



**CHRIS HANI**  
**DISTRICT MUNICIPALITY**  
SUSTAINING GROWTH  
THROUGH OUR PEOPLE

# MID – YEAR BUDGET AND INSTITUTIONAL PERFORMANCE ASSESSMENT

2018/2019  
FINANCIAL YEAR  
(JULY 2018 –  
DECEMBER 2018)

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# PART 1: BACKGROUND

## 1. INTRODUCTION

As required in terms of Section 72 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (hereinafter referred to as the MFMA), the accounting officer of a municipality must by 25 January of each year:

- a) Assess the performance of the municipality during the first half of the financial year, taking into account:
  - i. the monthly statements referred to in section 71 for the first half of the financial year;
  - ii. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - iii. the past year's annual report, and progress on resolving problems identified in the annual report; and
  - iv. the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- b) submit a report on such assessment, in both printed and electronic form, to-
  - i. the Mayor of the municipality;
  - ii. the National Treasury; and
  - iii. the relevant Provincial Treasury.

Moreover, the accounting officer must, as part of the review:

- a) make recommendations as to whether an adjustments budget is necessary; and
- b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Thereafter, the mayor must, in terms of Section 54. (1):

- a) Consider the report;
- b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery

targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;

- d) Issue any appropriate instructions to the accounting officer to ensure-
  - i. That the budget is implemented in accordance with the service delivery and budget implementation plan; and
  - ii. That spending of funds and revenue collection proceed in accordance with the budget;
- e) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and
- f) In the case of a section 72 report, submit the report to the council by 31 January of each year.



I, Yeliswa Sinyaya, in my capacity as the Acting Municipal Manager of the Chris Hani District Municipality, submit this Mid-year budget and performance assessment report of the institution for the 2018/2019 financial year (period 01 July 2018 – 31 December 2018). I further certify that this report has been prepared in accordance with the prescripts of the Local Government: Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act.

  
Signature

22/1/2019  
Date

## PART B: INSTITUTIONAL – FINANCIAL PERFORMANCE REPORTING

### Financial Performance Outcome

#### Review of 2017/18 audited financial performance

#### Auditor-General's Report for 2017/18

#### Eastern Cape : Chris Hani District Municipality History of audit outcomes

2017/18	2016/17	2015/16	2014/15
Qualification	Qualification	Qualification	Qualification

The District municipality's audit outcomes have remained the same for the past four years as reflected in the above table. The following matters were the basis for the qualified opinion received in the 2017/18 financial year and these have been repeated findings:

- Receivables from exchange transactions;
- Commitments;
- Irregular expenditure; and
- Water distribution losses.

## Review of mid-year financial performance for the 2018/19 financial year

### Financial performance as at 31 December 2018

This section of the report looks at the mid-year performance of Chris Hani District Municipality against the budget and targets as set out in the Service Delivery and Budget Implementation Plan (SDBIP) for the 2018/2019 financial year.

This statement summarizes the revenue realised and expenditure incurred by the municipality on cash and non-cash items that affect performance of resources. The figures shown below are an analysis of Operating and Capital revenue against Expenditure.

During the second quarter ending 31 December 2018, the municipality had an operating surplus of R63,2 million year to date taking into account the non-cash items (depreciation and debt impairment). The revenue for the period exceeds expenditure as reflected in the table below on year to date (YTD) actual. The surplus is however a partly non-cash surplus as it takes into account depreciation for assets and debt impairment and revenue billed and not what was actually collected as reflected on the cash flow statement.

#### SUMMARY INCOME AND EXPENDITURE-JULY 2018 TO DEC 2018

DC 13 Chris Hani : Table C1 Consolidated Monthly Budget Statement Summary - 2 nd Quarter						
Description	Original Budget	Adjusted Budget	Monthly actual	YearTD Budget	YearTD actual	Full Year focust
Total Operating Revenue (excluding capital transfers and contributions)	937,496	975,383	198,169	487,692	595,769	487,692
Transfers recognised - capital	471,919	621,651	59,166	310,825	155,004	310,825
<b>Total Revenue</b>	<b>1,409,416</b>	<b>1,597,034</b>	<b>257,335</b>	<b>798,517</b>	<b>750,772</b>	<b>798,517</b>
Total Operating Expenditure	1,206,257	1,252,240	107,551	626,120	523,859	626,120
Total Capital Expenditure	551,919	718,651	60,549	359,325	163,748	359,325
<b>Total Expenditure</b>	<b>1,758,177</b>	<b>1,970,891</b>	<b>168,100</b>	<b>985,445</b>	<b>687,607</b>	<b>985,445</b>
Surplus/(Deficit) after capital transfers & contributions	(348,761)	(373,856)	89,235	(186,928)	63,165	(186,928)

### Statement of Financial Performance for the period ending 31 December 2018



# MID – YEAR BUDGET AND INSTITUTIONAL PERFORMANCE ASSESSMENT

The table below shows the reported financial results of CHDM against the budget as at 31 December 2018. The District reported a net YTD surplus of R71,9 million before taking into consideration the capital revenue of R155 million and capital expenditure of R163 million. The surplus was however reduced to R63 million when taking into account assets that are funded internally from municipal reserves.

The consolidated statement of financial performance (Table C4) is inserted below to reflect on the detail for both revenue and expenditure items.

DC13 Chris Hani - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue	221,966	178,574	178,574	17,100	107,406	89,287	18,119	20%	89,287	
Service charges - sanitation revenue	53,070	54,246	54,246	4,679	28,094	27,123	971	4%	27,123	
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	
Service charges - other	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	
Interest earned - external investments	40,192	32,480	32,480	558	12,237	16,240	(4,003)	-25%	16,240	
Interest earned - outstanding debtors	-	6,730	6,730	3,034	15,687	3,365	12,323	366%	3,365	
Dividends received	-	-	-	-	-	-	-	-	-	
Fines	-	-	-	-	-	-	-	-	-	
Licences and permits	-	-	-	-	-	-	-	-	-	
Agency services	-	-	-	-	-	-	-	-	-	
Transfers recognised - operational	549,167	600,325	638,212	164,915	411,062	319,106	91,956	29%	319,106	
Other revenue	1,935	64,942	64,942	7,884	21,282	32,471	(11,189)	-34%	32,471	
Gains on disposal of PPE	-	200	200	-	-	100	(100)	-100%	100	
Total Revenue (excluding capital transfers and contributions)		866,330	937,496	975,383	198,169	595,769	487,692	108,077	22%	487,692
Expenditure By Type										
Employee related costs		293,879	308,843	308,843	39,215	163,602	154,422	9,181	6%	154,422
Remuneration of councillors		11,162	11,071	11,071	1,057	5,765	5,536	229	4%	5,536
Debt impairment		267,392	200,000	200,000	16,667	100,000	100,000	-	-	100,000
Depreciation & asset impairment		143,985	140,000	140,000	11,667	70,000	70,000	-	-	70,000
Finance charges		112	1,260	1,260	114	713	630	83	13%	630
Bulk purchases		16,178	26,139	26,139	-	6,780	13,069	(6,289)	-48%	13,069
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		96,771	124,153	124,153	10,471	41,630	62,077	(20,447)	-33%	62,077
Transfers and grants		189,409	175,942	221,924	-	11,890	110,962	(99,071)	-89%	110,962
Other expenditure		184,019	218,850	218,850	28,361	123,478	109,425	14,054	13%	109,425
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		1,202,906	1,206,257	1,252,240	107,551	523,859	626,120	(102,261)	-16%	626,120
Surplus/(Deficit)		(336,576)	(268,761)	(276,856)	90,618	71,910	(138,428)	210,338	(0)	(138,428)
Transfers recognised - capital		539,240	471,919	621,651	59,166	155,004	310,825	(155,822)	(0)	310,825
Contributions recognised - capital		-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		202,664	203,158	344,795	149,784	226,913	172,397			172,397
Taxation								-		
Surplus/(Deficit) after taxation		202,664	203,158	344,795	149,784	226,913	172,397			172,397
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		202,664	203,158	344,795	149,784	226,913	172,397			172,397
Share of surplus/ (deficit) of associate				-						
Surplus/ (Deficit) for the year		202,664	203,158	344,795	149,784	226,913	172,397			172,397



## Operating Revenue –

The table below reflects the year to date budget and year to date received/billed revenue by source for the period under review. The operating revenue overall had a positive variance of 22%, however this was mainly influenced by government grants received in advance and billing for water services, whilst the municipality has under collected in other areas, looking at the analysis below.

DC13 Chris Hani - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment

City of Johannesburg - Table 5: Consolidated monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment										
Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		-		-			-	-		
Property rates - penalties & collection charges		-		-			-	-		
Service charges - electricity revenue		-		-			-	-		
Service charges - water revenue		221,966	178,574	178,574	17,100	107,406	89,287	18,119	20%	89,287
Service charges - sanitation revenue		53,070	54,246	54,246	4,679	28,094	27,123	971	4%	27,123
Service charges - refuse revenue		-		-			-	-		
Service charges - other		-		-			-	-		
Rental of facilities and equipment		-	-	-		-	-	-		
Interest earned - external investments		40,192	32,480	32,480	558	12,237	16,240	(4,003)	-25%	16,240
Interest earned - outstanding debtors		-	6,730	6,730	3,034	15,687	3,365	12,323	366%	3,365
Dividends received		-		-			-	-		
Fines		-		-			-	-		
Licences and permits		-		-			-	-		
Agency services		-		-			-	-		
Transfers recognised - operational		549,167	600,325	638,212	164,915	411,062	319,106	91,956	29%	319,106
Other revenue		1,935	64,942	64,942	7,884	21,282	32,471	(11,189)	-34%	32,471
Gains on disposal of PPE		-	200	200		-	100	(100)	-100%	100
Total Revenue (excluding capital transfers and contributions)		866,330	937,496	975,383	198,169	595,769	487,692	108,077	22%	487,692

- **Service charges water and sanitation**, at midyear the District Municipality is showing billing with a variance of 20% and 4% respectively for water and sanitation revenue when compared to the year to date budget. The projected revenue at year end was based on the budgeted figures and stands to be billed. The audited outcomes however revealed that the billed revenue for 2017/18 is not far from the budgeted figures for 2018/19 when the low collection levels are taken into account. The budgeted revenue levels should thus be maintained, until the data cleansing and the determination of cost reflective exercises are completed.
- **Interest earned external investment** – at mid-year the District managed to raise the anticipated revenues less than budget as there is a negative 25% variance on this revenue item, resulting from investment maturity dates that will be realised in the next quarter. This

revenue contributes to a positive revenue stream for the municipality thereby improving the cash flow position and performance of the municipality. The municipality however has not made investments at the expense of service delivery as this is cash that was not immediately needed for operations and savings that have been accumulated over time. This item calls for a downward adjustment in interest revenue.

- **Transfers recognised – operational** – at mid-year the district reported to have raised positive variance of 29% more when compared to the year to date budget. This is influenced by equitable share that is received in advance in three tranches as it is not transferred in the fourth quarter. Transfers and grants continue to be the largest revenue source of the district municipality as it is clear that the services revenue collection needs to be improved. Even when the collection rate has been improved, it is clear that the municipality is not running the water and sanitation services as trading services.
- **Other revenues** – at mid-year the district had a negative variance of 34% of the anticipated year to date revenue. This revenue is made from, input vat from conditional grants, selling of tender documents and commission from third party collections, and this area also calls for a downward adjustment in revenue.

#### **Operating Expenditure:**

On operating expenditure the municipality had an overall negative variance of 16% when compared to year to date budget. This was influenced by under spending mainly on water bulk purchases and other expenditure (including contracted services and transfers and grants. The table below reflects expenditure by type for the period under review:



# MID – YEAR BUDGET AND INSTITUTIONAL PERFORMANCE ASSESSMENT

DC13 Chris Hani - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid- Year Assessment

Description	Ref	2017/18	Budget year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
Expenditure By Type										
Employee related costs		293,879	308,843	308,843	39,215	163,602	154,422	9,181	6%	154,422
Remuneration of councillors		11,162	11,071	11,071	1,057	5,765	5,536	229	4%	5,536
Debt impairment		267,392	200,000	200,000	16,667	100,000	100,000	–		100,000
Depreciation & asset impairment		143,985	140,000	140,000	11,667	70,000	70,000	–		70,000
Finance charges		112	1,260	1,260	114	713	630	83	13%	630
Bulk purchases		16,178	26,139	26,139		6,780	13,069	(6,289)	-48%	13,069
Other materials		–		–			–	–		–
Contracted services		96,771	124,153	124,153	10,471	41,630	62,077	(20,447)	-33%	62,077
Transfers and grants		189,409	175,942	221,924	–	11,890	110,962	(99,071)	-89%	110,962
Other expenditure		184,019	218,850	218,850	28,361	123,478	109,425	14,054	13%	109,425
Loss on disposal of PPE		–		–			–	–		–
Total Expenditure		1,202,906	1,206,257	1,252,240	107,551	523,859	626,120	(102,261)	-16%	626,120

**Employee related Costs:** The employee related costs have a negative variance of 6% when compared to the year to date budget, this was as a result of staff integration for WSSA and vacant funded posts that still needs to be concluded. The organogram had to be revised to ensure that water services function is appropriately accommodated and integrated within the institution.

- **Debt Impairment:** The municipality has provided a pro-rata for debt impairment based on the audited outcomes.
- **Depreciation and Asset Impairment:** The municipality has provided a pro rata depreciation and asset impairment until the final calculations for depreciation are done at year end. This was also based on the audited outcomes. This method ensures that there is no understating of expenditure which might have a negative perception that funds are available to finance additional expenditure.
- **Finance charges** – Over spent by 13% when compared to the year to date budget. and this area requires an adjustment to be considered to avoid unauthorised expenditure;
- **Bulk purchases:** Have underspent by 46% when compared with the year to date budget, resulting from late submission of invoices by Department of Water and Sanitation and



engagements have been held with the department on the matter, no adjustments will be required in this area.

- **Contracted Services:** Have a negative variance of 33% when compared to year to date budget. This is due to the fact that there are mSCOA adjustments that need to be effected on the budget side in order to achieve alignment of budget to expenditure.
- **Transfers and grants:** are currently showing a negative variance of 89% when compared with the budgeted expenditure year to date. There are also mSCOA adjustments that need to be effected on the budget and expenditure side in order to achieve alignment of budget to expenditure.
- **Other expenditure:** Had overspent by 13% when compared to the year to date budget, this is however owing to the proper alignment of the two items above, namely Contracted Services and Transfers and Grants.
- The underperformance in operating expenditure is however viewed positive as it will assist the municipality to improve from the budget deficit position it had initially budgeted for, but this should however not undermine delivery of services. The under expenditure has also not taken into account the operating commitments that have not yet been paid, but sitting as orders in the financial system.

### **Capital Revenue and Expenditure**

The total grant capital expenditure is sitting at R155 million and is 42% of the actual funds received to fund capital expenditure and 29% of the capital expenditure allocation. The most contributing grants, per table below are MIG and RBIG , compared with the allocation and with revenue received. The revenue recognition of the grants has been done in line with the MFMA, GRAP accounting requirements where the revenue is recognised when the conditions of the grant have been met.

# MID – YEAR BUDGET AND INSTITUTIONAL PERFORMANCE ASSESSMENT

## Capital Grants Allocation, Receipts and Expenditure as at 31 DECEMBER 2018

GRANT NAME	ALLOCATION	RECEIVED	EXPENDITURE	% SPENT Vs INCOME	% SPENT Vs ALLOCATION
	R	R	R	%	%
Municipal Infrastructure Grant	254,919,198	203,068,000	85,996,235	42%	34%
Water Services Infrastructure Grant	77,991,650	62,991,649	21,860,878	35%	28%
Regional Bulk Infrastructure Grant	201,439,979	105,439,980	47,146,523	45%	23%
<b>TOTALS</b>	<b>534,350,827</b>	<b>371,499,630</b>	<b>155,003,636</b>	<b>42%</b>	<b>29.0%</b>

(See attached table C5 below)

DC13 Chris Hani - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - Mid-Year Assessment

Vote Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
<b>Capital Expenditure - Standard Classification</b>										
<i>Governance and administration</i>		19,161	80,000	109,000	1,383	8,745	54,500	(45,755)	-84%	54,500
Executive and council								-		
Budget and treasury office		19,161	25,000	44,000	1,383	8,745	22,000	(13,255)	-80%	22,000
Corporate services			55,000	65,000	-	-	32,500	(32,500)	-100%	32,500
<i>Community and public safety</i>		-	-	-	-	-	-	-		-
Community and social services								-		
Sport and recreation								-		
Public safety								-		
Housing								-		
Health								-		
<i>Economic and environmental services</i>		-	-	-	-	-	-	-		-
Planning and development								-		
Road transport								-		
Environmental protection								-		
<i>Trading services</i>		347,469	471,919	609,651	59,166	155,004	304,825	(149,822)	-49%	304,825
Electricity								-		
Water		347,469	471,919	609,651	59,166	155,004	304,825	(149,822)	-49%	304,825
Waste water management								-		
Waste management								-		
Other								-		
<b>Total Capital Expenditure - Standard Classification</b>	3	366,630	551,919	718,651	60,549	163,748	359,325	(195,577)	-54%	359,325
<b>Funded by:</b>										
National Government		347,469	471,919	621,651	59,166	155,004	310,825	(155,822)	-50%	310,825
Provincial Government								-		
District Municipality								-		
Other transfers and grants								-		
<b>Transfers recognised - capital</b>		347,469	471,919	621,651	59,166	155,004	310,825	(155,822)	-50%	310,825
<b>Public contributions &amp; donations</b>	5							-		
<b>Borrowing</b>	6							-		
Internally generated funds		19,161	80,000	97,000	1,383	8,745	48,500	(39,755)	-82%	48,500
<b>Total Capital Funding</b>		366,630	551,919	718,651	60,549	163,748	359,325	(195,577)	-54%	359,325



The municipality should consider adjustment of non-moving projects to ensure that projects that are already committed are not delayed due to funding constraints and that the grants are fully spent.

### Debtor's age analysis

The table below shows the debtors' age analysis for the period ending 31 December 2018.

DC13 Chris Hani - Supporting Table SC3 Monthly Budget Statement - aged debtors - Mid-Year Assessment

Description	NT Code	Budget Year 2018/19										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		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		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	2	27 161	28 111	41 695	71 630	16 897	15 312	812 164	1 013 172	957 898		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-		
Receivables from Non-exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Waste Water Management	1500	0	5 532	5 524	10 080	11 556	5 230	4 412	387 966	440 300	429 244		
Receivables from Exchange Transactions - Waste Management	1600	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-		
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-		
Other	1900	-	-	-	-	-	-	-	-	-	-		
Total By Income Source	2000	3	32,693	33,635	51,774	83,386	22,127	19,724	1,210,130	1,453,472	1,387,142	-	-
2017/18 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	-	5 466	2 768	4 268	5 213	1 837	1 610	50 163	71 323	63 090		
Commercial	2300	1	1 396	1 655	2 352	2 727	1 014	896	38 243	48 295	45 232		
Households	2400	2	25 709	29 074	45 090	75 173	19 200	17 136	1 112 946	1 324 240	1 269 456		
Other	2500	-	123	138	154	273	76	81	8 778	9 623	9 363		
Total By Customer Group	2600	3	32,693	33,635	51,774	83,386	22,127	19,724	1,210,130	1,453,472	1,387,142	-	-

The total outstanding service consumer debt, as at 31 December 2018, amounts to R1,453,5 billion of which R1, 387,1 billion is debt over 90 days that includes the take-over balances from local municipalities, with a high potential of being uncollectable.

**Analysing debtors by income source:** Water constitutes the largest portion of total debtors at 68%, followed by waste .management at 30,2%. The total debt with a potential to be irrecoverable amounts to R957,9 million for water services and R429,1 million for sanitation, and this is determined on the basis of being more than 90 days in arrears. The R1,387,1 billion amounts to 95,4 % of total debtors balance, and are deemed as not collectable and this would suggest an increase in debt impairment.



**Analysing debtors by customer group:** Households constitute the largest portion of total debtors, amounting to 91%; followed by Organs of state at 5%, commercial at 3% and 'other debtors'. The increasing debtors balance by each municipality area is evident from the low collection rate in the table below since the beginning of the financial year, comparing actual billing to collected amounts as at 31 December 2018, yielding an average collection rate of 10,7%.

With data cleansing process expected that is underway and accounts distribution being attended to, the revenue collection is expected to improve in future, though the data cleansing project is moving very slowly.

**BILLING AND COLLECTION SUMMARY REPORT - JULY 2018 TO DEC 2018**

Municipality	Water	Sewerage	Total Billing	Collection to date	Collection Rate
Enock Mgijima-Komani	40,510,843.21	11,605,423.07	52,116,266.28	10,449,644.48	20%
Enoch Mgijima-Inkwanca	4,848,690.86	1,717,494.60	6,566,185.46	207,736.60	3%
Sakhisizwe	6,326,039.24	1,965,141.15	8,291,180.39	356,292.92	4%
Enoch Mgijima-Tsolwana	4,888,645.25	1,638,189.94	6,526,835.19	178,916.08	3%
Emalahleni	7,740,018.12	2,758,118.83	10,498,136.95	526,471.65	5%
Engcobo	1,581,491.14	286,375.20	1,867,866.34	266,662.92	14%
Inxuba Yethemba	36,555,905.58	7,183,688.97	43,739,594.55	1,800,997.90	4%
Intsika Yethu	2,834,320.23	1,269,255.07	4,103,575.30	478,846.37	12%
<b>TOTAL</b>	<b>105,285,953.63</b>	<b>28,423,686.83</b>	<b>133,709,640.46</b>	<b>14,265,568.92</b>	<b>10.7%</b>
Plus total output VAT			20,541,149.95		
Total billing inclusive of VAT			<b>154,250,790.41</b>		<b>9.2%</b>
Billing Report	105,285,953.63	28,423,686.83	133,709,640.46	14,265,568.92	
Water Delivery	-		-	-	
Waste Water removal		10,344.26	10,344.26	10,344.26	
Water Connect/Reconnect	18,430.52		18,430.52	18,430.52	
General Ledger Adjustments	2,434,054.26	-672,096.31	1,761,957.95		
<b>Total Service Charges</b>	<b>107,738,438.41</b>	<b>27,761,934.78</b>	<b>135,500,373.19</b>	<b>14,294,343.70</b>	

The District is in the process of putting effective controls in place, reviewing of debt and credit control management policy, in order to facilitate long outstanding debt collection and improve its cash flow position.

- **Creditor's age analysis**

Table below shows the creditor's age analysis for the period ending 31 December 2018

DC13 Chris Hani - Supporting Table SC4 Monthly Budget Statement - aged creditors - Mid-Year Assessment

Description	NT Code	Budget Year 2018/19								
		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	Total
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100									-
Bulk Water	0200		-							-
PAYE deductions	0300									-
VAT (output less input)	0400						-			-
Pensions / Retirement deductions	0500									-
Loan repayments	0600									-
Trade Creditors	0700	4,647	-	-	-	-	-	-	-	4,647
Auditor General	0800									-
Other	0900	-	-						-	-
Total By Customer Type	1000	4,647	-	-	-	-	-	-	-	4,647

The trade creditors ranging within 0-30 days are R4,6 million. Some of the trade creditors outstanding balances attract interest on overdue accounts that results in wasteful, fruitless and unauthorised expenditure as this expenditure is not budgeted for.

The municipality is striving to pay its suppliers within 30 Days to avoid interest payments in line with MFMA s65(2)(e), and the payment of creditors within 30 days has improved during the second quarter.

#### **Allocations, Grant Receipts and Expenditure Performance:**

The table below represents the allocations, receipts and expenditure for National and Provincial Conditional Grants. This table reflects 47% total expenditure on grants received and 31% total expenditure on grants allocation. The municipality is not doing very well on grant expenditure, especially on capital grants and provincial roads subsidy.

The Rural Transport Service Infrastructure Grant has remained unspent and this is owed to the absence of the consultant to assist the municipality with this function.

Total conditional grants Allocations, Receipts and Expenditure as at 31 DECEMBER 2018

GRANT NAME	ALLOCATION	RECEIVED	EXPENDITURE	% SPENT VS INCOME	% SPENT Vs ALLOCATION	BALANCE
	R	R	R	%	%	R
Municipal Infrastructure Grant	280,880,000	203,068,000	102,434,567	50%	36%	100,633,433
Water Services Infrastructure Grant	82,991,650	62,991,649	23,503,917	37%	28%	39,487,733
Rural Transport Services and Infrastr Grant	3,229,000	-	-	0%	0%	-
Finance Management Grant	1,250,000	1,250,000	598,171	48%	48%	651,829
Regional Bulk Infrastructure Grant	201,439,979	105,439,980	47,146,523	45%	23%	58,293,457
EPWP	6,158,000	4,311,000	4,557,052	106%	74%	-246,052
Provincial Roads subsidy	30,000,000	18,439,026	6,520,258	0%	22%	11,918,768
DEDEAT	10,400,000	6,200,000	5,391,304	0%	0%	808,696
COGTA	850,342	850,342	-	0%	0%	850,342

### Adjustments Proposal for 2018/19 Financial Year:

Areas that warrant possible budget adjustments amongst others are:

- **Decrease** interest from investments and other revenue as there is a potential of under collection on these items;
- **Decrease** the expenditure for equitable share programmes that are not moving to improve the deficit budget;
- **Increase** Debt impairment provision to avoid unauthorized expenditure;
- **Increase expenditure for finance costs to avoid unauthorized expenditure**
- Prioritize **repairs** and **maintenance** of the existing infrastructure assets to improve service delivery capacity of the assets since the municipality is faced with ageing infrastructure;
- **Reprioritise** moving projects to ensure that the capital grants are fully spent; and
- Properly monitor project expenditure to be incurred moving forward to avoid underspending.

Other parties consulted:



## PART C: INSTITUTIONAL NON – FINANCIAL PERFORMANCE REPORTING

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For the 2018/2019 financial year, the Chris Hani District Municipality set itself targets which seeks to ensure the realisation of the broader vision and mission of the municipality. In relation to this, various objectives were identified with specific performance indicators and targets and clustered together in terms of the five key performance areas (KPA) of local government for implementation during this financial year. Below is a summary of the performance of the municipality and the financial impact of performance for the first half (first six months – July to December 2018) of the 2018/2019 financial year, in each of the five key performance areas.

### SUMMARY OF THE PERFORMANC REPORT

#### KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

At the core of this KPA is the support function provided to ensure that the municipality is able to implement the IDP and the Budget. This relates mainly to human resource provisioning, labour relations, employee wellness and information communication technology (ICT) support, legal matters as well as Council administration (inclusive of fleet management, Council support services and asset maintenance)

In terms of this KPA, 30 targets were set for the Mid-term ending in 31 December 2018, 15 of those targets were fully achieved with the 15 of them not achieved as a result of issues that are being addressed through institutional systems and processes. The overall performance for the quarter in this KPA is **50%**.

Compared to the same period in the previous financial year (69% for the period), it can be noted that there is a 19% decline in performance. The challenges remain around non-reporting on some indicators and under-reporting in some instances. Furthermore, we noted that ICT and Security management plans identified challenges in terms of achieving their targets. More efforts must be put in place to ensure complete reporting in all functions and that such reporting is accurate and is reflective of the work that has been undertaken by the institution.

## KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

This KPA deals with the core functions of the Chris Hani District Municipality, viz.; the provision of water and sanitation services, municipal health services (particularly around water quality monitoring), housing provisioning (relating to the rectification of disaster houses), roads maintenance (this in terms of the service level agreement entered into with the Eastern Cape Department of Roads and Public Works), disaster management, as well as town planning services (small towns revitalisation programme and other town planning support to local municipalities).

In response to the development challenges facing communities in the district, the municipality has set itself a total of 25 targets were set for the Mid-term ending in 31 December 2018, 17 of those targets were fully achieved with the 9 of them not achieved as a result of issues that are being addressed through institutional systems and processes. The overall performance for the quarter in this KPA is **68%**.

Compared to the same period in the previous financial year, (recorded average 77% for the six months to December 2017) there is a marked 9% decline in performance. The main challenge occurred from the construction of water and waste projects which were behind schedule. Interventions are in place to ensure that the municipality improves performance, particularly in the water and sanitation programme, such that the municipality improves in the delivery on its key responsibility.

## KPA 3: LOCAL ECONOMIC DEVELOPMENT

As the name suggests, this KPA deals with those economic related activities undertaken by the municipality to ensure amongst others that it bolsters economic growth within the region through creating a conducive environment for growth to ensue. As such, the areas covered under this KPA relate to the promotion of tourism within the district, nurturing the forestry sector, the development and preservation of heritage as well as related sites within the district, agricultural development as well as small, medium and micro-enterprise (SMME) development.



The municipality set 19 targets for the Mid-term ending in 31 December 2018, 18 of those targets were fully achieved with the 1 of them not achieved as a result of issues that are being addressed through institutional systems and processes. The overall performance for this KPA is **95%**.

Compared to the same period in the 2017/2018 financial year, (recorded average 55% for the six months to December 2017) there has been a 40% improvement in performance over the first six months. The department should ensure that the improvements are sustained going forward.

#### KPA 4: FINANCIAL MANAGEMENT AND VIABILITY

Known as the function of the erstwhile budget and treasury offices, the municipality under this KPA preoccupies itself with the critical function of ensuring that the finances of the municipality are managed well and that the municipality complies with the provisions of the Municipal Finance Management Act in all its financial dealings. As such, this function relates squarely to the issues of supply chain management, asset management, expenditure management, municipal budgeting and revenue management as well as the preparation of the annual financial statements.

In response to this critical support function, the municipality set itself, 21 targets were set for the Mid-term ending in 31 December 2018, 9 of those targets were fully achieved with the 12 of them not achieved as a result of issues that are being addressed through institutional systems and processes. The overall performance for this KPA is **43%**. Compared to the same period in the previous financial year (64% for the period) this shows a 21% decline from the same period in the 2017/2018 financial year. The reason for the decline is based on the fact that the department experienced challenges with the Centralization of Inventory management system, updated of billing and data systems and the integration financial systems.

#### KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Under this KPA, the strategic matters of the municipality are located. This relate primarily to issues of inter-governmental relations, communication, internal audit, performance management, special programmes and support to the executive arm of the institution.

In terms of this KPA, 42 targets were set for the Mid-term ending in 31 December 2018, 28 of those targets were fully achieved with the 14 of them not achieved as a result of issues that



are being addressed through institutional systems and processes. The overall performance for in this KPA is **67%**.

Compared to the same period in the previous financial year, it can be noted that there is a 1% decline in performance. (68% for the same period in the previous financial year). The customer Care (Customer satisfaction survey and Customer care awareness) and Citizen Empowerment programmes (Women Caucus) experienced some challenges which resulted to the issue of non-performance. More work must be done to ensure that the excellent performance going forward.

### OVERALL MUNICIPAL PERFORMANCE

From an organisational perspective, the municipality had set itself 137 indicators and targets for the period to December 2018. 87 of those targets were fully achieved with the 50 of them not achieved. The municipality has steadily improved on all areas resulting in a net percentage performance of 64%. Such a performance level remains very low and serious efforts must be implemented to ensure that the situation improves.

#### Corrective actions

- Enhancement of the SCM process to rapidly respond to services delivery challenges more especially in relation to Procurement committees for the infrastructure projects.
- Availability of performance information on time to assurance providers ( Internal Audit and Performance audit committee respectively in order to ensure accuracy of reporting)
- Some targets need revision during the SDBIP adjustment period which is being aligned to budget revision processes.
- Ensuring the contribution by all department to all KPA's effectively during the SDBIP adjustment period, this will further increase the level of accountability.
- Data cleansing process is undertaken to address the billing, revenue issues in line with the district outlook on the potential of the consumer to pay for the services as it is a major challenge currently.
- A special focus has been placed to ensure that both water and sanitation projects are completed on time as this will improvement process of delivering services on time.

Refer to Annexure A for Detailed Performance Report

