

2nd quarter budget and financial report 2017/2018

2017/2018 FINANCIAL YEAR



**MKHAMBATHINI
MUNICIPALITY**

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Part 1

1. Introduction

Section 54(F) of the Municipal Finance Management Act, No. 56 of 2003, states that “the mayor must in the case of a section 72 report, submit the report to the council by 31 January of each year”. In terms of this legislation, herein is the report of the performance assessment of the Municipality for the period ended 31 December 2017.

2. Executive Summary

2.1 Income

The financial performance of the municipality has been fairly stable over the past six months. Budgeted revenue projections were over-achieved by 32%, this over achievement is mainly due to Own Revenue and Grant and Subsidies. The table below summarizes the financial performance and detailed information is presented as per attached budget schedules.

Table 1: Summary of operating revenue for the period ended 31 December 2017

OPERATING REVENUE STATEMENT

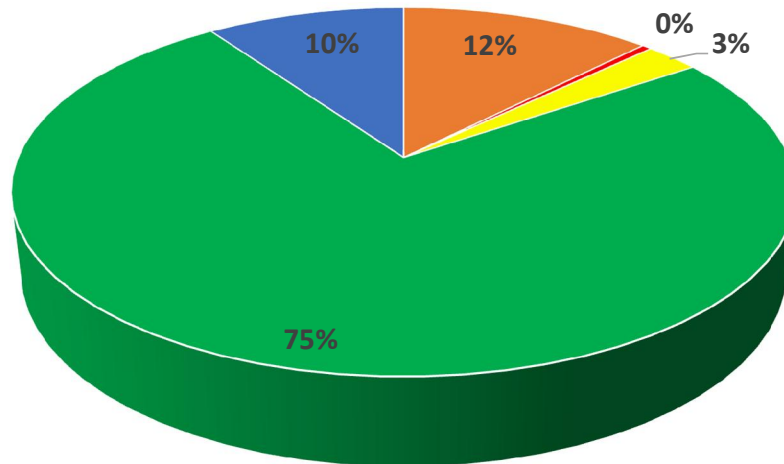
Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Property rates	12,663	13,435	–	1,057	6,349	6,254	95	2%	13,435
Service charges	500	531	–	41	248	265	(17)	-6%	531
Investment revenue	2,467	2,618	–	207	1,366	1,309	57	4%	2,618
Grant and subsidies	66,111	63,487	–	20,256	42,659	42,659	0	0%	63,487
Other own revenue	6,441	6,832	–	766	5,006	3,397	1,608	47%	6,832
Total Revenue	88,182	86,903	–	17,988	51,288	38,969	12,320	32%	86,903

The table above summarizes the income for the second quarter. This income excludes income from the transfer of capital grants. As it can be seen above, 32% of the projected income was achieved.

The figure below diagrammatically presents the income for the first quarter:

Figure 1: Operating income for the first quarter

% of Operational Revenue from Jul to Dec 2017



■ Property rates ■ Service charges ■ Investment revenue ■ Transfers and subsidies ■ Other own revenue

Transfers and Subsidies shows a 75% contribution to total income, while Property Rates income comprises 12% of the total income of municipality. Own Revenue contributed 10% and Investment contributed 3%.

2.2 Expenditure

The municipality incurred operational expenditure for the period ended 31 December 2017 of R 34 288 000, out of this expenditure amount, the municipality has incurred unforeseen expenditure which will have to be catered for during the budget adjustment in February. The report reflects an under expenditure on remuneration to councilors due to new upper limit that were received in December which will be back dated from July 2017.

Table 2: Summary of Operating Expenditure for the period ended 31 December 2017

OPERATING EXPENDITURE STATEMENT

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
Employee costs	27,056	32,247	-	3,902	16,701	17,088	(387)	-2%	32,247
Remuneration of Councillors	5,088	5,398	-	380	2,342	2,556	(214)	-8%	5,398

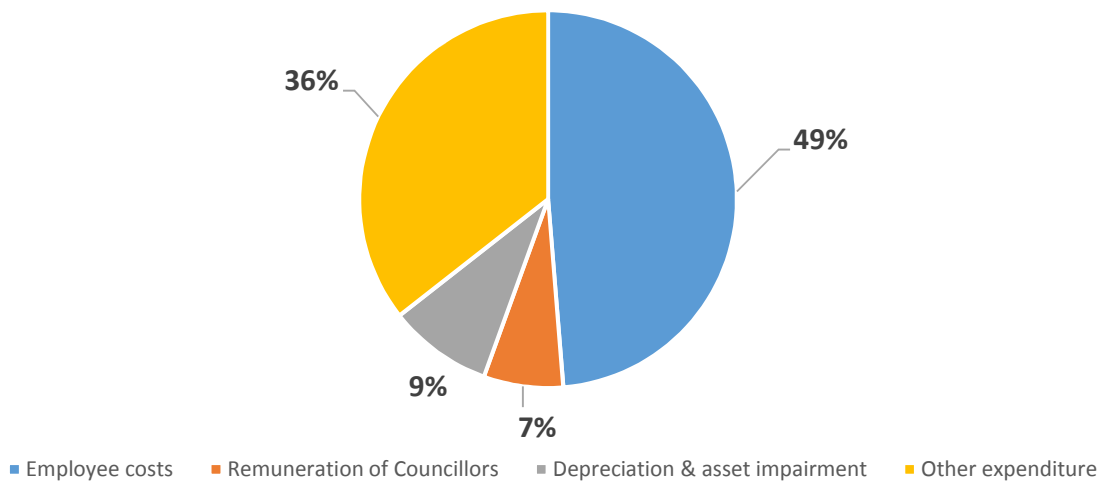
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Depreciation & asset impairment	6,000	6,100	-	-	3,050	3,050	-		6,100
Finance charges	184	196	-	-	-	-	-		196
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and subsidies	-	-	-	-	-	-	-		-
Other expenditure	45,964	42,820	-	6,855	12,194	14,422	(2,228)	-15%	42,820
Total Expenditure	84,292	86,761	-	11,137	34,288	37,116	(2,829)	-8%	86,761

Diagrammatically, the expenditure for the quarter is shown below:

Figure 2: Summary of Expenditure for the first quarter

% of Operational Expenditure from Jul to Dec 2017



As can be seen above, the salaries represents 49%, this is as a result of EPWP and Ward Committee members which does not form part of employee cost and will be adjusted accordingly. Remuneration of Councillors is 36%, depreciation and asset impairment is 9% and General Expenditure 7%.

Conclusion

The financial performance of the municipality for the second quarter has been stable and favorable. Revenue raised amounts to R 51 288 million compared to expenditure incurred of R 34 288 million resulting in a Positive variance of R 17 000 million.

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3. In-Year Budget Tables

Table 3: C1 Monthly Budget Statement Summary

KZN226 Mkhambathini - Table C1 Monthly Budget Statement Summary - Mid-Year Assessment

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									
Financial Performance									
Property rates	12,663	13,435	-	1,057	6,349	6,254	95	2%	13,435
Service charges	500	531	-	41	248	265	(17)	-6%	531
Investment revenue	2,467	2,618	-	207	1,366	1,309	57	4%	2,618
Transfers and subsidies	66,111	63,487	-	20,256	42,659	42,659	-		63,487
Other own revenue	6,441	6,832	-	766	5,006	3,397	1,608	47%	6,832
Total Revenue (excluding capital transfers and contributions)	88,182	86,903	-	22,327	55,628	53,885	1,744	3%	86,903
Employee costs	27,056	32,247	-	3,902	16,701	17,088	(387)	-2%	32,247
Remuneration of Councillors	5,088	5,398	-	380	2,342	2,556	(214)	-8%	5,398
Depreciation & asset impairment	6,000	6,100	-	-	3,050	3,050	-		6,100
Finance charges	184	196	-	-	-	98	(98)	-100%	196
Materials and bulk purchases	-	-	-	-	-	-	-		-
Transfers and subsidies	-	-	-	-	-	-	-		-
Other expenditure	45,964	42,820	-	6,855	12,194	14,422	(2,228)	-15%	42,820
Total Expenditure	84,292	86,761	-	11,137	34,288	37,215	(2,927)	-8%	86,761
Surplus/(Deficit)	3,890	142	-	11,190	21,340	16,670	4,671	28%	142
Transfers and subsidies - capital (monetary allocation)	15,626	16,285	-	2,193	9,050	8,143	908	11%	16,285
Contributions & Contributed assets	-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	19,516	16,427	-	13,384	30,391	24,812	5,578	22%	16,427
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	19,516	16,427	-	13,384	30,391	24,812	5,578	22%	16,427
Capital expenditure & funds sources									
Capital expenditure	20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985
Capital transfers recognised	15,626	16,285	-	2,193	9,050	8,143	908	11%	16,285
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	4,771	6,700	-	-	2,061	4,315	(2,254)	-52%	6,700
Total sources of capital funds	20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985
Financial position									
Total current assets	20,410	35,673	-	-	94,015	-	-		35,673
Total non current assets	133,465	129,248	-	-	127,950	-	-		129,248
Total current liabilities	7,800	8,000	-	-	17,485	-	-		8,000
Total non current liabilities	2,600	2,800	-	-	6,523	-	-		2,800
Community wealth/Equity	143,475	154,121	-	-	197,957	-	-	-	154,121
Cash flows									
Net cash from (used) operating	24,722	22,609	-	10,649	31,655	13,277	(18,379)	-138%	22,609
Net cash from (used) investing	(19,426)	(22,985)	-	(2,193)	(9,050)	(5,746)	3,304	-58%	(22,985)
Net cash from (used) financing	-	-	-	-	-	-	-		-
Cash/cash equivalents at the month/year end	42,556	36,885	-	-	75,421	44,791	(30,630)	-68%	52,440
Debtors & creditors analysis									
	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
Debtors Age Analysis									
Total By Income Source	915	575	-	622	280	585	4,799	13,937	21,713
Creditors Age Analysis									
Total Creditors	0	0	-	4	-	0	-	-	4

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Table 4: C2 Monthly Budget Statement – Financial Performance (Standard Classification)

KZN226 Mkhambathini - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - Mid-Year Assessment

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Functional										
Governance and administration		84,393	87,087	-	17,390	46,586	49,834	(3,248)	-7%	87,087
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration	84,393	87,087	87,087	-	17,390	46,586	49,834	(3,248)	-7%	87,087
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		2,536	2,435	-	304	1,385	1,482	(97)	-7%	2,435
Community and social services	2,536	2,435	2,435	-	304	1,385	1,482	(97)	-7%	2,435
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		4,840	5,136	-	281	2,846	2,330	517	22%	5,136
Planning and development	449	476	476	-	-	-	-	-	-	476
Road transport	4,391	4,660	4,660	-	281	2,846	2,330	517	22%	4,660
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		12,039	8,531	-	6,546	13,861	8,381	5,480	65%	8,531
Energy sources	11,539	8,000	8,000	-	6,546	13,861	8,381	5,480	65%	8,000
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management	500	531	531	-	-	-	-	-	-	531
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	103,808	103,188	-	24,521	64,679	62,027	2,652	4%	103,188
Expenditure - Functional										
Governance and administration		40,897	43,177	-	2,803	16,534	15,992	542	3%	43,177
Executive and council	7,802	10,126	10,126	-	803	4,667	4,896	(230)	-5%	10,126
Finance and administration	33,095	33,050	33,050	-	2,000	11,867	11,096	771	7%	33,050
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		17,860	16,220	-	1,790	7,032	5,467	1,565	29%	16,220
Community and social services	17,860	16,220	16,220	-	1,790	7,032	5,467	1,565	29%	16,220
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		25,534	27,363	-	6,544	10,722	15,755	(5,033)	-32%	27,363
Planning and development		-	-	-	-	-	-	-	-	-
Road transport	25,534	27,363	27,363	-	6,544	10,722	15,755	(5,033)	-32%	27,363
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	84,292	86,761	-	11,137	34,288	37,215	(2,927)	-8%	86,761
Surplus/ (Deficit) for the year		19,516	16,427	-	13,384	30,391	24,812	5,578	22%	16,427

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Table 5: C3 Monthly Budget Statement – Financial Performance (Revenue and Expenditure by Vote)

KZN226 Mkhambathini - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - Mid-Year

Vote Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote										
Vote 1 - Executive and Council	1	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury Office		68,765	70,803	-	17,390	46,586	49,834	(3,248)	-6.5%	70,803
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		1,253	1,089	-	180	872	810	62	7.7%	1,089
Vote 6 - Library		1,283	1,346	-	124	513	672	(159)	-23.6%	1,346
Vote 7 - Vehicle Registration and Testing		4,391	4,660	-	281	2,846	2,330	517	22.2%	4,660
Vote 8 - Solid Waste		500	531	-	-	-	-	-	-	531
Vote 9 - Technical Services		11,988	8,476	-	6,546	13,861	8,381	5,480	65.4%	8,476
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	88,180	86,904	-	24,521	64,679	62,027	2,652	4.3%	86,904
Expenditure by Vote										
Vote 1 - Executive and Council	1	5,994	7,144	-	537	3,404	3,514	(111)	-3.1%	7,144
Vote 2 - Municipal Manager		1,808	2,982	-	266	1,263	1,382	(119)	-8.6%	2,982
Vote 3 - Budget and Treasury Office		21,561	21,401	-	453	5,557	5,831	(274)	-4.7%	21,401
Vote 4 - Corporate Services		11,433	11,649	-	1,547	6,310	5,265	1,046	19.9%	11,649
Vote 5 - Community Services		15,486	13,697	-	1,667	6,532	4,486	2,046	45.6%	13,697
Vote 6 - Library		2,374	2,524	-	123	500	982	(482)	-49.1%	2,524
Vote 7 - Vehicle Registration and Testing		4,468	4,805	-	501	2,169	2,402	(234)	-9.7%	4,805
Vote 8 - Solid Waste		-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		21,066	22,560	-	6,043	8,554	13,353	(4,799)	-35.9%	22,560
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	84,191	86,762	-	11,137	34,288	37,215	(2,927)	-7.9%	86,762
Surplus/ (Deficit) for the year	2	3,989	142	-	13,384	30,391	24,812	5,578	22.5%	142

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Table 6: C4 Monthly Budget Statement – Financial Performance (Revenue and Expenditure)

KZN226 Mkhambathini - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		12,663	13,435		1,057	6,349	6,254	95	2%	13,435
Service charges - electricity revenue								-		
Service charges - water revenue								-		
Service charges - sanitation revenue								-		
Service charges - refuse revenue		500	531		41	248	265	(17)	-6%	531
Service charges - other								-		
Rental of facilities and equipment								-		
Interest earned - external investments		2,467	2,618		207	1,366	1,309	57	4%	2,618
Interest earned - outstanding debtors		1,176	1,248		157	924	624	300	48%	1,248
Dividends received								-		
Fines, penalties and forfeits		70	74		0	19	39	(20)	-52%	74
Licences and permits		4,391	4,659		281	2,846	2,330	517	22%	4,659
Agency services								-		
Transfers and subsidies		66,111	63,487		20,256	42,659	42,659	-		63,487
Other revenue		803	851		328	1,217	405	812	201%	851
Gains on disposal of PPE								-		
Total Revenue (excluding capital transfers and contributions)		88,182	86,903	-	22,327	55,628	53,885	1,744	3%	86,903
Expenditure By Type										
Employee related costs		27,056	32,247		3,902	16,701	17,088	(387)	-2%	32,247
Remuneration of councillors		5,088	5,398		380	2,342	2,556	(214)	-8%	5,398
Debt impairment		700	700			350	350	-		700
Depreciation & asset impairment		6,000	6,100			3,050	3,050	-		6,100
Finance charges		184	196				98	(98)	-100%	196
Bulk purchases		-						-		
Other materials								-		
Contracted services		-						-		
Transfers and subsidies		-						-		
Other expenditure		45,264	42,120		6,855	11,844	14,072	(2,228)	-16%	42,120
Loss on disposal of PPE								-		
Total Expenditure		84,292	86,761	-	11,137	34,288	37,215	(2,927)	-8%	86,761
Surplus/(Deficit)		3,890	142	-	11,190	21,340	16,670	4,671	0	142
Transfers and subsidies - capital (municipality allocations)										
(National / Provincial and District)		15,626	16,285		2,193	9,050	8,143	908	0	16,285
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)								-		
Transfers and subsidies - capital (in-kind - all)								-		
Surplus/(Deficit) after capital transfers & contributions		19,516	16,427	-	13,384	30,391	24,812			16,427
Taxation								-		
Surplus/(Deficit) after taxation		19,516	16,427	-	13,384	30,391	24,812			16,427
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		19,516	16,427	-	13,384	30,391	24,812			16,427
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		19,516	16,427	-	13,384	30,391	24,812			16,427

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Table 7: C5 Monthly Budget Statement Capital Expenditure

KZN226 Mkhambathini - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - Mid-Year Assessment

Vote Description	Ref	2016/17	Budget Year 2017/18							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 5 - Community Services		-	-	-	-	-	-	-	-	-
Vote 6 - Library		-	-	-	-	-	-	-	-	-
Vote 7 - Vehicle Registration and Testing		-	-	-	-	-	-	-	-	-
Vote 8 - Solid Waste		-	-	-	-	-	-	-	-	-
Vote 9 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	-	-	-	-	-	-	-	-	-
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		500	500	-	-	-	250	(250)	-100%	500
Vote 2 - Municipal Manager		140	70	-	-	-	35	(35)	-100%	70
Vote 3 - Budget and Treasury Office		140	490	-	-	-	245	(245)	-100%	490
Vote 4 - Corporate Services		140	-	-	-	-	-	-	-	-
Vote 5 - Community Services		140	16,355	-	2,193	9,050	8,143	908	11%	16,355
Vote 6 - Library		-	-	-	-	-	-	-	-	-
Vote 7 - Vehicle Registration and Testing		-	-	-	-	-	-	-	-	-
Vote 8 - Solid Waste		-	2,000	-	-	-	2,000	(2,000)	-100%	2,000
Vote 9 - Technical Services		19,337	3,570	-	-	2,061	1,785	276	15%	3,570
Vote 10 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985
Total Capital Expenditure		20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985
Capital Expenditure - Functional Classification										
Governance and administration		780	1,060	-	-	-	530	(530)	-100%	1,060
Executive and council		500	570	-	-	-	285	(285)	-100%	570
Finance and administration		280	490	-	-	-	245	(245)	-100%	490
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		140	16,355	-	2,193	9,050	8,143	908	11%	16,355
Community and social services		140	16,355	-	2,193	9,050	8,143	908	11%	16,355
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		19,477	3,570	-	-	2,061	1,785	276	15%	3,570
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		19,477	3,570	-	-	2,061	1,785	276	15%	3,570
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	2,000	-	-	-	2,000	(2,000)	-100%	2,000
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	2,000	-	-	-	2,000	(2,000)	-100%	2,000
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985
Funded by:										
National Government		15,626	16,285	-	2,193	9,050	8,143	908	11%	16,285
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		15,626	16,285	-	2,193	9,050	8,143	908	11%	16,285
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		4,771	6,700	-	-	2,061	4,315	(2,254)	-52%	6,700
Total Capital Funding		20,397	22,985	-	2,193	11,111	12,458	(1,346)	-11%	22,985

2ND QUARTER BUDGET AND FINANCIAL REPORT 2017/2018

Table 8: C6 Monthly Budget Statement Financial Position

KZN226 Mkhambathini - Table C6 Monthly Budget Statement - Financial Position - Mid-Year Assessment

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		2,000	2,000		1,697	2,000
Call investment deposits		12,000	23,263		73,185	23,263
Consumer debtors		6,410	10,410		19,125	10,410
Other debtors						
Current portion of long-term receivables						
Inventory					8	
Total current assets		20,410	35,673	-	94,015	35,673
Non current assets						
Long-term receivables						
Investments						
Investment property		5,251	5,251		804	5,251
Investments in Associate						
Property, plant and equipment		128,214	123,997		127,146	123,997
Agricultural						
Biological assets						
Intangible assets						
Other non-current assets						
Total non current assets		133,465	129,248	-	127,950	129,248
TOTAL ASSETS		153,875	164,921	-	221,965	164,921
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing						
Consumer deposits						
Trade and other payables		6,000	6,000		17,406	6,000
Provisions		1,800	2,000		78	2,000
Total current liabilities		7,800	8,000	-	17,485	8,000
Non current liabilities						
Borrowing						
Provisions		2,600	2,800		6,523	2,800
Total non current liabilities		2,600	2,800	-	6,523	2,800
TOTAL LIABILITIES		10,400	10,800	-	24,008	10,800
NET ASSETS	2	143,475	154,121	-	197,957	154,121
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		143,475	154,121		197,957	154,121
Reserves						
TOTAL COMMUNITY WEALTH/EQUITY	2	143,475	154,121	-	197,957	154,121

2ND QUARTER BUDGET AND FINANCIAL REPORT 2017/2018

Table 9: C7 Monthly Budget Statement Cash Flow

KZN226 Mkhambathini - Table C7 Monthly Budget Statement - Cash Flow - Mid-Year Assessment

Description	Ref	Budget Year 2017/18								
		2016/17 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		12,454	12,764		1,214	7,273	3,191	4,082	128%	12,764
Service charges		500	504		41	216	126	90	71%	504
Other revenue		4,796	5,585				1,396	(1,396)	-100%	5,585
Government - operating		64,525	63,487		15,611	39,562	23,496	16,066	68%	63,487
Government - capital		15,626	16,427		2,193	9,050	4,107	4,944	120%	16,427
Interest		2,826	3,803		205	1,294	951	343	36%	3,803
Dividends			-					-		-
Payments										
Suppliers and employees		(75,821)	(79,765)				(19,941)	(19,941)	100%	(79,765)
Finance charges		(184)	(196)				(49)	(49)	100%	(196)
Transfers and Grants					-	-		-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		24,722	22,609	-	19,265	57,395	13,277	(44,118)	-332%	22,609
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE					-	-		-		
Decrease (Increase) in non-current debtors					-	-		-		
Decrease (increase) other non-current receivables					-	-		-		
Decrease (increase) in non-current investments								-		
Payments										
Capital assets		(19,426)	(22,985)		(2,193)	(9,050)	(5,746)	3,304	-58%	(22,985)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(19,426)	(22,985)	-	(2,193)	(9,050)	(5,746)	3,304	-58%	(22,985)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans						-		-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
Payments										
Repayment of borrowing								-		
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-		-
NET INCREASE/ (DECREASE) IN CASH HELD		5,296	(376)	-	17,072	48,344	7,530			(376)
Cash/cash equivalents at beginning:		37,260	37,260			52,816	37,260			52,816
Cash/cash equivalents at monthly year end:		42,556	36,885			101,160	44,791			52,440

Part 2 – Supporting Documents

1. Debtors Analysis

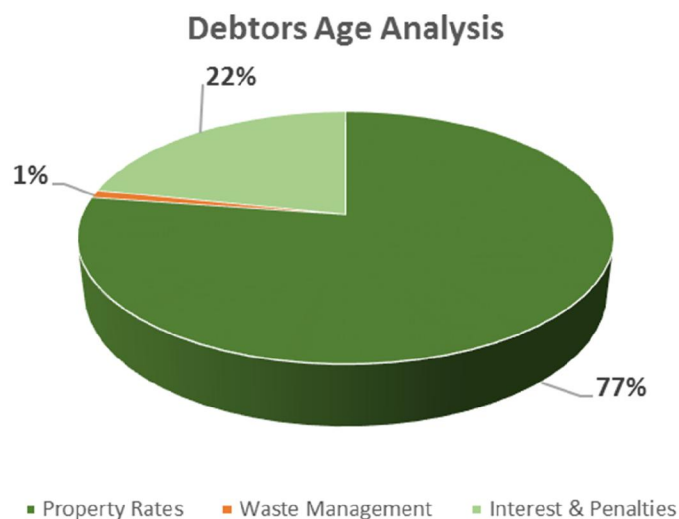
The gross outstanding debt from consumers amounts to R 19 125 000 as at 31 December 2017. This is depicted as follows:

Figure 3: Outstanding Debtors as at 31 December 2017

The table above details the outstanding debt as at 31 December 2017.

Debtors Age Analysis									
Details	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
Property Rates	875,019	552,979	-	455,981	121,149	418,717	2,691,389	11,658,347	16,773,581
Waste Management	39,727	21,828	-	15,195	12,048	9,587	69,880	48,208	216,472
Interest & Penalties	-	-	-	151,027	147,188	156,308	2,037,892	2,230,712	4,723,126
Total By Income Source	914,746	574,807	-	622,203	280,385	584,611	4,799,161	13,937,267	21,713,180

Table 10: Outstanding debt as at 31 December 2017



1. Investment Portfolio Analysis

The investments of the municipality as at 31 December 2017, were as follows:

Table 11: Investments as at 31 December 2017

Investments		
Institution	Account	Balance
Standard Bank	358478944 006	10,185,116.44
Standard Bank	354264330	58,185,545.75
Standard Bank	358478944 007	5,102,347.79
Total		73,473,009.98

Interest rates from other financial institutions are also being sourced to ensure that the maximum amount of interest is realized on these investments. All Municipal grants are cashed-back

2. Allocation and grant receipts and expenditure

Grants for the period ended 30 September 2016 are as follows:

Table 12: Outstanding conditional grants

Description	2016/17	Budget Year 2017/18					
	Audited Outco	Original Budget	Adjusted	Monthly actual	YearTD actual	YearTD budget	Full Year Forecast
National Government:	15,626,000	16,285,000	-	6,000,000	11,000,000	11,000,000	16,285,000
Municipal Infrastructure Grant (MIG)	15,626,000	16,285,000	-	6,000,000	11,000,000	11,000,000	16,285,000
Total Capital Transfers and Grants	15,626,000	16,285,000	-	6,000,000	11,000,000	11,000,000	16,285,000

From the table above R 11,000,000 conditional grant has been received from the anticipated annual grant of R 16 285 000. The reconciliations expenditure are checked by the General Manager for Technical Services and General Manager for Finance department to ensure that amounts outstanding on projects are correct.

3. Financial Performance

The financial performance for the first quarter is highlighted in the executive summary above and detailed in Table C4 above. It has been reported that the financial performance of the municipality has been favorable for the first quarter. This is summarized in the table below. The table below excludes capital transfers.

Table 13: Summary of Financial Performance

2ND QUARTER BUDGET AND FINANCIAL REPORT 2017/2018

Operating Revenue and Expenditure Statement							
Description	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Property rates	13,435,365	1,057,446	6,348,959	6,253,564	95,395	2%	13,435,365
Service charges	530,500	41,355	248,130	265,250	(17,120)	-6%	530,500
Investment revenue	2,617,758	206,733	1,366,100	1,308,879	57,221	4%	2,617,758
Transfers and subsidies	63,487,000	20,256,205	42,659,387	27,743,500	14,915,887	54%	63,487,000
Other own revenue	6,832,397	765,610	5,005,682	3,397,489	1,608,193	47%	6,832,397
Total Revenue (excluding capital)	86,903,020	22,327,349	55,628,258	38,968,682	16,659,576	43%	86,903,020
Employee costs	32,246,665	3,902,272	16,701,201	17,088,016	(386,815)	-2%	32,246,665
Remuneration of Councillors	5,398,368	379,624	2,342,458	2,556,415	(213,957)	-8%	5,398,368
Depreciation & asset impairment	6,100,000	-	3,050,000	3,050,000	-		6,100,000
Finance charges	195,528	-	-	-	-		195,528
Materials and bulk purchases	-	-	-	-	-		-
Transfers and subsidies	-	-	-	-	-		-
Other expenditure	42,820,004	6,855,257	12,194,244	14,422,028	(2,227,784)	-15%	42,820,004
Total Expenditure	86,760,565	11,137,153	34,287,903	37,116,459	(2,828,556)	-8%	86,760,565
Surplus/(Deficit)	142,455	11,190,196	21,340,355	1,852,223	19,488,132	1052%	142,455
Transfers and subsidies	16,285,000	2,193,352	9,050,413	8,142,500	907,913	11%	16,285,000
Surplus/(Deficit) after capital transfers & contributions	16,427,455	13,383,548	30,390,768	9,994,723	20,396,045	204%	16,427,455
Share of surplus/ (deficit) of assets	-	-	-	-	-		-
Surplus/ (Deficit) for the year	16,427,455	13,383,548	30,390,768	9,994,723	20,396,045	204%	16,427,455

It should be noted that the projected surplus was R 9 994 million and actual of R 30 390 million resulting in a positive variance of R 20 396 million.

4. FINANCIAL RATIOS

7.1 Personnel costs to total expenditure = employee related costs/ total expenditure x 100

$$= 16\,701\,201 / 34\,287\,903 \times 100$$

$$= 48.7\%$$

This ratio measures the extent of Remuneration to Total Operating Expenditure. If the ratio exceed the norm it could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-service delivery related expenditure. The norm range between 25% and 40%.

$$\begin{aligned}
 7.2 \quad \text{Acid test ratio} &= \text{Current assets less Inventories} / \text{Current liabilities} \\
 &= 96\,940\,000 - 8\,091 / 17\,484\,711 \\
 &= 1 : 5.5
 \end{aligned}$$

The ratio indicates the municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month. The norm range between 1 month to 3 months.

$$\begin{aligned}
 7.3 \quad \text{Creditors payment period} &= \text{Trade creditors outstanding} / \text{Trade creditors Purchases} \times 365 \\
 &= 11\,682 / 169\,206\,69 \times 385 \\
 &= 0.25 \text{ days}
 \end{aligned}$$

Creditors Payment Period (Trade Creditors)

This ratio indicates the average number of days taken for trade creditors to be paid and the norm is 30 days.

A period of longer than 30 days to settle creditors is normally an indication that the municipality may be experiencing cash flow problems, however in certain instances this may be as a result of disputes, processing of payments, etc.

$$\begin{aligned}
 7.4 \quad \text{Net Debtors Days} &= ((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365 \\
 &= (20\,223\,626 / 7\,521\,190) \times 365 \\
 &= 981 \text{ Days}
 \end{aligned}$$

This ratio reflects the collection period. Net Debtor Days refers to the average number of days required for a Municipality to receive payment from its consumers for bills issued to them for services rendered.

$$\begin{aligned}
 7.5 \quad \text{Collection Rate} &= \text{Gross Debtors Opening Balance} + \text{Billed Revenue} - \text{Gross Debtors Closing} \\
 &\quad \text{Balance} - \text{Bad Debts Written Off} / \text{Billed Revenue} \times 100 \\
 &= (20\,089\,628 + 7\,521\,190) - (21\,762\,156\,82 - 350\,000) / 7\,521\,190 \times 100 \\
 &= (117\,509\,618 - 75\,406\,105) / 58\,582\,074 \times 100 \\
 &= 82\%
 \end{aligned}$$

The ratio indicates the collection rate; i.e. level of payments. It measures increases or decreases in debtors relative to annual billed revenue. In order to determine the real collection rate bad debts written-off is taken into consideration. The norm is 95%.

$$\begin{aligned}
 7.6 \quad \text{Current Ratio} &= \text{Current Assets} / \text{Current Liabilities} \\
 &= 96\,940\,000 / 17\,484\,711 \\
 &= 1: 5.5
 \end{aligned}$$

The ratio is used to assess the municipality's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The norm range between 1.5 to 2.1. The higher the current ratio, the more capable the municipality will be able to pay its current or short-term obligations and provide for a risk cover to enable it to continue operations at desired level.

$$\begin{aligned}
 7.7 \quad \text{Capital Expenditure to Total Expenditure} &= \text{Total Capital Expenditure} / \text{Total Expenditure} \times 100 \\
 &= 34\,287\,903 / 11\,111\,316 \times 100 \\
 &= 3\%
 \end{aligned}$$

The norm range between 10% and 20%. A ratio less than 10% reflects lower spending by the municipality in infrastructure and holds potential risks to service delivery. A ratio of more than 20% reflects higher spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure do not include both economic (revenue generating) and social type infrastructure.

$$\begin{aligned}
 7.8 \quad \text{Capital Expenditure Budget Implementation Indicator} &= \text{Actual Capital Expenditure} / \text{Budget Capital Expenditure} \times 100 \\
 &= 11\,111\,316 / 22\,985\,000 \times 100 \\
 &= 48\%
 \end{aligned}$$

This ratio measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. Further, this ratio measures the municipality's ability to implement capital projects and monitor the risks associated with non-implementation. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget.

$$\begin{aligned}
 7.11 \quad \text{Operating Expenditure Budget Implementation Indicator} &= \text{Actual Operating Expenditure} / \text{Budgeted Operating Expenditure} \times 100 \\
 &= 87\,740\,364 / 95\,638\,917 \times 100
 \end{aligned}$$

= 91.7%

This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. The norm range between 95% and 100%.

- 7.12 Operating Revenue Budget Implementation Indicator= Actual Operating Revenue/Budgeted Operating Revenue x 100

= 85 434 206 / 94 875 705 X 100

= 90%

This ratio measures the extent of Actual Operating Revenue (excl. Capital Grant Revenue) received in relation to Budgeted Operating Revenue during the financial year, under review. The norm range between 95% and 100%.

The ratio measures the extent to which Total Capital Expenditure of the Municipality is funded through Internally Generated Funds. No norm at this stage. The funding mix for capital expenditure is dependent on the municipal policy and ability to raise revenue from different sources. Increased capacity for internally generated funding is required in some circumstances, which could also improve the balance in funding sources.

- 7.13 Operating Expenditure Budget Implementation Indicator = Actual Operating Expenditure / Budgeted Operating Expenditure x 100

= 34 288 000/ 37215 000 X 100

= 92%

This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assess whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget. Any variance from 100% indicates either challenge in capacity to implement, issues of financial controls and management and/or poor budgeting

- 7.14 Operating Revenue Budget Implementation Indicator = Actual Operating Revenue / Budget Operating Revenue x 100

= 55 628 000/ 53 885 000 X 100

= 103%

This ratio measures the extent of Actual Operating Revenue (Excl. Capital Grant Revenue) received in relation to Budgeted Operating Revenue during the financial year, under review. A ratio below 95%

indicates either a challenge in capacity to implement, ineffective billing and credit control, weakness in compilation of budgets or issues of financial controls and management of the Municipality.

8. Municipal Manager's Quality Certificate

I, Ms TC Ndlela, Acting Municipal Manager of Mkhambathini Municipality, hereby certify that the quarterly report on the implementation of the budget and financial state of affairs of the municipality for the first and second quarter of the financial year ending 31 December 2017 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

MS TC NDLELA

MUNICIPAL MANAGER: MKHAMBATHINI MUNICIPALITY, KZN222

SIGNATURE _____

DATE _____