

# Harry Gwala District Municipality



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

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## **1. PART 1 – IN YEAR REPORT**

### **1.1 Mayors Report**

#### PREAMBLE

The Mayor, Hounarable Councillor M Ndobe

In accordance with S72 of the Municipal Finance Management Act, I submit the required statement assessing the performance of the Harry Gwala District Municipality during the first half of the 2018/19 financial year.

Section 54 of the MFMA requires the Mayor of the municipality to take certain actions on receipts of this report to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

The information and analysis contained in this report has been reviewed and it is evident that an adjustment budget (both Capital and Operational Budget) and hence adjustments to the SDBIP will be necessary.

The planned results and the comments have been included in the performance assessment report as the senior managers were requested to indicate the status as well as their remedial actions in order to achieve those planned targets.

In terms of s72 of the MFMA the budget and SDBIP projections will have to be reviewed to ensure that the planned services will rendered within the budgetary constraints.

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Municipal Manager: Mrs N Dlamini

Municipal Manager: Harry Gwala DM

29 January 2019

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Councillor: M. E. Ndobe

Honourable Mayor: Harry Gwala DM

29 January 2019

## **1.2 Executive Summary**

### **Legislative Requirements**

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

### **Midyear Budget & Performance Assessment**

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

### **Material Variances in the SDBIP**

The performance of the Municipality, as discussed in detail under 2.6 Material Variances in the SDBIP, shows that the Municipality has managed to achieve 64% of the planned target as at midyear. It can be stated that the performance of the municipality at midyear is slightly above average; however the departments need to improve their performance in the next remaining months.

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

## **REVENUE**

The actual year to date revenue recognised as at 31 December 2018 was R234, 7million against a year to date budget of R375, 7million representing under performance of 38%.The revenue recognition on the Transfers & subsidies Capital which is as a result of the change in the version of the MSCOA chart to 6.2.

## **OPERATIONAL EXPENDITURE**

The operational budget performance at midyear was 9% below the Year to Date YTD budget. An analysis of the non-priority and priority line items would have to be done to assess the need and extent of the adjustments.

## **CAPITAL EXPENDITURE**

As at Midyear, the capital budget was underspent by 11%. This is an indication for a non-accelerated infrastructure expenditure programme.

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

It should be noted that the Dec Section71 and Section 52 (d), quarterly budget monitoring report will be incorporated into this report. This report is detailed to an extent that additional comments will be limited to the most important aspects.

### **1.3 Resolutions**

The following recommendations are linked to the responsibilities of the Mayor as contained in s54 of the MFMA.

It is recommended that the Council;

1. Notes the monthly budget statement and any other supporting documentation
2. Notes the quarterly report on the implementation of the budget in terms of s52(d) MFMA
3. Notes the Midyear budget & Performance assessment in terms of s72 of the MFMA.
4. Notes the Midyear budget & performance assessment report for the Harry Gwala Development Agency.

5. Prepares the adjustments budget for Tabling to Council before the 28<sup>th</sup> February 2019 in terms of Municipal Budget Regulations.
6. Revise the projections for Revenue & Expenditure in the SDBIP to reflect the adjustments to the Annual Budget.

#### **1.4 In Year Budget Statement Tables**

##### **Monthly Budget Statements Summary**

Table C1 below provides a summary of the overall performance in the Municipality and is unpacked in the sections that follow.

DC43 Harry Gwala - Table C1 Monthly Budget Statement Summary - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Financial Performance</b>								
Property rates	-	-	-	-	-	-	-	-
Service charges	67 394	59 157	5 724	33 161	29 578	3 582	12%	59 157
Investment revenue	8 716	6 946	731	5 358	3 473	1 885	54%	6 946
Transfers and subsidies	347 365	328 823	56 759	189 290	164 412	24 879	15%	328 823
Other own revenue	17 421	14 576	1 146	6 895	7 288	(394)	-5%	14 576
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>409 502</b>	<b>64 360</b>	<b>234 704</b>	<b>204 751</b>	<b>29 952</b>	<b>15%</b>	<b>409 502</b>
Employee costs	161 904	166 778	15 697	87 032	83 389	3 643	4%	166 778
Remuneration of Councillors	6 340	6 848	526	3 161	3 424	(263)	-8%	6 848
Depreciation & asset impairment	50 650	41 944	-	-	20 972	(20 972)	-100%	41 944
Finance charges	1 605	3 954	-	-	1 977	(1 977)	-100%	3 954
Materials and bulk purchases	16 225	15 000	810	4 894	7 500	(2 606)	-35%	15 000
Transfers and subsidies	-	-	-	-	-	-	-	-
Other expenditure	218 006	169 616	6 203	71 898	84 808	(12 910)	-15%	169 616
<b>Total Expenditure</b>	<b>454 729</b>	<b>404 141</b>	<b>23 236</b>	<b>166 985</b>	<b>202 071</b>	<b>(35 085)</b>	<b>-17%</b>	<b>404 141</b>
<b>Surplus/(Deficit)</b>	<b>(13 833)</b>	<b>5 361</b>	<b>41 124</b>	<b>67 718</b>	<b>2 681</b>	<b>65 038</b>	<b>2426%</b>	<b>5 361</b>
Transfers and subsidies - capital (monetary allocations)	343 397	341 982	-	-	170 991	(170 991)	-100%	341 982
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>	<b>(105 953)</b>	<b>-61%</b>	<b>347 343</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>	<b>(105 953)</b>	<b>-61%</b>	<b>347 343</b>
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 849</b>	<b>(41 593)</b>	<b>-24%</b>	<b>349 789</b>
Capital transfers recognised	343 397	341 982	31 781	131 183	170 991	(39 808)	-23%	341 982
Internally generated funds	7 953	7 807	-	2 073	3 904	(1 831)	-47%	7 807
<b>Total sources of capital funds</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 895</b>	<b>(41 639)</b>	<b>-24%</b>	<b>349 789</b>
<b>Financial position</b>								
Total current assets	54 121	72 385		246 017				36 193
Total non current assets	2 129 037	2 436 371		2 000 896				1 218 185
Total current liabilities	176 239	212 563		242 696				106 281
Total non current liabilities	45 500	33 784		41 926				16 892
Community wealth/Equity	<b>1 945 150</b>	<b>2 247 140</b>		<b>1 962 291</b>				<b>4 494 280</b>
<b>Cash flows</b>								
Net cash from (used) operating	335 448	378 013	20 937	188 579	189 621	1 042	1%	378 013
Net cash from (used) investing	(351 550)	(349 789)	(31 781)	(147 428)	(174 895)	(27 466)	16%	(349 789)
Net cash from (used) financing	(3 130)	(3 496)	-	-	(1 848)	(1 848)	100%	(3 496)
<b>Cash/cash equivalents at the month/year end</b>	<b>5 041</b>	<b>67 750</b>	<b>-</b>	<b>138 113</b>	<b>55 901</b>	<b>(82 212)</b>	<b>-147%</b>	<b>121 689</b>
<b>Debtors &amp; creditors analysis</b>	<b>0-30 Days</b>	<b>31-60 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>
<b>Debtors Age Analysis</b>								
Total By Income Source	8 165	7 102	4 839	4 605	4 359	44 637	118 782	198 192
<b>Creditors Age Analysis</b>								
Total Creditors	8 618	1 145	1 878	-	-	-	-	11 644

## Financial Performance

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

DC43 Harry Gwala - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
<b>Revenue - Functional</b>								
<b>Governance and administration</b>	307 943	330 749	57 537	195 056	165 374	29 682	18%	330 749
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	307 943	330 749	57 537	195 056	165 374	29 682	18%	330 749
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	341	308	-	-	154	(154)	-100%	-
Planning and development	341	308	-	-	154	(154)	-100%	-
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	476 008	420 428	6 823	39 647	210 214	(170 567)	-81%	420 428
Energy sources	-	-	-	-	-	-	-	-
Water management	71 524	294 299	5 106	29 699	147 150	(117 451)	-80%	294 299
Waste water management	404 484	126 128	1 717	9 948	63 064	(53 116)	-84%	126 128
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>784 293</b>	<b>751 484</b>	<b>64 360</b>	<b>234 704</b>	<b>375 742</b>	<b>(141 039)</b>	<b>-38%</b>	<b>751 177</b>
<b>Expenditure - Functional</b>								
<b>Governance and administration</b>	152 958	147 427	9 879	64 341	73 713	(9 373)	-13%	147 427
Executive and council	21 783	29 498	2 547	10 285	14 749	(4 464)	-30%	29 498
Finance and administration	131 175	117 929	7 332	54 056	58 964	(4 909)	-8%	117 929
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	41 777	51 538	2 575	20 555	25 769	(5 214)	-20%	51 538
Planning and development	41 777	51 538	2 575	20 555	25 769	(5 214)	-20%	51 538
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	259 994	205 177	10 782	82 090	102 588	(20 498)	-20%	205 177
Energy sources	-	-	-	-	-	-	-	-
Water management	174 092	173 388	9 150	67 700	86 694	(18 994)	-22%	173 388
Waste water management	85 902	31 789	1 633	14 390	15 895	(1 505)	-9%	31 789
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>454 729</b>	<b>404 141</b>	<b>23 236</b>	<b>166 985</b>	<b>202 071</b>	<b>(35 085)</b>	<b>-17%</b>	<b>404 141</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>	<b>(105 953)</b>	<b>-61%</b>	<b>347 036</b>

Table C2: Monthly Budget Statement: Financial Performance, reflects the operating revenue in the standard classifications

The table starts by assessing the midyear revenue by department followed by an expenditure analysis. The actual year to date revenue recognised as at December 2018 was R 234, 7million against a year to date budget of R 375, 7million representing under performance of 38%.



Financial Performance, reflects operating expenditure in the standard classifications

Expenditure by standard classification presents the expenditure by the departments. The operational budget performance at midyear was 83% against the year to date budget which is under performed by of 9%.

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

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

Vote Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue by Vote</b>								
Vote 1 - Council	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	307 943	330 749	57 537	195 056	165 374	29 682	17,9%	-
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-
Vote 5 - Social Services & Development Planning	341	308	-	-	154	(154)	-100,0%	-
Vote 6 - Infrastructure Services	404 484	351 731	1 717	9 948	63 064	(53 116)	-84,2%	351 731
Vote 7 - Water Services	71 524	68 697	5 106	29 699	147 150	(117 451)	-79,8%	68 697
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>784 293</b>	<b>751 484</b>	<b>64 360</b>	<b>234 704</b>	<b>375 742</b>	<b>(141 039)</b>	<b>-37,5%</b>	<b>420 428</b>
<b>Expenditure by Vote</b>								
Vote 1 - Council	9 184	15 620	621	3 704	7 810	(4 105)	-52,6%	15 620
Vote 2 - Municipal Manager	12 599	13 878	1 927	6 580	6 939	(359)	-5,2%	13 878
Vote 3 - Budget & Treasury Office	70 508	64 802	3 587	21 579	32 401	(10 822)	-33,4%	64 802
Vote 4 - Corporate Services	60 668	53 127	3 745	32 477	26 563	5 913	22,3%	53 127
Vote 5 - Social Services & Development Planning	41 777	51 538	2 575	20 555	25 769	(5 214)	-20,2%	51 538
Vote 6 - Infrastructure Services	85 902	31 789	1 633	14 390	15 895	(1 505)	-9,5%	31 789
Vote 7 - Water Services	174 092	173 388	9 150	67 700	86 694	(18 994)	-21,9%	173 388
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>454 729</b>	<b>404 141</b>	<b>23 236</b>	<b>166 985</b>	<b>202 071</b>	<b>(35 085)</b>	<b>-17,4%</b>	<b>404 141</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>	<b>(105 953)</b>	<b>-61,0%</b>	<b>16 287</b>

Table C3: Monthly Budget Statement – Financial Performance, reflects the operating revenue and operating expenditure by municipal vote. The municipal directorates are Executive Council; Municipal Manager; Budget and Treasury; Corporate Services; Social Services and Development Planning; Infrastructure Services and Water Services. The operating expenditure budget is approved by Council on the municipal vote level.

## Statement of financial Performance

This schedule provides information on the planned revenue and operational expenditures against the actual results for the period ending 31 December 2018.

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

Description	2017/18	Budget Year 2018/19						Full Year Forecast
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
<b>R thousands</b>								
<b>Revenue By Source</b>								
Property rates						-		
Service charges - electricity revenue						-		
Service charges - water revenue	47 671	41 410	4 007	23 212	20 705	2 508	12%	41 410
Service charges - sanitation revenue	19 723	17 747	1 717	9 948	8 874	1 075	12%	17 747
Service charges - refuse revenue						-		
Interest earned - external investments	8 716	6 946	731	5 358	3 473	1 885	54%	6 946
Interest earned - outstanding debtors	12 606	9 540	863	4 759	4 770	(11)	0%	9 540
Transfers and subsidies	347 365	328 823	56 759	189 290	164 412	24 879	15%	328 823
Other revenue	4 815	5 036	283	2 135	2 518	(383)	-15%	5 036
Gains on disposal of PPE			-	-	-	-		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>409 502</b>	<b>64 360</b>	<b>234 704</b>	<b>204 751</b>	<b>29 952</b>	<b>15%</b>	<b>409 502</b>
<b>Expenditure By Type</b>								
Employee related costs	161 904	166 778	15 697	87 032	83 389	3 643	4%	166 778
Remuneration of councillors	6 340	6 848	526	3 161	3 424	(263)	-8%	6 848
Debt impairment	34 098	25 266	-	-	12 633	(12 633)	-100%	25 266
Depreciation & asset impairment	50 650	41 944	-	-	20 972	(20 972)	-100%	41 944
Finance charges	1 605	3 954	-	-	1 977	(1 977)	-100%	3 954
Bulk purchases	16 225	15 000	810	4 894	7 500	(2 606)	-35%	15 000
Other materials						-		
Contracted services	24 505	34 510	2 901	16 043	17 255	(1 212)	-7%	34 510
Transfers and subsidies	-	-				-		
Other expenditure	159 403	109 840	3 302	55 855	54 920	935	2%	109 840
Loss on disposal of PPE			-	-	-	-		
<b>Total Expenditure</b>	<b>454 729</b>	<b>404 141</b>	<b>23 236</b>	<b>166 985</b>	<b>202 071</b>	<b>(35 085)</b>	<b>-17%</b>	<b>404 141</b>
<b>Surplus/(Deficit)</b>	<b>(13 833)</b>	<b>5 361</b>	<b>41 124</b>	<b>67 718</b>	<b>2 681</b>	<b>65 038</b>	<b>0</b>	<b>5 361</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	343 397	341 982	-		170 991	(170 991)	(0)	341 982
Transfers and subsidies - capital (in-kind - all)						-		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>			<b>347 343</b>
Taxation						-		
<b>Surplus/(Deficit) after taxation</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>			<b>347 343</b>
Attributable to minorities								
<b>Surplus/(Deficit) attributable to municipality</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>			<b>347 343</b>
Share of surplus/ (deficit) of associate								
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>41 124</b>	<b>67 718</b>	<b>173 672</b>			<b>347 343</b>

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

## Capital Expenditure

Table C5 below reports on the capital expenditures by departments (municipal vote) and also by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects.

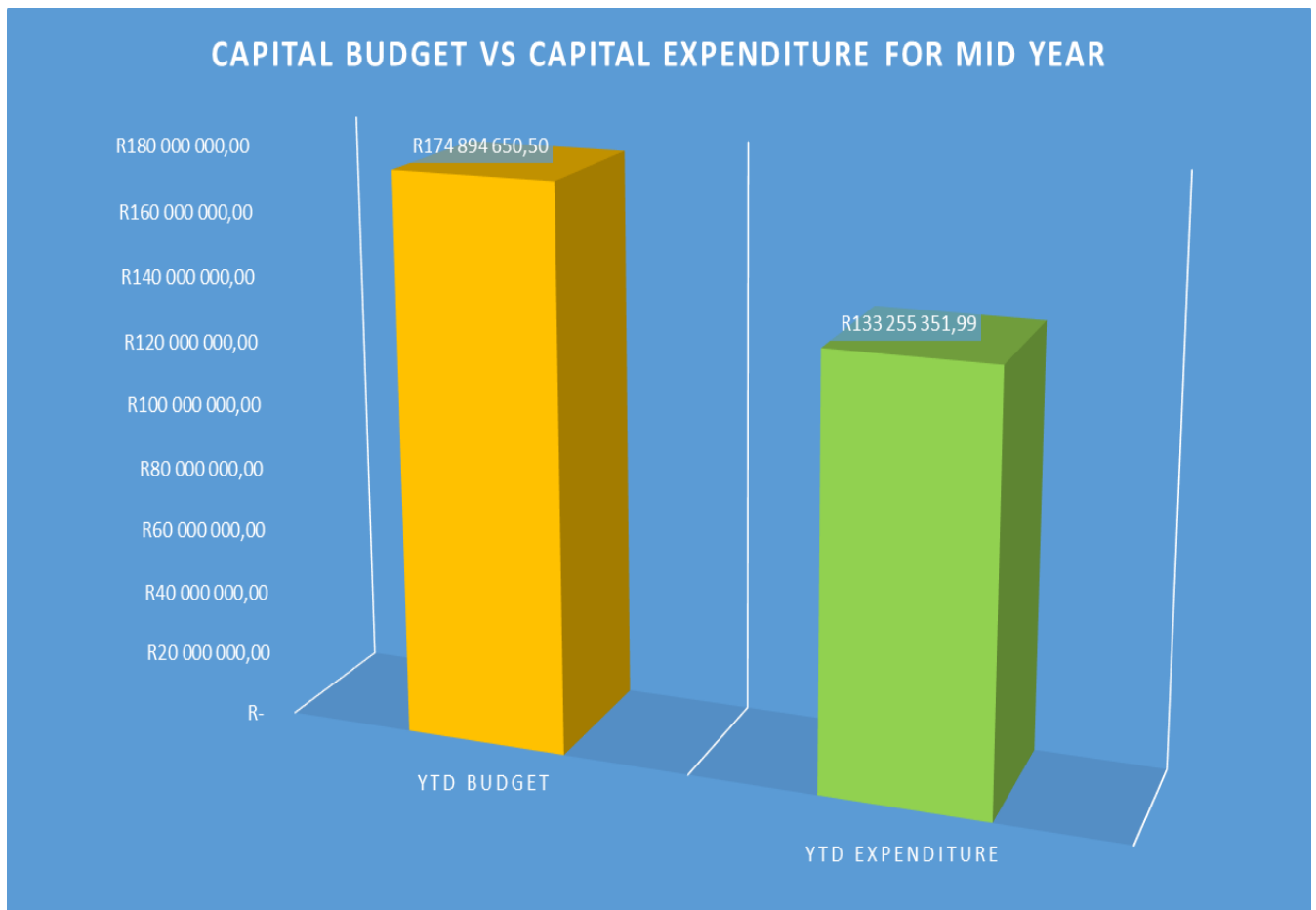
DC43 Harry Gwala - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) -

Vote Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Multi-Year expenditure appropriation</b>								
Vote 1 - Council	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	550	-	-	229	(229)	-100%	550
Vote 4 - Corporate Services	6 153	3 760	-	2 073	1 880	193	10%	3 760
Vote 5 - Social Services & Development Planning	300	497	-	-	249	(249)	-100%	497
Vote 6 - Infrastructure Services	349 297	342 482	31 781	131 183	171 241	(40 058)	-23%	342 482
Vote 7 - Water Services	(4 400)	2 500	-	-	1 250	(1 250)	-100%	2 500
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Capital Multi-year expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 849</b>	<b>(41 593)</b>	<b>-24%</b>	<b>349 789</b>
<b>Total Capital Expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 849</b>	<b>(41 593)</b>	<b>-24%</b>	<b>349 789</b>
<b>Capital Expenditure - Functional Classification</b>								
<b>Governance and administration</b>	<b>6 153</b>	<b>4 310</b>	<b>-</b>	<b>2 073</b>	<b>2 155</b>	<b>(82)</b>	<b>-4%</b>	<b>4 310</b>
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	6 153	4 310	-	2 073	2 155	(82)	-4%	4 310
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>300</b>	<b>497</b>	<b>-</b>	<b>-</b>	<b>249</b>	<b>(249)</b>	<b>-100%</b>	<b>497</b>
Planning and development	300	497	-	-	249	(249)	-100%	497
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>343 397</b>	<b>342 482</b>	<b>31 781</b>	<b>131 183</b>	<b>171 241</b>	<b>(40 058)</b>	<b>-23%</b>	<b>342 482</b>
Energy sources	-	-	-	-	-	-	-	-
Water management	343 397	342 482	31 781	131 183	171 241	(40 058)	-23%	342 482
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	<b>1 500</b>	<b>2 500</b>	<b>-</b>	<b>-</b>	<b>1 250</b>	<b>(1 250)</b>	<b>-100%</b>	<b>2 500</b>
<b>Total Capital Expenditure - Functional Classification</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 895</b>	<b>(41 639)</b>	<b>-24%</b>	<b>349 789</b>
<b>Funded by:</b>								
National Government	343 397	341 982	31 781	131 183	170 991	(39 808)	-23%	341 982
Provincial Government	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>343 397</b>	<b>341 982</b>	<b>31 781</b>	<b>131 183</b>	<b>170 991</b>	<b>(39 808)</b>	<b>-23%</b>	<b>341 982</b>
<b>Internally generated funds</b>	<b>7 953</b>	<b>7 807</b>	<b>-</b>	<b>2 073</b>	<b>3 904</b>	<b>(1 831)</b>	<b>-47%</b>	<b>7 807</b>
<b>Total Capital Funding</b>	<b>351 350</b>	<b>349 789</b>	<b>31 781</b>	<b>133 255</b>	<b>174 895</b>	<b>(41 639)</b>	<b>-24%</b>	<b>349 789</b>

The 2018/2019 mid-year capital expenditure has underspend by 11% from year to date to budget, improvement is needed in the expenditure of CAPEX as it affects the grant funding given by National and Provincial Treasury. The capital budget continues to be largely dependent on the National Government grants.

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

**Chart 1: Midyear Capex**



As at midyear, the year to date actual expenditure was R133, 2million against a YTD budget of R174, 8million. In monetary terms, these figures represent 76% percent performance against the capital development programme as at midyear.

Table C6 displays the financial position of the municipality as at 31 December 2018.

## DC43 Harry Gwala - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	2017/18	Budget Year 2018/19		
	Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>				
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash	12 394	28 182	191 659	28 182
Consumer debtors	34 358	38 849	20 531	38 849
Other debtors	7 107	5 174	33 656	5 174
Current portion of long-term receivables	-			
Inventory	263	180	171	180
<b>Total current assets</b>	<b>54 121</b>	<b>72 385</b>	<b>246 017</b>	<b>72 385</b>
<b>Non current assets</b>				
Property, plant and equipment	2 125 417	2 431 162	1 999 549	2 431 162
Intangible	3 619	5 209	1 347	5 209
Other non-current assets				
<b>Total non current assets</b>	<b>2 129 037</b>	<b>2 436 371</b>	<b>2 000 896</b>	<b>2 436 371</b>
<b>TOTAL ASSETS</b>	<b>2 183 158</b>	<b>2 508 756</b>	<b>2 246 913</b>	<b>2 508 756</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities</b>				
Borrowing	11 604	11 716	6 429	11 716
Consumer deposits	1 794	1 524	1 671	1 524
Trade and other payables	161 822	197 890	233 864	197 890
Provisions	1 019	1 433	732	1 433
<b>Total current liabilities</b>	<b>176 239</b>	<b>212 563</b>	<b>242 696</b>	<b>212 563</b>
<b>Non current liabilities</b>				
Borrowing	19 046	7 330	19 709	7 330
Provisions	26 454	26 454	22 217	26 454
<b>Total non current liabilities</b>	<b>45 500</b>	<b>33 784</b>	<b>41 926</b>	<b>33 784</b>
<b>TOTAL LIABILITIES</b>	<b>221 738</b>	<b>246 347</b>	<b>284 622</b>	<b>246 347</b>
<b>NET ASSETS</b>	<b>1 961 419</b>	<b>2 262 409</b>	<b>1 962 291</b>	<b>2 262 409</b>
<b><u>COMMUNITY WEALTH/EQUITY</u></b>				
Accumulated Surplus/(Deficit)	1 945 150	2 247 140	1 962 291	2 247 140
Reserves				
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 945 150</b>	<b>2 247 140</b>	<b>1 962 291</b>	<b>2 247 140</b>

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

DC43 Harry Gwala - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates						-		
Service charges	42 411	31 945	3 618	26 198	15 972	10 226	64%	31 945
Other revenue	4 779	2 522	283	2 137	1 261	876	69%	2 522
Government - operating	301 213	328 823	56 759	193 611	164 412	29 200	18%	328 823
Government - capital	343 397	341 982	15 000	224 467	170 991	53 476	31%	341 982
Interest	8 816	6 946	4 628	13 883	3 473	10 410	0%	6 946
Dividends						-		
<b>Payments</b>								
Suppliers and employees	(361 210)	(332 976)	(59 351)	(271 717)	(166 488)	105 229	-63%	(332 976)
Finance charges	(3 958)	(1 229)	-			-		(1 229)
Transfers and Grants	-	-				-		-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>335 448</b>	<b>378 013</b>	<b>20 937</b>	<b>188 579</b>	<b>189 621</b>	<b>1 042</b>	<b>1%</b>	<b>378 013</b>
<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	(351 550)	(349 789)	(31 781)	(147 428)	(174 895)	(27 466)	16%	(349 789)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(351 550)</b>	<b>(349 789)</b>	<b>(31 781)</b>	<b>(147 428)</b>	<b>(174 895)</b>	<b>(27 466)</b>	<b>16%</b>	<b>(349 789)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans						-		
Borrowing long term/refinancing						-		
Increase (decrease) in consumer deposits	200	200	-		100	(100)	-100%	200
<b>Payments</b>								
Repayment of borrowing	(3 330)	(3 697)	-		(1 848)	(1 848)	100%	(3 697)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3 130)</b>	<b>(3 496)</b>	<b>-</b>	<b>-</b>	<b>(1 748)</b>	<b>(1 748)</b>	<b>100%</b>	<b>(3 496)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(19 232)</b>	<b>24 727</b>	<b>(10 844)</b>	<b>41 151</b>	<b>12 978</b>			<b>24 727</b>
Cash/cash equivalents at beginning:	24 273	43 023		96 962	43 023			96 962
Cash/cash equivalents at month/year end:	5 041	67 750		138 113	56 001			121 689

There has rather been higher than expected collection levels signalled by a collection of 64%. The increase has been attributed by the amnesty programme where consumers had 50% of their debt written off when they pay 50% of what they owe. Water restrictions were introduced for defaulting consumers. Faulty meters were replaced so as to capture the actual consumption.

Interest has been more than the year to date budget which was influenced by the investments account that we have this financial year and also the interest on outstanding debtors is also more than what we planned.

## Table C1 Consolidated Monthly Budget

DC43 Harry Gwala - Table C1 Monthly Budget Statement Summary - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Financial Performance</b>								
Property rates	-	-	-	-	-	-	-	-
Service charges	67 394	59 157	5 724	33 161	29 578	3 582	12%	59 157
Investment revenue	8 716	6 946	1 034	5 662	3 473	2 189	63%	6 946
Transfers and subsidies	347 365	328 823	56 759	189 290	164 412	24 879	15%	328 823
Other own revenue	17 421	14 576	1 169	6 918	7 288	(370)	-5%	14 576
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>409 502</b>	<b>64 687</b>	<b>235 030</b>	<b>204 751</b>	<b>30 279</b>	<b>15%</b>	<b>409 502</b>
Employee costs	161 904	166 778	20 065	91 401	83 389	8 012	10%	166 778
Remuneration of Councillors	6 340	6 848	526	3 161	3 424	(263)	-8%	6 848
Depreciation & asset impairment	50 650	41 944	374	374	20 972	(20 599)	-98%	41 944
Finance charges	1 605	3 954	5	5	1 977	(1 973)	-100%	3 954
Materials and bulk purchases	16 225	15 000	810	4 894	7 500	(2 606)	-35%	15 000
Other expenditure	218 006	169 616	7 920	73 615	84 808	(11 194)	-13%	169 616
<b>Total Expenditure</b>	<b>454 729</b>	<b>404 141</b>	<b>29 699</b>	<b>173 449</b>	<b>202 071</b>	<b>(28 622)</b>	<b>-14%</b>	<b>404 141</b>
<b>Surplus/(Deficit)</b>	<b>(13 833)</b>	<b>5 361</b>	<b>34 988</b>	<b>61 582</b>	<b>2 681</b>	<b>58 901</b>	<b>2197%</b>	<b>5 361</b>
Transfers and subsidies - capital (monetary allocations) (Na	343 397	341 982	-	-	170 991	(170 991)	-100%	341 982
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>	<b>(112 090)</b>	<b>-65%</b>	<b>347 343</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>	<b>(112 090)</b>	<b>-65%</b>	<b>347 343</b>
<b>Capital expenditure &amp; funds sources</b>								
<b>Capital expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 849</b>	<b>(41 371)</b>	<b>-24%</b>	<b>349 789</b>
Capital transfers recognised	343 397	341 982	31 781	131 183	170 991	(39 808)	-23%	341 982
Internally generated funds	7 953	7 807	222	2 295	3 904	(1 609)	-41%	7 807
<b>Total sources of capital funds</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 895</b>	<b>(41 417)</b>	<b>-24%</b>	<b>349 789</b>
<b>Financial position</b>								
Total current assets	54 121	72 385		246 017				-
Total non current assets	2 129 037	2 436 371		2 000 896				-
Total current liabilities	176 239	212 563		242 696				-
Total non current liabilities	45 500	33 784		41 926				-
Community wealth/Equity	<b>1 945 150</b>	<b>2 247 140</b>		<b>1 962 291</b>				-
<b>Cash flows</b>								
Net cash from (used) operating	335 448	378 013	21 159	188 801	185 533	(3 268)	-2%	378 013
Net cash from (used) investing	(351 550)	(349 789)	(32 003)	(147 650)	(174 895)	(27 244)	16%	(349 789)
Net cash from (used) financing	(3 130)	(3 496)	-	-	(1 848)	(1 848)	100%	(3 496)
<b>Cash/cash equivalents at the month/year end</b>	<b>5 041</b>	<b>67 750</b>	<b>-</b>	<b>138 113</b>	<b>51 813</b>	<b>(86 300)</b>	<b>-167%</b>	<b>121 689</b>
<b>Debtors &amp; creditors analysis</b>	<b>0-30 Days</b>	<b>31-60 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>
<b>Debtors Age Analysis</b>								
Total By Income Source	8 165	7 102	4 839	4 605	4 359	44 637	118 782	198 192
<b>Creditors Age Analysis</b>								
Total Creditors	8 618	1 145	1 878	-	-	-	-	11 644

DC43 Harry Gwala - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue - Functional</b>								
<b>Governance and administration</b>	307 943	330 749	57 537	195 056	165 374	29 682	18%	330 749
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	307 943	330 749	57 537	195 056	165 374	29 682	18%	330 749
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	341	308	326	326	154	173	112%	308
Planning and development	341	308	326	326	154	173	112%	308
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	476 008	420 428	6 823	39 647	210 214	(170 567)	-81%	420 428
Energy sources	-	-	-	-	-	-	-	-
Water management	71 524	294 299	5 106	29 699	147 150	(117 451)	-80%	294 299
Waste water management	404 484	126 128	1 717	9 948	63 064	(53 116)	-84%	126 128
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	<b>784 293</b>	<b>751 484</b>	<b>64 687</b>	<b>235 030</b>	<b>375 742</b>	<b>(140 712)</b>	<b>-37%</b>	<b>751 484</b>
<b>Expenditure - Functional</b>								
<b>Governance and administration</b>	152 958	147 427	9 879	64 341	73 713	(9 373)	-13%	147 427
Executive and council	21 783	29 498	2 547	10 285	14 749	(4 464)	-30%	29 498
Finance and administration	131 175	117 929	7 332	54 056	58 964	(4 909)	-8%	117 929
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	41 777	51 538	9 038	27 018	25 769	1 249	5%	51 538
Planning and development	41 777	51 538	9 038	27 018	25 769	1 249	5%	51 538
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	259 994	205 177	10 782	82 090	102 588	(20 498)	-20%	205 177
Energy sources	-	-	-	-	-	-	-	-
Water management	174 092	173 388	9 150	67 700	86 694	(18 994)	-22%	173 388
Waste water management	85 902	31 789	1 633	14 390	15 895	(1 505)	-9%	31 789
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>454 729</b>	<b>404 141</b>	<b>29 699</b>	<b>173 449</b>	<b>202 071</b>	<b>(28 622)</b>	<b>-14%</b>	<b>404 141</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>	<b>(112 090)</b>	<b>-65%</b>	<b>347 343</b>

Table C2: Consolidated Monthly Budget Statement: Financial Performance, reflects the operating revenue in the standard classifications

The table starts by assessing the midyear revenue by department followed by an expenditure analysis. The consolidated actual year to date revenue recognised as at December 2018 was R 235million against a year to date budget of R 375, 7million representing under performance of 62%.

Consolidated Expenditure by standard classification presents the expenditure by the departments. The operational budget performance at midyear was 86% against the year to date budget which is under performed by 14%.



**DC43 Harry Gwala - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06**

Vote Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue by Vote</b>								
Vote 1 - Council	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	307 943	330 749	57 537	195 056	165 374	29 682	17,9%	-
Vote 4 - Corporate Services	-	-	-	-	-	-	-	-
Vote 5 - Social Services & Development Planning	341	308	326	326	154	173	112,3%	308
Vote 6 - Infrastructure Services	404 484	351 731	1 717	9 948	63 064	(53 116)	-84,2%	351 731
Vote 7 - Water Services	71 524	68 697	5 106	29 699	147 150	(117 451)	-79,8%	68 697
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>784 293</b>	<b>751 484</b>	<b>64 687</b>	<b>235 030</b>	<b>375 742</b>	<b>(140 712)</b>	<b>-37,4%</b>	<b>420 735</b>
<b>Expenditure by Vote</b>								
Vote 1 - Council	9 184	15 620	621	3 704	7 810	(4 105)	-52,6%	15 620
Vote 2 - Municipal Manager	12 599	13 878	1 927	6 580	6 939	(359)	-5,2%	13 878
Vote 3 - Budget & Treasury Office	70 508	64 802	3 587	21 579	32 401	(10 822)	-33,4%	64 802
Vote 4 - Corporate Services	60 668	53 127	3 745	32 477	26 563	5 913	22,3%	53 127
Vote 5 - Social Services & Development Planning	41 777	51 538	9 038	27 018	25 769	1 249	4,8%	51 538
Vote 6 - Infrastructure Services	85 902	31 789	1 633	14 390	15 895	(1 505)	-9,5%	31 789
Vote 7 - Water Services	174 092	173 388	9 150	67 700	86 694	(18 994)	-21,9%	173 388
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>454 729</b>	<b>404 141</b>	<b>29 699</b>	<b>173 449</b>	<b>202 071</b>	<b>(28 622)</b>	<b>-14,2%</b>	<b>404 141</b>
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>	<b>(112 090)</b>	<b>-64,5%</b>	<b>16 594</b>

Table C3: Consolidated Monthly Budget Statement – Financial Performance, reflects the operating revenue and operating expenditure by municipal vote. The municipal directorates are Executive Council; Municipal Manager; Budget and Treasury; Corporate Services; Social Services and Development Planning; Infrastructure Services and Water Services. The operating expenditure budget is approved by Council on the municipal vote level.

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

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original 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						-		
Service charges - electricity revenue						-		
Service charges - water revenue	47 671	41 410	4 007	23 212	20 705	2 508	12%	41 410
Service charges - sanitation revenue	19 723	17 747	1 717	9 948	8 874	1 075	12%	17 747
Interest earned - external investments	8 716	6 946	1 034	5 662	3 473	2 189	63%	6 946
Interest earned - outstanding debtors	12 606	9 540	863	4 759	4 770	(11)	0%	9 540
Agency services						-		
Transfers and subsidies	347 365	328 823	56 759	189 290	164 412	24 879	15%	328 823
Other revenue	4 815	5 036	306	2 159	2 518	(360)	-14%	5 036
Gains on disposal of PPE						-		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>440 896</b>	<b>409 502</b>	<b>64 687</b>	<b>235 030</b>	<b>204 751</b>	<b>30 279</b>	<b>15%</b>	<b>409 502</b>
<b>Expenditure By Type</b>								
Employee related costs	161 904	166 778	20 065	91 401	83 389	8 012	10%	166 778
Remuneration of councillors	6 340	6 848	526	3 161	3 424	(263)	-8%	6 848
Debt impairment	34 098	25 266	-	-	12 633	(12 633)	-100%	25 266
Depreciation & asset impairment	50 650	41 944	374	374	20 972	(20 599)	-98%	41 944
Finance charges	1 605	3 954	5	5	1 977	(1 973)	-100%	3 954
Bulk purchases	16 225	15 000	810	4 894	7 500	(2 606)	-35%	15 000
Contracted services	24 505	34 510	3 126	16 267	17 255	(988)	-6%	34 510
Transfers and subsidies	-	-				-		
Other expenditure	159 403	109 840	4 794	57 347	54 920	2 427	4%	109 840
Loss on disposal of PPE						-		
<b>Total Expenditure</b>	<b>454 729</b>	<b>404 141</b>	<b>29 699</b>	<b>173 449</b>	<b>202 071</b>	<b>(28 622)</b>	<b>-14%</b>	<b>404 141</b>
<b>Surplus/(Deficit)</b>	<b>(13 833)</b>	<b>5 361</b>	<b>34 988</b>	<b>61 582</b>	<b>2 681</b>	<b>58 901</b>	<b>0</b>	<b>5 361</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	343 397	341 982	-		170 991	(170 991)	(0)	341 982
Transfers and subsidies - capital (in-kind - all)						-		
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>			<b>347 343</b>
Taxation						-		
<b>Surplus/(Deficit) after taxation</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>			<b>347 343</b>
Attributable to minorities								
<b>Surplus/(Deficit) attributable to municipality</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>			<b>347 343</b>
Share of surplus/ (deficit) of associate								
<b>Surplus/ (Deficit) for the year</b>	<b>329 564</b>	<b>347 343</b>	<b>34 988</b>	<b>61 582</b>	<b>173 672</b>			<b>347 343</b>

**Service charges** – Currently the year to date collection rate is only 64%. The actual figure is based on accrued revenue. Billing is slightly more than anticipated, however based on actual collections only R26 million cash is actually received

**Interest earned on outstanding receivables** – budget is based on realistically collectible revenue while the actual figures are accrued. The accrued basis refers to billed interest and not actual cash received.

**Interest earned external investments** – the actual interest earned on bank accounts held by Harry Gwala District Municipality together with Development Agency has been more favourable than anticipated or projected. This has been attributable to funds awaiting use being invested or fixed yielding higher returns. This amount can therefore be amended during the budget adjustment.

**Government grants** – Equitable Share, FMG, MIG, RBIG, and WSIG tranches received. There has been no indication from National Treasury that any of the Grants in terms of DORA would be reduced in the remaining six months of the 2018/19 financial year. The MIG Grant allocation per DORA has been received however for the second trench we received R15million instead of R47million and Infrastructure Department need to follow up on the matter.

#### **CONSOLIDATED EXPENDITURE AS PER TABLE A4**

**Employee Related Costs** – remains the largest expenditure incurred. The fixed nature of the salaries makes it difficult to reduce the level of expenditure when compared to operating expenditure. The municipality must certify prudence in the filling of vacated positions to ensure that adequate budget is available till the end of the financial year.

**Councillor Remuneration** - the budgeted expenditure for councillors is based on the previous gazette, the current financial year have not yet been effected as the regulating gazette specifying the remuneration packages was not yet issued by the end of December 2018.

**Depreciation** – There have been no journal entries to account for depreciation for the parent municipality and the year to date actual for Development agency is R373 586k, however the budgeted amount is currently deemed to be sufficient.

**Finance costs** – includes the portion of interest on the ABSA loan as well as the interest on the finance leases (for rental of printers and fax machines). The consolidated year to date expenditure is R4 500k.

**Bulk Purchases** – this line item pertains to bulk water purchases from Umngeni Water and Ugu District Municipality. Due to cash flow constraints there are invoices that were not paid in the 2017/18 financial year and the arrangement were made. Based on projections and the arrangement with Umngeni, the budget will require an increase.

**Contracted services** – includes the rental of office accommodation, Repairs and Maintenance, Security. This expenditure is linked to contractual commitments. There are still outstanding payments which may result in a need to increase the budget.

**Other expenditure** – includes items such as fleet costs (fuel & oil, tyres, admin costs, licences), telephone system rental, advertising etc. Based on projections to the end of the second quarter, a review of the classification of other expenditure would need to be undertaken

DC43 Harry Gwala - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06

Vote Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Multi-Year expenditure appropriation</b>								
Vote 1 - Council	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office	-	550	-	-	229	(229)	-100%	550
Vote 4 - Corporate Services	6 153	3 760	-	2 073	1 880	193	10%	3 760
Vote 5 - Social Services & Development Planning	300	497	222	222	249	(27)	-11%	497
Vote 6 - Infrastructure Services	349 297	342 482	31 781	131 183	171 241	(40 058)	-23%	342 482
Vote 7 - Water Services	(4 400)	2 500	-	-	1 250	(1 250)	-100%	2 500
Vote 8 - NDZ	-	-	-	-	-	-	-	-
<b>Total Capital Multi-year expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 849</b>	<b>(41 371)</b>	<b>-24%</b>	<b>349 789</b>
<b>Total Capital Expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 849</b>	<b>(41 371)</b>	<b>-24%</b>	<b>349 789</b>
<b>Capital Expenditure - Functional Classification</b>								
<b>Governance and administration</b>	<b>6 153</b>	<b>4 310</b>	<b>-</b>	<b>2 073</b>	<b>2 155</b>	<b>(82)</b>	<b>-4%</b>	<b>4 310</b>
Executive and council	-	-	-	-	-	-	-	-
Finance and administration	6 153	4 310	-	2 073	2 155	(82)	-4%	4 310
Internal audit	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>300</b>	<b>497</b>	<b>222</b>	<b>222</b>	<b>249</b>	<b>(27)</b>	<b>-11%</b>	<b>497</b>
Planning and development	300	497	222	222	249	(27)	-11%	497
Road transport	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>343 397</b>	<b>342 482</b>	<b>31 781</b>	<b>131 183</b>	<b>171 241</b>	<b>(40 058)</b>	<b>-23%</b>	<b>342 482</b>
Energy sources	-	-	-	-	-	-	-	-
Water management	343 397	342 482	31 781	131 183	171 241	(40 058)	-23%	342 482
Waste water management	-	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	<b>1 500</b>	<b>2 500</b>	<b>-</b>	<b>-</b>	<b>1 250</b>	<b>(1 250)</b>	<b>-100%</b>	<b>2 500</b>
<b>Total Capital Expenditure - Functional Classification</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 895</b>	<b>(41 417)</b>	<b>-24%</b>	<b>349 789</b>
<b>Funded by:</b>								
National Government	343 397	341 982	31 781	131 183	170 991	(39 808)	-23%	341 982
Provincial Government	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>343 397</b>	<b>341 982</b>	<b>31 781</b>	<b>131 183</b>	<b>170 991</b>	<b>(39 808)</b>	<b>-23%</b>	<b>341 982</b>
<b>Internally generated funds</b>	<b>7 953</b>	<b>7 807</b>	<b>222</b>	<b>2 295</b>	<b>3 904</b>	<b>(1 609)</b>	<b>-41%</b>	<b>7 807</b>
<b>Total Capital Funding</b>	<b>351 350</b>	<b>349 789</b>	<b>32 003</b>	<b>133 477</b>	<b>174 895</b>	<b>(41 417)</b>	<b>-24%</b>	<b>349 789</b>

Capital expenditure typically includes vehicles, computer, equipment, Office furniture's, etc. which are funded by internal contributions. It also includes expenditure on water and sanitation infrastructure funded by external funds such as MIG. Capital expenditure reflects underspending for the mid-year ending 31 December 2018. The 2018/19 consolidated year to date actual capital expenditure amounting to R133million against year to date budget of R174, 8million representing 76% of the year to date budget.

DC43 Harry Gwala - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	2017/18	Budget Year 2018/19		
	Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>				
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash	12 394	28 182	191 659	28 182
Call investment deposits				
Consumer debtors	34 358	38 849	20 531	38 849
Other debtors	7 107	5 174	33 656	5 174
Current portion of long-term receivables	-			
Inventory	263	180	171	180
<b>Total current assets</b>	<b>54 121</b>	<b>72 385</b>	<b>246 017</b>	<b>72 385</b>
<b>Non current assets</b>				
Long-term receivables				
Investments				
Investment property				
Investments in Associate				
Property, plant and equipment	2 125 417	2 431 162	1 999 549	2 431 162
Agricultural				
Biological				
Intangible	3 619	5 209	1 347	5 209
Other non-current assets				
<b>Total non current assets</b>	<b>2 129 037</b>	<b>2 436 371</b>	<b>2 000 896</b>	<b>2 436 371</b>
<b>TOTAL ASSETS</b>	<b>2 183 158</b>	<b>2 508 756</b>	<b>2 246 913</b>	<b>2 508 756</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities</b>				
Bank overdraft				
Borrowing	11 604	11 716	6 429	11 716
Consumer deposits	1 794	1 524	1 671	1 524
Trade and other payables	161 822	197 890	233 864	197 890
Provisions	1 019	1 433	732	1 433
<b>Total current liabilities</b>	<b>176 239</b>	<b>212 563</b>	<b>242 696</b>	<b>212 563</b>
<b>Non current liabilities</b>				
Borrowing	19 046	7 330	19 709	7 330
Provisions	26 454	26 454	22 217	26 454
<b>Total non current liabilities</b>	<b>45 500</b>	<b>33 784</b>	<b>41 926</b>	<b>33 784</b>
<b>TOTAL LIABILITIES</b>	<b>221 738</b>	<b>246 347</b>	<b>284 622</b>	<b>246 347</b>
<b>NET ASSETS</b>	<b>1 961 419</b>	<b>2 262 409</b>	<b>1 962 291</b>	<b>2 262 409</b>
<b><u>COMMUNITY WEALTH/EQUITY</u></b>				
Accumulated Surplus/(Deficit)	1 945 150	2 247 140	1 962 291	2 247 140
Reserves				
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>1 945 150</b>	<b>2 247 140</b>	<b>1 962 291</b>	<b>2 247 140</b>

DC43 Harry Gwala - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates						-		
Service charges	42 411	31 945	3 618	26 198	15 972	10 226	64%	31 945
Other revenue	4 779	2 522	306	2 160	1 261	899	71%	2 522
Government - operating	301 213	328 823	56 759	193 611	164 412	29 200	18%	328 823
Government - capital	343 397	341 982	15 000	224 467	170 991	53 476	31%	341 982
Interest	8 816	6 946	4 931	14 186		14 186	#DIV/0!	6 946
Dividends						-		
<b>Payments</b>								
Suppliers and employees	(361 210)	(332 976)	(59 450)	(271 817)	(166 488)	105 329	-63%	(332 976)
Finance charges	(3 958)	(1 229)	(5)	(5)	(614)	(610)	99%	(1 229)
Transfers and Grants	-	-				-		-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>335 448</b>	<b>378 013</b>	<b>21 159</b>	<b>188 801</b>	<b>185 533</b>	<b>(3 268)</b>	<b>-2%</b>	<b>378 013</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Decrease (increase) other non-current receivables						-		
<b>Payments</b>								
Capital assets	(351 550)	(349 789)	(32 003)	(147 650)	(174 895)	(27 244)	16%	(349 789)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(351 550)</b>	<b>(349 789)</b>	<b>(32 003)</b>	<b>(147 650)</b>	<b>(174 895)</b>	<b>(27 244)</b>	<b>16%</b>	<b>(349 789)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Increase (decrease) in consumer deposits	200	200	-			-		200
<b>Payments</b>								
Repayment of borrowing	(3 330)	(3 697)	-		(1 848)	(1 848)	100%	(3 697)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3 130)</b>	<b>(3 496)</b>	<b>-</b>	<b>-</b>	<b>(1 848)</b>	<b>(1 848)</b>	<b>100%</b>	<b>(3 496)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(19 232)</b>	<b>24 727</b>	<b>(10 844)</b>	<b>41 151</b>	<b>8 790</b>			<b>24 727</b>
Cash/cash equivalents at beginning:	24 273	43 023		96 962	43 023			96 962
Cash/cash equivalents at month/year end:	5 041	67 750		138 113	51 813			121 689

## 2. PART 2 – SUPPORTING DOCUMENTATION

### 2.1 Debtors Analysis

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

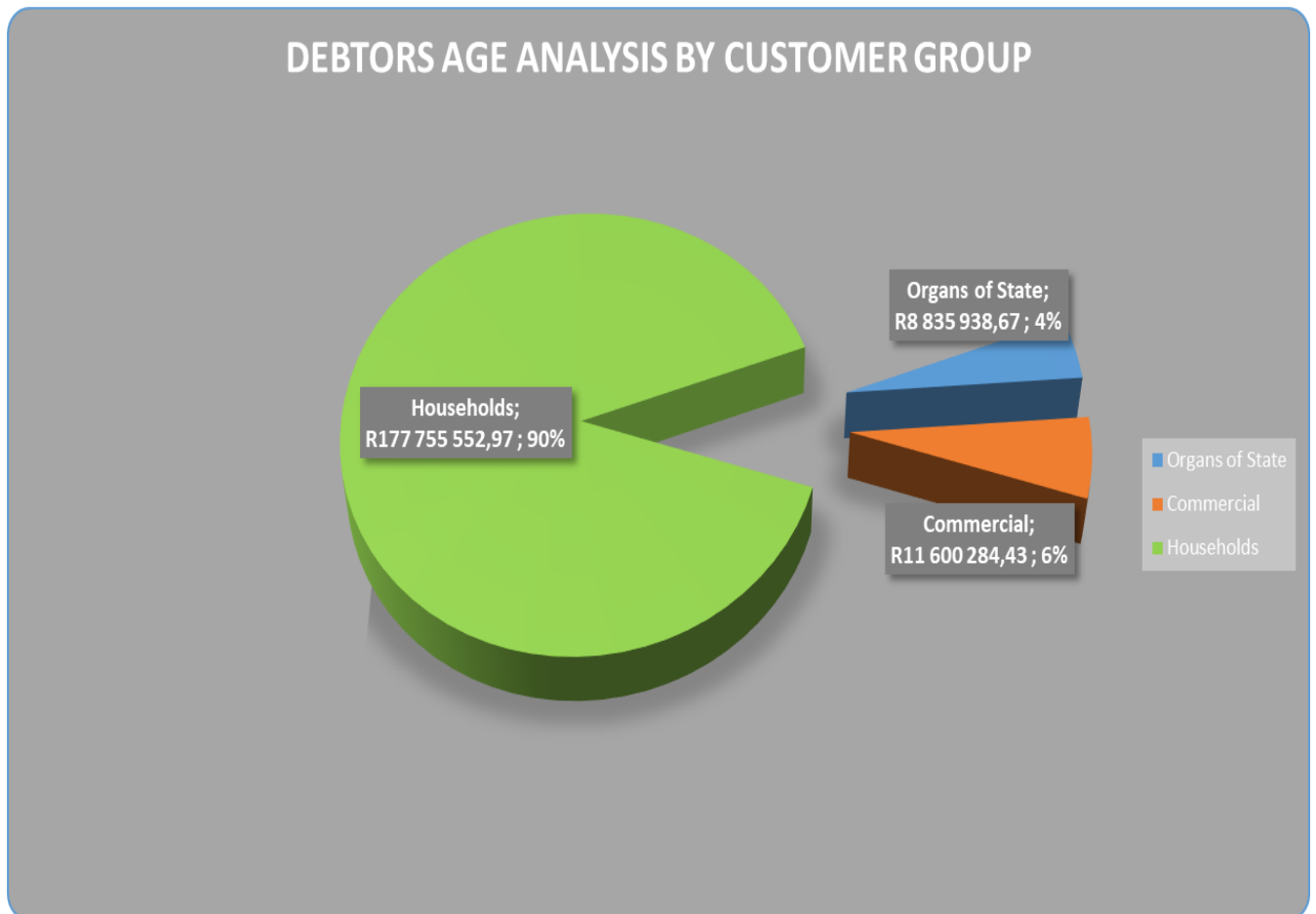
**Table 2.1.1: Debtors Age Analysis by Income Source**

DC43 Harry Gwala - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December										
Description	Budget Year 2018/19									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days
<b>R thousands</b>										
<b>Debtors Age Analysis By Income Source</b>										
Trade and Other Receivables from Exchange Transactions - Water	5 242	4 559	3 661	3 107	2 956	2 798	28 653	76 249	127 224	113 763
Trade and Other Receivables from Exchange Transactions - Electricity	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Water Management	2 048	1 781	1 430	1 214	1 155	1 093	11 194	29 787	49 701	44 443
Receivables from Exchange Transactions - Waste Management	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	876	762	612	519	494	468	4 790	12 746	21 266	19 016
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total By Income Source</b>	<b>8 165</b>	<b>7 102</b>	<b>5 703</b>	<b>4 839</b>	<b>4 605</b>	<b>4 359</b>	<b>44 637</b>	<b>118 782</b>	<b>198 192</b>	<b>177 222</b>
2017/18 - totals only									-	-
<b>Debtors Age Analysis By Customer Group</b>										
Organs of State	2 543	2 276	697	539	245	141	1 095	1 300	8 836	3 320
Commercial	993	551	490	358	353	305	2 444	6 106	11 600	9 565
Households	4 629	4 275	4 515	3 943	4 007	3 913	41 098	111 376	177 756	164 337
Other	-	-	-	-	-	-	-	-	-	-
<b>Total By Customer Group</b>	<b>8 165</b>	<b>7 102</b>	<b>5 703</b>	<b>4 839</b>	<b>4 605</b>	<b>4 359</b>	<b>44 637</b>	<b>118 782</b>	<b>198 192</b>	<b>177 222</b>

Table 2.1.2 analyses consumer debt by Category. A further analysis in the form of a chart is provided below.



## Debtors Age Analysis By Customer Group



The information presented in the chart above ranks total debt owed to the municipality from highest to the lowest,

- ✓ Households: 90%
- ✓ Government 4%
- ✓ Business 6%

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

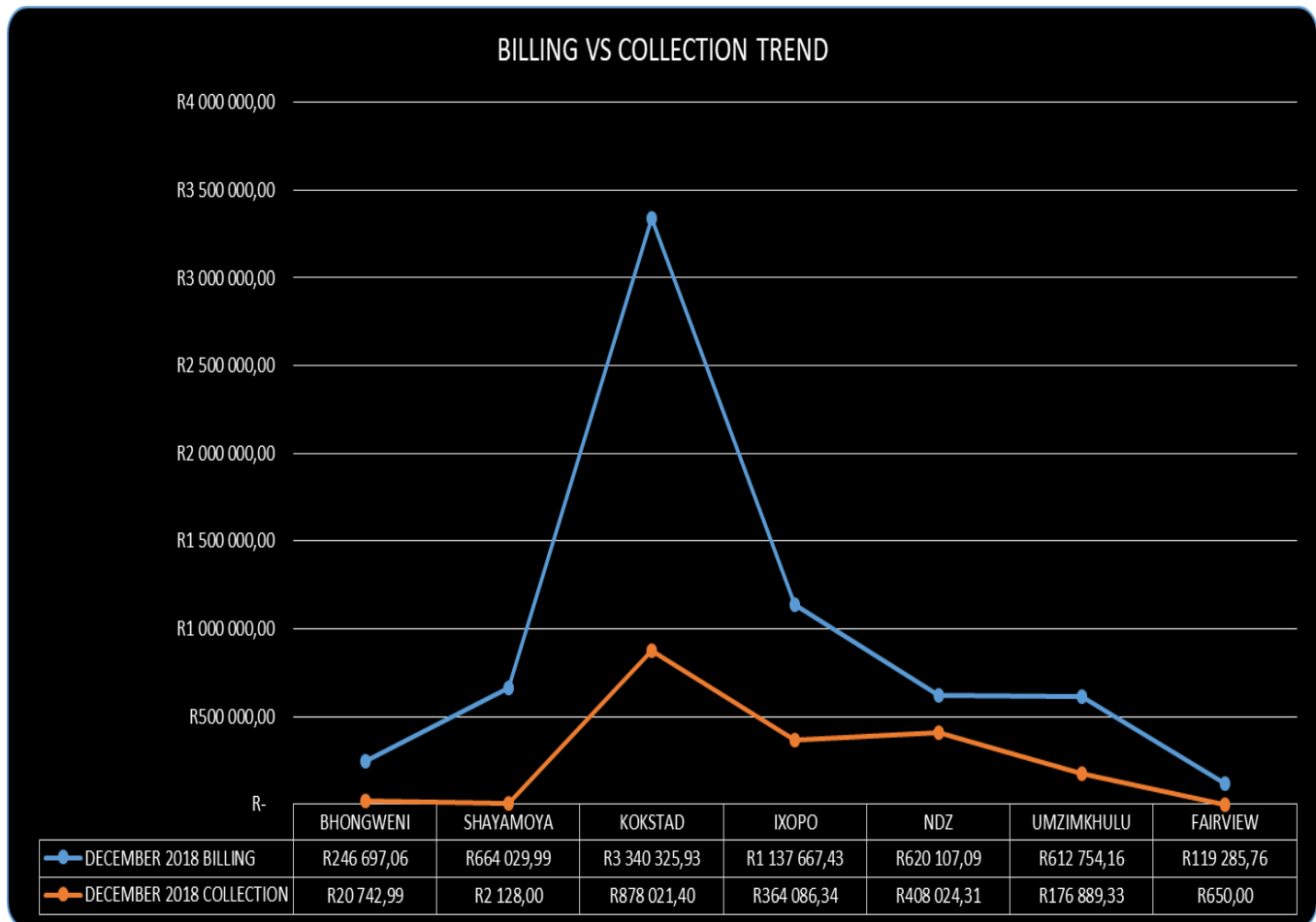
The table that follows below unpacks the revenue receipts per Local Municipality in the District

Revenue receipts per Area:

AREA	AMOUNT		
		DECEMBER 2018	NOVEMBER 2018
Unallocated receipts	R 1 767 111,12	49%	4%
Bhongweni	R 20 742,99	1%	1%
Shayamoya	R 2 128,00	0%	1%
Kokstad	R 878 021,40	24%	54%
Ixopo	R 364 086,34	10%	24%
NDZ	R 408 024,31	11	5%
Umzimkulu	R 176 889,33	5%	11%
Fairview	R 650,00	0%	0%
<b>TOTAL RECEIPTS INCL VAT</b>	<b>R 3 617 653,49</b>	100%	100%

The table above presents the cash receipts from consumer debtors in each of the detailed areas as well as the comparative receipts for the previous month. The total cash collected for December 2018 is R3, 6million.

## BILLING VS COLLECTION TREND FOR NOVEMBER AND DECEMBER



### Debtors age analysis per service

The municipality's total outstanding debtors amounted to R 198 191 776 as at 31 December 2018 compared with the R 192 317 782 as at 30 November 2018. Current debt represent 3% of the total outstanding debt compared with the 4% again of November 2018; 30 days and older debt 3% compared with the 3% for November 2018; 60 days and older debt 3% compared with the 3% of November 2018; and 90 days and older debt 2% compared with the 2% of November 2018.

Current debt increased with R 5,873,994 to R 198,191,776 compared with the R 192,317,782 as at 30 November 2018; 30 days + debt Increased with R 926,693K; 60 days + Increased with R 661,161k and 90 days and older debt as at November 2018 has increased with R 3,916,254 to R 177,100,122 compared with the R 173,183,868 as at 30 December 2018.

### Debtors age analysis per debtor type

Business debtors owes the municipality R 11,272,581 (6%); Municipal debtors R 755,012 (0.01%); domestic debtors R 158,235,877 (80%); Government accounts R 7,956,924 (4%); Indigent debtors R 16, 482, 669 (8%) and other debtors R 3,488,714 (2%) of the total outstanding debt of R 198,191,776. Most of the domestic debt and other debt will be irrecoverable and most probably will have to be written off.

## 2.2 Creditors Analysis

Table SC presents the aged creditors as at 31 December 2018

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

Description	Budget Year 2018/19								Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
<b>R thousands</b>									
<b>Creditors Age Analysis By Customer Type</b>									
Bulk Electricity									-
Bulk Water	2 065	0	0	28					2 093
PAYE deductions									-
VAT (output less input)									-
Pensions / Retirement deductions									-
Loan repayments	2 463	-	-	-					2 463
Trade Creditors	2 538	1 145	-	1 847					5 530
Auditor General	1 552	0	3	3					1 558
Other									-
<b>Total By Customer Type</b>	<b>8 618</b>	<b>1 145</b>	<b>3</b>	<b>1 878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 644</b>

## 2.3 Investment Portfolio Analysis

The following information presents the cash at bank and short term investments balances broken down per investment type as at 31 December 2018.

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

Investments by maturity Name of institution & investment ID R thousands	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
	Yrs/Months							
<b>Municipality</b>								
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		37		2 896	11 560	14 493
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		121		27 446	(20 894)	6 674
FIRST NATIONAL BANK	ADMIN CALL	ADMIN CALL		18		345	7 669	8 032
INVESTEC	FIXED DEPOSIT	FIXED DEPOSIT		185		32 936	-	33 120
FIRST NATIONAL BANK	FIXED DEPOSIT	FIXED DEPOSIT		228		48 506	(28 922)	19 813
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		4		1 061	-	1 065
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		5		1 384	(220)	1 168
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		130		34 328	(4 861)	29 597
FIRST NATIONAL BANK	FIXED DEPOSIT	FIXED DEPOSIT		3		814	-	817
FIRST NATIONAL BANK	CALL ACCOUNT	CALL ACCOUNT		-		3 139	-	23 335
<b>Municipality sub-total</b>				731		152 854	(35 669)	138 113
<b>TOTAL INVESTMENTS AND INTEREST</b>								
				731		152 854	(35 669)	138 113

## 2.4 Allocation and Grant receipts and Expenditure

Table SC 6 displays information relating to grant receipts.

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

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>RECEIPTS:</b>								
<b>Operating Transfers and Grants</b>								
<b>National Government:</b>	<b>347 365</b>	<b>328 823</b>	<b>56 759</b>	<b>193 611</b>	<b>164 412</b>	<b>31 202</b>	<b>19,0%</b>	<b>328 823</b>
Local Government Equitable Share	285 028	318 074	56 759	189 290	159 037	30 253	19,0%	318 074
Finance Management	1 250	1 000	-	1 000	500	-	-	1 000
Municipal Systems Improvement	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant (PMU)	49 148	5 005	-	-	2 503	-	-	5 005
Energy Efficiency And Demand Side Management Grant	8 000	-	-	-	-	-	-	-
Water Services Operating Subsidy	-	-	-	-	-	-	-	-
Rural Roads Asset Management Grant	2 221	2 226	-	1 558	1 113	445	40,0%	2 226
Rural Household Infrastructure Grant	-	-	-	-	-	-	-	-
Expanded public works programme incentive grant	1 718	2 518	-	1 763	1 259	504	40,0%	2 518
						-	-	
						-	-	
<b>Total Operating Transfers and Grants</b>	<b>347 365</b>	<b>328 823</b>	<b>56 759</b>	<b>193 611</b>	<b>164 412</b>	<b>31 202</b>	<b>19,0%</b>	<b>328 823</b>
<b>Capital Transfers and Grants</b>								
<b>National Government:</b>	<b>387 544</b>	<b>341 982</b>	<b>15 000</b>	<b>224 467</b>	<b>170 991</b>	<b>18 276</b>	<b>10,7%</b>	<b>341 982</b>
Municipal Infrastructure Grant (MIG)	199 544	191 582	15 000	114 067	95 791	18 276	19,1%	191 582
Regional Bulk Infrastructure	90 000	70 000	-	60 000	35 000	-	-	70 000
Municipal Water Infrastructure Grant	98 000	80 400	-	50 400	40 200	-	-	80 400
Expanded public works programme incentive grant	-	-	-	-	-	-	-	-
Rural Household Infrastructure Grant	-	-	-	-	-	-	-	-
Drought Relief	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	<b>387 544</b>	<b>341 982</b>	<b>15 000</b>	<b>224 467</b>	<b>170 991</b>	<b>18 276</b>	<b>10,7%</b>	<b>341 982</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>734 909</b>	<b>670 805</b>	<b>71 759</b>	<b>418 078</b>	<b>335 403</b>	<b>49 478</b>	<b>14,8%</b>	<b>670 805</b>

It is clear from the chart above that the bulk of the grants received by the municipality are from the National Treasury.

Table SC7 track the expenditure on Conditional grant funding.

DC43 Harry Gwala - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

Description	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>EXPENDITURE</b>								
<b>Operating expenditure of Transfers and Grants</b>								
<b>National Government:</b>	347 365	328 823	159 489	164 082	164 412	580	0,4%	328 823
Local Government Equitable Share	285 028	318 074	159 037	159 037	159 037	-		318 074
Finance Management	1 250	1 000	50	458	500	(42)	-8,5%	1 000
Municipal Systems Improvement	-	-	-	-	-	-		-
Municipal Infrastructure Grant (PMU)	49 148	5 005	-	3 124	2 503	622	24,9%	5 005
Energy Efficiency And Demand Side Management Grant	8 000	-	-	-	-	-		-
Water Services Operating Subsidy	-	-	-	-	-	-		-
Rural Roads Asset Management Grant	2 221	2 226	188	417	1 113			2 226
Rural Household Infrastructure Grant	-	-	-	-	-	-		-
Expanded public works programme incentive grant	1 718	2 518	214	1 045	1 259			2 518
<i>[insert description]</i>								
<b>Total operating expenditure of Transfers and Grants:</b>	<b>347 365</b>	<b>328 823</b>	<b>159 489</b>	<b>164 082</b>	<b>164 412</b>	<b>580</b>	<b>0,4%</b>	<b>328 823</b>
<b>Capital expenditure of Transfers and Grants</b>								
<b>National Government:</b>	387 544	341 982	35 786	175 607	170 991	17 636	10,3%	341 982
Municipal Infrastructure Grant (MIG)	199 544	191 582	16 580	87 409	95 791	(8 382)	-8,8%	191 582
Regional Bulk Infrastructure	90 000	70 000	5 227	61 018	35 000	26 018	74,3%	70 000
Municipal Water Infrastructure Grant	98 000	80 400	13 979	27 180	40 200			80 400
Expanded public works programme incentive grant	-	-	-	-	-	-		-
Rural Household Infrastructure Grant	-	-	-	-	-	-		-
Drought Relief	-	-	-	-	-	-		-
<b>Total capital expenditure of Transfers and Grants</b>	<b>387 544</b>	<b>341 982</b>	<b>35 786</b>	<b>175 607</b>	<b>170 991</b>	<b>17 636</b>	<b>10,3%</b>	<b>341 982</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>734 909</b>	<b>670 805</b>	<b>195 274</b>	<b>339 689</b>	<b>335 403</b>	<b>18 215</b>	<b>5,4%</b>	<b>670 805</b>

## 2.5 Councillor and Staff Benefits

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

# Harry Gwala District Municipality

## DC43 Harry Gwala - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	A	B					%	D
<b>Councillors (Political Office Bearers plus Other)</b>								
Basic Salaries and Wages	3 795	4 098	352	2 139	1 366	773	57%	4 098
Pension and UIF Contributions	399	431	27	160	144	17	12%	431
Medical Aid Contributions	94	101	6	38	34	4	12%	101
Motor Vehicle Allowance	1 178	1 272	81	473	424	49	12%	1 272
Cellphone Allowance	259	279	18	104	93	11	12%	279
Other benefits and allowances	616	665	42	247	222	26	12%	665
<b>Sub Total - Councillors</b>	<b>6 340</b>	<b>6 847</b>	<b>526</b>	<b>3 161</b>	<b>2 282</b>	<b>878</b>	<b>38%</b>	<b>6 847</b>
% increase		8,0%						8,0%
<b>Senior Managers of the Municipality</b>								
Basic Salaries and Wages	4 509	4 870	704	4 135	1 623	2 511	155%	4 870
Pension and UIF Contributions	4	4	0	2	1	1	66%	4
Medical Aid Contributions	6	7	1	4	2	2	66%	7
Motor Vehicle Allowance	3 797	4 101	387	2 271	1 367	904	66%	4 101
Cellphone Allowance	178	192	18	106	64	42	66%	192
Other benefits and allowances	5	6	1	3	2	1	66%	6
<b>Sub Total - Senior Managers of Municipality</b>	<b>8 500</b>	<b>9 180</b>	<b>1 111</b>	<b>6 522</b>	<b>3 060</b>	<b>3 462</b>	<b>113%</b>	<b>9 180</b>
% increase		8,0%						8,0%
<b>Other Municipal Staff</b>								
Basic Salaries and Wages	101 821	102 213	10 808	58 325	34 071	24 254	71%	102 213
Pension and UIF Contributions	16 798	18 142	1 662	9 760	6 047	3 713	61%	18 142
Medical Aid Contributions	2 321	2 507	230	1 349	836	513	61%	2 507
Overtime	2 074	2 240	205	1 205	747	458	61%	2 240
Performance Bonus	9 205	9 942	911	5 349	3 314	2 035	61%	9 942
Motor Vehicle Allowance	4 231	4 570	419	2 459	1 523	935	61%	4 570
Cellphone Allowance	722	780	71	419	260	160	61%	780
Housing Allowances	63	68	6	36	23	14	61%	68
Other benefits and allowances	2 767	2 988	274	1 608	996	612	61%	2 988
<b>Sub Total - Other Municipal Staff</b>	<b>140 002</b>	<b>143 449</b>	<b>14 586</b>	<b>80 511</b>	<b>47 816</b>	<b>32 694</b>	<b>68%</b>	<b>143 449</b>
% increase		2,5%						2,5%
<b>Total Parent Municipality</b>	<b>154 842</b>	<b>159 475</b>	<b>16 223</b>	<b>90 193</b>	<b>53 158</b>	<b>37 035</b>	<b>70%</b>	<b>159 475</b>
		3,0%						3,0%
<b>Board Members of Entities</b>								
Other benefits and allowances	100					-		
Board Fees	200	350				-		350
<b>Sub Total - Board Members of Entities</b>	<b>300</b>	<b>350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>350</b>
% increase		16,7%						16,7%
<b>Senior Managers of Entities</b>								
Basic Salaries and Wages	2 006	2 166				-		2 166
Motor Vehicle Allowance	288	311				-		311
Cellphone Allowance	55	59				-		59
Other benefits and allowances	55	59				-		59
<b>Sub Total - Senior Managers of Entities</b>	<b>2 404</b>	<b>2 597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>2 597</b>
% increase		8,0%						8,0%
<b>Other Staff of Entities</b>								
Basic Salaries and Wages	10 160	10 973				-		10 973
Motor Vehicle Allowance	175	189				-		189
Other benefits and allowances	362	391				-		391
<b>Sub Total - Other Staff of Entities</b>	<b>10 697</b>	<b>11 553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>11 553</b>
% increase		8,0%						8,0%
<b>Total Municipal Entities</b>	<b>13 402</b>	<b>14 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>14 500</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>168 244</b>	<b>173 975</b>	<b>16 223</b>	<b>90 193</b>	<b>53 158</b>	<b>37 035</b>	<b>70%</b>	<b>173 975</b>
% increase		3,4%						3,4%
<b>TOTAL MANAGERS AND STAFF</b>	<b>161 604</b>	<b>166 778</b>	<b>15 697</b>	<b>87 032</b>	<b>50 876</b>	<b>36 156</b>	<b>71%</b>	<b>166 778</b>



## **2.6 Actual and Revised Targets**

Table SC9 presents the actual and revised targets for cash receipts

DC43 Harry Gwala - Supporting Table SC9 Monthly Budget Statement - actuals and revised targets for cash receipts - M06 December

Description	Budget Year 2018/19												2018/19 Medium Term Revenue & Expenditure Framework		
	July Outcome	August Outcome	Sept Outcome	October Outcome	Nov Outcome	Dec Outcome	January Budget	Feb Budget	March Budget	April Budget	May Budget	June Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>															
<b>Cash Receipts By Source</b>															
Property rates												-			
Service charges - electricity revenue												-			
Service charges - water revenue	2 823	2 923	3 900	3 416	2 744	2 532	1 639	1 631	1 677	1 465	1 668	(4 057)	22 361	23 882	25 506
Service charges - sanitation revenue	1 210	1 253	1 672	1 464	1 176	1 085	648	807	789	680	774	(1 974)	9 583	10 235	10 931
Service charges - other							-	-	-	-	-	-			
Interest earned - external investments					4 628	731	950	948	475	418	983	(2 485)	6 646	7 098	7 577
Transfer receipts - operating	132 531	3 188	-	-	1 133	56 759	-	506	126 198	-	103	8 405	328 823	353 324	383 130
Other revenue	385	1	336	736	397	283	146	69	393	262	424	(1 117)	2 314	2 649	2 790
<b>Cash Receipts by Source</b>	<b>136 949</b>	<b>7 365</b>	<b>5 908</b>	<b>5 616</b>	<b>10 078</b>	<b>61 390</b>	<b>3 383</b>	<b>3 960</b>	<b>129 532</b>	<b>2 826</b>	<b>3 952</b>	<b>(1 229)</b>	<b>369 728</b>	<b>397 188</b>	<b>429 934</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	129 467	25 000	-	20 000	35 000	15 000	58 260	13 720	61 733	-	-	(16 198)	341 982	343 859	378 480
Change in non-current investments												-			
<b>Total Cash Receipts by Source</b>	<b>266 416</b>	<b>32 365</b>	<b>5 908</b>	<b>25 616</b>	<b>45 078</b>	<b>76 390</b>	<b>61 642</b>	<b>17 680</b>	<b>191 265</b>	<b>2 826</b>	<b>3 952</b>	<b>(17 427)</b>	<b>711 710</b>	<b>741 047</b>	<b>808 414</b>
<b>Cash Payments by Type</b>															
Employee related costs	13 633	13 781	15 411	14 718	14 339	15 697	12 776	14 567	11 066	13 218	13 086	14 486	166 778	179 780	193 955
Remuneration of councillors	509	487	532	541	541	526	577	577	577	577	577	825	6 848	7 396	7 987
Interest paid							204	204	204	204	204	2 926	3 945	4 356	1 668
Bulk purchases - Electricity							-	-	-	-	-	-			
Bulk purchases - Water & Sewer	1 300	1 955	1 503	1 106	-	810	1 163	1 136	1 103	1 193	1 152	2 578	15 000	15 810	16 680
Other materials							-	-	-	-	-	-			
Contracted services	1 100	3 140	4 252	1 246	3 604	2 901	3 500	3 069	1 856	1 701	1 869	6 271	34 510	46 914	49 494
Grants and subsidies paid - other							-	-	5 000	-	-	10 000	15 000	17 000	20 000
General expenses	24 830	42 079	20 359	1 629	21 245	39 416	4 996	4 427	20 100	4 527	5 631	(95 856)	93 384	87 193	110 937
<b>Cash Payments by Type</b>	<b>41 373</b>	<b>61 442</b>	<b>42 058</b>	<b>19 241</b>	<b>39 729</b>	<b>59 351</b>	<b>23 216</b>	<b>23 979</b>	<b>39 906</b>	<b>21 420</b>	<b>22 520</b>	<b>(58 769)</b>	<b>335 465</b>	<b>358 448</b>	<b>400 720</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	28 722	10 900	6 406	25 466	44 154	31 781	28 499	28 499	28 499	28 499	28 499	52 061	341 982	338 858	373 429
Repayment of borrowing												5 624	5 624	3 226	5 658
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>70 094</b>	<b>72 341</b>	<b>48 464</b>	<b>44 707</b>	<b>83 883</b>	<b>91 132</b>	<b>51 715</b>	<b>52 478</b>	<b>68 405</b>	<b>49 919</b>	<b>51 018</b>	<b>(1 084)</b>	<b>683 071</b>	<b>700 532</b>	<b>779 807</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>196 322</b>	<b>(39 976)</b>	<b>(42 556)</b>	<b>(19 091)</b>	<b>(38 805)</b>	<b>(14 741)</b>	<b>9 928</b>	<b>(34 798)</b>	<b>122 860</b>	<b>(47 093)</b>	<b>(47 067)</b>	<b>(16 343)</b>	<b>28 639</b>	<b>40 515</b>	<b>28 607</b>
Cash/cash equivalents at the month/year beginning:	96 962	293 284	253 307	210 751	191 659	152 854	138 113	148 041	113 243	236 103	189 011	141 944	96 962	125 601	166 116
Cash/cash equivalents at the month/year end:	293 284	253 307	210 751	191 659	152 854	138 113	148 041	113 243	236 103	189 011	141 944	125 601	125 601	166 116	194 723

## **2.7 Material Variances to the SDBIP**

The following section analyses material variances between the actual targets as at Midyear and the budget for the same period. This report analyses each major component under following headings;

- ✓ Revenue by Source
- ✓ Operational Expenditure by Type, and
- ✓ Capital Expenditure
- ✓ Financial Position
- ✓ Cash Flows

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

The last section under this heading analyses the actual targets against the planned targets as at 31 December 2018.

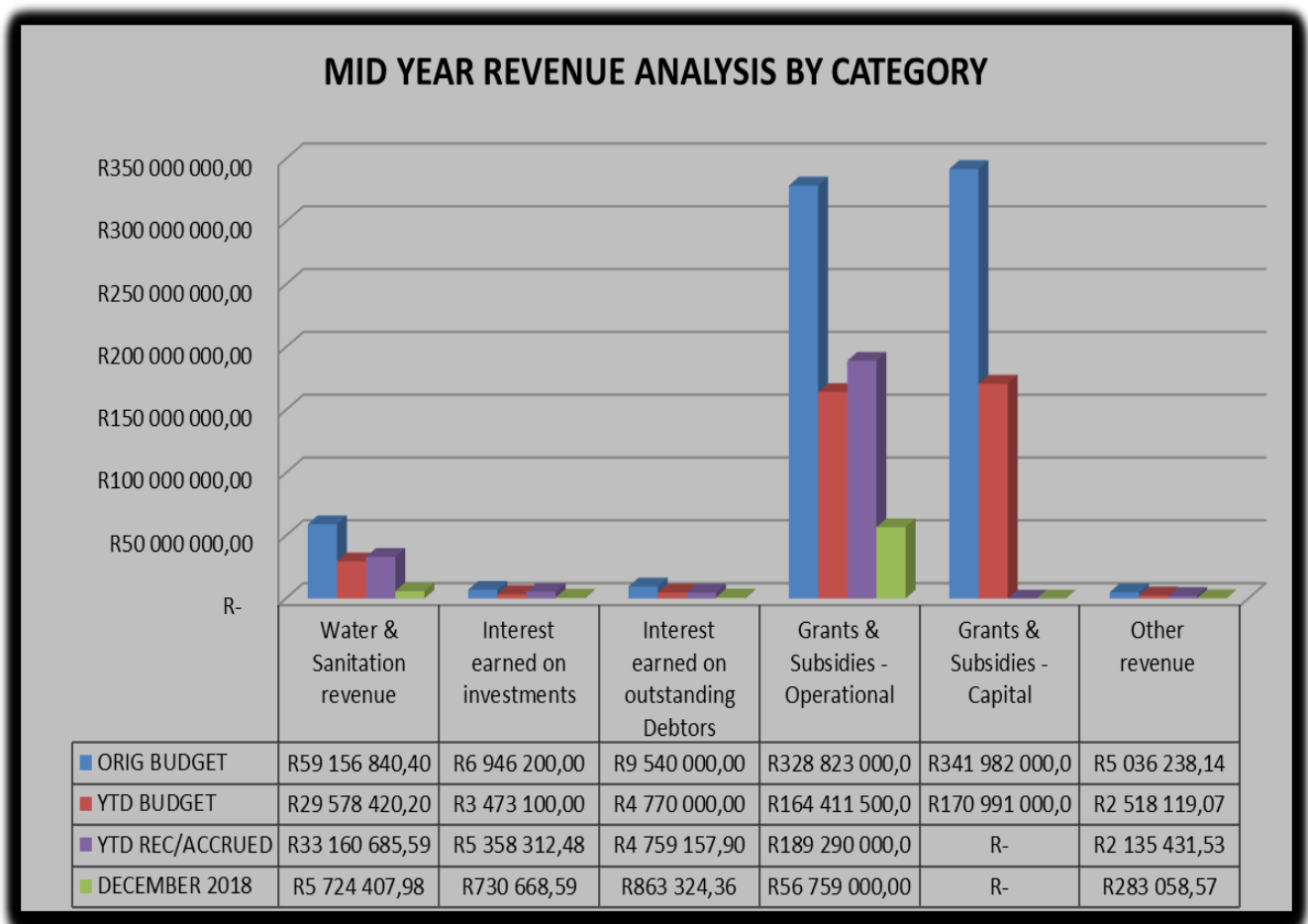
DC43 Harry Gwala - Supporting Table SC1 Material variance explanations - M06 December

Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
<b>R thousands</b>			
<b>Revenue By Source</b>			
Service charges - water revenue	12%	The municipal billing exceeded the projections due to the tariffs increase, faulty meters were fixed and installed the new meters and indigent household are the only one receiving 6kl free as opposite to every household per the budgeted figures	The upward adjustment will be effected
Service charges - sanitation revenue	12%	The municipal billing exceeded the projections due to the tariffs increase, faulty meters were fixed and installed the new meters and indigent household are the only one receiving 6kl free as opposite to every household per the budgeted figures	The upward adjustment will be effected
Interest earned - external investments	54%	Increased due to the availability of more funds in call accounts awaiting use resulting higher returns	Adjust budget upward
Interest earned - outstanding debtors	0%	Increased due to higher debtors balance than anticipated as a result defaulting customers.	Adjust budget upward
Transfers and subsidies	15%	All grants received as per Division of Revenue bill	No adjustment needed only projections need to be revised
Other revenue	-15%	Line items budgeted under these votes have been reclassified to services charges as a result of MSCOA	The correction will be fixed during the adjustments budget
<b>Expenditure By Type</b>			
Employee related costs	4%	Increased due to higher travel allowance and overtime than projected	Upward adjustment
Remuneration of councillors	-8%	The budgeted expenditure for councillors is based on the previous gazette, the current financial year have not yet been effected as the regulating gazette specifying the remuneration packages was not yet issued by the end of December 2018.	No adjustment needed
Debt impairment	-100%	Debt impairment only adjusted on a annual basis due to the complexity in the provision calculation	Timeous processing of journals
Depreciation & asset impairment	-100%	Depreciation not yet processed due to the none alignment of MSCOA versions bewteen the main financial system and asset management module resulting in errors when updating the asset management module.	Process journals monthly
Finance charges	-100%	Journals not yet processed for finance leases as well the ABSA	No adjustment needed. The budgeted amount is adequate
Bulk purchases	-35%	Invoices for December 2018 not yet approved and accounted for resulting in the under expenditure	No adjustment needed
Contracted services	-7%	Misallocation between general expenditure and contracted services	Transfer of budget as well as actual expenditure from general to contracted services
Transfers and subsidies	0%	N/A	No adjustment needed
Other expenditure	2%	Reclassification of actual expenditure	Transfer of budget as well as actual expenditure from general to contracted services
<b>Capital Expenditure</b>			
National Government	-0.23	Business forums delays	No adjustments needed
Internally generated funds	-0.47	Under expenditure on internally funded projects was due to the minimisation of cash flow risk and reprioritisation of internally funded projects.	The downward adjustment will be effected

## REVENUE

The chart displays a comparison between the midyear revenue budget and the performance against this budget as depicted in the form of Year to date (YTD) Actual figures. It should be emphasised that the information presented relates to "performance" rather than "cash movements" in terms of the revenue items listed below. This accounting principle relating to municipal performance is best illustrated in the analysis that follows.

**Chart 3: Revenue Analysis**



## Water & Sanitation Charges

The year to date **actual** water & sanitation charges (**billing**) as at 31 December 2018 was R33million against a year to date **budget** of R29, 5million. This represents over performance in municipal billing by 50%. However, this percentage measures the

municipal performance in terms of the ability to bill consumers that are receiving services from the municipality and **is not** a measure of the ability to collect outstanding consumer accounts. The reason for billing exceeded the projections is because of the tariffs increase, faulty meters were fixed and installed the new ones and not every household is getting 6kl free only indigent. The upward adjustment will be effected during adjustments budget.

*Adjustment Budget Implications:* upward adjustment

### **Interest Earned on External Investments**

The actual interest earned on external investments as at midyear is over performed by 54% (R1 885 212) more than the midyear budget.

*Adjustment Budget Implications:* An upward adjustment is required

### **Transfers Recognised - Operational**

The operational grants revenue of R189, 2million against a budget of R164, 4million is largely attributable to the YTD equitable share received of R189million while the balance relates to conditions met on conditional grant funding.

*Adjustment Budget Implications:* None

### **Transfers Recognised – Capital**

The actual R133, 4million (against a YTD budget of R174, 8million) represent the conditions met in capital expenditures against the conditional grant allocation received. This amount represents 24% under performance in Conditional Capital grant funding expenditures.

*Adjustment Budget Implications:* None

## **Other Revenue**

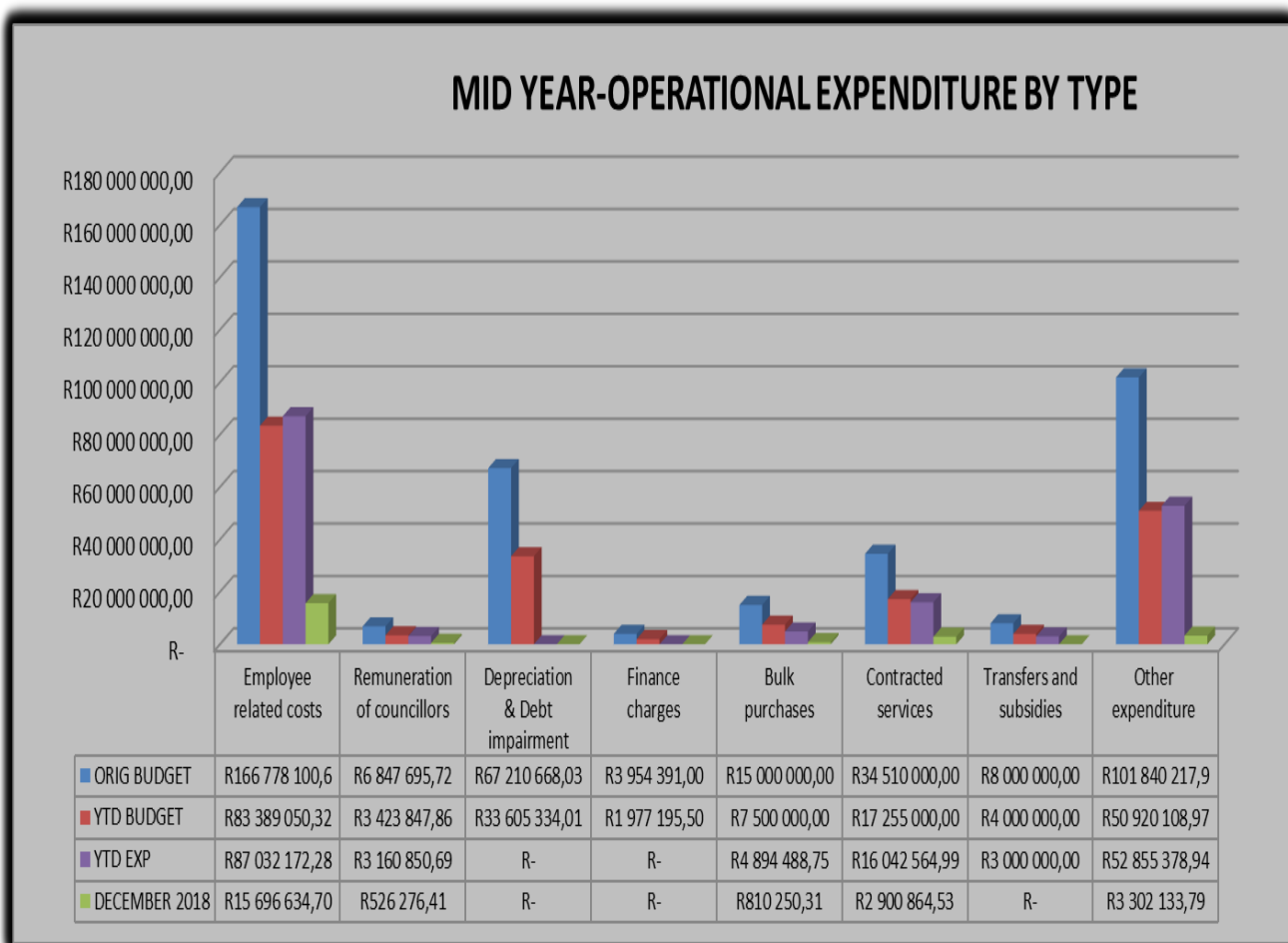
The YTD actual of other revenue is R2, 1million against year to date budget of R2, 5million. Other revenue results from the sale of Tender Documents, water tanker hire, water sales and revenue generated by the Harry Gwala Agency. Other revenue has over performed by R1, 1million. An upward adjustment of this budget would be necessary.

*Adjustment Budget Implications:* An upward adjustment would be necessary.

## **OPERATIONAL EXPENDITURE**

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

### **Chart 4: Midyear Opex**



### Employee Related Costs

The YTD budget for employee related costs is R83million against a YTD actual of R87million, Employee related costs over performed by 4%.

*Adjustment Budget Implications:* An upward adjustment of this budget would be necessary.

### Remuneration of Councillors

The remuneration of councillor’s expenditure as at 31 December 2018 was R3, 1million against a year to budget of R3, 4million. An underperformance of 8% on this line item mainly due to the fact that the adjustments of the Councillor Allowance in line with the determination is often undertaken in the third quarter.



*Adjustment Budget Implications: None*

### **Finance Charges**

As at midyear, there is no movement in finance charges. A review of this budget would be required to accommodate finance lease.

### **Bulk Purchases**

The expenditure on Bulk Water purchases has underspent by 35per cent at mid-year. The year to date actual amounting to R 4, 8million against year to date budget of R7, 5million.

*Adjustment Budget Implications:* An upward adjustment of this budget would be necessary to finish the year with positive balance.

### **Other Expenditure**

An over expenditure of 4% was reported at mid-year. A review of the classification of other expenditure would need to be undertaken

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

### Performance assessment

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

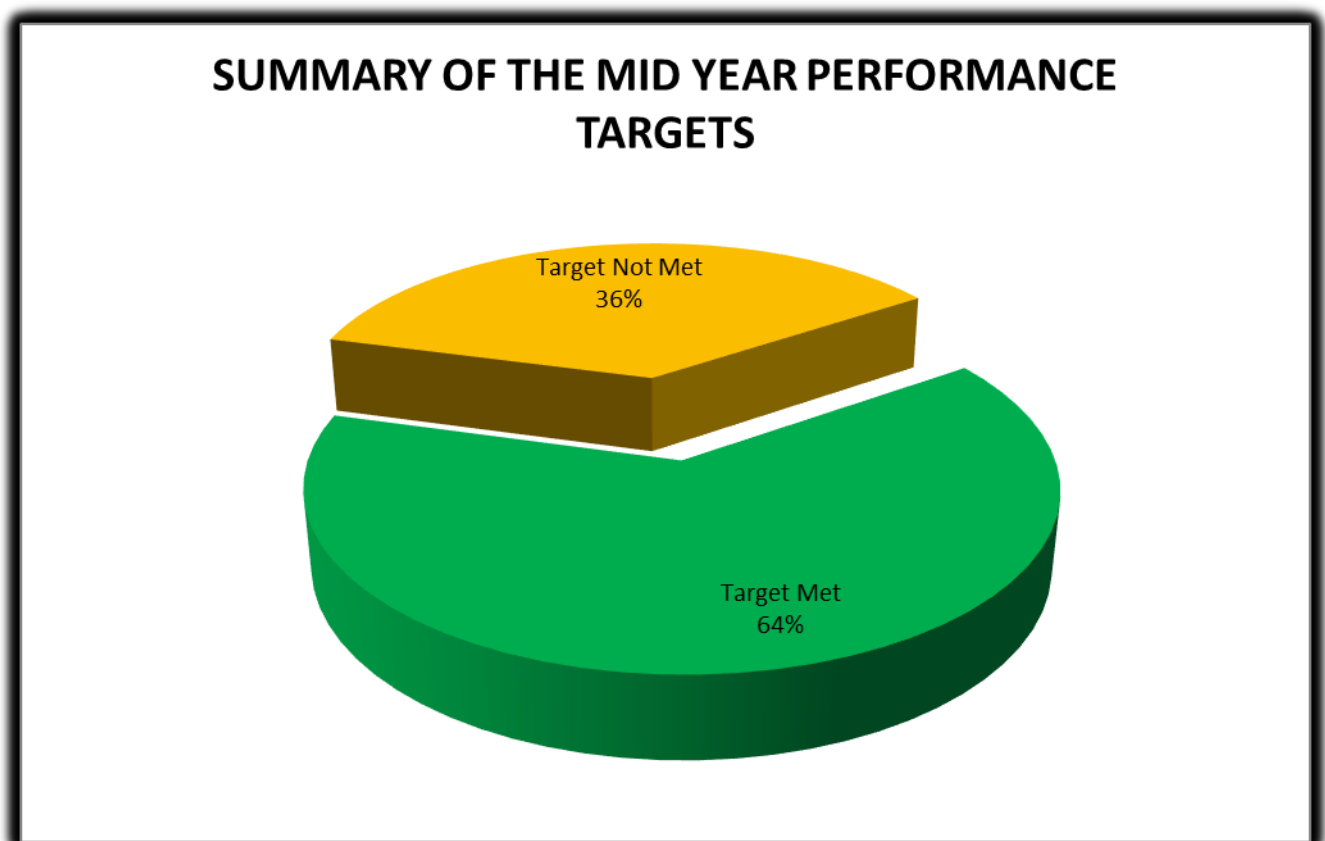


Chart 5 above provides a summary of the targets achieved or met (64%) as well the targets not met (36%). It can be stated that the performance of the municipality at

midyear is above average; however there is still more room for improvement. There are reasons why some of the targets could not be met, and as such, the Performance

Management unit has listed all the possible challenges that have hindered/ contributed to non- performance or non -implementation of the 36% targets not met.

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

**Chart 6: Departmental performance targets**

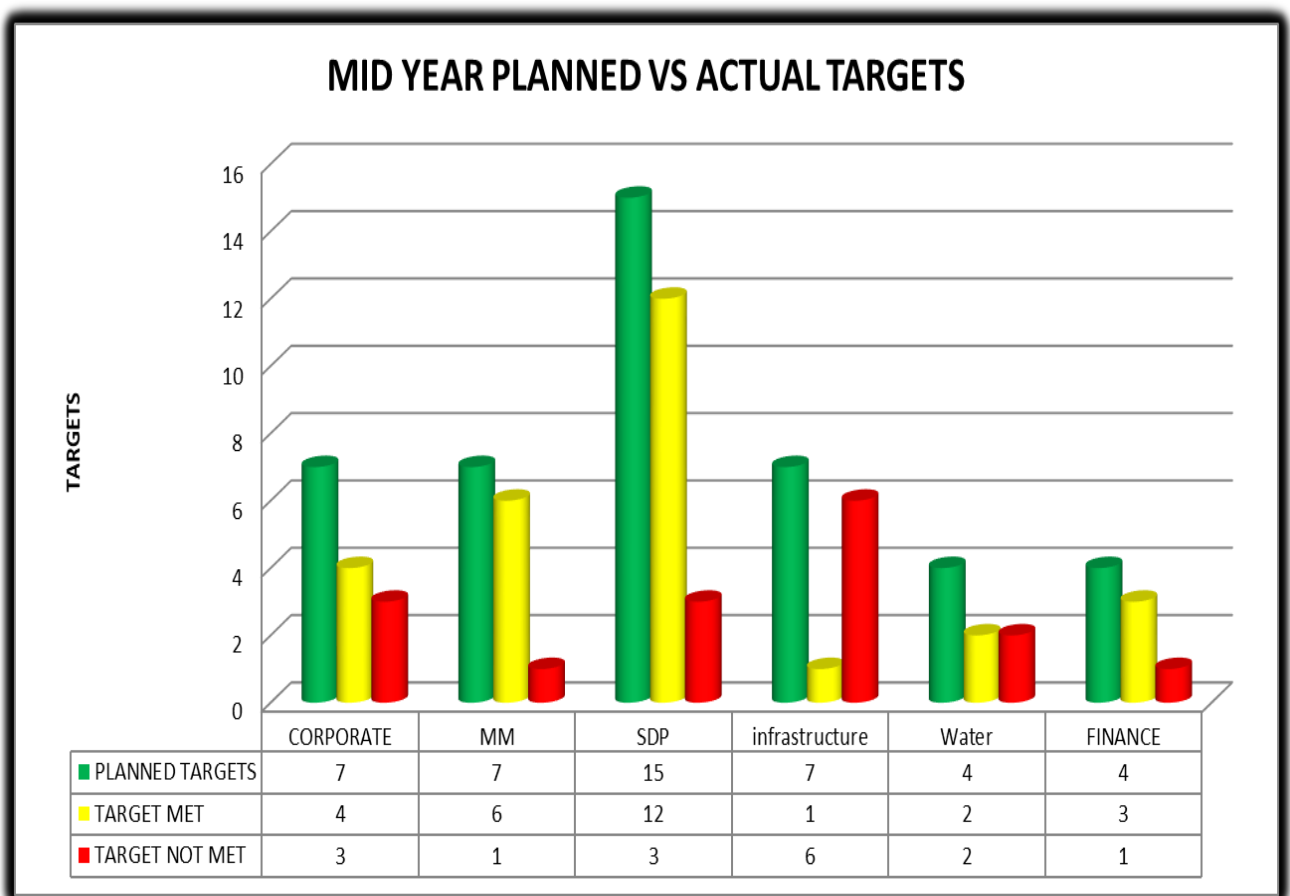
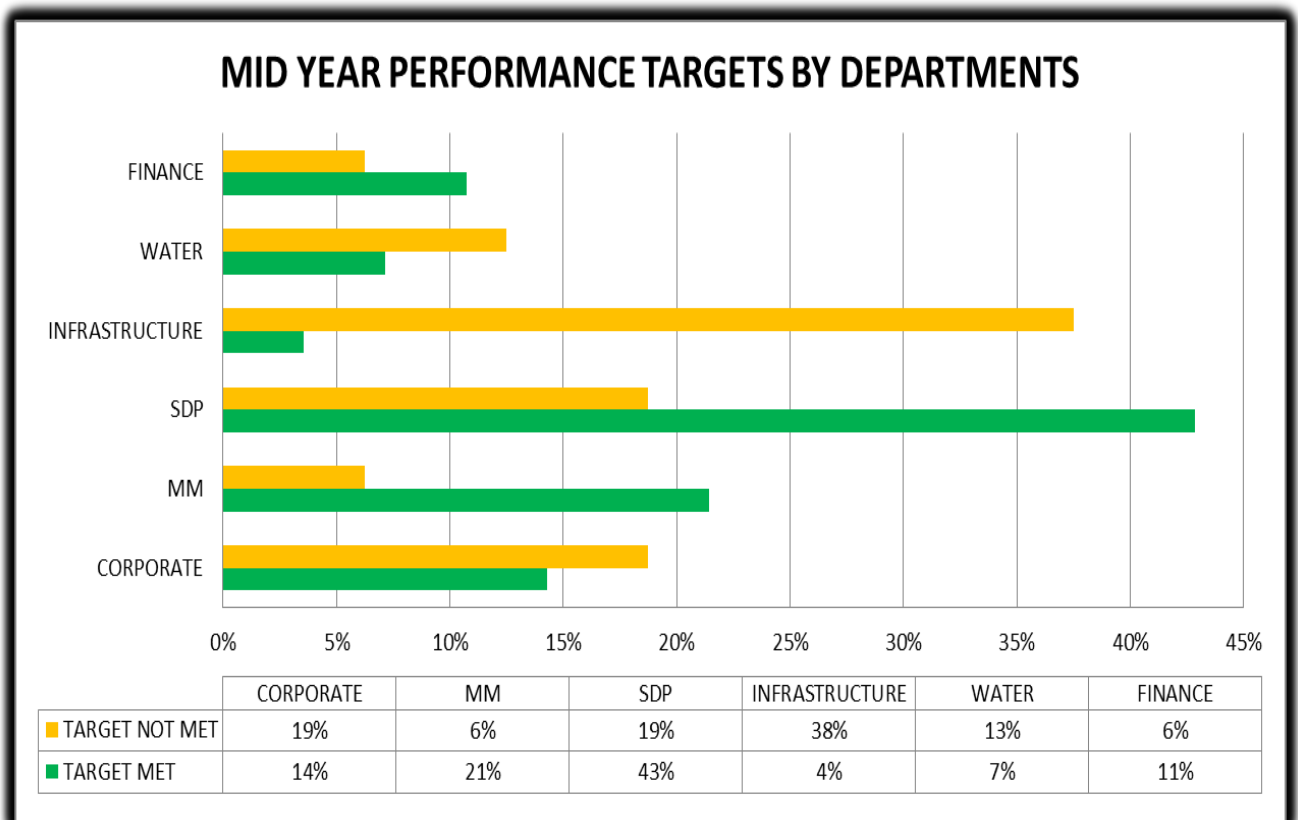


Chart 7 below analyses the extent to which performance targets, in percentage terms, were met by ranking departments from the highest (achieved) to the lowest.

**Chart 7: Performance targets Departments**



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

## **Key Challenges**

Due to accruals relating to the previous financial year that have affected the liquidity of the municipality in a negative manner and certain projects were placed on hold until the financial state of the organisation improves. The prolonged drought has also affected adversely the municipal billing and collection, also contributing negatively to the financial health of the municipality.

## **Corrective Measures**

Certain projects were placed on hold until the financial health improves. Legal steps were taken to enforce payment for water usage. Belt tightening measures were introduced to assist in improving the financial state of the municipality.

## **2.8 Capital Programme Performance**

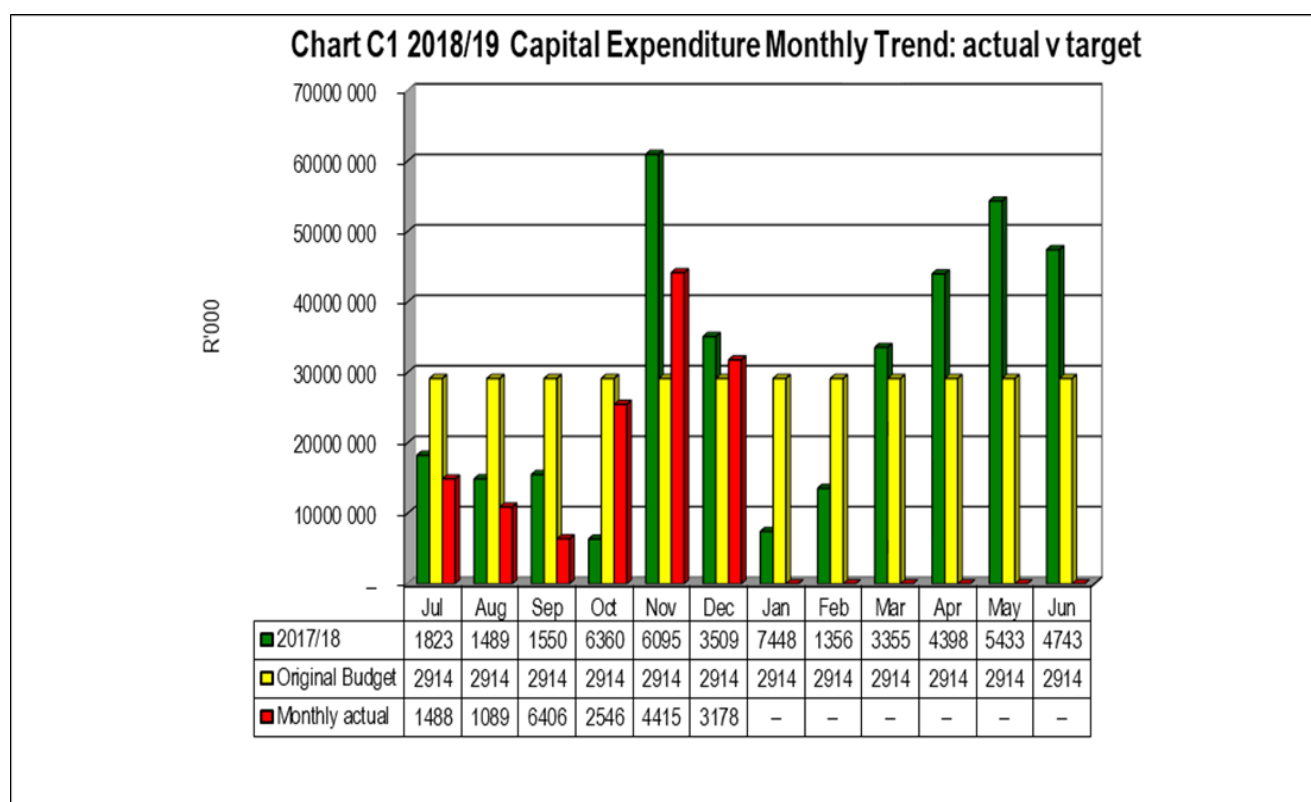
This next section looks at the performance of the capital expenditure programme. This performance is best illustrated in the charts that follow.

Chart C1 below display a comparison between the previous year's capital expenditure performances to that of the current year for the period under review. A comparison between the monthly expenditure for the periods July to December 2018 and the planned monthly targets is also displayed.

DC43 Harry Gwala - Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - M06 December

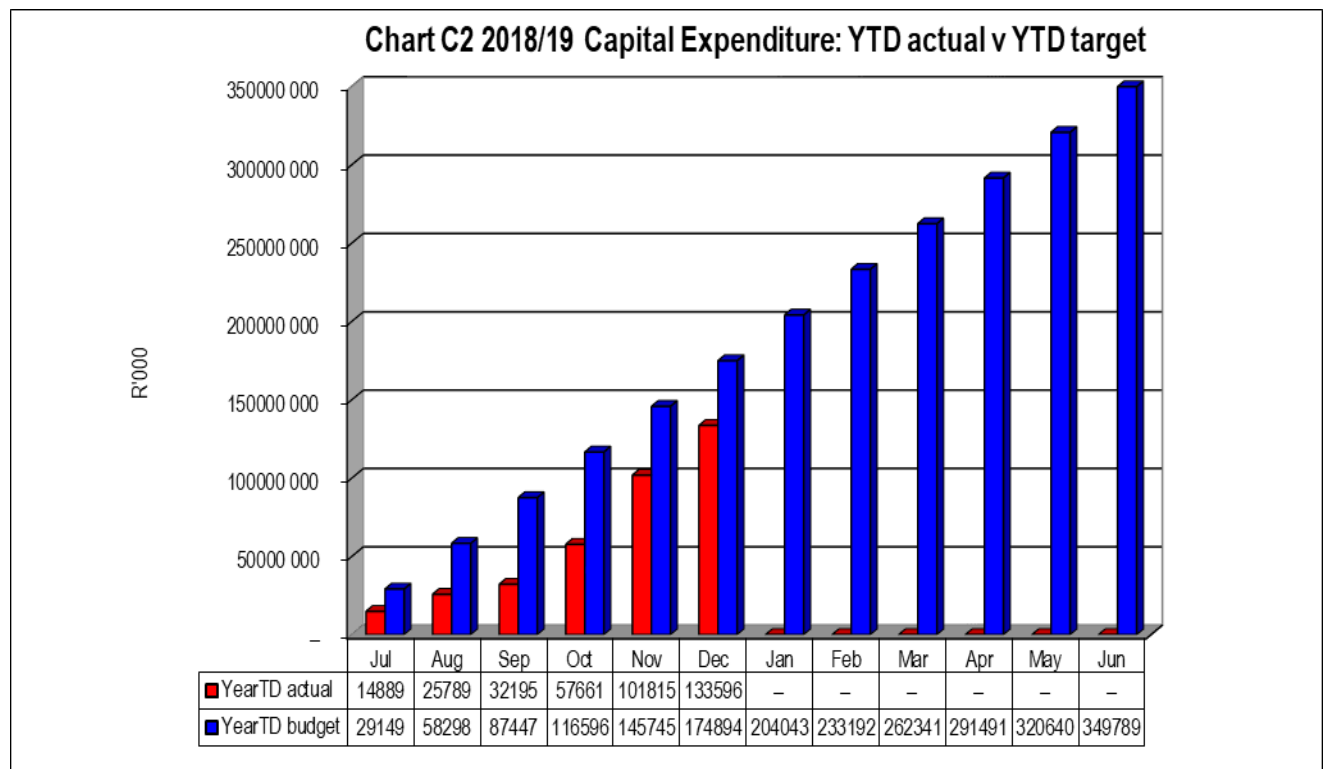
Month	2017/18	Budget Year 2018/19						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
<b>R thousands</b>								
<b>Monthly expenditure performance trend</b>								
July	18 231	29 149	14 889	14 889	29 149	14 260	48,9%	4%
August	14 892	29 149	10 900	25 789	58 298	32 509	55,8%	7%
September	15 501	29 149	6 406	32 195	87 447	55 252	63,2%	9%
October	6 361	29 149	25 466	57 661	116 596	58 935	50,5%	16%
November	60 953	29 149	44 154	101 815	145 746	43 931	30,1%	29%
December	35 093	29 149	31 781	133 596	174 895	41 298	23,6%	38%
January	7 449	29 149			204 044	-		
February	13 561	29 149			233 193	-		
March	33 559	29 149			262 342	-		
April	43 982	29 149			291 491	-		
May	54 335	29 149			320 640	-		
June	47 433	29 149			349 789	-		
<b>Total Capital expenditure</b>	<b>351 350</b>	<b>349 789</b>	<b>133 596</b>					

Chart C1: Capital Expenditure Monthly Trend: Actual v Target



The chart below, on the other hand, track the capital expenditure’s cumulative balances budget versus actual. It is clearly that expenditure started on a rather slower trend but showed acceleration towards the end of the mid-year.

**Chart C2: Capital Expenditure: YTD Actual v YTD Target**



In order for the municipality to reach its annual targets in the capital development programme, expenditure in this budget would have to maintained or increased at the trends experienced in December 2018.

## 2.9 Municipal Manager's Quality's Certification

### Quality Certificate

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

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

The performance for the month of **31 December** of **2018** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name Adelaide Nomnandi Dlamini

Municipal Manager of **Harry Gwala District Municipality (DC43)**

Signature \_\_\_\_\_

Date \_\_\_\_\_