



**FIRST QUARTER BUDGET PERFORMANCE
REPORT (01 JANUARY 2018-31 SEPTEMBER
2018)**



EMAKHAZENI LOCAL MUNICIPALITY

QUARTERLY BUDGET PERFORMANCE REPORT ENDING SEPTEMBER 2018.
REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

Purpose

To submit the quarterly budget report for September 2018 to Committee for noting

BACKGROUND

As per MFMA Section 52 (d):

52. The mayor of a municipality –
(d) must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality. Below is the Executive Summary of the 1st Quarter Budget Performance report.

1. Executive Summary

Table C1: Monthly Budget Statement Summary

For the month ended 30 September 2018, total revenue to the amount of R 88 826 million year to date was realised compared to the performance targets of R 64 361 million. This reflects a favourable of 38%.

The increase in revenue is mainly from grants received from national departments.

Employee related cost for the month ended 30 September 2018 R 18 868 million, compared to the performance targets amount of R 24 460 million which reflect percentage of 77.13% which is favourable

Variance is due to high vacancy rate.

Bulk purchase of electricity for the month ended 30 September 2018 amounts to R 12 131 million, compared to the performance targets of R 13 086 million, which reflect a percentage of 92.3% which is favourable.

Outstanding debtors comprises of consumer accounts and the outstanding debtors for September 2018 amounting to R 226 783 million as per age analysis compared to quarter ending 30 June 2018 amount of R 197 518, which reflect a percentage Increase in debtors of 15%.

Total creditors for September 2018 as per age analysis amounted to R 51 230 million compared to quarter ending 30 June 2018 amount of R63 082, which reflect a percentage decrease in creditors of 19%.

In -Year Budget Statements Tables

Table C4: Monthly Financial Performance by Revenue Source and Expenditure Type

This table provides the monthly details for revenue by source and expenditure by type. For the purpose of reporting, Table C4 will be used to provide explanation on deviations. Reasons for deviations will only be provided in cases where the percentage differs with more than 10%.

Table C6: Monthly Budget Statement Financial Position

In general the community wealth or net assets of the municipality amounts to R 1 212 775 billion which is a reflection of total assets less total liabilities. The total liabilities amounts to R 111 507 million whilst the total assets amounts to R1 324 283 billion.

Table SC12: Monthly Capital Expenditure by Vote

The SC12 indicates the monthly actual on capital expenditure for all votes and measures the year to date performance targets against the actual capital expenditure figures.

Capital expenditure to date amounts to R 1 768 million compared to the annual budget of R 58 529 million which reflect a percentage spending of 3%.

The procedural of awarding tenders took longer than expected and this impacted on the capital expenditure.

Monthly Budget Statement Cash flow

For the month ended 30 September 2018, the year net cash from operating activities 45 250 million

SUPPORTING SCHEDULES

MP314 Emakhazeni - Table C1 Monthly Budget Statement - Financial Performance (revenue and expenditure) - First Quarter									
Description	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									
Financial Performance									
Property rates	95,648	59,770	-	2,041	19,973	14,943	5,030	34%	59,770
Service charges	71,888	109,491	-	7,022	27,352	27,373	(20)	-0%	109,491
Investment revenue	-	4,399	-	290	556	1,100	(544)	-49%	4,399
Transfers recognised - operational	88,198	62,317	-	-	40,742	15,579	25,163	162%	62,317
Other own revenue	16,444	21,465	-	76	238	5,366	(5,128)	-96%	21,465
Total Revenue (excluding capital transfers and contributions)	272,178	257,443	-	9,429	88,862	64,361	24,501	38%	257,443
Employee costs	126,587	97,841	-	4,959	18,868	24,460	(5,592)	-23%	97,841
Remuneration of Councillors	6,276	6,437	-	346	1,383	1,609	(226)	-14%	6,437
Depreciation & asset impairment	-	48,789	-	-	-	12,197	(12,197)	-100%	48,789
Finance charges	5,427	3,937	-	369	744	984	(240)	-24%	3,937
Materials and bulk purchases	48,461	60,428	-	6,934	15,293	15,107	186	1%	60,428
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	95,931	69,396	-	2,736	12,251	17,349	(5,098)	-29%	69,396
Total Expenditure	282,682	286,827	-	15,345	48,540	71,707	(23,167)	-32%	286,827
Surplus/(Deficit)	(10,504)	(29,384)	-	(5,915)	40,322	(7,346)	47,668	-649%	(29,384)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(10,504)	(29,384)	-	(5,915)	40,322	(7,346)	47,668	-649%	(29,384)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	(10,504)	(29,384)	-	(5,915)	40,322	(7,346)	47,668	-649%	(29,384)
Capital expenditure & funds sources									
Capital expenditure	-	58,529	-	1,550	51	800	(749)	-94%	78,107
Capital transfers recognised	-	-	-	-	-	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-
Total sources of capital funds	-	-	-	-	-	-	-	-	-
Financial position									
Total current assets	85,172	90,188	-	-	267,818	-	-	-	90,188
Total non current assets	1,056,465	1,040,248	-	-	1,056,465	-	-	-	1,040,248
Total current liabilities	149,893	68,591	-	-	56,515	-	-	-	68,591
Total non current liabilities	54,992	40,233	-	-	54,992	-	-	-	40,233
Community wealth/Equity	936,752	1,021,612	-	-	1,212,775	-	-	-	1,021,612
Cash flows									
Net cash from (used) operating	81,957	45,250	-	4,420	40,831	45,250	(4,420)	-10%	45,250
Net cash from (used) investing	(55,484)	(58,527)	-	910	(59,437)	(58,527)	(910)	2%	-
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the month/year end	34,544	(5,206)	-	-	(14,016)	(5,206)	(8,810)	169%	49,840
Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Revenue Source	8,362	9,780	21,287	5,567	4,543	177,244	-	-	226,783
Creditors Age Analysis									
Total Creditors	8,470	22	8,173	1,426	33,138	-	-	-	51,230

MP314 Emakhazeni - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - First Quarter

Description	Ref	Budget Year 2018/19								
		2017/18 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		26,469	59,770		2,041	19,973	14,943	5,030	34%	59,770
Property rates - penalties & collection charges		69,180				-	-	-		-
Service charges - electricity revenue		47,885	65,392		3,468	15,536	16,348	(812)	-5%	65,392
Service charges - water revenue		12,094	18,851		1,479	5,567	4,713	854	18%	18,851
Service charges - sanitation revenue		11,793	12,753		1,056	3,170	3,188	(18)	-1%	12,753
Service charges - refuse revenue			12,494		1,019	3,079	3,124	(44)	-1%	12,494
Service charges - other		116			-	-	-	-		-
Rental of facilities and equipment		655	1,151		21	61	288	(226)	-79%	1,151
Interest earned - external investments			830		290	556	208	349	168%	830
Interest earned - outstanding debtors			3,569		-	-	892	(892)	-100%	3,569
Dividends received		15,788				-	-	-		-
Fines	1		18,112			6	4,528	(4,522)	-100%	18,112
Licences and permits			8			-	2	(2)	-100%	8
Agency services						-	-	-		-
Transfers recognised - operational		88,198	62,317			40,742	15,579	25,163	162%	62,317
Other revenue			2,193		54	171	548	(377)	-69%	2,193
Gains on disposal of PPE						-	-	-		-
Total Revenue (excluding capital transfers and contributions)		272,178	257,443	-	9,429	88,862	64,361	24,501	38%	257,443
Expenditure By Type										
Employee related costs		126,587	97,841		4,959	18,868	24,460	(5,592)	-23%	97,841
Remuneration of councillors		6,276	6,437		346	1,383	1,609	(226)	-14%	6,437
Debt impairment		14,311	24,021			-	6,005	(6,005)	-100%	24,021
Depreciation & asset impairment			48,789			-	12,197	(12,197)	-100%	48,789
Finance charges		5,427	3,937		369	744	984	(240)	-24%	3,937
Bulk purchases		45,365	52,343		5,931	12,131	13,086	(955)	-7%	52,343
Other materials		3,096	8,085		1,003	3,162	2,021	1,141	56%	8,085
Contracted services		3,743	6,321			1,051	1,580	(529)	-33%	6,321
Transfers and grants			-			-	-	-		-
Other expenditure		77,878	39,053		2,736	11,200	9,763	1,437	15%	39,053
Loss on disposal of PPE		-				-	-	-		-
Total Expenditure		282,682	286,827	-	15,345	48,540	71,707	(23,167)	-32%	286,827
Surplus/(Deficit)		(10,504)	(29,384)	-	(5,915)	40,322	(7,346)	47,668	(0)	(29,384)
Transfers recognised - capital								-		-
Contributions recognised - capital								-		-
Contributed assets								-		-
Surplus/(Deficit) after capital transfers & contributions		(10,504)	(29,384)	-	(5,915)	40,322	(7,346)			(29,384)
Taxation								-		-
Surplus/(Deficit) after taxation		(10,504)	(29,384)	-	(5,915)	40,322	(7,346)			(29,384)
Attributable to minorities										-
Surplus/(Deficit) attributable to municipality		(10,504)	(29,384)	-	(5,915)	40,322	(7,346)			(29,384)
Share of surplus/ (deficit) of associate										-
Surplus/ (Deficit) for the year		(10,504)	(29,384)	-	(5,915)	40,322	(7,346)			(29,384)

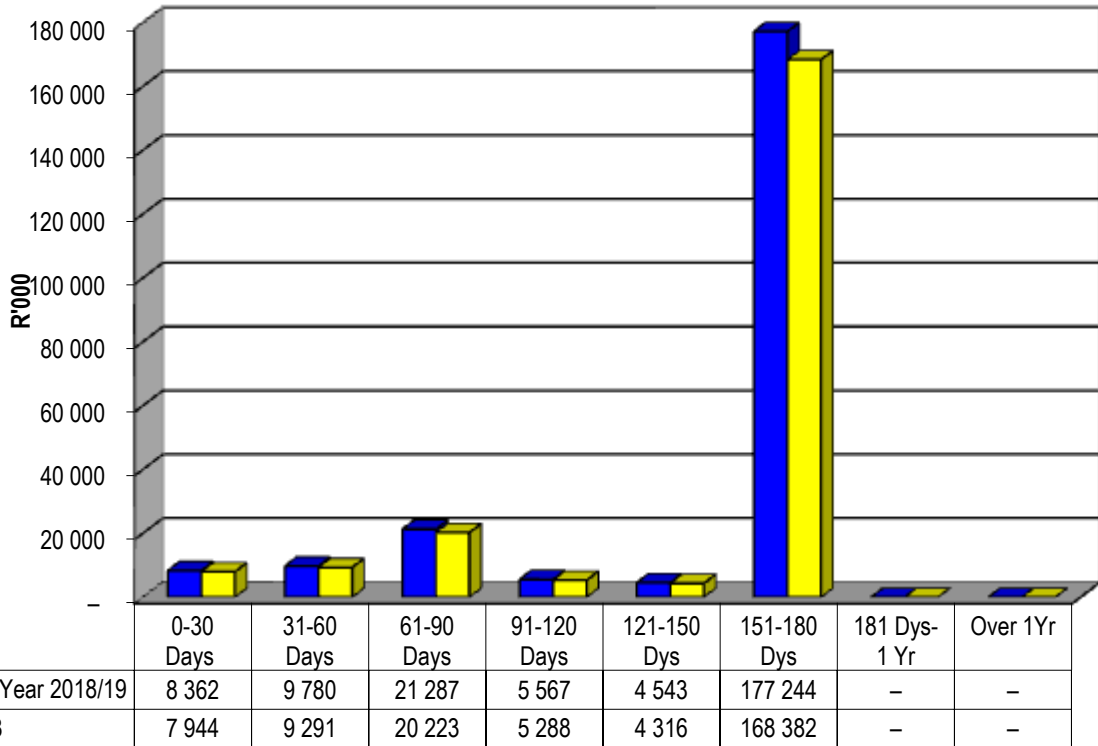
MP314 Emakhazeni - Table C6 Monthly Budget Statement - Financial Performance (revenue and expenditure) - First

Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		38,181	7,000		5,253	7,000
Call investment deposits		160	9,096		33,431	9,096
Consumer debtors		26,720	69,000		226,783	69,000
Other debtors		17,760	2,214		-	2,214
Current portion of long-term receivables			-		-	-
Inventory		2,351	2,878		2,351	2,878
Total current assets		85,172	90,188	-	267,818	90,188
Non current assets						
Long-term receivables		-	-		-	-
Investments			-		-	-
Investment property		195,036	195,036		195,036	195,036
Investments in Associate			-		-	-
Property, plant and equipment		850,633	844,532		850,633	844,532
Agricultural			-		-	-
Biological assets			-		-	-
Intangible assets		540	680		540	680
Other non-current assets		10,256	-		10,256	-
Total non current assets		1,056,465	1,040,248	-	1,056,465	1,040,248
TOTAL ASSETS		1,141,637	1,130,436	-	1,324,283	1,130,436
LIABILITIES						
Current liabilities						
Bank overdraft			-		-	-
Borrowing			-		-	-
Consumer deposits		1,840	1,877		1,891	1,877
Trade and other payables		144,658	63,750		51,230	63,750
Provisions		3,395	2,964		3,395	2,964
Total current liabilities		149,893	68,591	-	56,515	68,591
Non current liabilities						
Borrowing			-		-	-
Provisions		54,992	40,233		54,992	40,233
Total non current liabilities		54,992	40,233	-	54,992	40,233
TOTAL LIABILITIES		204,885	108,824	-	111,507	108,824
NET ASSETS	2	936,752	1,021,612	-	1,212,775	1,021,612
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		936,752	1,021,612		1,212,775	1,021,612
Reserves		-	-		-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	936,752	1,021,612	-	1,212,775	1,021,612

MP314 Emakhazeni - Table SC3 Monthly Budget Statement Summary -First Quarter

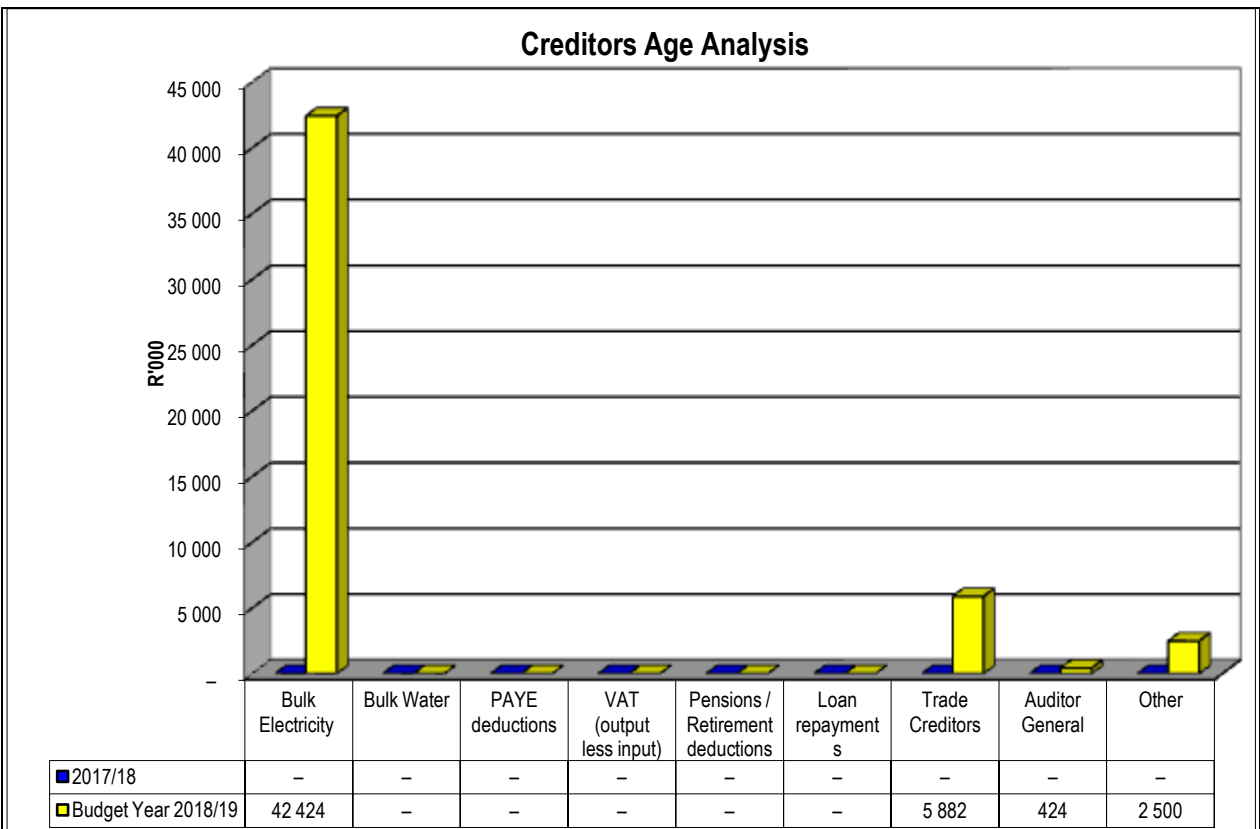
Description	NT Code	Budget Year 2018/19										
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Bad Debts	>90 days
R thousands												
Debtors Age Analysis By Revenue Source												
Rates	1200	2,668	3,859	13,921	1,945	1,505	68,076	-	-	91,974	-	71,526
Electricity	1300	1,842	2,135	1,331	1,022	890	23,645	-	-	30,864	-	25,557
Water	1400	1,213	1,394	1,705	955	827	29,865	-	-	35,960	-	31,648
Sewerage / Sanitation	1500	827,075	806,601	663,365	506,250	473,965	17,659,107	-	-	20,936	-	18,639
Refuse Removal	1600	722,316	789,184	698,712	577,248	555,765	20,584,600	-	-	23,928	-	21,718
Housing (Rental Revenue)	1700	-	-	-	-	-	-	-	-	-	-	-
Other	1900	1,090	796	2,969	561	291	17,414	-	-	23,121	-	18,266
Total By Revenue Source	2000	8,362	9,780	21,287	5,567	4,543	177,244	-	-	226,783	-	187,353
2017/18 - totals only		7,944	9,291	20,223	5,288	4,316	168,382	-	-	215,444	-	177,986
Debtors Age Analysis By Customer Category												
Government	2200	784	2,032	10,862	193	106	2,541	-	-	16,517	-	-
Business	2300	1,546	1,201	1,206	855	521	25,750	-	-	31,079	-	-
Households	2400	3,965	4,478	4,229	3,479	3,086	106,156	-	-	125,392	-	-
Other	2500	2,068	2,070	4,991	1,040	830	42,797	-	-	53,795	-	-
Total By Customer Category	2600	8,362	9,780	21,287	5,567	4,543	177,244	-	-	226,783	-	-

Debtors 's Age Analysis



MP314 Emakhazeni - Table SC4 Monthly Budget Statement Summary -First Quarter

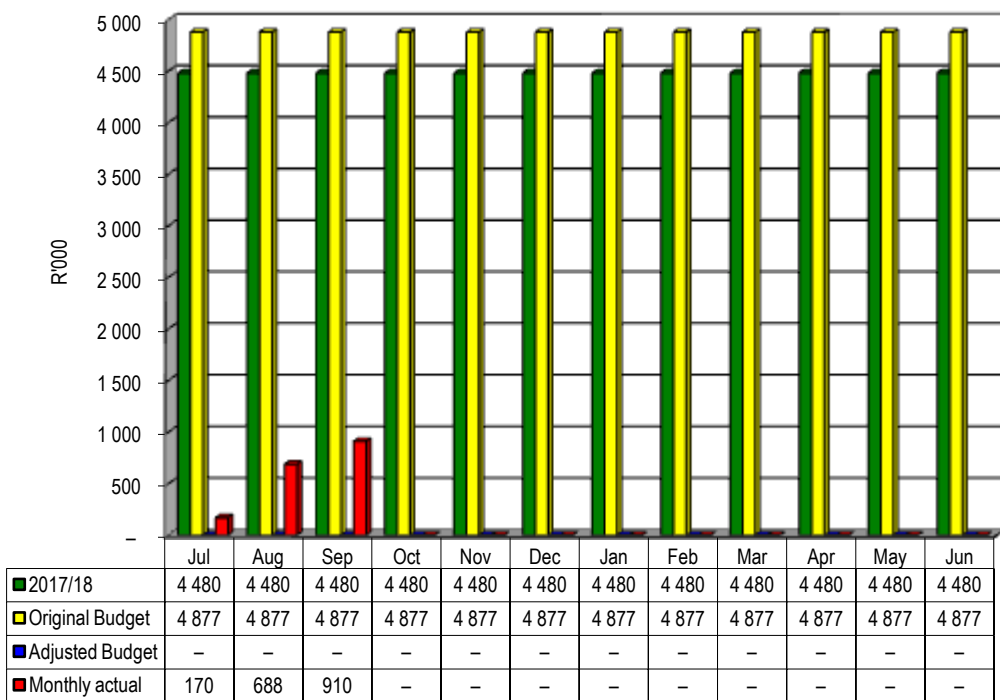
Description	NT Code	Budget Year 2018/19									Prior year totals for chart (same period)
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	6,958	-	4,153	267	31,046	-	-	-	42,424	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	1,064	17	3,848	435	519	-	-	-	5,882	-
Auditor General	0800	424	-	-	-	0	-	-	-	424	-
Other	0900	24	5	172	724	1,573	-	-	-	2,500	-
Total By Customer Type	2600	8,470	22	8,173	1,426	33,138	-	-	-	51,230	-



MP314 Emakhazeni - Table SC12 Monthly Budget Statement Summary -First Quarter

Month	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
R thousands								%	
Monthly expenditure performance trend									
July	4,480	4,877		170	170	4,877	4,707	96.5%	3%
August	4,480	4,877		688	859	9,755	8,896	91.2%	18%
September	4,480	4,877		910	1,768	14,632	12,864	87.9%	36%
October	4,480	4,877				19,510	-		
November	4,480	4,877				24,387	-		
December	4,480	4,877				29,265	-		
January	4,480	4,877				34,142	-		
February	4,480	4,877				39,019	-		
March	4,480	4,877				43,897	-		
April	4,480	4,877				48,774	-		
May	4,480	4,877				53,652	-		
June	4,480	4,877				58,529	-		
Total Capital	53,764	58,529	-	1,768					

Chart C1 2018/19 Capital Expenditure Monthly Trend: actual v target



MP314 Emakhazeni - Table SC2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - First Quarter

Description of financial indicator	Basis of calculation	Ref	2017/18	Budget Year 2018/19			
			Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
Percentage							
Borrowing Management							
Borrowing to Asset Ratio	Total Long-term Borrowing/ Total Assets		0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		1.9%	18.4%	0.0%	1.5%	3.6%
Borrowed funding of capital expenditure	Borrowings/Capital expenditure ex cl. transfers and grants		0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		15.4%	6.2%	0.0%	4.2%	6.2%
Gearing	Long Term Borrowing/ Funds & Reserves		0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity							
Current Ratio 1	Current assets/current liabilities	1	56.8%	131.5%	0.0%	473.9%	131.5%
Liquidity Ratio	Monetary Assets/Current Liabilities		25.6%	23.5%	0.0%	68.4%	23.5%
Revenue Management							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing						
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		16.3%	27.7%	0.0%	255.2%	27.7%
Longstanding Debtors Reduction Due To Recovery	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0.0%	0.0%	0.0%	0.0%	0.0%
Creditors Management							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
Funding of Provisions							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
Other Indicators							
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					
Employee costs	Employee costs/Total Revenue - capital revenue		46.5%	38.0%	0.0%	21.2%	38.0%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Depreciation	I&D/Total Revenue - capital revenue		2.0%	20.5%	0.0%	0.8%	4.0%
IDP regulation financial viability indicators							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)						
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services						
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure						