
Non current liabilities				
Borrowing	18 683	16 683	18 683	16 683
Provisions	13 253	14 334	22 710	14 334
Total non current liabilities	31 936	31 018	41 394	31 018
TOTAL LIABILITIES	96 888	87 904	205 957	87 904
NET ASSETS	1 485 976	1 598 198	1 378 646	1 598 198
<u>COMMUNITY WEALTH/EQUITY</u>				
Accumulated Surplus/(Deficit)	1 485 976	1 598 198	1 378 646	1 598 198
TOTAL COMMUNITY WEALTH/EQUITY	1 485 976	1 598 198	1 378 646	1 598 198

Table C7 below display the Cash Flow Statement for the mid-year.

DC43 Sisonke - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	2014/15	Budget Year 2015/16						Full Year Forecast
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges						-		
Service charges	37 270	30 746	2 012	17 530	14 654	2 876	20%	30 746
Other revenue	844	581	91	700	397	303	76%	581
Government - operating	263 824	249 823	2 107	183 089	145 422	37 667	26%	249 823
Government - capital	252 033	270 790	1 040	186 941	159 256	27 685	17%	270 790
Interest	6 636	7 654	924	6 115	3 576	2 539	71%	7 654
Payments								
Suppliers and employees	(245 959)	(268 701)	(22 999)	(225 802)	(134 351)	91 452	-68%	(268 701)
Finance charges	(3 200)	(2 228)	-	(29)	(1 114)	(1 085)	97%	(2 228)
Transfers and Grants	(21 400)	(20 000)	(3 952)	(12 096)	(10 000)	2 096	-21%	(20 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	290 047	268 665	(20 778)	156 447	177 840	21 393	12%	268 665
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Payments								
Capital assets	(279 846)	(248 610)	(40 729)	(110 119)	(124 305)	(14 187)	11%	(248 610)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(279 846)	(248 610)	(40 729)	(110 119)	(124 305)	(14 187)	11%	(248 610)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase (decrease) in consumer deposits	130	151			75	(75)	-100%	151
Payments								
Repayment of borrowing	(3 486)	(3 835)			(1 917)	(1 917)	100%	(3 835)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(3 356)	(3 684)	-	-	(1 842)	(1 842)	100%	(3 684)
NET INCREASE/ (DECREASE) IN CASH HELD	6 846	16 371	(61 507)	46 329	51 693			16 371
Cash/cash equivalents at beginning:	25 871	25 871		25 871	25 871			25 871
Cash/cash equivalents at month/year end:	32 717	42 242		72 200	77 564			42 242

There has rather been lower than expected collection levels signalled by a collection ratio of 49% (Nov 2015: 55%). Interest earned on investments has been less than the year to date budget which was influenced by the investments account that we have this financial year. The interest on outstanding debtors is more than what we planned.

2. PART 2 – SUPPORTING DOCUMENTATION

2.1 Debtors Analysis

The table presented below summarises the Debtors Age Analysis as at Midyear.

Table 2.1.1: Debtors Age Analysis by Income Source

DC43 Sisonke - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	Budget Year 2015/16									
	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
R thousands										
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	2 560	3 061	2 236	2 217	2 428	2 275	11 504	59 124	85 406	77 549
Receivables from Exchange Transactions - Waste Water Management	1 000	1 196	873	866	949	889	4 494	23 098	33 365	30 296
Interest on Arrear Debtor Accounts	428	512	374	371	406	380	1 923	9 883	14 276	12 963
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-
Total By Income Source	3 988	4 768	3 483	3 454	3 783	3 544	17 921	92 105	133 047	120 808
2014/15 - totals only										
Debtors Age Analysis By Customer Group										
Organs of State	1 459	1 541	557	682	1 107	746	1 995	5 993	14 082	10 524
Commercial	599	376	373	240	256	254	1 377	6 955	10 431	9 082
Households	1 930	2 851	2 552	2 532	2 420	2 544	14 549	79 157	108 535	101 202
Total By Customer Group	3 988	4 768	3 483	3 454	3 783	3 544	17 921	92 105	133 047	120 808

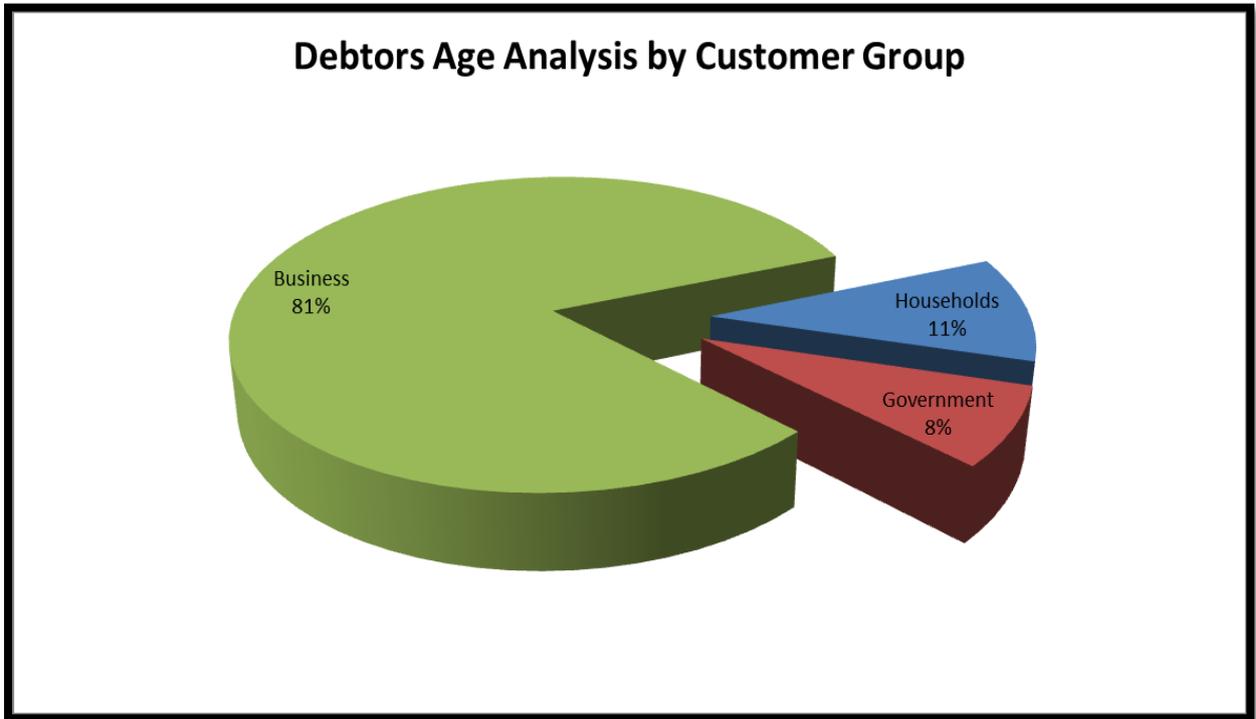
Table 2.1.2 Debtors Age Analyses Consumer Debt by Category.

DC43 Sisonke - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	Budget Year 2015/16									
	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
R thousands										
Debtors Age Analysis By Customer Group										
Organs of State	1 459	1 541	557	682	1 107	746	1 995	5 993	14 082	10 524
Commercial	599	376	373	240	256	254	1 377	6 955	10 431	9 082
Households	1 930	2 851	2 552	2 532	2 420	2 544	14 549	79 157	108 535	101 202
Other	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	3 988	4 768	3 483	3 454	3 783	3 544	17 921	92 105	133 047	120 808

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: 81%
- ✓ Government 8%
- ✓ Business 11%

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

2.2 Creditors Analysis

Table SC presents the aged creditors as at 31 December 2015

DC43 Sisonke - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description	Budget Year 2015/16								
	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
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity									-
Bulk Water									-
PAYE deductions									-
VAT (output less input)									-
Pensions / Retirement deductions									-
Loan repayments									-
Trade Creditors	22 330								22 330
Auditor General									-
Other									-
Total By Customer Type	22 330	-	-	-	-	-	-	-	22 330

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 31 December 2015.

Investments

DC43 Sisonke - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	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
Municipality									
FIRST NATIONAL BANK	62095523281	N/a	MONEY MARKET	N/a	11	0,4%	555	28 876	29 441
FIRST NATIONAL BANK	62138538692	N/a	CALL ACCOUNT	N/a	34	0,3%	7 466	(7 458)	42
FIRST NATIONAL BANK	62032587331	N/a	CALL ACCOUNT	N/a	0	1,9%	127	-	127
INVESTEC	50006688425	N/a	FIXED DEPOSIT	N/a	59	0,5%	11 850	-	11 909
FIRST NATIONAL BANK	62398395204	N/a	CALL ACCOUNT	N/a	15	0,4%	3 324	(3 126)	213
FIRST NATIONAL BANK	62414264797	N/a	CALL ACCOUNT	N/a	0	0,4%	9	-	9
FIRST NATIONAL BANK	62434151239	N/a	CALL ACCOUNT	N/a	12	0,3%	3 429	-	3 441
FIRST NATIONAL BANK	62434147072	N/a	CALL ACCOUNT	N/a	7	0,2%	2 071	-	2 078
FIRST NATIONAL BANK	62434145331	N/a	CALL ACCOUNT	N/a	4	0,3%	1 292	-	1 296
Municipality sub-total					142		30 123	18 291	48 556
TOTAL INVESTMENTS AND INTEREST	2				142		30 123	18 291	48 556

2.4 Allocation and Grant receipts and Expenditure

Table SC 6 displays information relating to grant receipts.

DC43 Sisonke - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M06 December

Description	2014/15	Budget Year 2015/16						Full Year Forecast
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands								
RECEIPTS:								
Operating Transfers and Grants								
National Government:	263 074	248 723	942	185 028	124 362	60 360	48,5%	248 723
Local Government Equitable Share	230 622	241 033	–	178 141	120 517	57 625	47,8%	241 033
Finance Management	1 250	1 250	–	1 250	625	–	–	1 250
Municipal Systems Improvement	934	940	–	940	470	–	–	940
Municipal Infrastructure Grant (PMU)	18 724	3 460	–	–	1 730	–	–	3 460
Water Services Operating Subsidy	–	–	942	942	–	–	–	–
Rural Roads Asset Management Grant	2 044	2 040	–	2 040	1 020	1 020	100,0%	2 040
Rural Household Infrastructure Grant	4 500	–	–	–	–	–	–	–
Energy Efficiency and Demand Management Grant	5 000	–	–	–	–	–	–	–
Drought Relief	–	–	–	1 716	–	1 716	#DIV/0!	–
Provincial Government:	750	1 100	1 133	1 180	550	630	114,6%	1 100
Development Planning Shared Services	250	1 100	1 100	1 100	550	550	100,0%	1 100
Tourism route	500	–	–	–	–	–	–	–
LGSETA	–	–	33	80	–	80	#DIV/0!	–
Total Operating Transfers and Grants	263 824	249 823	2 074	186 209	124 912	60 991	48,8%	249 823
Capital Transfers and Grants								
National Government:	267 611	270 790	1 040	198 115	135 395	64 588	47,7%	270 790
Municipal Infrastructure Grant (MIG)	183 882	189 324	–	157 000	94 662	62 338	65,9%	189 324
Regional Bulk Infrastructure	58 200	30 000	–	1 564	15 000	–	–	30 000
Energy Efficiency And Demand Side Management Grant	–	–	–	–	–	–	–	–
Municipal Water Infrastructure Grant	22 800	43 500	–	32 625	21 750	–	–	43 500
Expanded public works programme incentive grant	2 729	3 466	1 040	2 426	1 733	–	–	3 466
Rural Household Infrastructure Grant	–	4 500	–	4 500	2 250	2 250	100,0%	4 500
Total Capital Transfers and Grants	267 611	270 790	1 040	198 115	135 395	64 588	47,7%	270 790
TOTAL RECEIPTS OF TRANSFERS & GRANTS	531 435	520 613	3 114	384 324	260 307	125 579	48,2%	520 613

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 Sisonke - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

Description	2014/15	Budget Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
EXPENDITURE									
Operating expenditure of Transfers and Grants									
National Government:	263 074	248 723	-	20 118	120 900	124 362	(3 462)	-2,8%	248 723
Local Government Equitable Share	230 622	241 033		20 086	120 517	120 517	-		241 033
Finance Management	1 250	1 250		32	268	625	(357)	-57,2%	1 250
Municipal Systems Improvement	934	940			116	470	(354)	-75,3%	940
Municipal Infrastructure Grant (PMU)	18 724	3 460				1 730	(1 730)	-100,0%	3 460
Water Services Operating Subsidy	4 500	-				-	-		-
Rural Roads Asset Management Grant	2 044	2 040			-	1 020	(1 020)	-100,0%	2 040
Energy Efficiency and Demand Management Grant	5 000			-		-	-		-
Drought Relief									
Provincial Government:	750	1 100	-	-	-	550	(550)	-100,0%	1 100
Development Planning Shared Services	250	1 100		-		550	(550)	-100,0%	1 100
Tourism route	500					-	-		
LGSETA				-	-		-		
Drought Relief									
Total operating expenditure of Transfers and Grants:	263 824	249 823	-	20 118	120 900	124 912	(4 012)	-3,2%	249 823
Capital expenditure of Transfers and Grants									
National Government:	267 611	270 790	-	40 729	110 933	133 145	(22 008)	-16,5%	270 790
Municipal Infrastructure Grant (MIG)	183 882	189 324		34 508	88 932	94 662	(5 730)	-6,1%	189 324
Regional Bulk Infrastructure	58 200	30 000		-	-	15 000	(15 000)	-100,0%	30 000
Energy Efficiency And Demand Side Management Grant	-	-		-	-	-	-		-
Municipal Water Infrastructure Grant	22 800	43 500		5 433	20 472	21 750	(1 278)	-5,9%	43 500
Expanded public works programme incentive grant	2 729	3 466		-	-	1 733			3 466
Rural Household Infrastructure Grant		4 500		789	1 529				4 500
Total capital expenditure of Transfers and Grants	267 611	270 790	-	40 729	110 933	133 145	(22 008)	-16,5%	270 790
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	531 435	520 613	-	60 847	231 833	258 057	(26 019)	-10,1%	520 613

2.5 Councillor and Staff Benefits

Table SC8 presents the expenditure of councillor and staff benefits at midyear.

DC43 Sisonke - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	2014/15	Budget Year 2015/16							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	A	B	C						D
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	3 351	621		343	1 948	311	1 637	527%	621
Pension and UIF Contributions	441	311		26	145	155	(10)	-7%	311
Medical Aid Contributions	104	771		6	34	386	(351)	-91%	771
Motor Vehicle Allowance	1 301	621		75	428	311	117	38%	621
Cellphone Allowance	286	2 636		17	94	1 318	(1 224)	-93%	2 636
Housing Allowances	-	1 618		-	-	809	(809)	-100%	1 618
Other benefits and allowances	680	742		39	224	371	(147)	-40%	742
Sub Total - Councillors	6 162	7 321	-	506	2 873	3 660	(787)	-22%	7 321
% increase		18,8%							18,8%
Senior Managers of the Municipality									
Basic Salaries and Wages	3 828	4 159		435	2 392	2 080	313	15%	4 159
Pension and UIF Contributions	2	3		0	1	1	0	15%	3
Medical Aid Contributions	4	4		0	3	2	0	15%	4
Overtime	-	-		-	-	-	-		-
Performance Bonus	525	-		60	330	-	330	#DIV/0!	-
Motor Vehicle Allowance	2 376	2 600		272	1 496	1 300	195	15%	2 600
Cellphone Allowance	111	122		13	70	61	9	15%	122
Housing Allowances	-	-		-	-	-	-		-
Other benefits and allowances	3	4		0	2	2	0	15%	4
Sub Total - Senior Managers of Municipality	6 850	6 892	-	780	4 294	3 446	848	25%	6 892
% increase		0,6%							0,6%
Other Municipal Staff									
Basic Salaries and Wages	71 041	78 009		6 908	38 012	39 005	(992)	-3%	78 009
Pension and UIF Contributions	11 674	12 724		1 168	6 427	6 362	65	1%	12 724
Medical Aid Contributions	1 613	1 758		161	888	879	9	1%	1 758
Overtime	1 441	1 779		144	794	889	(96)	-11%	1 779
Performance Bonus	6 397	6 973		640	3 522	3 486	36	1%	6 973
Motor Vehicle Allowance	2 940	3 205		294	1 619	1 603	16	1%	3 205
Cellphone Allowance	502	547		50	276	273	3	1%	547
Housing Allowances	44	48		4	24	24	0	1%	48
Other benefits and allowances	1 923	2 096		192	1 059	1 048	11	1%	2 096
Sub Total - Other Municipal Staff	97 575	107 138	-	9 563	52 621	53 569	(948)	-2%	107 138
% increase		9,8%							9,8%
Total Parent Municipality	110 587	121 351	-	10 848	59 788	60 675	(887)	-1%	121 351
		9,7%							9,7%
TOTAL SALARY, ALLOWANCES & BENEFITS	110 587	121 351	-	10 848	59 788	60 675	(887)	-1%	121 351
% increase		9,7%							9,7%
TOTAL MANAGERS AND STAFF	104 425	114 030	-	10 343	56 915	57 015	(100)	0%	114 030

2.6 Material Variances to the SDBIP

The following section analyses material variances between the actual targets as at Midyear 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

The analysis also provides a brief on the impact of this report on the adjustments budget.

The last section under this heading analyses the actual targets against the planned targets as at 31 December 2015.

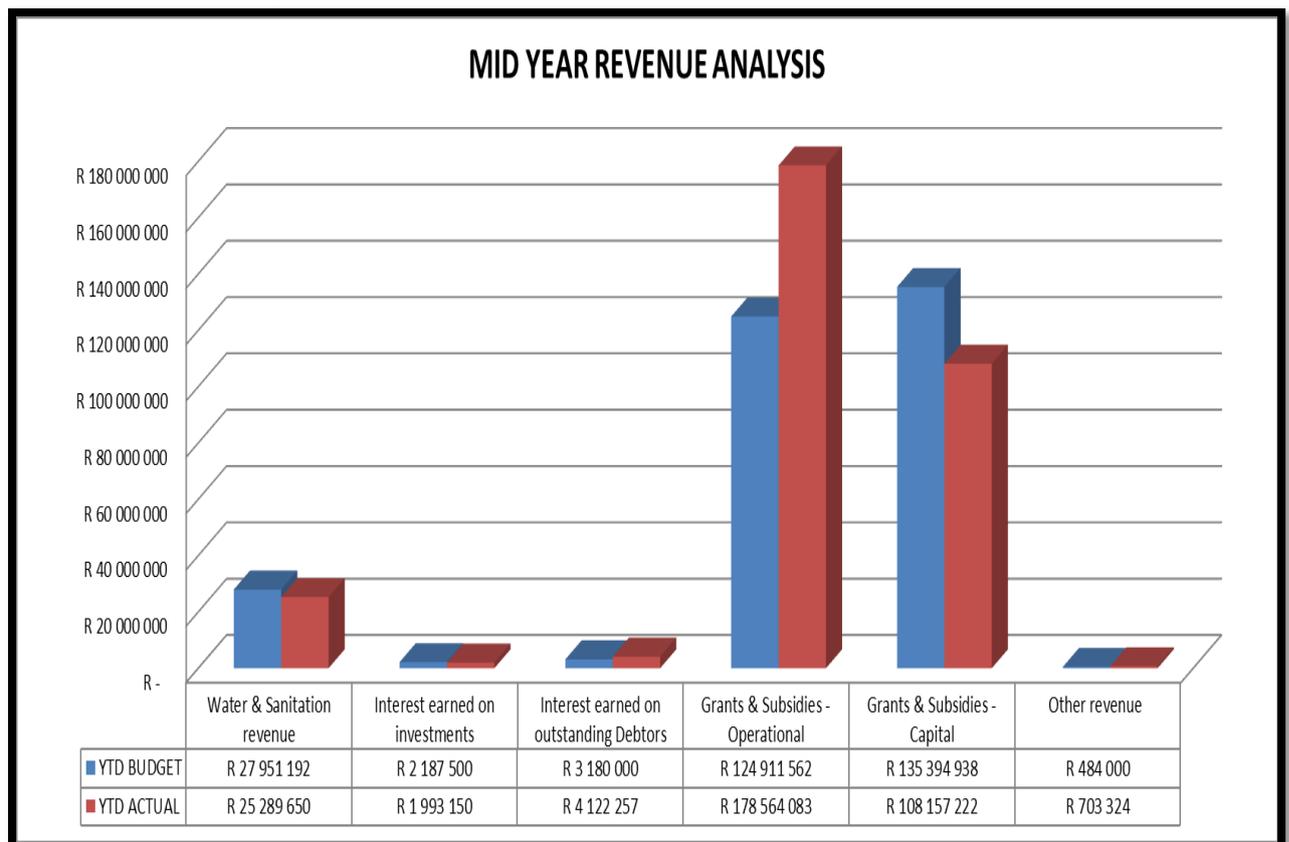
DC43 Sisonke - Supporting Table SC1 Material variance explanations - M06 December

Ref	Description R thousands	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	<u>Revenue By Source</u>			
	Service charges - water revenue	-8%	Lower than expected revenue	To review and adjust budget down
	Service charges - sanitation revenue	-8%	Lower than expected revenue	To review and adjust budget down
	Service charges - other	-100%	To review and investigate if there is no misallocation	To review and adjust budget down
	Interest earned - external investments	-9%	Lower than expected revenue	To review and adjust budget down
	Interest earned - outstanding debtors	30%	Overperformance in revenue	Adjust budget up wards
	Transfers recognised - operational	43%	Overperformance in revenue	Adjust budget up wards
	Other revenue	45%	Overperformance	Adjust budget up wards
2	<u>Expenditure By Type</u>			
	Remuneration of councillors	-22%	Over projected YTD budget	Adjust projections
	Debt impairment	-100%	Debt Impairment not adjusted	Timeous processign of journals
	Depreciation & asset impairment	-100%	Depreciation journal not processed	Timeous processign of journals
	Bulk purchases	14%	Undebudgeting	To adjust budget budget up wards
	Contracted services	64%	Undebudgeting and backlog in R&M	To adjust budget budget up wards
	Transfers and grants	21%	Increase in operational needs of Agency	To adjust budget budget up wards
	Other expenditure	37%	Operatonal Capital Projects	To adjust budget budget up wards

REVENUE

The chart displays a comparison between the midyear 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 31 December 2015 was R25, 2million against a year to date **budget** of R27, 6million. This represents under performance in municipal billing by 10%. 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.

Adjustment Budget Implications: None

Interest Earned on External Investments

The actual interest earned on external investments as at midyear is at 8% (R1 993 150) less than the midyear budget.

Adjustment Budget Implications: None

Transfers Recognised - Operational

The operational grants revenue of R178, 5million against a budget of R124, 9million is largely attributable to the YTD equitable share received of R165, 6million while the balance relates to conditions met on conditional grant funding.

Adjustment Budget Implications: None

Transfers Recognised – Capital

The actual R108, 1million (against a YTD budget of R112, 8million) represent the conditions met in capital expenditures against the conditional grant allocation received. This amount represents 4% under performance in Conditional Capital grant funding expenditures.

Adjustment Budget Implications: A downward adjustment resulting from the reduction of grants gazetted in the appropriation adjustment would be effected.

Other Revenue

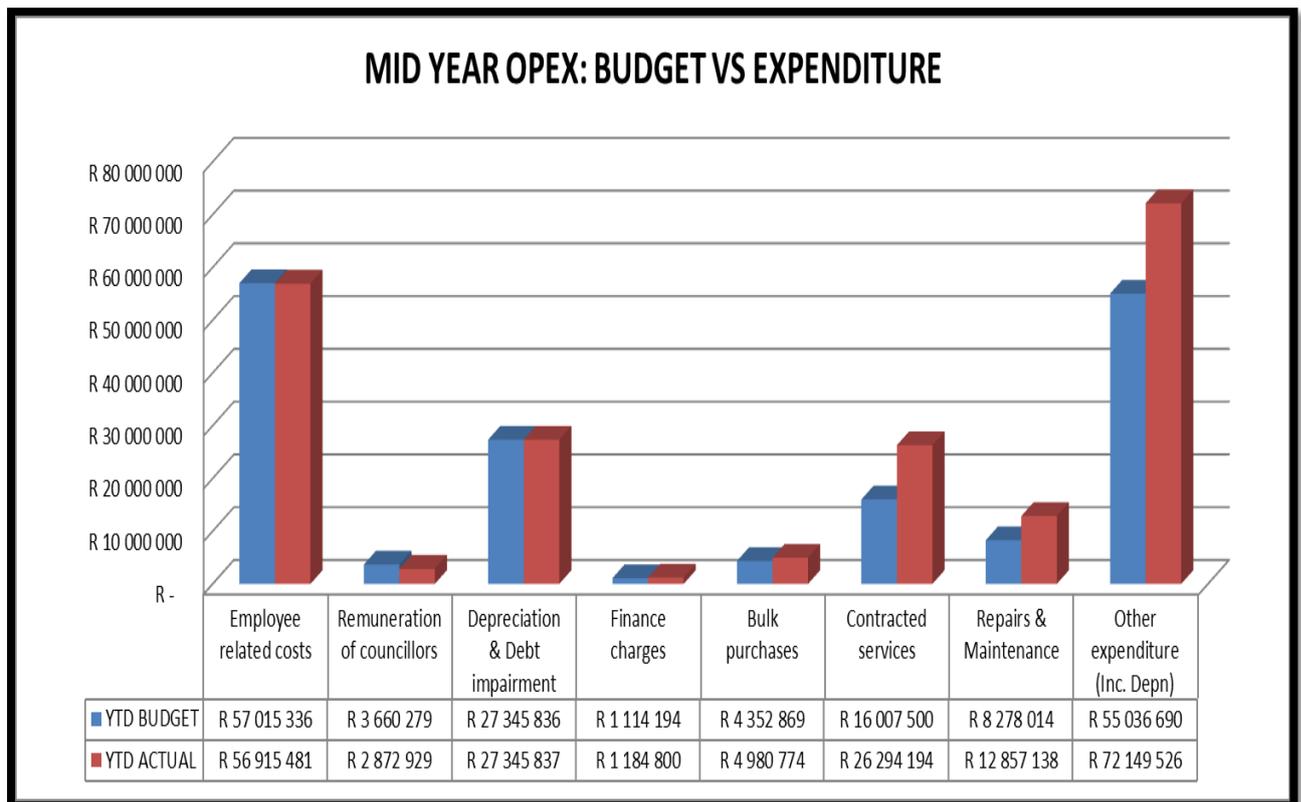
The YTD performance of other revenue has improved by 45% with YTD Actual of R703 324 compared to YTD Budget of R 484 000.

Adjustment Budget Implications: An upward adjustment would be necessary.

OPERATIONAL EXPENDITURE

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

Chart 4: Midyear Opex



Employee Related Costs

The YTD budget for employee related costs is R57million against a YTD actual of R56, 9million, the expenditure is within the budget.

Adjustment Budget Implications: Considering the appointment of additional staff that will commence their duties in the 3rd Quarter, an upward adjustment of this budget would be necessary.

Remuneration of Councillors

The remuneration of councillor's expenditure as at 31 December 2015 was R2, 8million against a budget of R3, 6million. An under expenditure of R787 350 resulted as at midyear.

Adjustment Budget Implications: None

Finance Charges

As at midyear, the finance charges budget has been underspent by 6%.

Adjustment Budget Implications: An increase in this budget would have to be effected.

Bulk Purchases

The expenditure on Bulk Water purchases has overspent by R 627 905 when comparing to the year to date actual of R 4, 9million against year to date budget of R4, 3million.

Adjustment Budget Implications: An increase in bulk water purchases would have to be effected.

Other Expenditure

The YTD actual was R72, 1million against YTD budget of R55 million citing an over expenditure of R17 million. An analysis of the five (5) line items with the highest over expenditures is depicted in the table below.

Ten over expenditure line items for the 2015/2016 mid- year.

Votenummer	Description	Budget/OpenBal	Curr Mth Exp	YTD Movement	Balance
0060-15-1-20-8055	EMERGENCY SEWER INTERVENTION	R 2 200 000	R 2 089 208	R 6 875 661	R -4 675 661
0060-15-1-20-8060	EMERGENCY WATER INTERVENTION	R 2 200 000	R 1 584 800	R 5 971 279	R -3 771 279
0060-15-1-60-2530	MECHANICAL & ELECTRICAL - R&M	R 3 000 000	R 2 774 433	R 5 778 866	R -2 778 866
0060-60-1-26-4660	REFURBISHMENT OF UMZIMKHULU	R 3 500 000	R 1 336 978	R 5 864 952	R -2 364 952
0060-90-1-26-4659	REFURBISHMENT OF UBUHLEBEZWE	R 2 500 000	R 708 992	R 3 475 517	R -975 517
0060-15-1-20-1020	ASSESSMENT OF ASSET REGISTER	R 800 000	R 343 296	R 1 681 921	R -881 921
0060-15-1-20-7460	WATER SCHEMES ELECTRICITY	R 2 500 000	R 739 014	R 3 221 920	R -721 920
0020-05-1-20-0610	COMPUTER LICENCES FINANCIAL SYSTEMS	R 202 358	R -	R 826 075	R -623 717
0060-90-1-60-5530	MAINTANANCE OF UBUHLEBEZWE SCHEMES	R 1 500 000	R 799 244	R 1 815 355	R -315 355
0060-60-1-60-5540	MAINTANANCE OF UMZIMKHULU SCHEMES	R 2 500 000	R 943 200	R 2 800 045	R -300 045

Adjustment Budget Implications: An analysis of the non-priority and priority line items would have to be done to assess the need and extent of the adjustments.

Performance assessment

The Mid-Year Performance Assessment Report is an important instrument which allows the municipality to learn and appreciate the extent to which planned targets have been met. But of critical importance is the fact that the findings of the assessment allows the municipality to quickly detect challenges and bottlenecks that may prohibit the successful implementation of projects, particularly in the long- run. It further affords the municipality an opportunity to change the strategies used especially when the planned targets were not met within the agreed time-frame, budget and standards.

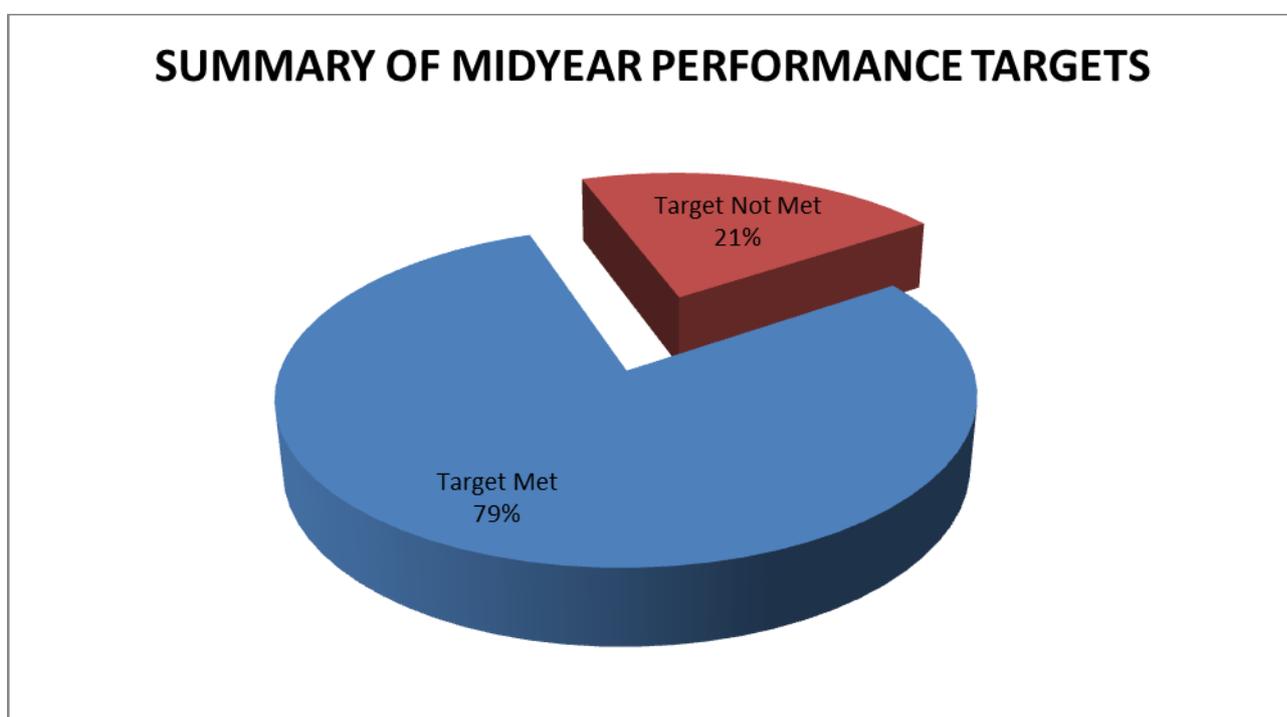


Chart 5 above provides a summary of the targets achieved or met (79%) as well the targets not met (21%). It can be stated that the performance of the municipality at midyear is above average; however there is still more room for improvement. There is a reasons why some of the targets could not be met, and as such, the Performance Management unit has listed all the possible challenges that have hindered/ contributed to non- performance or non -implementation of the 35% targets not met.

Chart 6 below provides an analysis of the planned targets versus the targets achieved and the ones not met.

Chart 6: Departmental performance targets

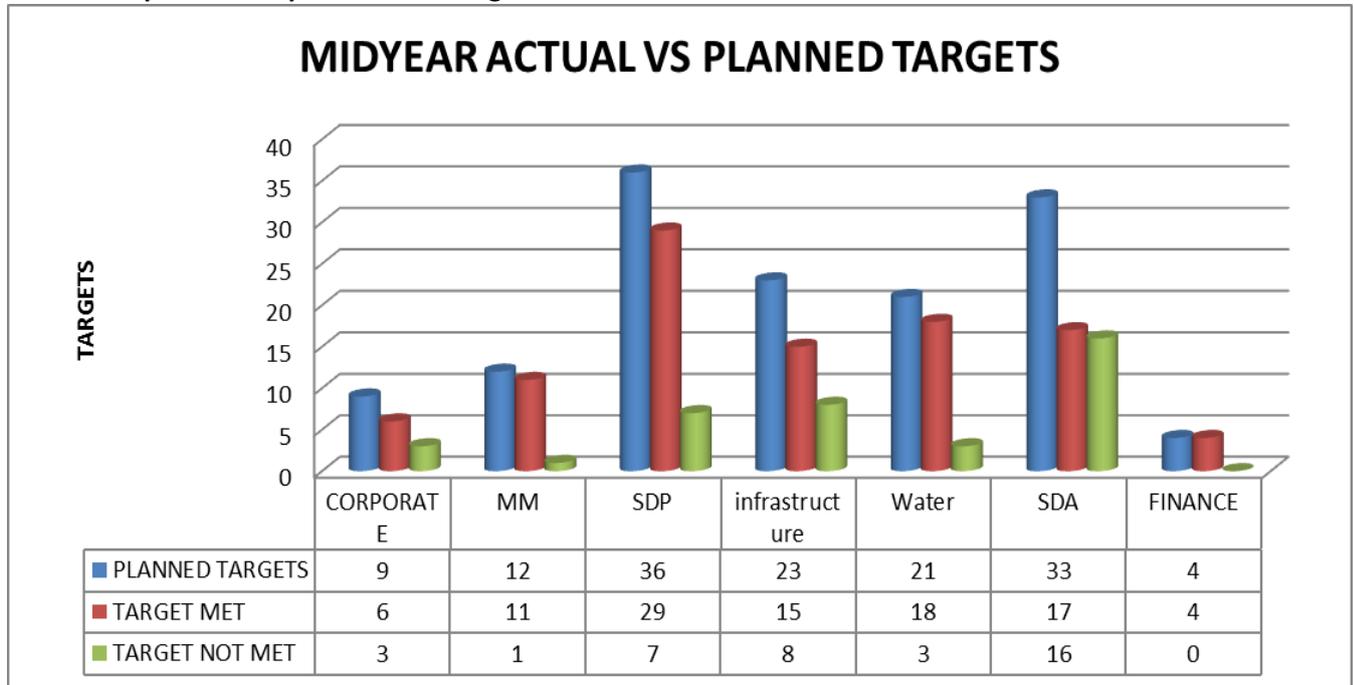
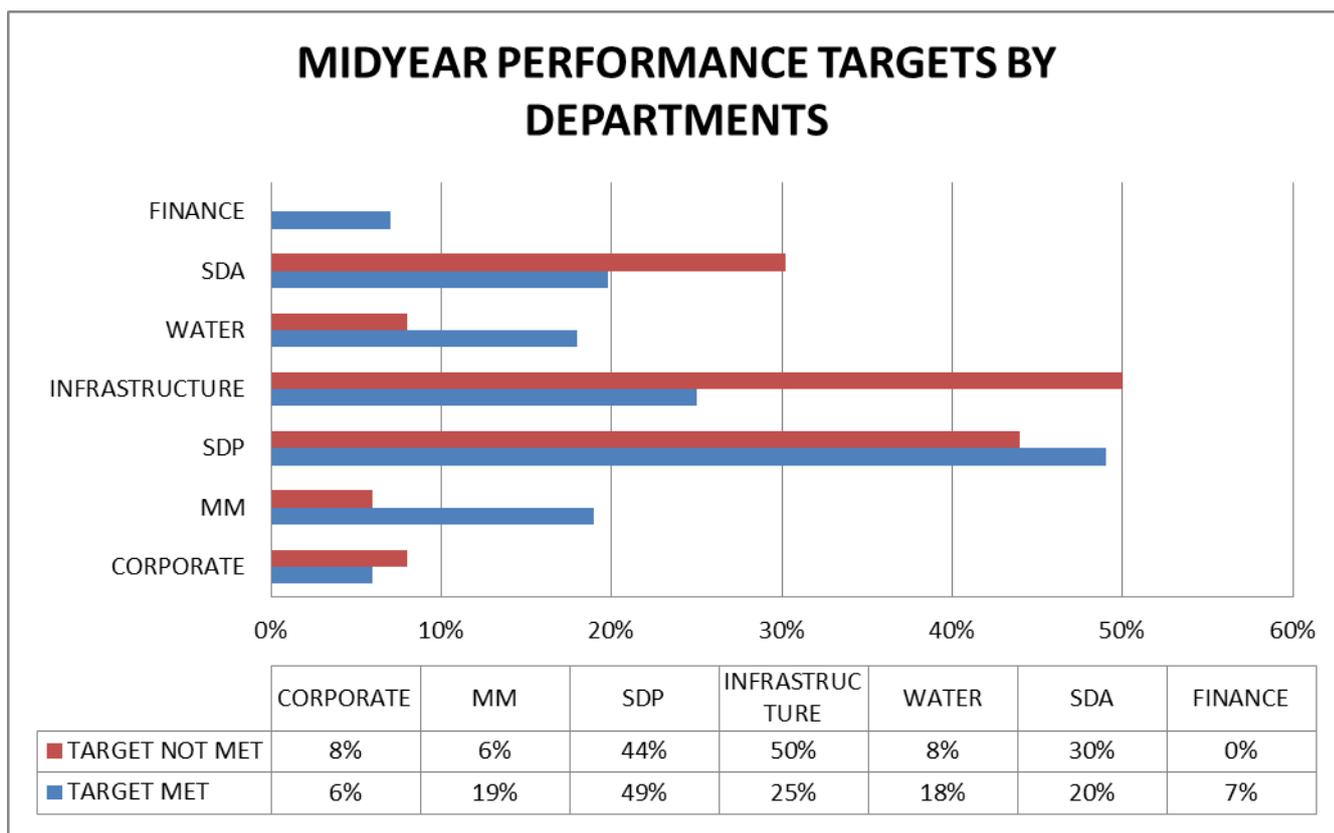


Chart 7 below analyses the extent to which performance targets, in percentage terms, were met by ranking departments from the highest (achieved) to the lowest.

Chart 7: Performance targets Departments



Below, the PMS unit has further rendered possible remedies to all the challenges as we move the second half of the year.

GENERAL OBSERVATION BY THE MUNICIPAL MANAGER

1. Looking at the findings above it is noted that performance exceeds non -performance even though it is not with a substantial margin.
2. The department of Infrastructure Services performance and that of Social and Development Planning impacted adversely on the performance of the organization as a whole.
3. The Budget and Treasury Office and the Office of the Municipal Manager successfully performed their duties with little or immaterial challenges.

RECOMMENDATIONS BY THE MUNICIPAL MANAGER

1. In order to give effect to the material challenges observed above, particular in the Infrastructure and Social and Development Planning Department, It is recommended that the Council of Harry Gwala District Municipality considers review the performance targets and

performance indicators downwards in last half of the 2015-2016 Service Delivery and Budget Implementation Plan.

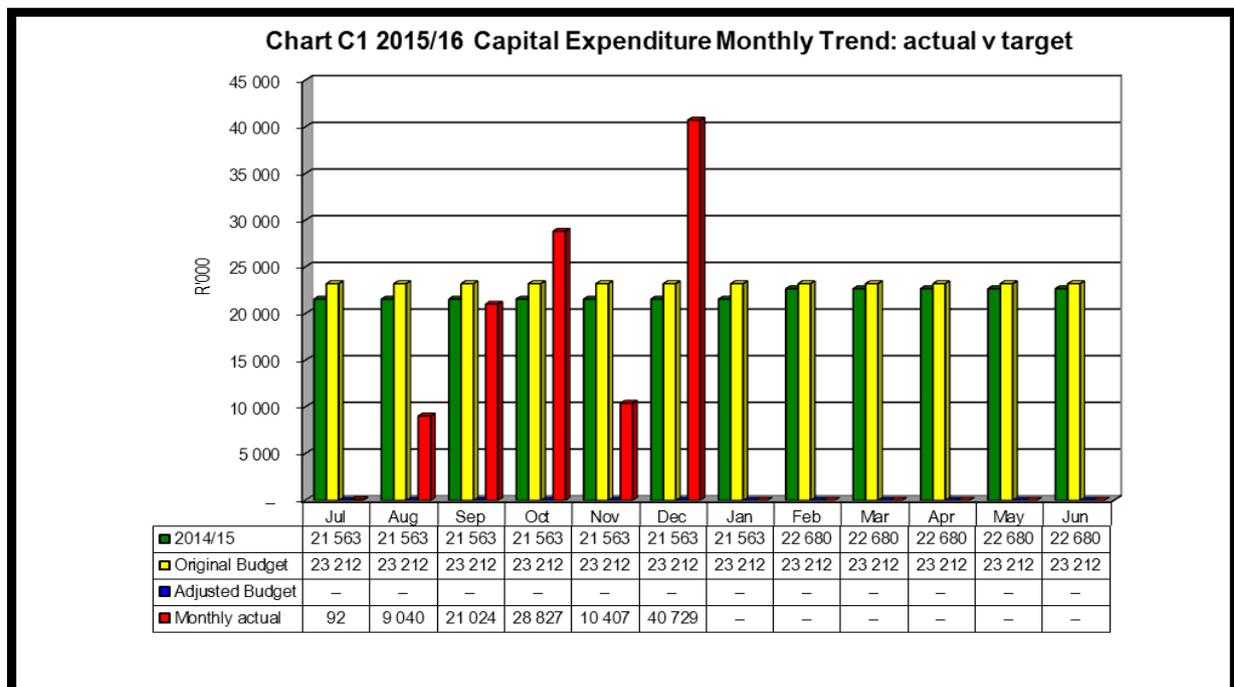
- The recommendation above should also take into account the financial performance of the municipality in the first half of the year. It is anticipated that material challenges in the financial performance will either have positive or negative on none financial service delivery targets and indicators.

2.7 Capital Programme Performance

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

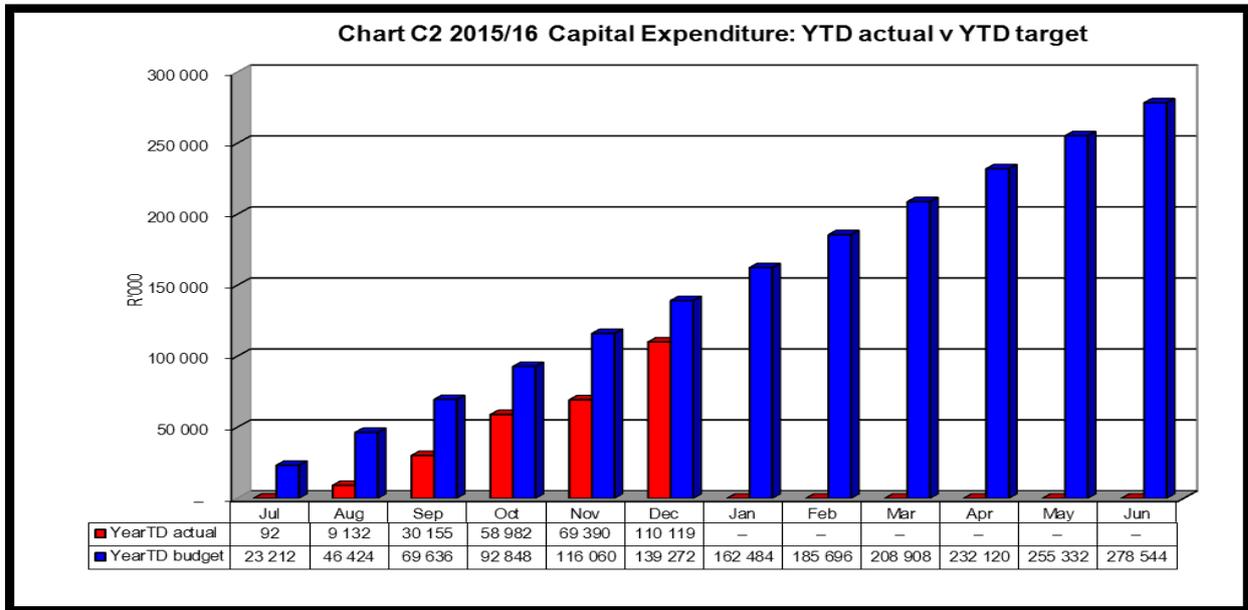
Chart C1 below display a comparison between the previous year’s capital expenditure performance to that of the current year for the period under review. A comparison between the monthly expenditure for the periods July to December 2015 and the planned monthly targets is also displayed.

Chart C1: 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.

Chart C2: 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 maintained or increased at the trends experienced in December 2015.

2.8 Municipal Manager's Quality's Certification

Quality Certificate

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

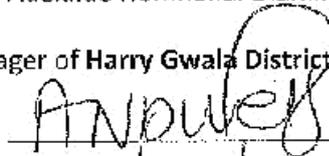
- the monthly budget statement
- quarterly report on the implementation of the budget and financial state affairs of the municipality
- mid-year budget and performance assessment

The performance for the month of **31 December** of **2015** 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 (DC43)

Signature



Date

25/01/2016