

1st Quarter Budget and Financial Report 2018/2019

2018/2019 FINANCIAL YEAR



**MKHAMBATHINI
MUNICIPALITY**

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Part 1

1. Introduction

Section 52(d) of the Municipal Finance Management Act, No. 56 of 2003, states that “the mayor must within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and financial state affairs of the municipality. This report is the therefore prepared in compliance with the legislation for the period ended 31 March 2018.

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 15%, 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 March 2018

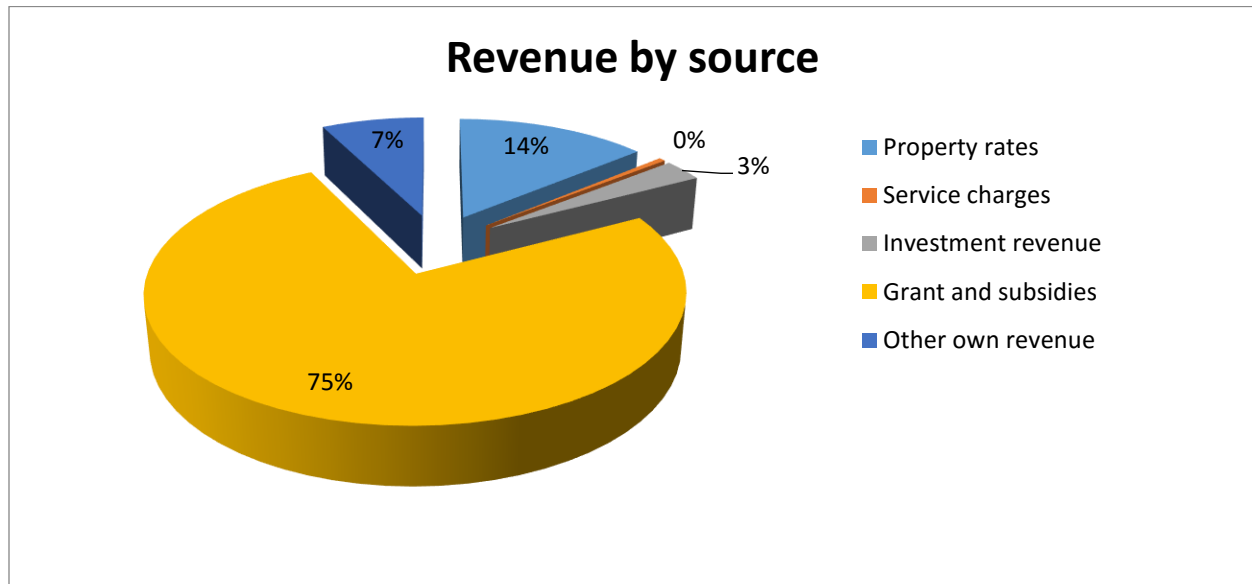
OPERATING REVENUE STATEMENT

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	13,435	1,057	10,630	10,076	(554)	-5%	13,435
Service charges	500	531	531	41	378	398	20	-5%	531
Investment revenue	2,467	2,618	2,872	207	2,200	2,154	(46)	-2%	2,618
Grant and subsidies	66,111	63,487	63,997	20,256	57,139	47,998	(9,141)	-19%	63,487
Other own revenue	6,441	6,832	7,349	766	5,699	5,512	(187)	-3%	6,832
Total Revenue	88,182	86,903	88,184	17,988	76,046	66,138	-9,908	-15%	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, 15% of the projected income was achieved.

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

Figure 1: Operating income for the Third quarter



Transfers and Subsidies shows a 75% contribution to total income, while Property Rates income comprises 14% of the total income of municipality. Own Revenue contributed 7% and Investment contributed 3%.

2.2 Expenditure

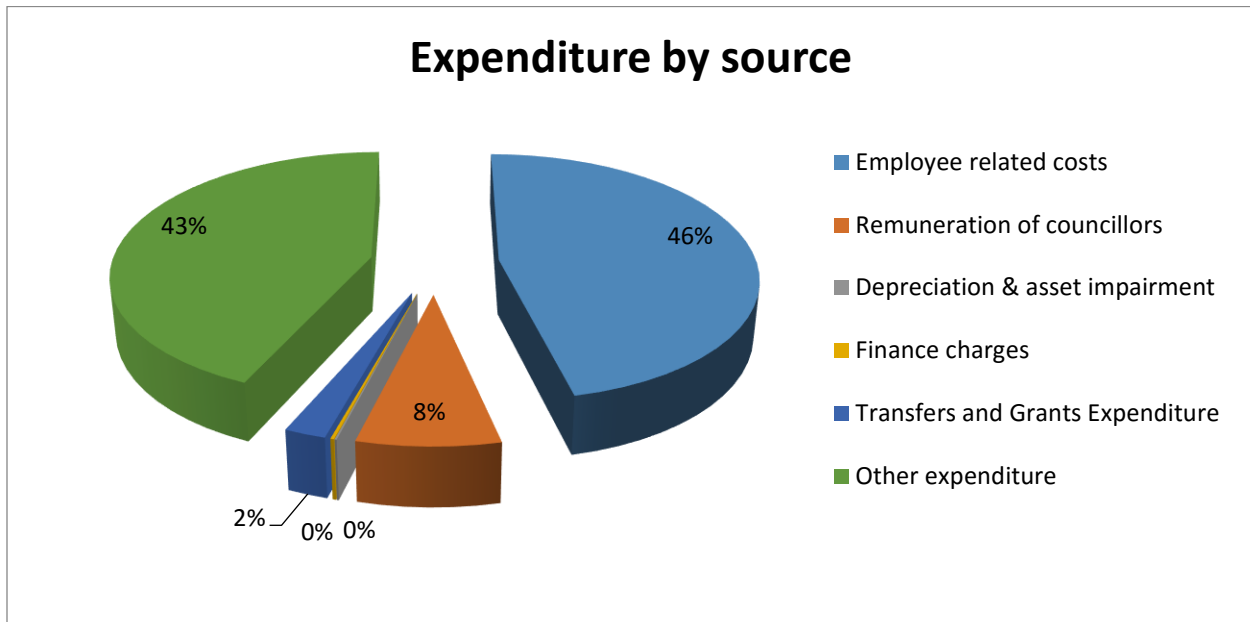
The municipality incurred operational expenditure for the period ended 31 March 2018 of R 46 356 000. The report reflects an under expenditure on remuneration to councilors due to vacancy in Council since August 2017 to date.

Table 2: Summary of Operating Expenditure for the period ended 31 March 2018

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	32,247	3,902	21,543	24,185	2,642	11%	32,247
Remuneration of Councillors	5,088	5,398	5,398	380	3,498	4,049	551	14%	5,398
Depreciation & asset impairment	6,000	6,100	6,100	–	52	4,575	4,523	99%	6,100
Finance charges	184	196	196	–	88	147	59	40%	196
Materials and bulk purchases	–	–	–	–	–	0	–	–	–
Transfers and subsidies	–	–	2,141	–	1,022	1,606	584	36%	–
Other expenditure	45,964	42,820	40,679	6,855	20,153	30,509	10,356	34%	42,820
Total Expenditure	84,292	86,761	86,761	11,137	46,356	65,071	18,715	29%	86,761

Diagrammatically, the expenditure for the quarter is shown below:

Figure 2: Summary of Expenditure for the first quarter

The actual expenditure as at 31 March 2018 as stated on the above shows that the salaries represent 46%, which is decreased from 49% because of the correction on the allocation of Grant expenditure which was classified as salaries from previous quarter (EPWP, FMG, Library and Ward Committee). Actual Remuneration of Councillors is 8%, depreciation and asset impairment is 0% and General Expenditure 43%.

Conclusion

The financial performance of the municipality for the third quarter has been stable and favorable. Revenue raised amounts to R 76 046 million compared to expenditure incurred of R 46, 356 million resulting in a Positive variance of R 29 690 million.

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 alloc	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

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										
<i>Governance and administration</i>		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	-	17,390	46,586	49,834	(3,248)	-7%	87,087
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		2,536	2,435	-	304	1,385	1,482	(97)	-7%	2,435
Community and social services		2,536	2,435	-	304	1,385	1,482	(97)	-7%	2,435
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		4,840	5,136	-	281	2,846	2,330	517	22%	5,136
Planning and development		449	476	-	-	-	-	-	-	476
Road transport		4,391	4,660	-	281	2,846	2,330	517	22%	4,660
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		12,039	8,531	-	6,546	13,861	8,381	5,480	65%	8,531
Energy sources		11,539	8,000	-	6,546	13,861	8,381	5,480	65%	8,000
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		500	531	-	-	-	-	-	-	531
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	103,808	103,188	-	24,521	64,679	62,027	2,652	4%	103,188
Expenditure - Functional										
<i>Governance and administration</i>		40,897	43,177	-	2,803	16,534	15,992	542	3%	43,177
Executive and council		7,802	10,126	-	803	4,667	4,896	(230)	-5%	10,126
Finance and administration		33,095	33,050	-	2,000	11,867	11,096	771	7%	33,050
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		17,860	16,220	-	1,790	7,032	5,467	1,565	29%	16,220
Community and social services		17,860	16,220	-	1,790	7,032	5,467	1,565	29%	16,220
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		25,534	27,363	-	6,544	10,722	15,755	(5,033)	-32%	27,363
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		25,534	27,363	-	6,544	10,722	15,755	(5,033)	-32%	27,363
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-
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

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	1									
Vote 1 - Executive and Council		—	—	—	—	—	—	—	—	—
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	1									
Vote 1 - Executive and Council		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

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 (monetary 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

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							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
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		-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-
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

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

Table 9: C7 Monthly Budget Statement Cash Flow

KZN226 Mkhambathini - Table C7 Monthly Budget Statement - Cash Flow - 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									
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 month/year end:		42,556	36,885	-		101,160	44,791			52,440

Part 2 – Supporting Documents

1. Debtors Analysis

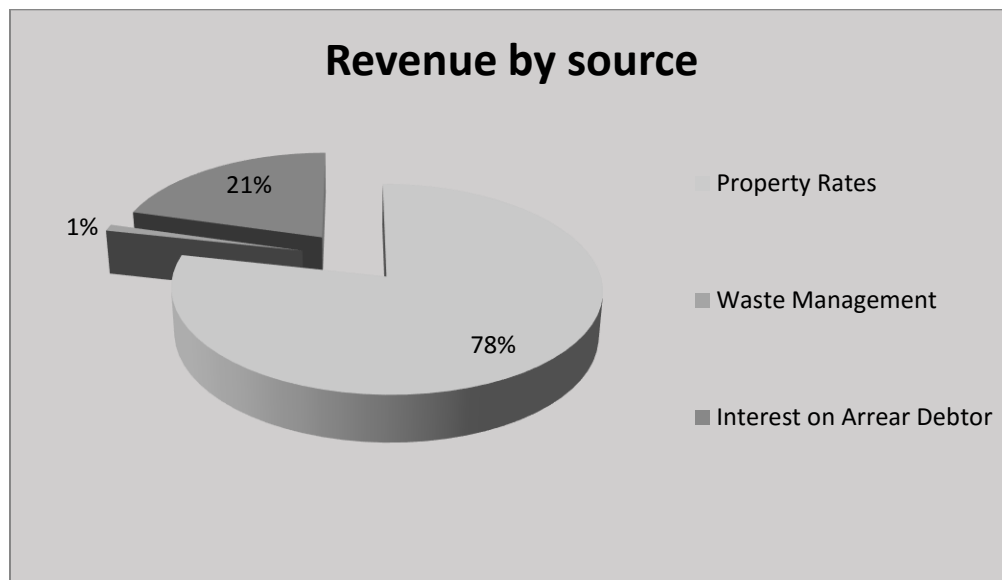
The gross outstanding debt from consumers amounts to R 22 419 000 as at 31 March 2018. This is depicted as follows:

Figure 3: Outstanding Debtors as at 31 March 2018

The table above details the outstanding debt as at 31 March 2018.

Debtors Age Analysis								
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	181 Days - 1 Year	Over 1 Year	Total -
Property Rates	1,289	495	415	400	373	2,326	12,277	17,575
Waste Management	39	20	14	13	11	67	69	233
Interest on Arrear Debtor	-	-	-	-	-	2,100	2,511	4,611
Total By Income Source	1,328	515	428	413	384	4,492	14,857	22,419

Table 10: Outstanding debt as at 31 March 2018



1. Investment Portfolio Analysis

The investments of the municipality as at 31 March 2018, were as follows:

Table 11: Investments as at 31 March 2018

Investments		
Institution	Account Number	Balance
Standard Bank	358478944 007	10,386,728.50
Standard Bank	358478944 008	5,137,162.58
Standard Bank	354264330	51,888,111.93
		67,412,003.01

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 31 March 2018 are as follows:

Table 12: Outstanding conditional grants

Description	2016/17	Budget Year 2017/18				
	Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Budget	Full Year Forecast
National Government	15,626,000	16,285,000	16,285,000	-	16,285,000	16,285,000
Municipal Infrastructure Grant	15,626,000	16,285,000	16,285,000	-	16,285,000	16,285,000
Total Capital Transfers and Grants	15,626,000	16,285,000	16,285,000	-	16,285,000	16,285,000

From the table above 100% of conditional grant has been received from the anticipated annual grant of R 16 285 000. The reconciliations expenditure is 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

Description	Budget Year 2017/18							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands							%	
Property rates	13,435	13,435	1,057	10,630	10,076	(554)	-5%	13,435
Service charges	531	531	41	378	398	20	-5%	531
Investment revenue	2,618	2,872	207	2,200	2,154	(46)	-2%	2,872
Grant and subsidies	63,487	63,997	20,256	57,139	47,998	(9,141)	-19%	63,997
Other own revenue	6,832	7,349	766	5,699	5,512	(187)	-3%	7,349
Total Revenue (Excluding Capital Transfers)	86,903	88,184	22,327	76,046	66,138	-9,908	15%	88,184
Employee costs	32,247	32,247	3,902	21,543	24,185	2,642	11%	32,247
Remuneration of Councillors	5,398	5,398	380	3,498	4,049	551	14%	5,398
Depreciation & asset impairment	6,100	6,100	–	52	4,575	4,523	99%	6,100
Finance charges	196	196	–	88	147	59	40%	196
Materials and bulk purchases	–	–	–	–	0	–	–	–
Transfers and subsidies	–	2,141	–	1,022	1,606	584	36%	–
Other expenditure	42,820	40,679	6,855	20,153	30,509	10,356	34%	42,820
Total Expenditure	86,761	86,761	11,137	46,356	65,071	18,715	29%	86,761
Surplus/ (Deficit)	142	1,423	11,190	29,690	1,067	28,623	-14%	1,423
Capital Transfers	16,285	2,195	9,056	8,142	907	–	11%	16,285
Surplus/ (Deficit) after capital transfers	16,427	3,618	20,246	37,832	1,974	28,623	15%	17,708
Surplus/ (Deficit) for the Year	16,427	3,618	20,246	37,832	1,974	28,623	15%	17,708

It should be noted that the projected surplus was R 6 564 million and actual of R 28 623 million resulting in a positive variance of R 12 500 million.

4. FINANCIAL RATIOS

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

$$= R7\,750\,889 / R28\,162\,450 \times 100$$

$$= 363.34\%$$

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

- 7.2 Cost coverage ratio = Cash and Cash Equivalent – unspent grant / Current liabilities

$$= R79,856,123 - R11,932,110 / R8\,493\,346$$

$$= 1 : 8 \text{ months}$$

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 ranges between 1 month to 3 months.

- 7.3 Creditors payment period = Trade creditors outstanding / Trade creditors Purchases X 365

$$= 23\,123 / 12\,723\,224 \times 365$$

$$= 0.66 \text{ days}$$

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.

- 7.4 Net Debtors Days = ((Gross Debtors- Bad Debt Provision)/Billed Revenue)) X 365

$$= (R22\,959\,478 / R10\,268\,677) \times 365$$

$$= 816 \text{ Days}$$

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.

- 7.5 Collection Rate= Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance- Bad Debts Written Off)/Billed Revenue x 100

$$= (19,283,784.24 + 10\,268\,677) - (R22\,959\,478) / R10,268,677 \times 100$$

$$= (R\,6,592,983) / R10,268,677 \times 100$$

$$= 64.2\%$$

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%.

- 7.6 Current Ratio = Current Assets /Current Liabilities

$$= R88\,998\,145 / R5\,451\,935$$

$$= 1: 16.3$$

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 ranges 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.

- 7.7 Capital Expenditure to Total Expenditure = Total Capital Expenditure/Total Expenditure x 100

$$= R12\,000\,558.73 / R18\,787\,655.76 \times 100$$

$$= 63.87\%$$

The norm ranges 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 does not include both economic (revenue generating) and social type infrastructure.

- 7.8 Capital Expenditure Budget Implementation Indicator= Actual Capital Expenditure/Budget Capital Expenditure x 100

$$= R\,12\,000\,558.73 / R3\,958\,750 \times 100$$

$$= 303.1401\%$$

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 assesses whether the municipality has effective controls in place to ensure that expenditure is incurred in accordance with an approved budget.

$$\begin{aligned}
 7.11 \quad & \text{Operating Expenditure Budget Implementation Indicator} = \frac{\text{Actual Operating Expenditure}}{\text{Budgeted Operating Expenditure}} \times 100 \\
 & = \text{R18 787 656} / \text{R28 162 450} \times 100 \\
 & = 303.14\%
 \end{aligned}$$

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

$$\begin{aligned}
 7.12 \quad & \text{Operating Revenue Budget Implementation Indicator} = \frac{\text{Actual Operating Revenue}}{\text{Budgeted Operating Revenue}} \times 100 \\
 & = \text{R 48 624 513} / \text{R47 173 887.08} \times 100 \\
 & = 103.07\%
 \end{aligned}$$

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 ranges 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.

$$\begin{aligned}
 7.13 \quad & \text{Operating Expenditure Budget Implementation Indicator} = \frac{\text{Actual Operating Expenditure}}{\text{Budgeted Operating Expenditure}} \times 100 \\
 & = \text{R18 787 656} / \text{R28 162 450} \times 100 \\
 & = 303.14\%
 \end{aligned}$$

This ratio measures the extent to which Budgeted Operating Expenditure has been spent during the financial year, under review. The ratio also assesses 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

$$= R\ 48\ 624\ 513 / R47\ 173\ 887.08 \times 100$$

$$= 103.07\%$$

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, Mrs. TC Ndlela, 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 March 2018 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

MRS TC NDLELA

MUNICIPAL MANAGER: MKHAMBATHINI MUNICIPALITY, KZN222

SIGNATURE_____

DATE_____