

CHRIS HANI DISTRICT MUNICIPALITY MID YEAR REPORT FOR DECEMBER 2014

EXECUTIVE SUMMARY ON FINANCIAL PERFORMANCE

PURPOSE

The purpose of this report is to appraise the Executive Mayor on the financial performance of Chris Hani District Municipality as at 31 December 2014, as required by Section 72 of the Municipal Financial Management Act (MFMA) read together with regulation 35 of the Municipal Budget and Reporting Regulation (MBRR). This report deals with the actual performance of revenue and expenditure in comparison to the 2014/2015 financial year budget as approved by the Chris Hani District Municipality council.

LEGISLATIVE AUTHORITY

Municipal Finance Management Act No. 56 of 2003.
Municipal Budget and Reporting Regulations gazette No 32141

LEGAL/STATUTORY REQUIREMENTS

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 (SDBIP);
 - (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;
- (b) Submit a report on such assessment to—
 - (i) The mayor of the municipality;
 - (ii) The National Treasury; and
 - (iii) The relevant provincial treasury.
- (2) The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1)(b) of this section.
- (3) 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.

OBJECTIVES OF IN YEAR REPORTING (SECTION 72 OF MFMA)

The gathering and reporting of in-year financial performance information is important for the following reasons:

- ✚ It focuses municipal council's attention on the revenue and expenditure trends, which it should be taking into account when making key management decisions;
- ✚ It facilitates the compilation of annual financial statements and annual reports, meaning that these processes can be completed sooner and with less effort;
- ✚ It promotes greater transparency and more effective political oversight; and
- ✚ It serves as an early warning signal or indicator to measure and detect fiscal stress in the municipality and the need for immediate intervention where necessary.

BACKGROUND

Schedule C reflects the statement of financial performance, financial position and cash flow of CHDM for the period ending December 2014, in order to assist council and management to make informed decisions. This report clearly shows the expenditure, revenue and cash flow as at end of December 2014 comparing it with the approved budgeted figures for 2014/15 financial year per department, by expenditure and revenue type and per functional area. The report is prepared on the accrual basis of accounting with the exception of the cash flow statement which is prepared on a cash basis.

Schedule C is aligned with the budgets of the departments as a CHDM internal tool on reporting on section 72 of the MFMA and assists management to analyse and scrutinise their respective budgets versus expenditure and income and submit valid reasons on poor performance. These monthly reports are an indication on where each directorate is going in line with the SDBIP and performance agreements on operating and capital budgets as well thus assisting in monitoring the financial risks and be able to manage them on time.

Reporting Analysis

Schedule C in year reporting is regulated by National Treasury and is aimed at assisting municipalities in making sound financial decisions and also assist management with cash flow and performance management aligning it with the IDP and SDBIP.

The CHDM council adopted budget policies in May 2014 clearly stating that the variance explanations should be provided for 10% under or over expenditure (including income) variance against budget.

STATEMENT OF FINANCIAL POSITION

The **statement of financial position** lists all the Council's Current and Non-current assets and liabilities together with their financial values representing the economic resources of CHDM. Table C6 is meant to improve the stakeholder's understanding and management of the budget, the impact it has on actual expenditure compared with the budget.

Current Assets reflect the financial assets that have a cash value and are owned by Council and all other assets that are expected to provide financial benefit to Council within one financial year. The financial benefit is through the rendering of services to the community,

revenue generated through water and sanitation services assets and revenue received from national and provincial grants.

The current assets amount to R951m and the largest **current assets** are **other debtors** at R 481m which includes output VAT, service debtors from water and sanitation services revenue and MIG debtors. ***This balance includes take on balances from data that was loaded on the financial information system from local municipalities, which still has to go through a data cleansing process to have the accurate opening balances and take into account the audited figures.***

Cash and cash equivalent at R143 million (this is the cash balance as per the primary bank account). **Call investments deposit** are R365 million which is money received for conditional grants and is unspent at the moment. The interest earned from investments improves the cash position of the municipality. Current assets are highly liquid, meaning that they can easily be converted into cash when required to meet short term obligations which are paying suppliers for goods purchased and services rendered.

The current ratio is standing strong at 39,67% which indicates a healthy financial position as the current assets are 39 times greater than the current liabilities. The liquidity ratio is sitting at 19,42%, confirming that the municipality is liquid to meet the short term obligations. The municipality is however not paying its creditors on time thus incurring interest which results in irregular expenditure.

The largest current liabilities are trade and payables standing at R17,2m, followed by provisions which relate to statutory obligations for employee benefits. Current liabilities relate to **trade and other payables** and amount to R17,2 m. These creditor's balances were constructed through expenditure vouchers as the municipality has not yet activated the creditor's module. The implementation of the creditor's module is due for implementation toward the end of February 2015.

Non-Current Assets are resources with a cash value which another party has made a legal commitment to hand over to Council over a period exceeding one financial year or which Council has procured to render basic services and these assets cannot easily be converted into cash.

The property, plant and equipment item remains the most material resource on the statement of financial position at R3,6b. This balance includes the **water and sanitation** assets used in the provision of basic services. Infrastructural assets form 77% of the total asset register and are mainly required to generate revenue and are crucial in service delivery for the district municipality. The municipality should however prioritise repairs and maintenance of the existing infrastructure assets to improve and sustain service delivery capacity of these assets as the municipality is faced with ageing infrastructure. The depreciation calculations for the asset register for the current year have not yet been performed.

Non-Current liabilities are legal commitments from other parties acquired to enhance service delivery. **Provisions** are the largest non-current liability at R 32,8m. These are **benefit obligations** which are based upon valuations obtained from actuaries for all the municipality's defined benefit pension plans and post-employment medical benefits.

The statement of financial position is currently showing the equity of CHDM at R4.5b all in accumulated surplus for the month ending December 2014. Most of the equity is under fixed assets, it is therefore a small portion that can be affected by inflation fluctuations.

(See attached Table C6)

DC13 Chris Hani - Table C6 Consolidated Monthly Budget Statement - Financial Position - Mid-Year

Description	Ref	2013/14	Budget Year 2014/15			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		251 333	371 000	–	100 622	231 978
Call investment deposits		129 043	380 444	–	365 131	217 663
Consumer debtors		50 483	68 605	–	481 030	376 303
Other debtors		51 922	19 080	–	2 624	2 624
Current portion of long-term receivables		–	–	–	–	–
Inventory		1 623	848	–	1 623	1 623
Total current assets		484 404	839 976	–	951 029	830 191
Non current assets						
Long-term receivables		–	–	–	–	–
Investments		1 500	–	–	1 500	1 500
Investment property		–	–	–	–	–
Investments in Associate		–	–	–	–	–
Property, plant and equipment		3 277 152	3 333 943	–	3 613 934	3 401 110
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		915	–	–	915	915
Other non-current assets		–	–	–	–	–
Total non current assets		3 279 567	3 333 943	–	3 616 349	3 403 525
TOTAL ASSETS		3 763 971	4 173 919	–	4 567 379	4 233 716
LIABILITIES						
Current liabilities						
Bank overdraft		17 620	–	–	–	–
Borrowing		–	–	–	–	–
Consumer deposits		–	–	–	–	–
Trade and other payables		164 898	231 180	–	17 219	17 219
Provisions		6 759	–	–	6 759	6 759
Total current liabilities		189 277	231 180	–	23 978	23 978
Non current liabilities						
Borrowing		–	–	–	–	–
Provisions		32 878	31 270	–	32 878	32 878
Total non current liabilities		32 878	31 270	–	32 878	32 878
TOTAL LIABILITIES		222 155	262 450	–	56 856	56 856
NET ASSETS	2	3 541 816	3 911 470	–	4 510 523	4 176 860
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		3 541 816	2 178 335	–	4 510 523	4 176 860
Reserves		–	1 733 135	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	3 541 816	3 911 470	–	4 510 523	4 176 860

STATEMENT OF FINANCIAL PERFORMANCE

The **statement of financial performance** is used to measure performance of the institution and also to monitor the cash flow projections. This statement summarizes revenue and expenditure, considering cash and non-cash items that affect performance of resources. The figures shown below are an analysis of Operating and Capital income against Operating and Capital Expenditure. During the second quarter ending December 2014, ***the Municipality had made a surplus of R96, 7m. The revenue for the quarter exceeds expenditure as per the quarterly performance.***

The figures shown below are an analysis of Operating and Capital income against Operating and Capital Expenditure. During the month ending December 2014, ***the Municipality has closed with a deficit of R11m taking into account the non-cash items (depreciation and debt impairment). When looking at table C4 and C5 the reader might analyse that the municipality has closed with R150m surplus though this is not the case as this is distorted by the non-cash items that are not raised on a monthly basis on the financial system.***

DC13 Chris Hani - Mid-Year Budget Statement - Revenue and Expenditure for the period ending 31 December 2014			
Budget Year 2014/15			
Description	Original Budget	Year to date Actual	Year to date Budget
Total Revenue (excluding capital transfers and contributions)	1 035 270 476	399 430 721	517 635 238
Transfers Recognised-Capital	685 561 819	334 975 629	304 583 673
Total Revenue	1 720 832 295	734 406 351	822 218 911
Less: Operating Expenditure	1 189 542 485	247 535 765	594 771 242
Less: Capital Expenditure	609 167 346	336 782 198	304 583 673
Less: Debt Impairment & Depreciation		162 040 909	
Total Expenditure	1 798 709 831	746 358 872	899 354 915
Surplus or (Deficit)	-77 877 536	-11 952 521	-77 136 004

The following **revenue** streams were budgeted for in the 2014/2015 financial year; and YTD balances up to the month of December 2014 billing is as follows; Service charges water revenue is R27.7 million with a variance of 93% and service charges sanitation revenue R10 million with a variance of 94,2% under billing. The municipality has taken over water and sanitation revenue from all 8 local municipalities. ***The municipality is however still experiencing backlogs in the billing services revenue in six of the local municipalities. Inxuba Yethemba, Intsika Yethu and Emalahleni are the municipalities that are still far behind in July and August respectively whilst other LM's are billed up to October and Lukhanji is billed up to November 2014.***

Interest earned from external investments is R12,6m doing very well as it is 41% more than the year to date budget. This forms a positive revenue stream for the municipality thereby improving the cash position and performance of the municipality.

Total grant Operating income is R316,9m and is 42% more than the year to date budget. This is influenced by equitable share that is received in advance as it is not received 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 was overstated on the original budget and will need to be adjusted downwards.***

The municipality managed to generate other revenue of R32m, and this is made of revenue from, input vat from conditional grants, selling of tender documents, commission from third party collections and rental of plant, and this revealed a huge variance of 13175% when compared to the year to date budget. Input VAT forms a major part of the collected revenue hence the distorted picture on the variance as there is no corresponding budget amount for input VAT as this is only allowed during the adjustment budget.

Expenditure incurred for the period ending December 2014 by CHDM is as follows; there is currently under spending on employee related costs with a variance of 20% compared to the year to date budget and this is as a result of slow human resources turnaround times in filling of vacant positions. This was also influenced by the new BTO structure which has been budgeted for and not all appointments have been made as yet. Salaries of personnel from local municipalities has also not been taken into account.

Councillors allowances are underspending by 9% due to the fact that the gazette is not yet released that would inform the increase of councillors allowances. Depreciation and asset impairment has not moved and is sitting at under 100%, due to no monthly depreciation calculations performed by the municipality. Asset Management software was procured and will be utilised to perform the depreciation calculations once fully installed and integrated with the municipal financial system.

Bulk Purchases are overspending and have a variance of 13% compared with the year to date budget, this is due to the take over of all local municipalities, whilst the DM has anticipated to take over only two LM's during the financial year. Contracted services of the municipality are currently under spending with a variance of 28%, this is due to the fact that consultants will be appointed for year-end activities (like annual financial statements).

Transfers and grants to local municipalities for water services are currently below the budgeted expenditure with a variance of 85% and this is caused by the take over as there are no claims paid to LM's. The other higher operating expenditure for the month of December 2014 is other expenditure amounting to a total of R128 million with an under expenditure variance of 40% due to slow spending on project funded through equitable share which form 49% of total other expenditure and explanations on spending will be solicited during consultations with departments on their projected cash flows.

The under performance in operating expenditure is however viewed positive as it will assist the municipality to improve from the deficit position it had initially budgeted for.

(See attached Table C4)

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

Description	Ref	Budget Year 2014/15								
		2013/14 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		-	398 644	-	27 737	27 737	199 322	(171 585)	-86%	199 322
Service charges - sanitation revenue		-	173 060	-	10 056	10 056	86 530	(76 474)	-88%	86 530
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		39	-	-	-	-	-	-	-	-
Interest earned - external investments		25 984	18 019	-	12 677	12 677	9 009	3 667	41%	9 009
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers recognised - operational		483 494	445 065	-	316 948	316 948	222 532	94 416	42%	222 532
Other revenue		15 459	482	-	32 012	32 012	241	31 771	13175%	241
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		524 976	1 035 270	-	399 431	399 431	517 635	(118 205)	-23%	517 635
Expenditure By Type										
Employee related costs		134 215	223 850	-	89 978	89 978	111 925	(21 947)	-20%	111 925
Remuneration of councillors		7 331	9 633	-	4 393	4 393	4 817	(423)	-9%	4 817
Debt impairment		(1 087)	228 682	-	-	-	114 341	(114 341)	-100%	114 341
Depreciation & asset impairment		91 602	95 400	-	-	-	47 700	(47 700)	-100%	47 700
Finance charges		126	631	-	394	394	315	79	25%	315
Bulk purchases		13 322	10 762	-	4 673	4 673	5 381	(709)	-13%	5 381
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		9 197	18 375	-	6 640	6 640	9 188	(2 547)	-28%	9 188
Transfers and grants		405 924	171 172	-	12 978	12 978	85 586	(72 607)	-85%	85 586
Other expenditure		57 660	431 038	-	128 478	128 478	215 519	(87 040)	-40%	215 519
Loss on disposal of PPE		1 136	-	-	-	-	-	-	-	-
Total Expenditure		719 426	1 189 542	-	247 536	247 536	594 771	(347 235)	-58%	594 771
Surplus/(Deficit)		(194 451)	(154 272)	-	151 895	151 895	(77 136)	229 031	(0)	(77 136)
Transfers recognised - capital		554 498	685 562	-	334 976	334 976	304 584	30 392	0	304 584
Contributions recognised - capital		6 025	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		366 073	531 290	-	486 871	486 871	227 448			227 448
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		366 073	531 290	-	486 871	486 871	227 448			227 448
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		366 073	531 290	-	486 871	486 871	227 448			227 448
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		366 073	531 290	-	486 871	486 871	227 448			227 448

Capital Revenue and Expenditure

The total capital expenditure is sitting at R336,7m and is 11% more than the budgeted expenditure. The most contributing grants are RBIG, MIG and MWIG as the expenditure of these grants is currently as follows compared with the allocation and with revenue received:

GRANT NAME	% VS ALLOCATION	% VS REVENUE RECEIVED
RBIG	76%	160%
MWIG	76%	101%
MIG	68%	105%

Revenue recognition of these conditional grants in line with MFMA circulars is however a challenge as these grants are spending more than the received revenue. This will however be taken care of in the third quarter as grants will be closely monitored, not to spend more than the received revenue.

(See attached table C5)

DC13 Chris Hani - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding -										
Vote Description	Ref	2013/14	Budget Year 2014/15							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Capital Expenditure - Standard Classification										
Governance and administration		2 799	7 326	-	686	686	3 663	(2 977)	-81%	3 663
Executive and council		416	2 194	-	71	71	1 097	(1 027)	-94%	1 097
Budget and treasury office		718	1 157	-	514	514	578	(65)	-11%	578
Corporate services		1 665	3 975	-	102	102	1 988	(1 886)	-95%	1 988
Community and public safety		413	1 728	-	300	300	864	(564)	-65%	864
Community and social services		13	1 728	-	42	42	864	(822)	-95%	864
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		189	-	-	49	49	-	49	#DIV/0!	-
Housing		-	-	-	-	-	-	-	-	-
Health		210	-	-	209	209	-	209	#DIV/0!	-
Economic and environmental services		144	265	-	110	110	133	(23)	-17%	133
Planning and development		144	265	-	57	57	133	(75)	-57%	133
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	53	53	-	53	#DIV/0!	-
Trading services		452 174	599 461	-	334 976	334 976	299 730	35 245	12%	299 730
Electricity		-	-	-	-	-	-	-	-	-
Water		451 814	218 238	-	138 960	138 960	109 119	29 841	27%	109 119
Waste water management		360	381 223	-	196 016	196 016	190 611	5 405	3%	190 611
Waste management		-	-	-	-	-	-	-	-	-
Other		-	388	-	710	710	194	516	266%	194
Total Capital Expenditure - Standard Cla	3	455 530	609 167	-	336 782	336 782	304 584	32 199	11%	304 584
Funded by:										
National Government		455 530	599 461	-	334 976	334 976	299 730	35 245	12%	299 730
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		455 530	599 461	-	334 976	334 976	299 730	35 245	12%	299 730
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		-	9 707	-	1 806	1 806	4 853	(3 047)	-63%	4 853
Total Capital Funding		455 530	609 167	-	336 782	336 782	304 584	32 199	11%	304 584

When reviewing the Mid-Year performance of the municipality, it is possible for the Dm to fully spend its capital budget, however adjustments will need to be made to projects that are currently not moving.

Cash flow Statement

The table below highlights the cash flow position of the municipality for the period ending 31 December 2014. The year to date cash flow statement of the municipality depicts that the municipality had a favourable cash position meaning available cash and receipts exceeds the expenditure paid out.

Cash and cash equivalents to date show positive cash outlay of the municipality. The cash flow statement has been prepared on a cash basis of accounting, this implies that it does not take into account the accruals and liabilities of the municipality at reporting date. As at 31 December 2014 the cash flow was at R494m, this is however not taking into account unspent conditional grants and current liabilities of the municipality as earlier indicated.

(See attached Table C7)

DC13 Chris Hani - Table C7 Consolidated Monthly Budget Statement - Cash Flow - Mid-Year Assessment

Description	Ref	Budget Year 2014/15								
		2013/14 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
1										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratpayers and other		32 451	399 127	-	34 200	34 200	199 563	(165 364)	-83%	199 563
Government - operating		826 792	445 065	-	304 905	316 948	222 532	94 416	42%	222 532
Government - capital		200 255	685 562	-	257 373	334 976	342 781	(7 805)	-2%	342 781
Interest		25 984	18 019	-	12 677	12 677	9 009	3 667	41%	9 009
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees		(699 821)	(693 658)	-	(234 163)	(234 163)	(346 829)	(112 666)	32%	(346 829)
Finance charges		(126)	(631)	-	(394)	(394)	(315)	79	-25%	(315)
Transfers and Grants		-	(171 172)	-	(12 978)	(12 978)	(85 586)	(72 607)	85%	(85 586)
NET CASH FROM/(USED) OPERATING ACTIVITIES		385 535	682 311	-	361 619	451 264	341 156	(110 109)	-32%	341 156
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(12 311)	-	-	-	-	-	-	-	-
Payments										
Capital assets		(331 158)	(609 167)	-	(336 782)	(336 782)	(304 584)	32 199	-11%	(304 584)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(343 469)	(609 167)	-	(336 782)	(336 782)	(304 584)	32 199	-11%	(304 584)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD										
Cash/cash equivalents at beginning:		191 648	299 014	-	380 377	380 377	299 014	-	-	380 377
Cash/cash equivalents at month/year end:		233 714	372 158	-	494 859	494 859	335 586	-	-	416 949

Debtor's Age Analysis

The municipality has debtors ranging between 0-30 days at R177m which is 36,7% of total debtors, 31-60 days at R8,4m relating to 1,7% of the total outstanding debtors, 61-90 days at R91,8m relating to 19% of total outstanding debtors and 91-120 days are amount to R202 million and that makes 42% of the total outstanding debtors. This is reflected on the table below.

The outstanding debtors relate to water and sanitation services revenue and include the take on balances from local municipalities. Once the billing is up to date for all local municipalities the take on balance will be reviewed in line with the audited annual financial statements of local municipalities to ensure the correctness of the municipal accounts and what is reflected as outstanding debt on the accounting records.

At this stage it is still difficult to reflect on the collection rate as other consumers are paying in advance based on their average billing as the billing is still behind on other local municipalities as earlier indicated.
(See attached supporting Schedule SC3)

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

Description	NT Code	Budget Year 2014/15										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts I.L.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														
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														
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	177 823	8 473	91 867	202 867						481 030	202 867			
Total By Income Source	2000	177 823	8 473	91 867	202 867						481 030	202 867			
2013/14 - totals only															
Debtors Age Analysis By Customer Group															
Organs of State	2200														
Commercial	2300														
Households	2400														
Other	2500	177 823	8 473	91 867	202 867						481 030	202 867			
Total By Customer Group	2600	177 823	8 473	91 867	202 867						481 030	202 867			

Creditors Age Analysis

The creditors ranging within 0-30 days are R3,2m, 31-60 days are R5m, 61-90days are R 4.2m. The trade creditors' outstanding balances attract interest on overdue accounts, that results to irregular and unauthorised expenditure as this expenditure was not budgeted for. The municipality should strive to pay suppliers within 30 Days to avoid interest payments in line with MFMA s65(2)(e). The municipality has however failed to meet this requirement as there creditors that are over 30 and 90 days.

(See attached supporting table SC4)

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

Description	NT Code	Budget Year 2014/15									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		
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	2 595	5 046	4 287	4 690						16 618
Auditor General	0800	601									601
Other	0900										
Total By Customer Type	1000	3 195	5 046	4 287	4 690						17 219

Investments

The investment policy of the municipality requires that the municipality invests money that is not immediately required for service delivery so that it may generate interest and improve the liquidity and cash flow position of the municipality. The total investments of the municipality as at 31 December amounted to R365m, and the year to date interest earned on investments amounts to R12,6m and this is 42% over the year to date interest.

(See attached supporting table SC5)

DC13 Chris Hani - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Mid-Year Assessment

Investments by maturity Name of institution & investment ID	Ref	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							
R thousands									
Municipality									
Wholesale Account		Daily Cal	cal Deposit		1 065		212 694	70 674	284 433
MIG -FNB		Daily Cal	cal Deposit	-	61		19 826	(2 202)	17 685
Provincial - FNB		Daily Cal	cal Deposit	-	25		5 630	2 403	8 058
National - FNB		Daily Cal	cal Deposit	-	20		8 288	(8 077)	231
Capital Replacement Reserve		Daily Cal	cal Deposit	-	231		54 493	-	54 724
Municipality sub-total					1 403		300 929	62 799	365 131
Entities									
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				1 403		300 929	62 799	365 131

Allocation and Grant Receipts and Expenditure

The table below represent the allocations, receipts and expenditure for National and Provincial Grants. This table reflects 12,9% variance of over collection/receipting of operating grants compared to the year to date budget. This is due to the equitable share that is paid in advance for the first two quarters as it is not paid in the fourth quarter.

The variance on capital grant receipts is 5,1% over receipting/collection and this is due over payment by MWIG and MIG whilst other grants like Rural Household Infrastructure Grant and DHS Unblocking grant are poorly performing.

The overall performance of grants is at 20,8% over collection/receipting compared to the year to date budget. The other contributing factor to this, is payment schedule that is not taken into account when cash flows are projected during the budget.

The operating expenditure on operating grants is below by 11,2% compared to the year to date budget, this is due to under performance of operating projects that are funded from grants. The capital expenditure on conditional grants is below by 2,3% due to under performance of RHIG and DHS Unblocking. The payments from RBIG are also below the expenditure incurred to date.

The table that summarises income and expenditure is also attached for ease of reference.

(See attached supporting table SC6 and SC7(1))

DC13 Chris Hani - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Mid-Year Assessment

Description	Ref	2013/14	Budget Year 2014/15							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		419 626	442 480	-	314 364	314 364	221 240	93 124	42,1%	221 240
Local Government Equitable Share		384 900	413 744	-	301 688	301 688	206 872	94 816	45,8%	206 872
Water Services Operating Subsidy		2 459	300	-	29	29	150	(121)	-80,9%	150
Finance Management		1 513	1 500	-	1 342	1 342	750	592	79,0%	750
Municipal Systems Improvement		902	934	-	16	16	467	(451)	-96,6%	467
EPWP Incentive		8 445	9 124	-	6 645	6 645	4 562	2 083	45,7%	4 562
RSC Levy Replacement	3	-	-	-	-	-	-	-	-	-
Rural Road Asset MS Grant		2 626	2 979	-	1 322	1 322	1 490	(167)	-11,2%	1 490
Municipal Infrastructure Grant		18 781	13 899	-	3 322	3 322	6 949	(3 627)	-52,2%	6 949
EPIWP		-	-	-	-	-	-	-	-	-
DWA		-	-	-	-	-	-	-	-	-
DWAF		-	-	-	-	-	-	-	-	-
Provincial Government:		15 639	2 585	-	2 584	2 584	1 293	1 292	99,9%	1 508
DEA		1 349	-	-	-	-	-	-	-	-
DHLG & TA		2 897	-	-	-	-	-	-	-	-
DEDEA		300	-	-	-	-	-	-	-	-
DSRAC	4	2 262	-	-	-	-	-	-	-	-
Public Works Roads & Transport		8 799	-	-	-	-	-	-	-	-
Dept of Health		-	2 585	-	2 584	2 584	1 293	1 292	99,9%	1 508
LG SETA		33	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	435 265	445 065	-	316 948	316 948	222 532	94 416	42,4%	222 748
Capital Transfers and Grants										
National Government:		589 161	685 562	-	334 976	334 976	306 681	15 713	5,1%	306 681
Municipal Infrastructure Grant (MIG)		375 613	264 078	-	184 314	184 314	115 939	68 375	59,0%	115 939
Regional Bulk Infrastructure		156 363	218 238	-	103 701	103 701	89 119	-	-	89 119
Rural Transport Services and Infrastructure		-	-	-	-	-	-	-	-	-
Rural Households Infrastructure		4 793	4 000	-	-	-	2 000	-	-	2 000
Municipal Water Infrastructure Grant (MWIG)		29 130	48 528	-	36 925	36 925	24 264	12 661	52,2%	24 264
Water Services Operating Grant (WSOP)		15 841	12 000	-	1 406	1 406	6 000	(4 594)	-76,6%	6 000
ACIP		7 420	5 400	-	5 044	5 044	2 700	2 344	86,8%	2 700
DHS Unblocking		-	133 318	-	3 585	3 585	66 659	(63 074)	-94,6%	66 659
Other capital transfers [insert description]		-	-	-	-	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	589 161	685 562	-	334 976	334 976	306 681	15 713	5,1%	306 681
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	1 024 426	1 130 627	-	651 924	651 924	529 213	110 129	20,8%	529 429

DC13 Chris Hani - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Mid-Year Assessment

Description	Ref	Budget Year 2014/15								
		2013/14 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		349 538	442 480	-	247 564	247 564	221 240	26 324	11,9%	221 240
Local Government Equitable Share		305 169	413 744	-	234 578	234 578	206 872	27 706	13,4%	206 872
Water Services Operating Subsidy		-	300	-	-	-	150	(150)	-100,0%	150
Finance Management		1 500	1 500	-	1 226	1 226	750	476	63,5%	750
Municipal Systems Improvement		899	934	-	16	16	467	(451)	-96,6%	467
EPWP Incentive		36 560	9 124	-	7 072	7 072	4 562	2 510	55,0%	4 562
RSC Levy Replacement		-	-	-	-	-	-	-	-	-
Rural Road AssetMS Grant		2 730	2 979	-	1 322	1 322	1 490	(167)	-11,2%	1 490
Municipal Infrastructure Grant		-	13 899	-	3 322	3 322	6 949	(3 627)	-52,2%	6 949
EPWP		221	-	-	-	-	-	-	-	-
DWA		2 459	-	-	29	29	-	29	#DIV/0!	-
DWAF		-	-	-	-	-	-	-	-	-
Provincial Government:		55 692	2 585	-	-	-	1 293	(1 293)	-100,0%	1 293
DEA		15 558	-	-	-	-	-	-	-	-
DHLG & TA		2 897	-	-	-	-	-	-	-	-
Health subsidy		-	2 585	-	-	-	1 293	(1 293)	-100,0%	1 293
DEDEA		1 578	-	-	-	-	-	-	-	-
DSRAC		-	-	-	-	-	-	-	-	-
Public Works Roads & Transport		35 660	-	-	-	-	-	-	-	-
LG SETA		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:		405 230	445 065	-	247 564	247 564	222 532	25 032	11,2%	222 532
Capital expenditure of Transfers and Grants										
National Government:		451 814	685 562	-	334 976	334 976	342 781	(7 805)	-2,3%	342 781
Municipal Infrastructure Grant (MIG)		210 974	264 078	-	184 314	184 314	132 039	52 275	39,6%	132 039
Regional Bulk Infrastructure		188 813	218 238	-	103 701	103 701	109 119	(5 418)	-5,0%	109 119
Rural Transport Services and Infrastructure		-	-	-	-	-	-	-	-	-
Rural Households Infrastructure		5 076	4 000	-	-	-	2 000	(2 000)	-100,0%	2 000
Municipal Water Infrastructure Grant (MWIG)		36 598	48 528	-	36 925	36 925	24 264	12 661	52,2%	24 264
Water Services Operating Grant (WSOP)		-	12 000	-	1 406	1 406	6 000	(4 594)	-76,6%	6 000
ACIP		10 353	5 400	-	5 044	5 044	2 700	2 344	86,8%	2 700
DHS Unblocking		-	133 318	-	3 585	3 585	66 659	(63 074)	-94,6%	66 659
Other capital transfers (insert description)		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		451 814	685 562	-	334 976	334 976	342 781	(7 805)	-2,3%	342 781
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		857 044	1 130 627	-	582 540	582 540	565 313	17 227	3,0%	565 313

GRANT RECONCILIATION FOR THE PERIOD ENDING 31 DECEMBER 2014					
GRANT NAME	ALLOCATION	RECEIVED	EXPENDITURE	% SPENT VS INCOME	% SPENT VS ALLOCATION
Rural Households Infrastructure Grant	4 000 000,00	-	-		0%
Municipal Infrastructure Grant	277 977 000,00	177 957 000,00	187 636 273,66	105%	68%
Municipal Water Infrastructure Grant	48 528 000,00	36 396 000,00	36 925 409,24	101%	76%
Rural Transport Services and Infrastructure Grant	2 980 000,00	2 980 000,00	1 322 007,80	44%	44%
Water Services Operating Subsidy Grant	12 000 000,00	3 000 000,00	136 919,57	5%	1%
Finance Management Grant	1 500 000,00	1 500 000,00	1 342 379,00	89%	89%
Municipal Systems Improvement Programme Grant	934 000,00	934 000,00	16 008,77	2%	2%
Regional Bulk Infrastructure Grant	218 238 000,00	103 700 712,36	165 861 260,11	160%	76%
EPWP	9 124 000,00	6 387 000,00	6 644 805,66	104%	73%
Unblocking of infrastructure projects	133 317 669,55	11 206 278,82	3 585 251,06	32%	3%
ACIP	3 400 000,00	1 721 681,34	930 997,44	54%	27%
TOTALS	711 998 669,55	345 782 672,52	404 401 312,31	117%	57%

Councillor and Employee Benefits

The table below reflects the councillor and employee benefits, with employees sitting at 20% variance and councillors at 9% compared to the year to date budget. The overall under expenditure is at 19%. This however does not take into account salaries for personnel of local municipalities as they were budgeted for under transfers and grants and this will be dealt with during the budget adjustment.

(See attached supporting table SC8)

DC13 Chris Hanu - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Mid-Year Assessment

Summary of Employee and Councillor remuneration	Ref	2013/14	Budget Year 2014/15							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		5 299	5 941		2 655	2 655	2 970	(315)	-11%	2 970
Pension and UIF Contributions		126	137		60	60	69	(8)	-12%	69
Medical Aid Contributions		1 075	1 357		563	563	679	(116)	-17%	679
Motor Vehicle Allowance		1 700	1 876		937	937	938	(1)	0%	938
Cellphone Allowance		333	322		178	178	161	17	11%	161
Housing Allowances		-	-		-	-	-	-	-	-
Other benefits and allowances		-	-		-	-	-	-	-	-
Sub Total - Councillors		8 532	9 633	-	4 393	4 393	4 817	(423)	-9%	4 817
% increase	4		12,9%							-43,5%
Senior Managers of the Municipality										
Basic Salaries and Wages		5 450	6 139	-	2 413	2 413	3 069	(656)	-21%	3 069
Pension and UIF Contributions		302	1 074	-	76	76	537	(461)	-86%	537
Medical Aid Contributions		-	368	-	95	95	184	(89)	-48%	184
Overtime		-	-	-	676	676	-	676	#DIV/0!	-
Performance Bonus		401	1 514	-	177	177	757	(580)	-77%	757
Motor Vehicle Allowance		1 884	1 954	-	111	111	977	(867)	-89%	977
Cellphone Allowance		190	213	-	67	67	107	(40)	-37%	107
Housing Allowances		-	63	-	8	8	31	(23)	-74%	31
Other benefits and allowances		577	92	-	10	10	46	(36)	-78%	46
Payments in lieu of leave		-	-	-	353	353	-	353	#DIV/0!	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		8 804	11 418	-	3 986	3 986	5 709	(1 723)	-30%	5 709
% increase	4		29,7%							-35,2%
Other Municipal Staff										
Basic Salaries and Wages		78 606	134 217	-	50 565	50 565	67 108	(16 544)	-25%	67 108
Pension and UIF Contributions		13 357	24 040	-	7 970	7 970	12 020	(4 050)	-34%	12 020
Medical Aid Contributions		4 427	11 483	-	3 661	3 661	5 742	(2 081)	-36%	5 742
Overtime		1 298	-	-	1 863	1 863	-	1 863	#DIV/0!	-
Performance Bonus		(119)	9 486	-	374	374	4 743	(4 369)	-92%	4 743
Motor Vehicle Allowance		11 442	22 387	-	7 623	7 623	11 194	(3 571)	-32%	11 194
Cellphone Allowance		1 129	2 121	-	769	769	1 060	(291)	-27%	1 060
Housing Allowances		1 084	3 021	-	568	568	1 510	(943)	-62%	1 510
Other benefits and allowances		11 240	3 634	-	3 287	3 287	1 817	1 470	81%	1 817
Payments in lieu of leave		2 797	-	-	1 005	1 005	-	1 005	#DIV/0!	-
Long service awards		63	2 042	-	8 288	8 288	1 021	7 267	712%	1 021
Post-retirement benefit obligations		88	-	-	19	19	-	19	#DIV/0!	-
Sub Total - Other Municipal Staff		125 411	212 432	-	85 992	85 992	106 216	(20 224)	-19%	106 216
% increase	4		69,4%							-15,3%
Total Parent Municipality		142 747	233 483	-	94 371	94 371	116 742	(22 371)	-19%	116 742

Performance Indicators

Ratios are used to analyse trends and to interpret the municipality's financial viability, the result of which can prevent an undesired financial position in the future. Liquidity ratio provides an indication of the CHDM's ability to pay its short term debt like suppliers within twelve months using the cash in the bank. The ratio measures the municipality's ability to pay its short term debts in the short-term. These ratios focus on current assets (debtors, bank and cash, inventory) and current liabilities (trade payables and provisions).

Both Current and Acid test ratios are above the acceptable norm 2:1 at 3966,2% and 1:1 at 1942,4% resulting from the municipality's current assets that are greater than its current liabilities. These ratios indicate the financial viability of the institution. The ratios indicate that the municipality has healthy working capital requirements and is thus able to pay its debts when due. This is as a direct consequence of the cash and cash equivalents balance being R465,9m, while the total current liabilities are R24m.

(See attached supporting table SC2)

DC13 Chris Hani - Supporting Table SC2 Monthly Budget Statement - performance indicators - Mid-Year Assessment

Description of financial indicator	Basis of calculation	Ref	2013/14	Budget Year 2014/15			
			Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<u>Borrowing Management</u>							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		0,0%	8,1%	0,0%	0,2%	0,9%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0,0%	0,0%	0,0%	0,0%	0,0%
<u>Safety of Capital</u>							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		5,2%	5,9%	0,0%	0,4%	0,4%
Gearing	Long Term Borrowing/ Funds & Reserves		0,0%	0,0%	0,0%	0,0%	0,0%
<u>Liquidity</u>							
Current Ratio	Current assets/current liabilities	1	255,9%	363,3%	0,0%	3966,3%	3462,3%
Liquidity Ratio	Monetary Assets/Current Liabilities		201,0%	325,0%	0,0%	1942,4%	1875,2%
<u>Revenue Management</u>							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing						
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		19,5%	8,5%	0,0%	121,1%	73,2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0,0%	0,0%	0,0%	0,0%	0,0%
<u>Creditors Management</u>							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
<u>Funding of Provisions</u>							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
<u>Other Indicators</u>							
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	2					
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	2				90,5%	90,5%
Employee costs	Employee costs/Total Revenue - capital revenue		25,6%	21,6%	0,0%	22,5%	21,6%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0,0%	5,0%	0,0%	1,6%	5,0%
Interest & Depreciation	I&D/Total Revenue - capital revenue		17,5%	9,3%	0,0%	0,1%	1,0%
<u>IDP regulation financial viability indicators</u>							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)					479,0%	479,0%
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services					1279,7%	1279,7%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure					890,5%	890,5%

RECOMMENDATIONS:

It is recommended that the municipality should:

- Review its budget and reduce the budgeted revenue for services and increase other revenue;
- Decrease the expenditure for equitable share programmes;
- Clearly cost what is funded out of equitable share programmes for transparency purposes;
- Re-allocate the expenditure budgeted for under transfers and grants;
- Correctly account for the salaries expenditure for local municipalities;
- 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;
- Properly projects for expenditure to be incurred to avoid underspending;

- Perform data cleansing to ensure accurate accounts are kept on the debtor's module;
and
- Strive to pay suppliers within 30 Days to avoid interest payments, to adhere to MFMA s65 (2)(e) requirements that states that all creditors should be paid within 30 days.