

impairment and Depreciation to determine the appropriateness of the current budgeted amounts so an adjustment can be made should there be a need in order to avoid unauthorized expenditure on these votes

It is important to note that due to the expected downward adjustment of Revenue there will be no budget to fund any increases in expenditure and further Directorates will need to assist cutting the deficit by decreasing some of the existing expenditure budgets.

### **CAPITAL EXPENDITURE**

Year-to-date expenditure on capital amounts to R12.398 million (Excl. VAT) as at end of December 2017 compared to a year to date budget of R20.179 million of the approved capital budget of R 40.358 million this results in overall underspending of R7.781 million or 39%.

The internally funded projects were budgeted to be financed by Borrowings (Loans) of which such has not yet been obtained the amounts already spent had been funded from own funds. Management will need to decide whether these projects will be sustainable and whether it will be economically viable to be funded by own funds as the original approved budget reflected a deficit and negative cashflow even with the budget of these projects being provided under Borrowings.

Also, to be noted is the fact that there is a high possibility of downward adjustment of Revenue meaning there will be even lesser revenue to fund these projects should they continue being funded by own funds.

### **MIG (MUNICIPAL INFRASTRUCTURE GRANTS)**

Capital funded from capital transfers recognised amounts to R13.443 million (Incl. VAT) compared to the year to date budget of R16.179 million resulting in a 17% (R2.735 million) underspending. Overall outlook reflects 52% spending of the received amount and 39.5% spending of the total allocation as at the end of the second quarter.

The IDHS Directorate has indicated that the R 1 million budgeted for a Landfill site will now be moved and utilised under the Surfacing of Lady Frere (Cacadu) Internal Roads. This movement must therefore be accommodated in the adjustments budget.

See (C5) table below.

EC136 Emalahleni (Ec) - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) M06 December

Vote Description	Ref	2016/17	Budget Year 2017/18						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1							%	
<b>Multi-Year expenditure appropriation</b>	2								
Vote 1 - Executive and Council		4,881	4,000	-	-	2,000	(2,000)	-100%	4,000
Vote 2 - Corporate Services		-	-	-	-	-	-		
Vote 3 - Budget and Treasury Office		-	-	-	-	-	-		
Vote 4 - Economic Development Tourism and Agriculture		978	1,569	(16)	597	785	(188)	-24%	1,569
Vote 5 - Community and Social Services		417	600	-	-	300	(300)	-100%	600
Vote 6 - Infrastructure Development and Human Settlement		-	-	-	-	-	-		
<b>Total Capital Multi-year expenditure</b>	4,7	6,276	6,169	(16)	597	3,085	(2,488)	-81%	6,169
<b>Single Year expenditure appropriation</b>	2								
Vote 1 - Executive and Council		-	100	-	-	50	(50)	-100%	100
Vote 2 - Corporate Services		2,752	1,550	175	500	775	(275)	-36%	1,550
Vote 3 - Budget and Treasury Office		-	-	-	-	-	-		
Vote 4 - Economic Development Tourism and Agriculture		-	280	-	234	140	94	67%	234
Vote 5 - Community and Social Services		5,416	3,679	1,357	1,573	1,839	(266)	-14%	3,679
Vote 6 - Infrastructure Development and Human Settlement		22,824	28,580	3,029	9,495	14,290	(4,795)	-34%	28,580
<b>Total Capital single-year expenditure</b>	4	30,992	34,189	4,561	11,802	17,094	(5,293)	-31%	34,189
<b>Total Capital Expenditure</b>		37,267	40,358	4,545	12,398	20,179	(7,781)	-39%	40,358
<b>Capital Expenditure - Functional Classification</b>									
<b>Governance and administration</b>		7,633	5,650	175	500	2,825	(2,325)	-82%	5,650
Executive and council		4,881	4,100	-	-	2,050	(2,050)	-100%	4,100
Finance and administration		2,752	1,550	175	500	775	(275)	-36%	1,550
Internal audit		-	-	-	-	-	-		
<b>Community and public safety</b>		5,416	3,259	1,357	1,573	1,629	(56)	-3%	3,259
Community and social services		5,416	3,259	1,357	1,573	1,629	(56)	-3%	3,259
<b>Economic and environmental services</b>		21,092	18,924	2,711	10,023	9,462	561	6%	18,924
Planning and development		978	1,849	(16)	830	925	(95)	-10%	1,849
Road transport		20,114	17,075	2,727	9,193	8,537	656	8%	17,075
<b>Trading services</b>		3,127	12,525	302	302	6,263	(5,960)	-95%	12,525
Energy sources		2,709	9,664	302	302	4,832	(4,529)	-94%	9,664
Waste water management		-	1,842	-	-	921	(921)	-100%	1,842
Waste management		417	1,020	-	-	510	(510)	-100%	1,020
<b>Total Capital Expenditure - Functional Classification</b>	3	37,267	40,358	4,545	12,398	20,179	(7,781)	-39%	40,358
<b>Funded by:</b>									
National Government		20,841	32,358	3,838	11,133	16,179	(5,046)	-31%	32,358
Provincial Government		2,640	-	-	-	-	-		
Transfers recognised - capital		23,481	32,358	3,838	11,133	16,179	(5,046)	-31%	32,358
Borrowing	6		8,000			4,000	(4,000)	-100%	8,000
Internally generated funds		13,786		707	1,265	-	1,265	#DIV/0!	
<b>Total Capital Funding</b>		37,267	40,358	4,545	12,398	20,179	(7,781)	-39%	40,358

## Conclusion

An adjustment budget is required due to some streams of revenue being over budgeted. See under/over budgeted column in the C4 table above. The municipality budgets on realistic estimates, the current collection rate as at end of December 2017 is 34.46% this then implies that only 34.46% would actually be expected to be collected from rates and service charges, these revenues should be adjusted to the expected recoverable amounts. An amount of R 115 000 was received through the sale of land no budget had been provided, this amount will not to be provided for and corrected in the adjustment budget

Using the current trends and explanations given in the monthly reports Electricity revenue, Interest on external investments, Interest on Debtors, Fines, Licenses and Permits and Agency fees should be adjusted downwards.

The PEDTA and Community Services Directorates have made requests for funding from CHDM and DSRAC respectively and the outcome of these requests will need to be included in the adjustments budget should the funding be received.

The Grant from Chris Hani DM for R 800 500 for the Construction of a Feedlot should also be accommodated in the adjustments as it will be used in the current financial year.

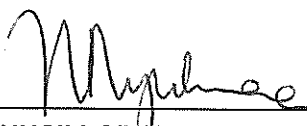
Many expenditure line items including Contracted Services have been under budgeted and will require adjustments and stricter spending controls need to be put in place in order to eliminate further overspending on votes.

Employee Costs, Bulk Purchases and Contracted Services have possibly been over budgeted and require scrutiny and appropriate downward adjustment where necessary.

The R 1 million budgeted for a Landfill site will now be moved and utilised under the Surfacing of Lady Frere (Cacadu) Internal Roads.

All underspent Capital Projects need to be evaluated and progress compared to their business plans and procurement plans to determine whether an adjustment in budget is necessary.

Management will need to decide whether the internally funded projects will be sustainable and economically viable to be funded by own funds.



COUNCILLOR N NYUKWANA  
MAYOR

DATE: 25/01/2018

## Section 2 -Resolutions

### Resolutions

If the mid-year review is tabled in the municipal council, resolutions dealing with at least the following matters must be prepared and presented as part of the documentation, as may be relevant-

- (a) noting the monthly budget statement and any supporting documents;
- (b) noting the quarterly report on the implementation of the budget and the financial affairs for the municipality referred to in section 52(d) of the Act;
- (c) noting the mid-year budget and performance assessment referred to in section 72 of the Act; (d) noting the in-year reports of any municipal entities
- (e) any other resolutions that may be required

### MID-YEAR BUDGET AND PERFORMANCE REPORT

This is the resolution that will be presented to Council when the Mid-Year Budget and Performance Assessment is tabled:

#### RECOMMENDATION:

That Council takes cognizance of the 2017/18 Mid-Year Budget and Performance Assessment as tabled in terms of Section 54 of the Municipal Finance Management Act

That a revised budget for 2017/18 financial year be submitted to Council to accommodate all new allocations and any other adjustments to the budget as well as the Service Delivery Budget and Implementation Plan.



## **Section 3 -Executive Summary**

### **Executive Summary**

The executive summary of the mid-year budget and performance assessment must, in addition to the information in executive summary of the monthly budget statement as well as on the quarterly report on the implementation of the budget and the financial affairs for the municipality provide a summary of the impact of the national adjustments budget and the relevant provincial adjustments budget.

### **3.1 Introduction**

The Mid-Year Review has been prepared in terms of the Municipal Budget and Reporting Regulations (as per the prescribed formats)

It must be noted that in all instances where the tables contained within this report include the audited outcomes for 2016/17 that these results are based on the audited annual financial statements that were audited by the Auditor General in accordance with Section 126 (3) of the Municipal Finance Management Act.

### **3.2 Consolidated Performance**

#### **NON- FINANCIAL**

##### **Overall Summary**

##### **NON FINANCIAL PERFORMANCE REPORT**

The Municipality has a total of 124 performance targets set for the midyear (quarter 2) in the SDBIP. The midyear performance report was reviewed. 113 targets have been achieved and 11 have not been achieved. This translates to 90% of institutional performance at mid-year. A full performance report as per the SDBIP is attached as an annexure. The table below summarises the performance per Key Performance Area:

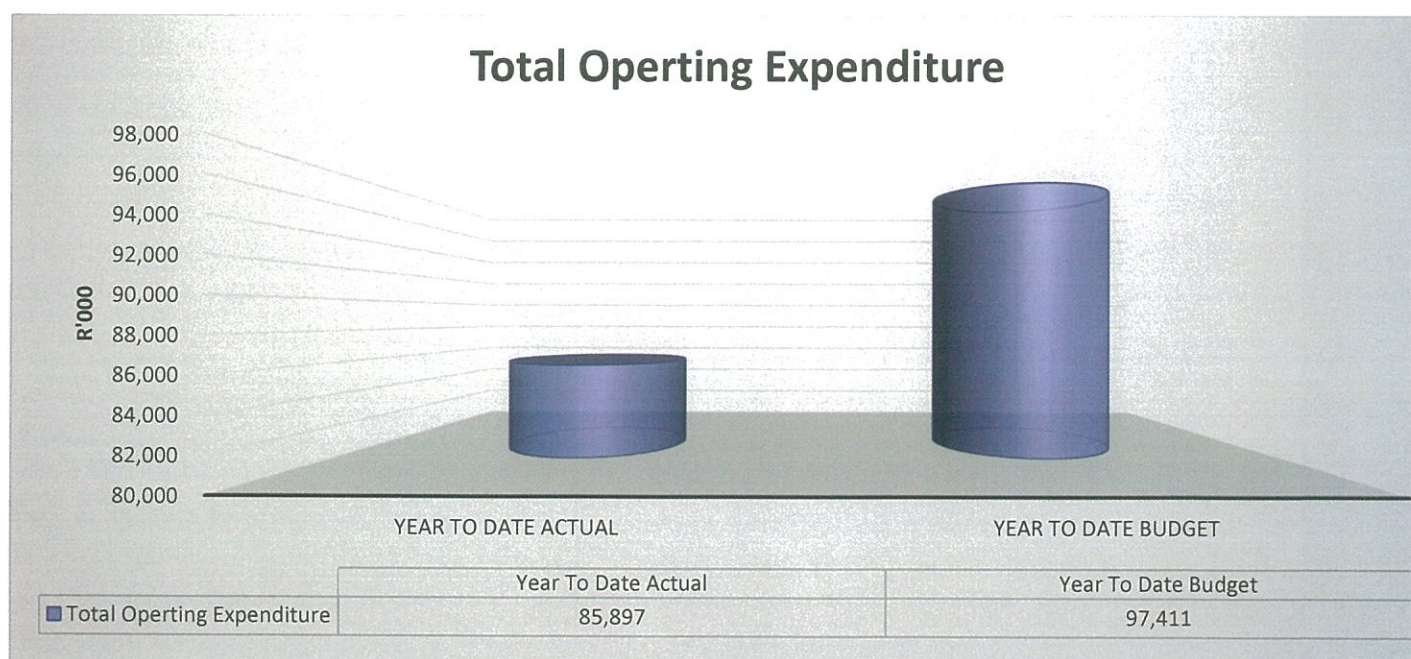
KPI	Total no. of KPI(s)	No. of KPI(s) achieved	No. of KPI's not achieved	% of KPI's achieved
Basic Infrastructure and Service Delivery	48	43	5	89%
Local Economic Development	20	18	2	90%
Municipal Transformation and Institutional Development	25	23	2	92%
Good Governance and Public Participation	15	13	2	86%
Financial Viability and Management	16	16	0	100%
<b>Total</b>	<b>124</b>	<b>113</b>	<b>11</b>	<b>91%</b>

## FINANCIAL

## (a) Operating Revenue

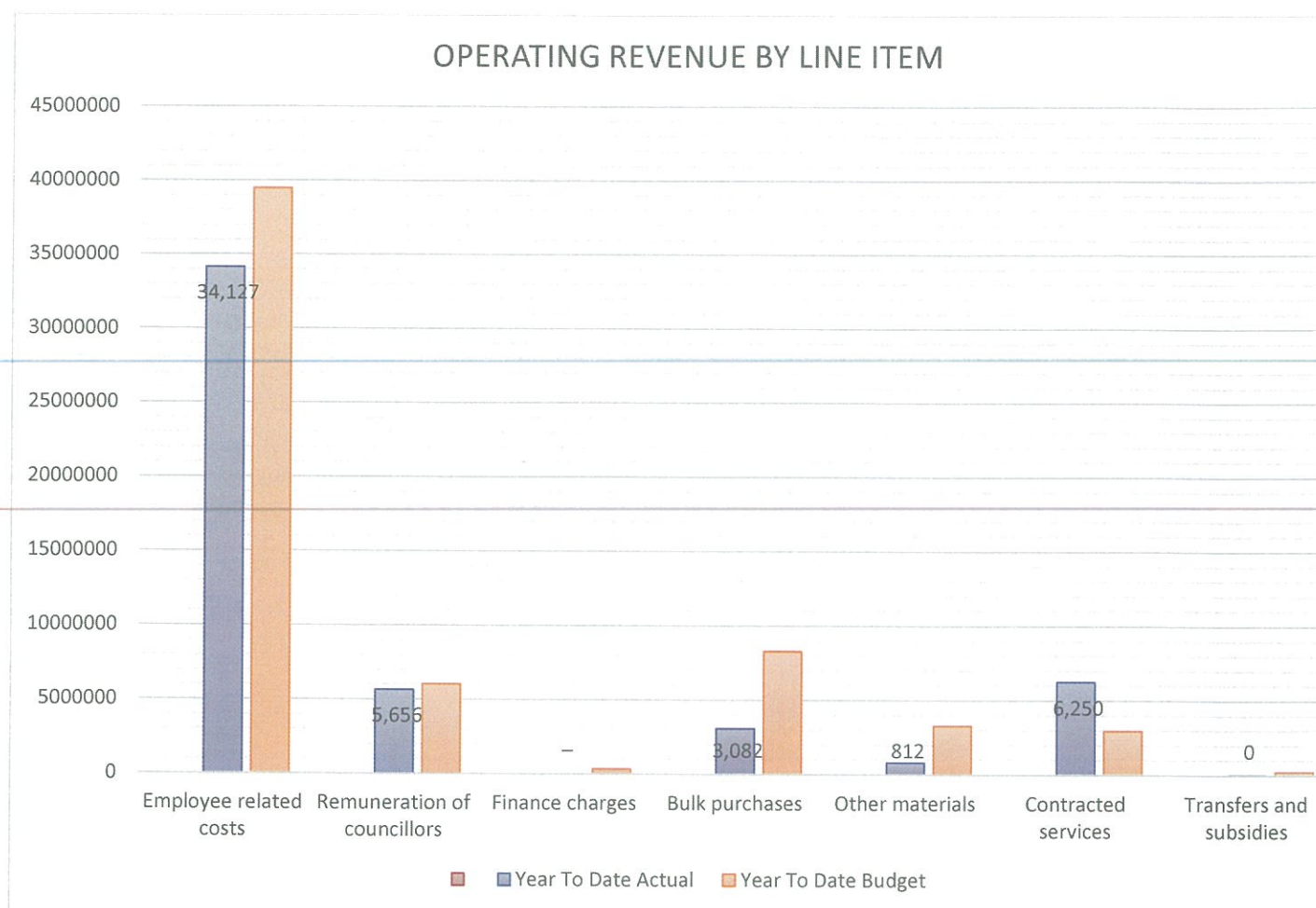
EC136 Emalahleni (Ec) - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Financial Performance (Revenue and Expenditure) - 100 December										
Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast	Under/(Over Budget)
R thousands								%		
<b>Revenue By Source</b>										
Property rates		4,146	4,302	(0)	3,006	2,151	854	40%	4,302	
Service charges - electricity revenue		9,079	10,765	675	4,236	5,383	(1,146)	-21%	8,473	(2)
Service charges - refuse revenue		3,777	3,500	291	1,742	1,750	(8)	0%	3,500	
Rental of facilities and equipment		727	815	67	413	408	6	1%	827	
Interest earned - external investments		2,313	2,538	16	479	1,269	(790)	-62%	958	(1)
Interest earned - outstanding debtors		4,709	5,216	415	2,378	2,608	(230)	-9%	4,756	
Fines, penalties and forfeits		124	337	4	33	169	(135)	-80%	67	
Licences and permits		1,073	1,700	97	883	850	33	4%	1,767	
Agency services		(0)	958	6	36	479	(479)	-100%	72	
Transfers and subsidies		135,173	123,838	38,914	90,334	61,919	28,415	46%	124,639	
Other revenue		731	622	505	570	311	295	95%	622	
Gains on disposal of PPE		490	-	-	115		115	#DIV/0!	115	
Total Revenue (excluding capital transfers and contributions)		162,341	154,592	40,989	104,226	77,296	26,930	35%	150,097	(4)



(See Table C4 for details on the Operating Revenue information)





**(See Table C4 for details on the Operating Revenue information)**

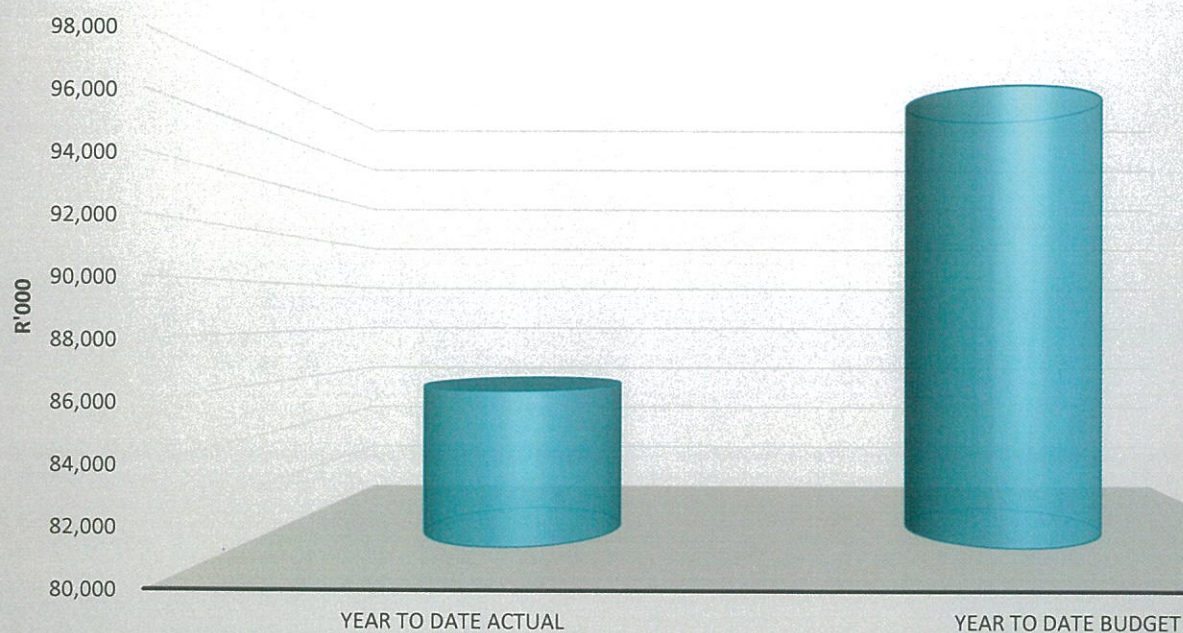
The year to date revenue at the end of December amounts to R 104.226 million; R 26.930 million above the budgeted revenue of R 77.296 million for this period. This translates to an overall positive variance of about 35%. This is mainly due to the transfer grants amount of R 90.334 million received at this time. However, when operating transfers are excluded, revenue achieved is R 13.892 million, 10% (R 1.5 million) below the year to date budget R 15.377 million. This negative variance is due to the underperformance of Interest income, Agency fees, Electricity and Fines when compared to their budgeted amounts. All "other income" under-performed except for rentals, other revenue and Licences and Permits. The Licences and permits were R 33 000 (4%) above budgeted amount, Other revenue was R 311 000 (95%) above and Rentals were 6 000 (1%) above their budgeted targets, all other income items were below the budgeted amount with an aggregate percentage of 64%.



**(b) Operating Expenditure**

EC136 Emalahleni (Ec) - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

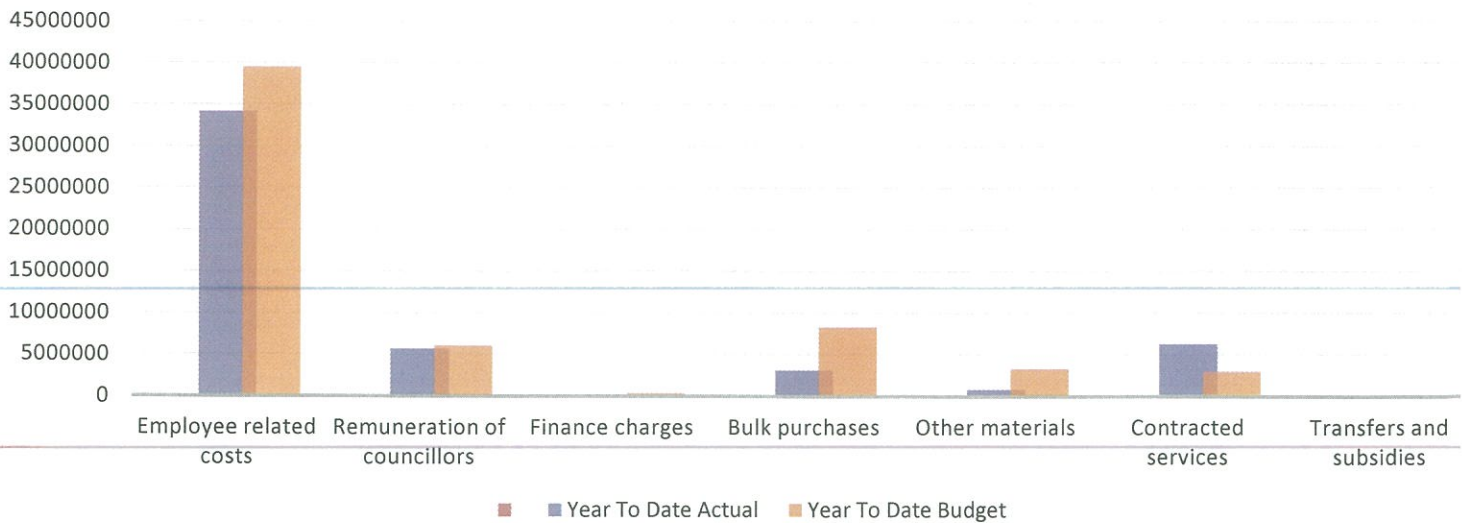
2016/17										
Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	Under/(Over) Budget
R thousands								%		
Expenditure By Type										
Employee related costs		65,850	78,926	5,494	34,127	39,463	(5,336)	-14%	78,926	
Remuneration of councillors		11,185	12,071	943	5,656	6,036	(379)	-6%	12,071	
Debt impairment		7,406	7,500	625	3,750	3,750	-		7,500	
Depreciation & asset impairment		20,564	24,729	2,044	12,265	12,365	(99)	-1%	24,729	
Finance charges		1,363	657	-	-	329	(329)	-100%	657	
Bulk purchases		12,948	16,550	29	3,082	8,275	(5,193)	-63%	12,500	(4,000)
Other materials		691	6,571	500	812	3,286	(2,473)	-75%	6,571	
Contracted services		11,247	5,882	453	6,250	2,941	3,309	113%	8,683	2,800
Transfers and subsidies		872	435	0	0	218	(217)	-100%	435	
Other expenditure		50,476	41,501	3,828	19,954	20,750	(796)	-4%	41,501	
Loss on disposal of PPE		1,244	-	-	-	-	-		-	
Total Expenditure		183,845	194,822	13,917	85,897	97,411	(11,514)	-12%	193,573	(1,200)

**Total Operating Expenditure**

	Year To Date Actual	Year To Date Budget
Total Operating Expenditure	85,897	97,411

(See Table C4 for details on the Operating Expenditure info)

## Operating Expenditure by Line item



(See Table C4 for details on the Operating Expenditure information)

When comparing the year to date projections with the year to date actuals there is an under expenditure of 12%. The main contributors to this under spending are Employee Cost with 14%, Finance Charges with 100%, Bulk Purchases with 63% and Other Material with 75%.

### ( c ) Capital Expenditure

EC136 Emalahleni (Ec) - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding)  
M06 December

Vote Description	Ref	2016/17	Budget Year 2017/18						
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1							%	
<b>Funded by:</b>									
National Government		20,841	32,358	3,838	11,133	16,179	(5,046)	-31%	32,358
Provincial Government		2,640	-			-	-		-
Transfers recognised - capital		23,481	32,358	3,838	11,133	16,179	(5,046)	-31%	32,358
Borrowing	6		8,000			4,000	(4,000)	-100%	8,000
Internally generated funds		13,786		707	1,265	-	1,265	#DIV/0!	
<b>Total Capital Funding</b>		<b>37,267</b>	<b>40,358</b>	<b>4,545</b>	<b>12,398</b>	<b>20,179</b>	<b>(7,781)</b>	<b>-39%</b>	<b>40,358</b>