



**THIRD QUARTER BUDGET PERFORMANCE
REPORT (01 JANUARY 2018-31 MARCH 2018)**



EMAKHAZENI LOCAL MUNICIPALITY



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 3rd Quarter Budget Performance report.

1. Executive Summary

Table C1: Quarterly Budget Statement Summary

For the third quarter for January 2018 to March 2018, total revenue to the amount of R 48 639 million year to date was realised compared to the performance targets of R 60 202 million. This reflects an unfavourable deviation of 19%.

Furthermore, revenue for third quarter amounted to R 44 639 million, compared to second quarter revenue of R 60 204 million. This reflect a percentage decrease of 26%. This variance is due receipt of a portion of Equitable shares to the total of R 18 407 million and also receipt of EPWP Grant equalling to R 508 000.

Employee related cost for third quarter amounts to R 22 748 million, compared to the budgeted amount of R 24 429 million which reflect percentage under-spending of 6%. Compared to second quarter which amounted to R 22 428 million, employee related cost increased by a percentage of 1% due to implementation of new circular on Councillors remuneration.

Bulk purchase of electricity for third quarter amounts to R 12 029 million, compared to a budget amount of R 12 463 million, which reflect a percentage less spending of 4%.

Outstanding debtors comprises of consumer accounts and the outstanding debtors for third quarter amounting to R 220 929 million as per age analysis compared to the second quarter amount of R 224 590 , which reflect a percentage decrease in debtors of 2%.

Total creditors for third quarter as per age analysis amounted to R 50 853 million compared to the second quarter amount of R 72 202 , which reflect a percentage decrease in creditors of 30%.

2. In -Year Budget Statements Tables

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

This table provides the quarterly 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 that 10% and can be viewed in supporting Table SC1.

Table C5: Quarterly Capital Expenditure by Vote

The C5 indicates the quarterly actual on capital expenditure for all votes and measures the year to date performance targets against the actual capital expenditure figures.

For the quarter ending 31 March 2018 capital expenditure to the amount of R 6 130 million was realised compared to a second quarter amount of R 29 480.

Capital expenditure to date amounts to R 35 610 million compared to the annual budget of R 55 484 million which reflect a percentage spending of 61%.

Table C6: Quarterly Budget Statement Financial Position

In general the community wealth or net assets of the municipality amounts to R 1 201 764 billion which is a reflection of total assets less total liabilities. The total liabilities amounts to R 79 524 million whilst the total assets amounts to R1 281 287 billion.

Table C7: Quarterly Budget Statement Cash flow

Table C7 provides detail of the monthly cash in and outflow. For the quarter end of 31 March 2018, the year net cash from operating activities R 57 590 million.

SUPPORTING SCHEDULES

MP314 Emakhaseni - Table C1 Monthly Budget Statement Summary - Q3 Third Quarter

Description	2016/17	Budget Year 2017/18							
	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	53 460	57 512	56 762	12 414	32 456	42 571	(10 115)	-24%	56 762
Service charges	86 022	84 802	102 822	22 109	56 133	77 117	(20 984)	-27%	102 822
Investment revenue	643	4 128	760	89	304	570	(266)	-47%	760
Transfers and subsidies	53 914	60 632	59 588	13 805	58 412	58 412	-		59 588
Other own revenue	10 383	26 346	20 875	223	9 765	15 656	(5 891)	-38%	20 875
Total Revenue (excluding capital transfers and contributions)	204 422	233 420	240 807	48 639	157 069	194 326	(37 257)	-19%	240 807
Employee costs	87 617	100 161	91 454	21 214	67 417	68 590	(1 173)	-2%	91 454
Remuneration of Councillors	5 560	6 066	6 260	1 534	4 566	4 695	(130)	-3%	6 260
Depreciation & asset impairment	43 412	44 243	44 243	-	-	33 182	(33 182)	-100%	44 243
Finance charges	5 473	3 937	3 937	970	4 661	2 953	1 709	58%	3 937
Materials and bulk purchases	47 337	56 605	58 709	12 192	40 542	44 032	(3 490)	-8%	58 709
Transfers and subsidies	-	-	-	-	-	-	-		-
Other expenditure	81 537	121 092	106 725	5 570	24 965	80 044	(55 079)	-69%	106 725
Total Expenditure	270 936	332 104	311 328	41 480	142 152	233 496	(91 344)	-39%	311 328
Surplus/(Deficit)	(66 513)	(98 685)	(70 521)	7 159	14 918	(39 170)	54 087	-138%	(70 521)
Transfers and subsidies - capital (monetary alloc	34 621	54 560	55 484	19 000	49 484	55 484	(6 000)	-11%	-
Contributions & Contributed assets	-	22 033	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions	(31 892)	(22 092)	(15 037)	26 159	64 402	16 314	48 087	295%	(70 521)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-		-
Surplus/ (Deficit) for the year	(31 892)	(22 092)	(15 037)	26 159	64 402	16 314	48 087	295%	(70 521)
Capital expenditure & funds sources									
Capital expenditure	-	-	-	-	-	-	-		-
Capital transfers recognised	-	-	55 484	12 736	12 736	55 484	(42 748)	-77%	55 484
Public contributions & donations	-	-	-	-	-	-	-		-
Borrowing	-	-	-	-	-	-	-		-
Internally generated funds	-	-	-	-	-	-	-		-
Total sources of capital funds	-	-	55 484	12 736	12 736	55 484	(42 748)	-77%	55 484
Financial position									
Total current assets	50 895	176 128	176 128		280 934				176 128
Total non current assets	1 000 352	964 438	964 438		1 000 353				964 438
Total current liabilities	139 372	72 621	72 621		55 623				72 621
Total non current liabilities	36 317	39 872	39 872		23 901				39 872
Community wealth/Equity	875 559	1 028 073	1 028 073		1 201 764				1 028 073
Cash flows									
Net cash from (used) operating	(757 129)	(44 125)	(44 125)	47 378	47 378	35 534	(11 845)	-33%	-
Net cash from (used) investing	(32 661)	(55 484)	(55 484)	(32 300)	(32 300)	(27 742)	4 558	-16%	-
Net cash from (used) financing	56	-	-	17	17	-	(17)	#DIV/0!	-
Cash/cash equivalents at the month/year end	(789 734)	(91 539)	(91 539)	-	23 165	15 862	(7 303)	-46%	8 070
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 Income Source	8 295	7 829	6 176	5 292	5 225	75	37 929	150 108	220 929
Creditors Age Analysis									
Total Creditors	5 572	628	1 598	1 775	41 279	-	-	-	50 853

MP314 Emakhazeni - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q3 Third Quarter

Description	Ref	2016/17	Budget Year 2017/18							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue By Source										
Property rates		53 460	57 512	56 762	12 414	32 456	42 571	(10 115)	-24%	56 762
Service charges - electricity revenue		51 596	43 643	60 943	11 328	32 187	45 708	(13 521)	-30%	60 943
Service charges - water revenue		14 214	17 675	17 902	4 812	8 033	13 427	(5 394)	-40%	17 902
Service charges - sanitation revenue		10 154	14 113	12 112	3 030	8 150	9 084	(934)	-10%	12 112
Service charges - refuse revenue		10 059	9 370	11 865	2 939	7 763	8 899	(1 136)	-13%	11 865
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		1 042	4 713	1 100	29	36	825	(789)	-96%	1 100
Interest earned - external investments		643	4 128	780	89	304	570	(266)	-47%	760
Interest earned - outstanding debtors		-	3 522	560	-	-	420	(420)	-100%	560
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		9 173	12 713	17 213	47	7 529	12 910	(5 381)	-42%	17 213
Licences and permits		1	6	1	-	-	0	(0)	-100%	1
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		53 914	60 632	59 588	13 805	58 412	58 412	-	-	59 588
Other revenue		167	5 391	2 001	146	2 199	1 501	698	47%	2 001
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		204 422	233 420	240 807	48 639	157 069	194 326	(37 257)	-19%	240 807
Expenditure By Type										
Employee related costs		87 617	100 161	91 454	21 214	67 417	68 590	(1 173)	-2%	91 454
Remuneration of councillors		5 560	6 066	6 260	1 534	4 566	4 695	(130)	-3%	6 260
Debt impairment		31 189	59 236	59 236	-	-	44 427	(44 427)	-100%	59 236
Depreciation & asset impairment		43 412	44 243	44 243	-	-	33 182	(33 182)	-100%	44 243
Finance charges		5 473	3 937	3 937	970	4 661	2 953	1 709	58%	3 937
Bulk purchases		47 337	49 851	49 851	12 029	40 379	37 388	2 991	8%	49 851
Other materials		-	6 754	8 858	163	163	6 644	(6 480)	-98%	8 858
Contracted services		4 096	5 560	5 560	1 548	2 745	4 170	(1 425)	-34%	5 560
Transfers and subsidies		-	-	-	-	-	-	-	-	-
Other expenditure		46 252	56 297	41 929	4 022	22 220	31 447	(9 227)	-29%	41 929
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		270 936	332 104	311 328	41 480	142 152	233 496	(91 344)	-39%	311 328
Surplus/(Deficit)										
Transfers and subsidies - capital (municipal contributions)		(66 513)	(98 685)	(70 521)	7 159	14 918	(39 170)	54 087	(0)	(70 521)
(National / Provincial and District)		34 621	54 560	55 484	19 000	49 484	55 484	(6 000)	(0)	-
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	22 033	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(31 892)	(22 092)	(15 037)	26 159	64 402	16 314			(70 521)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(31 892)	(22 092)	(15 037)	26 159	64 402	16 314			(70 521)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(31 892)	(22 092)	(15 037)	26 159	64 402	16 314			(70 521)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		(31 892)	(22 092)	(15 037)	26 159	64 402	16 314			(70 521)

MP314 Emakhazeni - Table C6 Monthly Budget Statement - Financial Position - Q3 Third Quarter

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		2 778	193	193	5 965	193
Call investment deposits		5 292	57 057	57 057	51 625	57 057
Consumer debtors		40 270	113 786	113 786	220 929	113 786
Other debtors		140	2 214	2 214	-	2 214
Current portion of long-term receivables		-	-	-	-	-
Inventory		2 414	2 878	2 878	2 414	2 878
Total current assets		50 895	176 128	176 128	280 934	176 128
Non current assets						
Long-term receivables						
Investments						
Investment property		195 035	195 036	195 036	195 036	195 036
Investments in Associate		-	-	-	-	-
Property, plant and equipment		794 380	768 722	768 722	794 380	768 722
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		681	680	680	681	680
Other non-current assets		10 256	-	-	10 256	-
Total non current assets		1 000 352	964 438	964 438	1 000 353	964 438
TOTAL ASSETS		1 051 247	1 140 565	1 140 565	1 281 287	1 140 565
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		-	-	-	-	-
Consumer deposits		1 759	-	-	1 806	-
Trade and other payables		134 649	72 202	72 202	50 853	72 202
Provisions		2 964	419	419	2 964	419
Total current liabilities		139 372	72 621	72 621	55 623	72 621
Non current liabilities						
Borrowing		-	-	-	-	-
Provisions		36 317	39 872	39 872	23 901	39 872
Total non current liabilities		36 317	39 872	39 872	23 901	39 872
TOTAL LIABILITIES		175 689	112 493	112 493	79 524	112 493
NET ASSETS	2	875 559	1 028 073	1 028 073	1 201 764	1 028 073
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		875 559	1 028 073	1 028 073	1 201 764	1 028 073
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	875 559	1 028 073	1 028 073	1 201 764	1 028 073

MP314 Emakhazeni - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q3 Third Quarter

Description	NT Code	Budget Year 2017/18							Total	Total over 90 days	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				
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	8 295	7 829	6 176	5 292	5 225	75	37 929	150 108	220 929	198 628	
Total By Income Source	2000	8 295	7 829	6 176	5 292	5 225	75	37 929	150 108	220 929	198 628	-
2016/17 - totals only												
Debtors Age Analysis By Customer Group												
Organs of State	2200											
Commercial	2300											
Households	2400											
Other	2500	8 295	7 829	6 176	5 292	5 225	75	37 929	150 108	220 929	198 628	
Total By Customer Group	2600	8 295	7 829	6 176	5 292	5 225	75	37 929	150 108	220 929	198 628	-

Chart C3 Aged Consumer Debtors Analysis

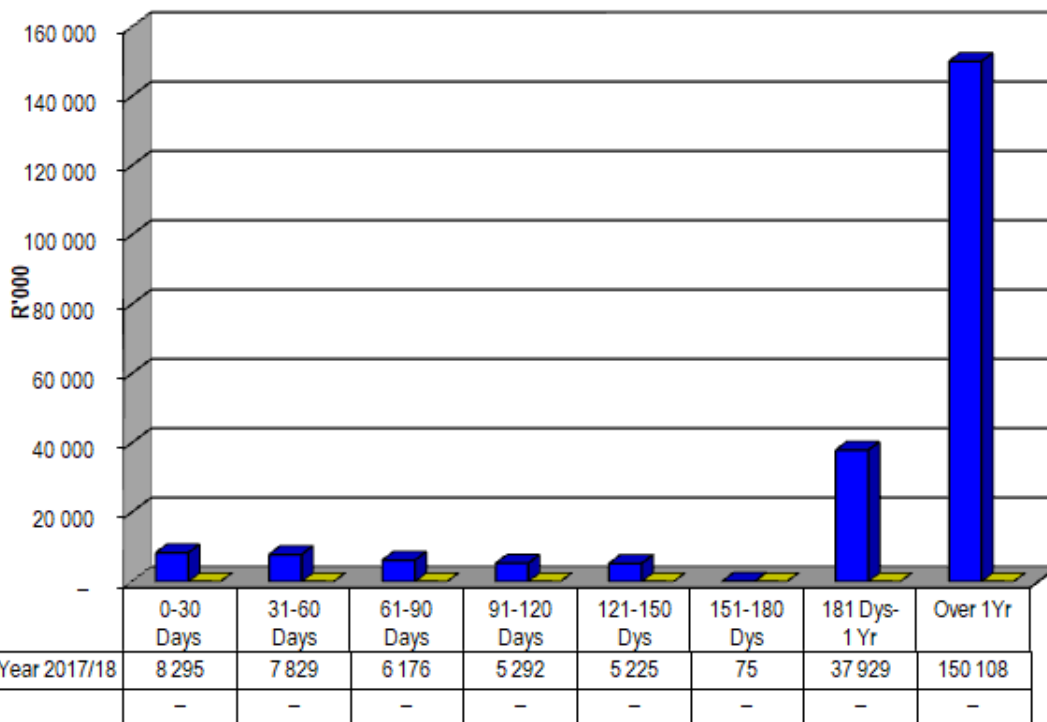
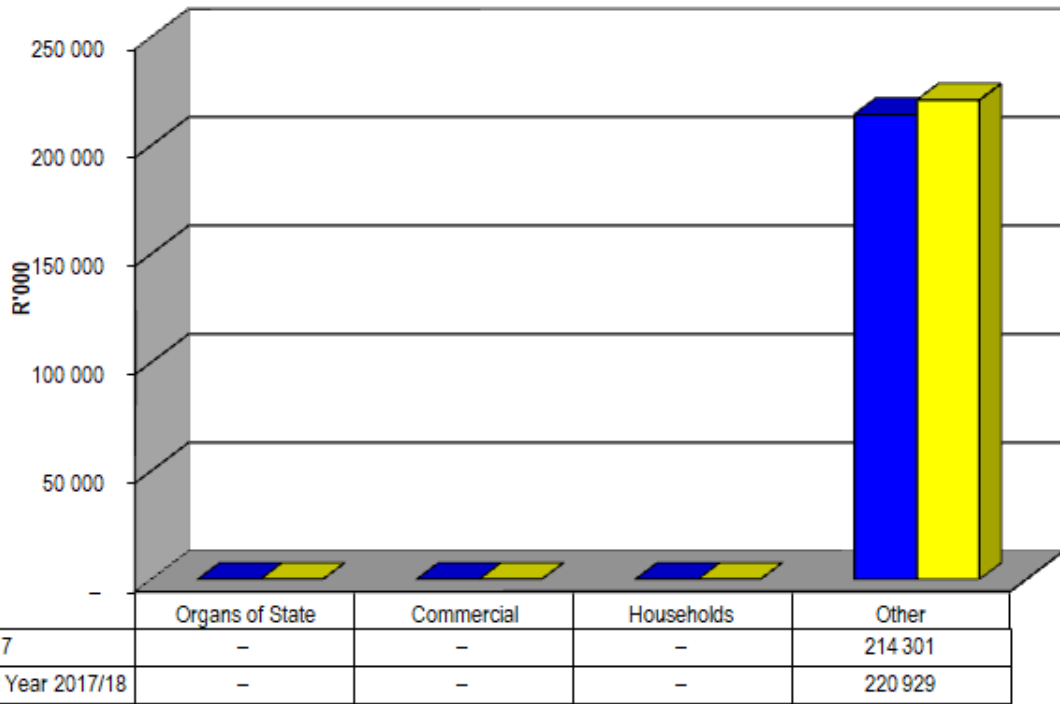


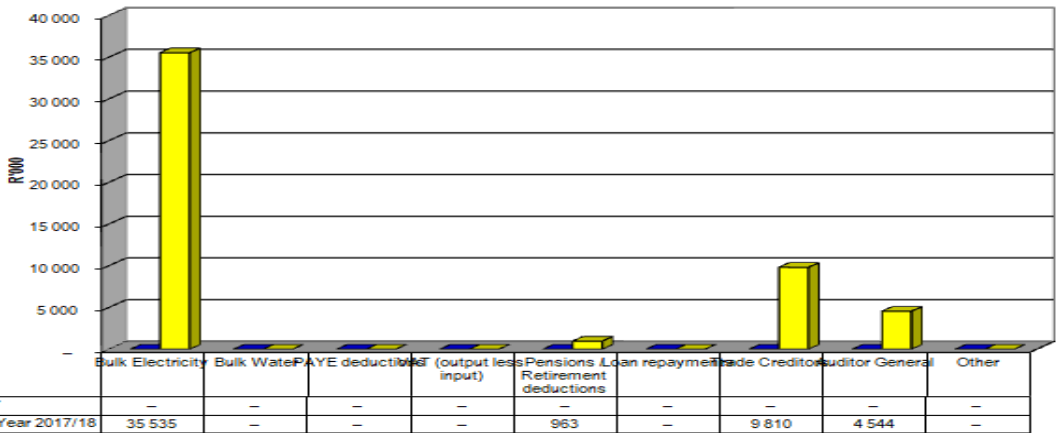
Chart C4 Consumer Debtors (total by Debtor Customer Category)



MP314 Emakhazeni - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q3 Third Quarter

Description	NT Code	Budget Year 2017/18								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	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	553	-	721	-	34 262	-	-	-	35 535
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	963	-	-	-	-	-	-	-	963
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	4 056	472	522	1 443	3 317	-	-	-	9 810
Auditor General	0800	-	156	356	332	3 701	-	-	-	4 544
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	5 572	628	1 598	1 775	41 279	-	-	-	50 853

Chart C5 Aged Creditors Analysis



MP314 Emakhazeni - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Q3 Third Quarter

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:										
Operating Transfers and Grants										
National Government:	1,2	62 429	65 412	65 412	22 705	65 412	65 412	-		65 412
Local Government Equitable Share		51 387	55 222	55 222	13 805	55 222	55 222	-		55 222
Finance Management		1 825	1 900	1 900	1 900	1 900	1 900	-		1 900
Integrated National Electrification Programme		8 000	7 000	7 000	7 000	7 000	7 000	-		7 000
EPWP Incentive		1 217	1 290	1 290	-	1 290	1 290	-		1 290
	3							-		
								-		
								-		
								-		
Provincial Government:		-	-	-	-	-	-	-		-
								-		
								-		
Other transfers and grants [insert description]	4							-		
District Municipality:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
Other grant providers:		-	-	-	-	-	-	-		-
								-		
								-		
Total Operating Transfers and Grants	5	62 429	65 412	65 412	22 705	65 412	65 412	-		65 412
Capital Transfers and Grants										
National Government:		25 404	18 484	18 484	10 000	18 484	18 484	-		18 484
Municipal Infrastructure Grant (MIG)		25 404	18 484	18 484	10 000	18 484	18 484	-		18 484
								-		
								-		
Other capital transfers [insert description]								-		
Provincial Government:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
District Municipality:		-	-	-	-	-	-	-		-
[insert description]								-		
								-		
Other grant providers:		-	30 000	30 000	-	24 000	30 000	(6 000)	-20.0%	30 000
Water Service Improvement Grant		-	30 000	30 000	-	24 000	30 000	(6 000)	-20.0%	30 000
								-		
Total Capital Transfers and Grants	5	25 404	48 484	48 484	10 000	42 484	48 484	(6 000)	-12.4%	48 484
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	87 833	113 896	113 896	32 705	107 896	113 896	(6 000)	-5.3%	113 896

MP314 Emakhazeni - Supporting Table SC2 Monthly Budget Statement - performance indicators - Q3 Third Quarter

Description of financial indicator	Basis of calculation	Ref	2016/17	Budget Year 2017/18			
			Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
Borrowing Management							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		2.0%	14.5%	15.5%	3.4%	3.3%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. 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%	7.0%	7.0%	4.2%	7.0%
Gearing	Long Term Borrowing/ Funds & Reserves		0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity							
Current Ratio	Current assets/current liabilities	1	36.5%	242.5%	242.5%	505.1%	242.5%
Liquidity Ratio	Monetary Assets/Current Liabilities		5.8%	78.8%	78.8%	103.5%	78.8%
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		19.8%	49.7%	48.2%	137.5%	48.2%
Longstanding Debtors Recovered	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		42.9%	42.9%	38.0%	37.8%	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		23.9%	20.6%	20.0%	2.9%	4.2%
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						