



**MID YEAR BUDGET AND**  
**PERFORMANCE**  
**ASSESSMENT**  
**2013/2014**

## MID YEAR BUDGET & PERFORMANCE ASSESSMENT REPORT- 31 DECEMBER 2013

### 1.1 Purpose

The purpose of the report is to present to the Mayor an assessment report on the Municipality's performance covering the period 1st July 2013 - 31 December 2013, as required by legislation.

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## 1.2 Legal and or Statutory Requirement

- 1.2.1 In terms of section 72 of the MFMA 56 of 2003 the Accounting Officer must by the 25 January of each year assess the performance of the municipality during the first half of the financial year and submit a report on assessment to the Honourable Mayor and Treasury. The mid-year budget and performance assessment review must make recommendations as to whether an adjustments budget is necessary.
- 1.2.2 Subsequent to that; In terms of section 52(d), the mayor must within 30 days of the end of each quarter, submit a report to the council, on the implementation of the budget and the financial state of affairs of the municipality.

## 1.3 Background Exposition, Facts and or Proposal

The Mid-Year Budget and Performance Report is a valuable resource that assists the municipality, its policy makers, municipal councils and the public assessing the impact of government policies and the resources allocated to implement them.

The Accounting Officer shall in terms of s71 of the MFMA 56 of 2003 consider:

- (I) the monthly statements referred to in s71 for the first half of the year;
- (II) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets & performance indicators set in the Service Delivery Budget Implementation Plan;
- (III) The past year's annual report, and progress on resolving problems identified in the annual report.

There after the Mayor shall in terms of s54 of the MFMA 56 of 2003 (1):

- (I) consider the report;
- (II) check whether the municipality's approved budget is implemented in accordance with the service delivery & budget implementation plan;
- (III) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;
- (IV) issue any appropriate instructions to the accounting officer to ensure-
  - a. that the budget is implemented in accordance with the service delivery and budget implementation plan; and
  - b. that spending of funds and revenue collection proceed in accordance with the budget;
- (v) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and
- (VI) Submit the report to the council by the 31 January

The Mid-Year Budget & Performance Assessment Report shall support municipal councils in assessing progress made in implementing government programmes funded through the equitable share and

EC124 Amahlathi - Table C1 Monthly Budget Statement Summary - M06  
December

Description	2012/13	Budget Year 2013/14							
	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	-	8 564	-	(1)	9 353	8 549	804	9%	8 564
Service charges	-	32 219	-	2 236	17 608	16 109	1 499	9%	32 219
Investment revenue	-	5 500	-	161	2 866	2 750	116	4%	5 500
Transfers recognised - operational	-	103 191	-	300	44 545	51 595	(7 050)	-14%	103 191
Other own revenue	-	3 837	-	768	2 586	1 918	668	35%	3 837
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	<b>153 310</b>	-	<b>3 464</b>	<b>76 958</b>	<b>80 922</b>	<b>(3 964)</b>	<b>-5%</b>	<b>153 310</b>
Employee costs	-	52 996	-	3 959	24 393	26 497	(2 104)	-8%	52 996
Remuneration of Councillors	-	13 274	-	902	5 524	6 637	(1 113)	-17%	13 274
Depreciation & asset impairment	-	7 034	-	1 522	9 134	3 517	5 617	160%	7 034
Finance charges	-	111	-	55	55	55	0	0%	111
Materials and bulk purchases	-	20 330	-	1 347	9 037	10 165	(1 128)	-11%	20 330
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	-	59 564	-	4 468	27 191	29 781	(2 591)	-9%	59 564
<b>Total Expenditure</b>	-	<b>153 310</b>	-	<b>12 253</b>	<b>75 334</b>	<b>76 653</b>	<b>(1 319)</b>	<b>-2%</b>	<b>153 310</b>
<b>Surplus/(Deficit)</b>	-	-	-	<b>(8 789)</b>	<b>1 624</b>	<b>4 268</b>	<b>(2 645)</b>	<b>-62%</b>	-
Transfers recognised - capital	-	32 058	-	8 984	29 110	16 029	13 081	82%	32 058
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	<b>32 058</b>	-	<b>195</b>	<b>30 734</b>	<b>20 298</b>	<b>10 436</b>	<b>51%</b>	<b>32 058</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	-	<b>32 058</b>	-	<b>195</b>	<b>30 734</b>	<b>20 298</b>	<b>10 436</b>	<b>51%</b>	<b>32 058</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	-	<b>74 465</b>	-	<b>1 019</b>	<b>10 972</b>	<b>37 232</b>	<b>(26 260)</b>	<b>-71%</b>	<b>74 465</b>
Capital transfers recognised	-	32 058	-	269	4 017	16 029	(12 012)	-75%	32 058
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	42 406	-	751	6 955	21 203	(14 248)	-67%	42 406
<b>Total sources of capital funds</b>	-	<b>74 465</b>	-	<b>1 019</b>	<b>10 972</b>	<b>37 232</b>	<b>(26 260)</b>	<b>-71%</b>	<b>74 465</b>
<b>Financial position</b>									
Total current assets	-	109 836	-	-	197 216	-	-	-	109 836
Total non current assets	-	424 557	-	-	358 964	-	-	-	424 557
Total current liabilities	-	39 356	-	-	34 010	-	-	-	39 356
Total non current liabilities	-	21 826	-	-	18 225	-	-	-	21 826
<b>Community wealth/Equity</b>	-	<b>473 211</b>	-	-	<b>503 945</b>	-	-	-	<b>473 211</b>
<b>Cash flows</b>									
Net cash from (used) operating	-	39 093	-	1 718	39 868	23 815	16 054	67%	7 034
Net cash from (used) investing	-	(74 465)	-	(1 019)	(10 972)	21 128	(32 100)	-152%	(74 465)

Net cash from (used) financing Cash/cash equivalents at the month/year end	-	-	-	-	-	-	-	-	-
	-	(35 372)	-	-	28 896	44 942	(16 046)	-36%	(67 431)
<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>
<u>Debtors Age Analysis</u>									
Total By Income Source	3 036	1 707	165 <sup>1</sup>	50 123	-	-	-	-	56 032
<u>Creditors Age Analysis</u>									
Total Creditors	263	1 805	739	169	-	-	-	-	2 975

conditional grants allocated to the municipality. It will also assist political office bearers in evaluating future plans for the municipality's critical services.

The *report* also identifies a range of challenges that will need to be addressed to ensure faster service delivery in the period ahead. It thus serves as both an accountability and future planning document. The report has been prepared as promulgated in the Government Gazetted no 32141 of 17 April 2009 regarding Municipal Budget & Reporting Regulations which requires that specific financial information be reported on and in the formats prescribed.

## 2. SUMMARY

The original budget indicate that at the end of the first half of the financial year, Operating Expenditure should be R 76 653 000; which is 50% of the Total Operational Budget of R 153 310 000. As at end of December 2013, the Municipality manage to spend 49% of the total operating budget.

Capital Expenditure should be R 37 232 000; which is 50% of the Annual Capital Budget of R 74 465 000. The municipality managed to spend 14.7% of the capital expenditure and is reflecting under expenditure of 71% for the first six months. This is due to underspending on MIG and Own funded capital projects.

Total Revenue is R 76 958 000 which is 50.19% of the annual budget of R 153 310 000. The revenue collected is more than 50%, but still less than the anticipated revenue due to the fact that the second trench of the Equitable share amounting to R 32 240 000 was receipted in January 2014, and therefore does not appear in the report. The R 42 406 333 is funded from the Municipal Reserves, as approved by council.

### 3. STATEMENT OF FINANCIAL PERFORMANCE

#### 3.1 Actual Revenue and Expenditure per Revenue Source & Expenditure Type

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2012/13	Budget Year 2013/14							
		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		–	8 564	–	(1)	9 353	8 549	804	9%	8 564
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		–	25 812	–	1 617	13 908	12 906	1 002	8%	25 812
Service charges - water revenue		–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue		–	–	–	–	–	–	–	–	–
Service charges - refuse revenue		–	6 407	–	619	3 700	3 204	497	16%	6 407
Service charges - other		–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		–	128	–	3	70	64	6	9%	128
Interest earned - external investments		–	5 500	–	161	2 866	2 750	116	4%	5 500
Interest earned - outstanding debtors		–	–	–	–	–	–	–	–	–
Dividends received		–	–	–	–	–	–	–	–	–
Fines		–	–	–	–	–	–	–	–	–
Licences and permits		–	2 140	–	68	1 264	1 070	194	18%	2 140
Agency services		–	–	–	–	–	–	–	–	–
Transfers recognised - operational		–	103 191	–	300	44 545	51 595	(7 050)	-14%	103 191
Other revenue		–	1 569	–	698	1 253	785	468	60%	1 569
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>		–	<b>153 310</b>	–	<b>3 464</b>	<b>76 958</b>	<b>80 922</b>	<b>(3 964)</b>	<b>-5%</b>	<b>153 310</b>
<b>Expenditure By Type</b>										
Employee related costs		–	52 996	–	3 959	24 393	26 497	(2 104)	-8%	52 996
Remuneration of councillors		–	13 274	–	902	5 524	6 637	(1 113)	-17%	13 274
Debt impairment		–	7 358	–	613	3 679	3 679	–	–	7 358
Depreciation & asset impairment		–	7 034	–	1 522	9 134	3 517	5 617	160%	7 034
Finance charges		–	111	–	55	55	55	0	0%	111
Bulk purchases		–	20 330	–	1 347	9 037	10 165	(1 128)	-11%	20 330
Other materials		–	–	–	–	–	–	–	–	–
Contracted services		–	1 520	–	5	615	760	(144)	-19%	1 520
Transfers and grants		–	–	–	–	–	–	–	–	–
Other expenditure		–	50 687	–	3 850	22 896	25 342	(2 446)	-10%	50 687
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–
<b>Total Expenditure</b>		–	<b>153 310</b>	–	<b>12 253</b>	<b>75 334</b>	<b>76 653</b>	<b>(1 319)</b>	<b>-2%</b>	<b>153 310</b>
<b>Surplus/(Deficit)</b>										
Transfers recognised - capital		–	32 058	–	8 984	29 110	16 029	13 081	0	32 058
Contributions recognised - capital		–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		–	<b>32 058</b>	–	<b>195</b>	<b>30 734</b>	<b>20 298</b>			<b>32 058</b>
Taxation		–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after taxation</b>		–	<b>32 058</b>	–	<b>195</b>	<b>30 734</b>	<b>20 298</b>			<b>32 058</b>
Attributable to minorities		–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) attributable to municipality</b>		–	<b>32 058</b>	–	<b>195</b>	<b>30 734</b>	<b>20 298</b>			<b>32 058</b>
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–
<b>Surplus/ (Deficit) for the year</b>		–	<b>32 058</b>	–	<b>195</b>	<b>30 734</b>	<b>20 298</b>			<b>32 058</b>

### 3.1.1 Variance Report

The municipality should in terms of s71(1)(g) of the MFMA, when necessary provide an explanation of any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote, and any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget. All Departmental Heads will comment and indicate remedial actions where necessary on their performance reports.

#### 3.1.1.1 Actual Revenue Variance

The municipality is receiving revenue from Grants (both conditional and unconditional), property rates, Services (Electricity, refuse removal), Revenue on rental, interest on investments, licences and penalties etc.

**Transfers recognised – operational-** Although the report is reflecting under collection of 14% on grants, an amount of R 32 240 000 was received and was receipted in January 2014.

**Property Rates –** The amount budgeted for on property rates is less than the amount already billed on properties based on the latest valuation and the supplementary valuations. This is due to the fact that the amount budgeted was calculated based on the prior year budget, not the prior actual revenue. This will be adjusted through the adjustment budget.

**Service Charges –** The actual revenue on service charges indicate over collection of 16% compared to the anticipated revenue of R 12 906 000 at the end of the first six months of the financial year. This is due to high volumes on electricity purchases. It should also be noted that while the approved tariff was received after the budget was adopted from NERSA, the tariff charged is based on the NERSA approved tariff and tariff adjustment will be done on the revised budget to align the tariff approved by Council to the one approved by NERSA.

**Other Income-** Other revenue indicate over collection of 60% when compared to anticipated revenue for the first six months. This is due to increase in fire brigade revenue, land use application revenue and other revenue.

**Other Revenue Sources –** The actual revenue does not indicate any material variance on other revenue sources, when compared to the anticipated revenue as at the end of the first six months of the financial year.

### 3.1.1.2 Actual Expenditure Variance

**Employee Related Costs** - The actual expenditure is less than the budget anticipated revenue for the first six months due to the fact that the Municipality budgeted 10.5% for the salary increase and the approved salary increase was 6.84%. Also the impact of the vacant positions that are budgeted for is contributing to the under expenditure on employee related costs. The adjustment will be done on the adjustment budget to incorporate this variance.

**Remuneration of Councillors** – The remuneration of councillors is reflecting an under spending when compared to the anticipated budget amount of R 6 637 000 for the first six months of the financial year. This is due to the fact that the gazette for the remuneration of councillors and other office bearers is not yet issued by the Minister, therefore the councillors are still paid on Gazette No 35962 that was issued in December 2012 for the 2012/2013 financial year. Once the gazette is issued and implemented, the expenditure will change, therefore the under-spending cannot be seen as savings.

**Depreciation** – The budgeted amount was based on the prior year budget, and the 2013 audited financial statements reflect an amount of R 18 520 252 on existing assets. This therefore means that the depreciation was under budgeted, and therefore the budget amount needs to be increased in the adjustment budget.

**Contracted Services** - The actual expenditure is reflecting under spending of 19% when compared to the anticipated budget for the first six months of the financial year. This is due to the decrease in expenditure on security and vehicle tracking.



### 3.2 Actual Capital Expenditure per Vote

EC124 Amahlathi - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - M06 December

Vote Description	Ref	2012/13	Budget Year 2013/14							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>Multi-Year expenditure appropriation</b>	2									
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-
Vote 2 - BUDGET & TREASURY OFFICE		-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-
Vote 4 - PLANNING & DEVELOPMENT		-	-	-	-	-	-	-	-	-
Vote 5 - HEALTH		-	-	-	-	-	-	-	-	-
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	-	-	-	-	-	-	-	-
Vote 7 - HOUSING		-	-	-	-	-	-	-	-	-
Vote 8 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-
Vote 9 - SPORT & RECREATION		-	-	-	-	-	-	-	-	-
Vote 10 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-
Vote 11 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY		-	-	-	-	-	-	-	-	-
Vote 13 - ENVIORNMENTAL PROTECTION		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Capital Multi-year expenditure</b>	4,7	-	-	-	-	-	-	-	-	-
<b>Single Year expenditure appropriation</b>	2									
Vote 1 - EXECUTIVE & COUNCIL		-	778	-	-	350	389	(39)	-10%	778
Vote 2 - BUDGET & TREASURY OFFICE		-	92	-	-	10	46	(36)	-78%	92
Vote 3 - CORPORATE SERVICES		-	1 095	-	89	426	547	(122)	-22%	1 095
Vote 4 - PLANNING & DEVELOPMENT		-	1 324	-	399	436	662	(226)	-34%	1 324
Vote 5 - HEALTH		-	-	-	-	-	-	-	-	-
Vote 6 - COMMUNITY & SOCIAL SERVICES		-	11 162	-	60	84	5 581	(5 497)	-98%	11 162
Vote 7 - HOUSING		-	17	-	-	1	8	(8)	-92%	17
Vote 8 - PUBLIC SAFETY		-	188	-	-	-	94	(94)	-100%	188
Vote 9 - SPORT & RECREATION		-	355	-	-	20	177	(158)	-89%	355
Vote 10 - WASTE MANAGEMENT		-	2 166	-	-	13	1 083	(1 070)	-99%	2 166
Vote 11 - ROAD TRANSPORT		-	49 749	-	455	9 551	24 875	(15 324)	-62%	49 749
Vote 12 - ELECTRICITY		-	7 524	-	17	82	3 762	(3 679)	-98%	7 524
Vote 13 - ENVIORNMENTAL PROTECTION		-	15	-	-	-	8	(8)	-100%	15
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
<b>Total Capital single-year expenditure</b>	4	-	74 465	-	1 019	10 972	37 232	(26 260)	-71%	74 465
<b>Total Capital Expenditure</b>		-	74 465	-	1 019	10 972	37 232	(26 260)	-71%	74 465
<b>Capital Expenditure - Standard Classification</b>										
<b>Governance and administration</b>		-	1 965	-	89	786	982	(196)	-20%	1 965
Executive and council		-	790	-	-	351	395	(44)	-11%	790
Budget and treasury office		-	80	-	-	9	40	(31)	-77%	80
Corporate services		-	1 095	-	89	426	547	(122)	-22%	1 095
<b>Community and public safety</b>		-	12 901	-	216	861	6 451	(5 590)	-87%	12 901
Community and social services		-	11 177	-	60	84	5 588	(5 504)	-98%	11 177
Sport and recreation		-	355	-	-	20	177	(158)	-89%	355
Public safety		-	1 352	-	156	757	676	80	12%	1 352
Housing		-	17	-	-	1	8	(8)	-92%	17
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	50 048	-	575	9 108	25 024	(15 916)	-64%	50 048
Planning and development		-	1 324	-	399	436	662	(226)	-34%	1 324
Road transport		-	48 724	-	175	8 673	24 362	(15 690)	-64%	48 724
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	9 551	-	141	217	4 775	(4 558)	-95%	9 551
Electricity		-	7 385	-	11	75	3 692	(3 617)	-98%	7 385
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	2 166	-	129	142	1 083	(941)	-87%	2 166
<b>Other</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard Classification</b>	3	-	74 465	-	1 019	10 972	37 232	(26 260)	-71%	74 465
<b>Funded by:</b>										
National Government		-	32 058	-	269	4 017	16 029	(12 012)	-75%	32 058
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		-	32 058	-	269	4 017	16 029	(12 012)	-75%	32 058
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	42 406	-	751	6 955	21 203	(14 248)	-67%	42 406
<b>Total Capital Funding</b>		-	74 465	-	1 019	10 972	37 232	(26 260)	-71%	74 465

### 3.2.1 Capital Expenditure Variance

The capital Expenditure is reflecting underspending when compared to the anticipated revenue for the first six months of the financial year due to the following:

The budget for furniture and office equipment is significantly low, due to the positions that were budgeted for, which are not yet filled, and those that are filled, but furniture could not be purchased due to the absence of office space.

The R 10m budgeted for office building is not yet spent, due to the fact that the amount is not enough for the building of offices, and it needs to be increased through budget on the coming financial years. The short-term remedial action approved by council is the rental of offices from the available funds.

Some of the project budgeted for in the overall capital budget are going to be implemented in the third and fourth quarter of the financial year, as per the Municipal SDBIP.

65% of the capital budget is allocated for the improvement of roads infrastructure within the Municipality. The spending in this area is very slow at the moment, and as a result MIG is at 12.5% of the total budgeted amount. A concern was raised through the monthly section 71 reports. A plan was tabled by Engineering Services that will improve the spending trend on roads.

10% of the capital budget is allocated to Electricity infrastructure and only 2% of the anticipated budget for the first six months of the financial year is spend to-date. This is a concern, as this is income generating infrastructure.

### 3.3 Financial Management

#### EC124 Amahlathi - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2012/13	Budget Year 2013/14			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		–	3 423	–	28 896	3 423
Call investment deposits		–	89 318	–	160 059	89 318
Consumer debtors		–	6 203	–	4 568	6 203
Other debtors		–	9 303	–	2 332	9 303
Current portion of long-term receivables		–	202	–	202	202
Inventory		–	1 386	–	1 160	1 386
<b>Total current assets</b>		–	<b>109 836</b>	–	<b>197 216</b>	<b>109 836</b>
<b>Non current assets</b>						
Long-term receivables		–	222	–	222	222
Investments		–	–	–	–	–
Investment property		–	3 155	–	3 155	3 155
Investments in Associate		–	–	–	–	–
Property, plant and equipment		–	421 004	–	355 412	421 004
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		–	175	–	175	175
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		–	<b>424 557</b>	–	<b>358 964</b>	<b>424 557</b>
<b>TOTAL ASSETS</b>		–	<b>534 393</b>	–	<b>556 180</b>	<b>534 393</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		–	196	–	196	196
Consumer deposits		–	438	–	464	438
Trade and other payables		–	35 298	–	30 497	35 298
Provisions		–	3 424	–	2 853	3 424
<b>Total current liabilities</b>		–	<b>39 356</b>	–	<b>34 010</b>	<b>39 356</b>
<b>Non current liabilities</b>						
Borrowing		–	221	–	221	221
Provisions		–	21 605	–	18 005	21 605
<b>Total non current liabilities</b>		–	<b>21 826</b>	–	<b>18 225</b>	<b>21 826</b>
<b>TOTAL LIABILITIES</b>		–	<b>61 182</b>	–	<b>52 236</b>	<b>61 182</b>
<b>NET ASSETS</b>	2	–	<b>473 211</b>	–	<b>503 945</b>	<b>473 211</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		–	473 211	–	503 945	473 211
Reserves		–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	–	<b>473 211</b>	–	<b>503 945</b>	<b>473 211</b>

#### Cash Management and investments

Management of council's funds is being done through the primary bank account and call deposit accounts. The municipality has draft investment policy in place, and need to be approved by council. As required by section 13 of the MFMA surplus funds are being invested accordingly and as stipulated in the investment regulation.

## Outstanding Debtors

The Municipality is managing to achieve an average collection of more than 80% when comparing the actual billed amount and the collected revenue. This is including the amount paid by government departments on old debt and does not include the long outstanding debtor's amount, which were impaired in the 2013 financial statements. The collection rate is not as good as it should be due to the fact that a resolution was taken by council to suspend the section of the credit control policy that allow the BTO to hand over the debtors to legal firms for collection. That resolution has recently been reviewed and the process of handing over will start again. The revenue enhancement strategy is being implemented, and some of the areas of focus are as follows:

- Data Cleansing to ensure that the accounts are sent to the correct addresses, and to ensure that the debtors billed are existing debtors.
- Writing off of long outstanding debt, after taking necessary steps to ensure that the debt may not be recovered.
- Writing off the deceased debtors from debtor's book, to reduce the amount of long outstanding debtor sitting in the Municipal books.
- Assist in the registration of indigent debtors, to ensure that proper accounting is followed on services provided to indigent debtors.
- Following up on long outstanding debt owed by the government departments, and big business. The target at the moment is all debt above R 10 000.00.

## Outstanding Creditors

Council attempts to process and settle all invoices within 7 to 14 days of receiving them, however by the end of December 2013, the Council was still in possession of invoices with dates that put them in more than 30 days. These were mainly due to incomplete supporting documentation which led to these not being released for payments. Also although the Council continue in trying to pay invoices within 30days, e-Venus accounting system only considers the invoice or order date and not the date the invoice was actually received by the Municipality when it generates the Age Creditors Analysis report.

### 3.4 Cash flow

The cash liquidity of ALM remains healthy and the Municipality is managing to invest some of the money that is not yet used. Council will continue to implement its financial expenditure controls as well as pursue other revenue enhancement strategies so that the healthy cash flow can be maintained. The cash from operating activities is less by the R 32 240 000 equitable share that was received in January 2014.

EC124 Amahlathi - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2012/13	Budget Year 2013/14							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Ratepayers and other		-	44 619	-	3 003	29 547	26 576	2 971	11%	44 619
Government - operating		-	103 191	-	300	44 545	51 595	(7 050)	-14%	103 191
Government - capital		-	32 058	-	8 984	29 110	16 029	13 081	82%	-
Interest		-	5 500	-	161	2 866	2 750	116	4%	5 500
Dividends		-	-	-	-	-	-	-		-
<b>Payments</b>										
Suppliers and employees		-	(146 165)	-	(10 730)	(66 200)	(73 081)	(6 881)	9%	(146 165)
Finance charges		-	(111)	-	-	-	(55)	(55)	100%	(111)
Transfers and Grants		-	-	-	-	-	-	-		-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	39 093	-	1 718	39 868	23 815	16 054	67%	7 034
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	-	-	-	-	-	-		-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
<b>Payments</b>										
Capital assets		-	(74 465)	-	(1 019)	(10 972)	21 128	32 100	152%	(74 465)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	(74 465)	-	(1 019)	(10 972)	21 128	32 100	152%	(74 465)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
<b>Payments</b>										
Repayment of borrowing		-	-	-	-	-	-	-		-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-		-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	(35 372)	-	698	28 896	44 942			(67 431)
Cash/cash equivalents at beginning:		-	-	-		-	-			-
Cash/cash equivalents at month/year end:		-	(35 372)	-		28 896	44 942			(67 431)

The areas of concern and for close monitoring are:

- Spending Trend on Capital Projects

Areas that warrant possible adjustment amongst others are:

- The alignment of the Electricity Tariff in the budget to the NERSA approved tariff – NERSA approved the tariff after the budget was approved by council. While the correct tariff is implemented in the Municipal accounting system, the budget need to be adjusted to incorporate the changes made by NERSA on the approved tariff structure.
- Salaries and wages (to adjust the budgeted amount in line with the outcome of the bargaining council on salary increase)

- Depreciation – The amount provided for depreciation in the budget is R 7 034 000, and the 2013 audited financial statements indicate an amount of R 18 520 250, including the infrastructure assets. Although the depreciation is a none cash item, the provision made is money that is put aside for the maintenance of assets, especial the income generating assets.
- Implementation of the Gazette on the determination of upper limits for remuneration of councillors.
- Roll-overs approved by council – The council has approved roll-overs on MIG projects, and these were approved by Treasury.
- Spending Trend on Capital Budget – The council should consider moving funds from project that are not spending to fund projects that are implementable, to ensure service delivery to the community.
- Rental for staff Accommodation - The Municipality is growing, and the available office accommodation is not enough for all staff, and while the process of having new office building to accommodate all staff requirements is becoming a long term plan, the temporal arrangement will be to rent offices, using a portion of the money that was put aside for the office building.
- Amathole District Municipality (Water and Sanitation Account) – A provision has to be made for the payment of long outstanding water and sanitation account. Also a budget has to be made available for the transfer of properties that are in the name of the Municipality, as the ADM is billing the municipality on those properties, and the process of transfer of the RDP houses by Human Settlement is moving at a very slow pace, while the Municipality is paying for the services provided in those houses.

After assessment of the mid-year report it is advisable that an adjustment budget is considered.

## **RECOMMENDATIONS.**

- (a) That the mid-year budget assessment report be noted and accepted.
- (b) An adjustments budget for the financial year 2013/14 is necessary;
- (c) That projections for revenue and expenditure be revised.