



**MID YEAR FINANCIAL ASSESSMENT STATEMENT**

**JANUARY 2014**

Council Meeting: 2014-01-24

A29 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR 2013/2014 BUDGET 6/1/1- (2013/2014)

Report: Municipal Manager (Chief Financial Officer): 2014-01-17

1. PURPOSE

The report is submitted to ensure that the Executive Mayor is able to exercise her oversight responsibility over the financial management of the municipality.

2. BACKGROUND

The mid-year budget and performance assessment report (section 72 report) is compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

*72. (1) 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 deliver 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*
- (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*

*(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.*

In response to the indicated requirements, this Report will incorporate the following main elements:

- (1) An analysis of the budget performance of the Municipality, as reflected in its section 71 budget reports for the first six months of the 2012/13 financial year; and
- (2) An interpretation and assessment of the indicated analyses by the Accounting Officer; including subsequent recommendations and actions envisaged to improve the Municipality's planned service delivery and budget performance.

3. DISCUSSION

The content and format of this report for the month ended 31st December 2012 and is based upon the monthly electronic reports to be submitted to the Provincial Treasury and has the statements to enhance consistency and contains the following statements:

- Statement of Operating Revenue & Expenditure
- Actual Capital Acquisition
- Cash Flow Statement
- Age Analysis of Debtors
- Debtors Payment Statistics
- Age Analysis of Creditors
- External Loans per Investors

- External Investments
- Material variance & explanations
- Limitation of the report
- Remedial measures
- C-Schedule Tables

### **Executive Summary**

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and no operating activities. It also shows the net profit or loss incurred over a specific accounting period.

A Profit & Loss statement provides information on the operation of the enterprise. These include sale and the various expenses incurred during the processing state

The statement is prepared on a similar basis to the prescribed budget format which details revenue by source type and expenditure by category and/or input type.

The total operating revenue for the reporting semester amounts to R 232,037,922 while the operating expenditure amounts to R 243,093,954 which resulted in an operating deficit of R 11,056,032.

The statement indicates a variance in the revenue billed amounting to R 18 million which is attributed mainly to service charges and other the revenue. There was a significant saving of expenditure amounting to R 60 million thus reducing the year to date deficit to only R 11 million. The employee related cost was exceeded by 5% this was as a result of additional employment been made as well as the adjustment in the remunerations of section 79 committees' chairpersons

There is also and under expenditure on bulk purchases and this is attributed to the municipality not been able to services its bulk purchases account adequately.

The provision of subsidies services for indigent household has declined as only 3345 households have been registered to date while a provision was made to register at least 6000 households.

The revenue has increased by 16% (R 32 million) while the expenditure has increased by 4% (R 10 million) when compared to the 2012-13 financial

**MP305 Lekwa - Table C1 Monthly Budget Statement Summary - Mid-Year Assessment**

Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>							
<b>Financial Performance</b>							
Property rates	41 632	41 789	3 327	19 255	20 895	(1 639)	-8%
Service charges	250 219	280 047	27 149	130 373	140 024	(9 650)	-7%
Investment revenue	23	606	132	591	303	288	95%
Transfers recognised - operational	81 942	86 670	-	69 298	69 298	-	
Other own revenue	61 402	40 231	1 865	12 519	20 115	(7 596)	-38%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>435 219</b>	<b>449 343</b>	<b>32 473</b>	<b>232 037</b>	<b>250 634</b>	<b>(18 598)</b>	<b>-7%</b>
Employee costs	111 508	105 957	9 297	55 156	52 978	2 178	4%
Remuneration of Councillors	8 417	8 554	733	4 332	4 277	55	1%
Depreciation & asset impairment	115 346	134 096	-	57 076	67 048	(9 972)	-15%
Finance charges	18 233	1 699	51	951	850	102	12%
Materials and bulk purchases	189 544	200 936	20 182	89 489	100 468	(10 979)	-11%
Transfers and grants	16 743	20 290	813	3 176	10 145	(6 969)	-69%
Other expenditure	158 741	135 344	7 585	32 912	67 672	(34 760)	-51%
<b>Total Expenditure</b>	<b>618 532</b>	<b>606 876</b>	<b>38 660</b>	<b>243 093</b>	<b>303 438</b>	<b>(60 345)</b>	<b>-20%</b>
<b>Surplus/(Deficit)</b>	<b>(183 313)</b>	<b>(157 533)</b>	<b>(6 187)</b>	<b>(11 056)</b>	<b>(52 804)</b>	<b>41 748</b>	<b>-79%</b>

## Statement of Financial Performance (Standard Classification)

The statement indicates overall income and expenditure for different departments. The overall revenue not realised amounts to R 12 million (5%) while the expenditure reduction amounted to R 60 million (20%) The high saving on expenditure is attributable to austerity measures that were put in place for the first semester.

**MP305 Lekwa - Table C2 Monthly Budget Statement - Financial Performance (standard classification) - Mid-Year As**

Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>							
<b>Revenue - Standard</b>							
<b>Governance and administration</b>	<b>137 394</b>	<b>143 421</b>	<b>5 022</b>	<b>92 796</b>	<b>91 950</b>	846	1%
Executive and council	79 118	81 454	-	60 967	60 967	-	
Budget and treasury office	57 419	61 231	4 988	30 876	30 615	261	1%
Corporate services	857	736	34	953	368	585	159%
<b>Community and public safety</b>	<b>535</b>	<b>2 998</b>	<b>25</b>	<b>240</b>	<b>1 499</b>	(1 259)	-84%
Community and social services	357	361	24	138	181	(43)	-24%
Sport and recreation	18	53	-	5	27	(21)	-79%
Public safety	160	2 584	1	97	1 292	(1 195)	-93%
Housing	-	-	-	-	-	-	
Health	-	-	-	-	-	-	
<b>Economic and environmental services</b>	<b>44 319</b>	<b>22 399</b>	<b>73</b>	<b>7 306</b>	<b>11 199</b>	(3 893)	-35%
Planning and development	33	2 115	1	2 075	1 057	1 017	96%
Road transport	44 286	20 284	72	5 232	10 142	(4 910)	-48%
Environmental protection	-	-	-	-	-	-	
<b>Trading services</b>	<b>252 971</b>	<b>280 525</b>	<b>27 353</b>	<b>131 695</b>	<b>140 263</b>	(8 568)	-6%
Electricity	179 257	209 154	21 408	95 822	104 577	(8 755)	-8%
Water	39 820	35 403	2 945	19 060	17 701	1 359	8%
Waste water management	21 718	22 924	1 929	11 502	11 462	40	0%
Waste management	12 176	13 044	1 071	5 311	6 522	(1 211)	-19%
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Revenue - Standard</b>	<b>435 219</b>	<b>449 343</b>	<b>32 473</b>	<b>232 037</b>	<b>244 911</b>	<b>(12 874)</b>	<b>-5%</b>
<b>Expenditure - Standard</b>							
<b>Governance and administration</b>	<b>284 360</b>	<b>294 063</b>	<b>8 974</b>	<b>97 069</b>	<b>147 031</b>	(49 963)	-34%
Executive and council	47 613	192 000	3 865	74 270	96 000	(21 730)	-23%
Budget and treasury office	220 820	86 700	3 683	15 476	43 350	(27 874)	-64%
Corporate services	15 927	15 362	1 426	7 323	7 681	(359)	-5%
<b>Community and public safety</b>	<b>38 333</b>	<b>30 991</b>	<b>2 842</b>	<b>17 534</b>	<b>15 496</b>	2 038	13%
Community and social services	14 662	10 635	1 133	6 891	5 318	1 573	30%
Sport and recreation	7 334	5 580	616	3 490	2 790	700	25%
Public safety	15 804	12 006	1 076	6 994	6 003	991	17%
Housing	7	2 769	2	15	1 385	(1 370)	-99%
Health	527	-	14	144	-	144	#DIV/0!
<b>Economic and environmental services</b>	<b>17 811</b>	<b>35 271</b>	<b>1 979</b>	<b>11 173</b>	<b>17 635</b>	(6 462)	-37%
Planning and development	179	2 401	-	14	1 200	(1 186)	-99%
Road transport	17 632	32 870	1 979	11 159	16 435	(5 276)	-32%
Environmental protection	-	-	-	-	-	-	
<b>Trading services</b>	<b>278 028</b>	<b>246 551</b>	<b>24 865</b>	<b>117 317</b>	<b>123 275</b>	(5 959)	-5%
Electricity	201 621	204 587	21 896	97 695	102 293	(4 598)	-4%
Water	32 003	21 815	1 060	7 981	10 907	(2 926)	-27%
Waste water management	9 481	7 481	788	4 671	3 741	931	25%
Waste management	34 923	12 668	1 121	6 969	6 334	635	10%
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenditure - Standard</b>	<b>618 532</b>	<b>606 876</b>	<b>38 660</b>	<b>243 093</b>	<b>303 438</b>	<b>(60 345)</b>	<b>-20%</b>
<b>Surplus/ (Deficit) for the year</b>	<b>(183 313)</b>	<b>(157 533)</b>	<b>(6 186)</b>	<b>(11 056)</b>	<b>(58 527)</b>	<b>47 471</b>	<b>-81%</b>

**Financial Performance (Revenue by Source & Expenditure by Type)**

Trading services

**MP305 Lekwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year**

Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>							
<b>Revenue By Source</b>							
Property rates	41 632	41 789	3 327	19 255	20 895	(1 639)	-8%
Property rates - penalties & collection charges						-	
Service charges - electricity revenue	178 278	208 700	21 368	95 468	104 350	(8 882)	-9%
Service charges - water revenue	38 070	35 396	2 782	18 096	17 698	398	2%
Service charges - sanitation revenue	21 707	22 920	1 929	11 502	11 460	42	0%
Service charges - refuse revenue	12 164	13 031	1 070	5 307	6 515	(1 208)	-19%
Service charges - other						-	
Rental of facilities and equipment	651	792	42	186	396	(210)	-53%
Interest earned - external investments	23	606	132	591	303	288	95%
Interest earned - outstanding debtors	14 110	15 585	1 512	8 465	2 069	6 396	309%
Dividends received						-	
Fines	271	2 705	1	161	1 353	(1 191)	-88%
Licences and permits	19 673	20 263	72	3 125	10 132	(7 007)	-69%
Agency services						-	
Transfers recognised - operational	81 942	86 670	-	69 298	69 298	-	
Other revenue	26 697	886	237	583	443	140	32%
Gains on disposal of PPE						-	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>435 219</b>	<b>449 343</b>	<b>32 473</b>	<b>232 037</b>	<b>244 911</b>	<b>(12 875)</b>	<b>-5%</b>
<b>Expenditure By Type</b>							
Employee related costs	111 508	105 957	9 297	55 156	52 978	2 178	4%
Remuneration of councillors	8 417	8 554	733	4 332	4 277	55	1%
Debt impairment	81 369	57 133	6	108	28 567	(28 458)	-100%
Depreciation & asset impairment	115 346	134 096	-	57 076	67 048	(9 972)	-15%
Finance charges	18 233	1 699	51	951	850	102	12%
Bulk purchases	186 519	198 020	20 066	88 428	99 010	(10 582)	-11%
Other materials	3 026	2 916	116	1 061	1 458	(397)	-27%
Contracted services	36 681	20 322	3 303	13 177	10 161	3 016	30%
Transfers and grants	16 743	20 290	813	3 176	10 145	(6 969)	-69%
Other expenditure	42 120	57 889	4 277	19 626	28 945	(9 318)	-32%
Loss on disposal of PPE	(1 428)		-	-		-	
<b>Total Expenditure</b>	<b>618 532</b>	<b>606 876</b>	<b>38 660</b>	<b>243 093</b>	<b>303 438</b>	<b>(60 345)</b>	<b>-20%</b>
<b>Surplus/(Deficit)</b>	<b>(183 313)</b>	<b>(157 533)</b>	<b>(6 187)</b>	<b>(11 056)</b>	<b>(58 527)</b>	<b>47 471</b>	<b>(0)</b>

## Employee Related Costs

### MP305 Lekwa - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Mid-Year Assessment

Summary of Employee and Councillor remuneration	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands							
	A	B					
<b>Councillors (Political Office Bearers plus Other)</b>							
Basic Salaries and Wages	4 885	4 812	399	2 416	2 406	10	0%
Pension and UIF Contributions	872	967	75	452	484	(32)	-7%
Medical Aid Contributions	191		26	148	-	148	#DIV/0!
Motor Vehicle Allowance	1 975	2 280	194	1 077	1 140	(63)	-5%
Cellphone Allowance	404	447	34	205	224	(19)	-9%
Housing Allowances						-	
Other benefits and allowances	66	48	6	34	24	9	39%
<b>Sub Total - Councillors</b>	<b>8 393</b>	<b>8 554</b>	<b>733</b>	<b>4 332</b>	<b>4 277</b>	<b>54</b>	<b>1%</b>
<b>% increase</b>		<b>1.9%</b>					
<b>Senior Managers of the Municipality</b>							
Basic Salaries and Wages	2 223	4 792	270	1 609	2 396	(787)	-33%
Pension and UIF Contributions	271		40	189	-	189	#DIV/0!
Medical Aid Contributions	101		7	49	-	49	#DIV/0!
Overtime						-	
Performance Bonus						-	
Motor Vehicle Allowance	435		39	169	-	169	#DIV/0!
Cellphone Allowance						-	
Housing Allowances						-	
Other benefits and allowances	57		6	34	-	34	#DIV/0!
Payments in lieu of leave						-	
Long service awards						-	
Post-retirement benefit obligations						-	
<b>Sub Total - Senior Managers of Municipality</b>	<b>3 087</b>	<b>4 792</b>	<b>361</b>	<b>2 050</b>	<b>2 396</b>	<b>(346)</b>	<b>-14%</b>
<b>% increase</b>		<b>55.3%</b>					
<b>Other Municipal Staff</b>							
Basic Salaries and Wages	68 805	69 524	5 862	33 616	34 762	(1 146)	-3%
Pension and UIF Contributions	13 824	14 138	1 108	6 713	7 069	(356)	-5%
Medical Aid Contributions	5 779	6 551	507	3 072	3 276	(204)	-6%
Overtime	13 537	4 136	843	5 711	2 068	3 643	176%
Performance Bonus						-	
Motor Vehicle Allowance	2 089	3 060	162	1 382	1 530	(148)	-10%
Cellphone Allowance	321	7	-	6	3	2	70%
Housing Allowances	411	349	28	180	175	5	3%
Other benefits and allowances	1 799	2 619	149	1 035	1 310	(274)	-21%
Payments in lieu of leave	486	417	196	672	209	463	222%
Long service awards	1 391	362	81	720	181	539	298%
Post-retirement benefit obligations						-	
<b>Sub Total - Other Municipal Staff</b>	<b>108 445</b>	<b>101 165</b>	<b>8 936</b>	<b>53 107</b>	<b>50 582</b>	<b>2 525</b>	<b>5%</b>
<b>% increase</b>		<b>-6.7%</b>					
<b>Total Parent Municipality</b>	<b>119 925</b>	<b>114 511</b>	<b>10 030</b>	<b>59 488</b>	<b>57 256</b>	<b>2 233</b>	<b>4%</b>

### **Actual Capital Acquisitions**

The accumulated expenditure on capital projects for the reporting semester amounts to R 24,025,567.

The expenditure is made highly of MIG funded project amounting to R 21, 411, 956. The expenditure on the MIG 2012-13 roll-over projects amounts to R 14, 894, 639 while expenditure on the approved MIG 2013-14 projects amounts to R 7, 240,198.

There is a significant improvement on the overall MIG expenditure when compared to the 2012-13 financial year mid-year report as only R 919 000 as at 31 December 2012 was spend which related to the 2012-13 financial year period while R 7, 240,198 was spend relating to the 2013-14 financial period.



	<b>2013-14 Approved Projects</b>	<b>Source Of Funding</b>	<b>Jul-13</b>	<b>Aug-13</b>	<b>Sep-13</b>	<b>Oct-13</b>	<b>Nov-13</b>	<b>Dec-13</b>	<b>YTD Expenditure</b>
			<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>
Ward 11	Construction of Multi-Purpose Community Hall for Rooikopen	MIG	R -	R 388 320.30	R 753 396.72	R 115 776.75	R 420 057.95	R 781 739.12	R 2 459 290.84
Ward 4	Upgrading of the Standerton Waste Water Treatment Works	MIG	R -	R -	R -			R 763 862.49	R 763 862.49
Various	Replacement of AC pipes with PVC pipes in Lekwa Municipality	MIG	R -	R -	R -		R 536 992.50	R 401 166.00	R 938 158.50
Ward 15	Sporting Facilities in Lekwa LM	MIG	R -	R -	R -				R -
ward 11	Installation of water& sanitation services in Rooikopen for 53 households	MIG	R 116 008.33	R -	R -	R 743 798.70	R 269 154.31	R 144 392.06	R 1 273 353.40
ward 10	Water-Treatment-works( Raw water Pumpstation )	MIG	R -	R -	R -	R 487 494.15		R 1 318 039.53	R 1 805 533.68
	Electrify 92 Rural Farm Worker Houses	INEP							
	Installation of VIP toilets in Rural Areas of lekwa Municipality	MIG							R -
	Conduct ground water study in the rural areas of lekwa LM(For the approval of technical reports for VIPs and Boreholes for the rural areas)	Internal Funds					R 800 000.00		R 800 000.00
<b>Total Expenditure</b>			<b>R 116 008.33</b>	<b>R 388 320.30</b>	<b>R 753 396.72</b>	<b>R 1 347 069.60</b>	<b>R 2 026 204.76</b>	<b>R 3 409 199.20</b>	<b>R 8 040 198.91</b>

<b>Rollover Project 2012-2013 MIG</b>	<b>Total Budget 2012-13</b>	<b>Jul-13</b>	<b>Aug-13</b>	<b>Sep-13</b>	<b>Oct-13</b>	<b>Nov-13</b>	<b>Dec-13</b>	<b>YTD Expenditure</b>
		<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>	<i>Outcome</i>
Standerton Landfill Site Phase 2	R 1 828 608.51	R 988 853.12	R -	R 352 300.00	R 531 002.88			R 1 872 156.00
Purpose Community Hall for Sakhile	5667382.48	R 1 270 459.68	R 770 737.97	R 700 646.20	R 1 160 456.07	R 754 801.08	R 1 361 198.28	R 6 018 299.28
Upgrading of Standerton Sewer Treatment Works	R 2 611 863.24	R	R 499 768.25	R -				R 499 768.25
Re-Construction of Roads within Lekwa Municipality Phase 3	R 5 526 172.53	R 144 968.00	R -		R 541 646.24	R 592 338.90	R 54 733.00	R 1 333 686.14
Construction and Upgrade of Stormwater Network Phase 3	R 742 382.40	R 107 458.11	R 32 564.15	R 41 503.75		R 32 564.15	R 271 100.71	R 485 190.87
Sporting Facilities in Lekwa LM	R 4 371 272.50	R 318 685.18	R 1 363 895.31	R 1 008 470.28	R 143 638.13	R 235 980.00	R 502 940.18	R 3 573 609.08
Installation of Highmast lights in Lekwa Municipality	R 527 115.76	R -	R -	R 389 048.00				R 389 048.00
Beautification of Parks						R 648 162.72		R 648 162.72
Beautification of Parks						R 74 719.02		R 74 719.02
	<b>R 21 274 797.42</b>	<b>R 2 830 424.09</b>	<b>R 2 666 965.68</b>	<b>R 2 491 968.23</b>	<b>R 2 376 743.32</b>	<b>R 2 338 565.87</b>	<b>R 2 189 972.17</b>	<b>R 14 894 639.36</b>

## Expenditure on Repairs & Maintenance

Only R 5, 7 million was spend on repairs and maintenance though this might indicate a saving of 12% when compared to what was appropriated for the first semester, this should be seen as an under invested on repairs and maintenance taking into consideration the resent bulk infrastructure failure.

Though the under investment can be attributed to inadequate revenue collection, the municipality should improve the revenue collection so that more investment can be made towards repairs & maintenance as the cost of replacing collapsed infrastructure will be much steeper than of regular maintenance.

Sufficient provisions should be made in the 2013-14 adjustment budget as well as the 2014-15MTREF going forward.

MP305 Lekwa - Supporting Table SC13c Monthly Budget Statement - expenditure on repairs and maintenance by							
Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands							%
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>							
<b>Infrastructure</b>	<b>9 322</b>	<b>8 158</b>	<b>379</b>	<b>3 311</b>	<b>4 079</b>	768	<b>18.8%</b>
Infrastructure - Road transport	557	1 138	-	161	569	408	<b>71.7%</b>
<i>Roads, Pavements &amp; Bridges</i>	557	1 138	-	161	569	408	<b>71.7%</b>
<i>Storm water</i>						-	
Infrastructure - Electricity	3 418	4 022	226	1 705	2 011	306	<b>15.2%</b>
<i>Generation</i>						-	
<i>Transmission &amp; Reticulation</i>	3 039	3 422	225	1 609	1 711	102	<b>5.9%</b>
<i>Street Lighting</i>	378	600	1	96	300	204	<b>68.0%</b>
Infrastructure - Water	4 608	2 098	82	1 090	1 049	(41)	<b>-3.9%</b>
<i>Dams &amp; Reservoirs</i>						-	
<i>Water purification</i>	4 608	2 098	82	1 090	1 049	(41)	<b>-3.9%</b>
<i>Reticulation</i>						-	
Infrastructure - Sanitation	740	900	71	355	450	95	<b>21.1%</b>
<i>Reticulation</i>	740	900	71	355	450	95	<b>21.1%</b>
<i>Sewerage purification</i>						-	
Infrastructure - Other	-	-	-	-	-	-	
<i>Waste Management</i>						-	
<b>Other assets</b>	<b>4 252</b>	<b>4 662</b>	<b>283</b>	<b>2 175</b>	<b>2 331</b>	<b>156</b>	<b>6.7%</b>
General vehicles	2 466	2 376	169	1 340	1 188	(152)	-12.8%
Specialised vehicles	-	-	-	-	-	-	
Plant & equipment	1 323	1 588	64	677	794	117	14.7%
Computers - hardware/equipment	13	52	-	1	26	25	95.4%
Furniture and other office equipment	3	14	-	8	7	(1)	-9.1%
Other Buildings	326	332	27	72	166	94	56.5%
Other Land	12	129	-	0	65	64	99.7%
Other	110	171	23	76	85	9	10.4%
<b>Intangibles</b>	<b>257</b>	<b>345</b>	<b>-</b>	<b>259</b>	<b>173</b>	<b>(87)</b>	<b>-50.4%</b>
Computers - software & programming	257	345	-	259	173	(87)	-50.4%
<b>Total Repairs and Maintenance Expenditu</b>	<b>13 832</b>	<b>13 164</b>	<b>663</b>	<b>5 745</b>	<b>6 582</b>	<b>837</b>	<b>12.7%</b>

## **Cash flow Statement**

The purpose of this statement is to keep an account of the different activities of the Council. It also provides information on the mode of generation of funds required for repayment. The cash flow statement also helps to analyze the amount of cash that would be required in order to meet the operating costs

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The actual receipt (cash) for the period amounts to R 265, 014, 030 which included grants & subsidies amounting to R 86, 219, 000. The actual payments made amounts to R 261, 903, 702 which includes the electricity bulk purchases amounting to R 88, 427, 948, employee related costs of R 59, 945, 346 contracted services amounting to R 3, 302, 567. The municipality had a net decrease in cash held at the end of the reporting semester amounting to R 17, 204, 666.

Revenue collected for the first six months has improved by 4 % (R11 million) when compared to the same time last financial year while expenditure has steadily increased by 2% (R 7 million).

The Municipality's cash flow status reflects favourable bank balance of R 29, 919, 540. It should be noted that though the municipality had a favourable bank balance at the end of the reporting month there were still outstanding creditors such as Eskom (R134mil), DWA (R78mil), department of transport( R28 mil). The MIG call account was standing at R 21, 146, 587 and the savings call account was at R 4, 208,933.

**MP305 Lekwa - Supporting Table SC9 Monthly Budget Statement - actuals and revised targets for cash receipts**

Description	Budget Ye					
	July	August	Sept	October	Nov	Dec
R thousands	Outcome	Outcome	Outcome	Outcome	Outcome	Outcome
<b>Cash Receipts By Source</b>						
Property rates	759	1 816	1 387	2 091	1 735	1 652
Property rates - penalties & collection charges					–	–
Service charges - electricity revenue	12 590	15 927	12 574	15 599	13 930	12 882
Service charges - water revenue	971	1 591	1 066	1 495	1 167	2 468
Service charges - sanitation revenue	394	813	579	831	713	787
Service charges - refuse	294	527	395	574	467	405
Rental of facilities and equipment	25	51	109	50	46	43
Interest earned - external investments	14				–	591
Interest earned - outstanding debtors	128	254	156	361	237	189
Fines	20	18		39	72	1
Licences and permits	1 178	1 543	1 351	1 613	55	72
Agency services					–	–
Transfer receipts - operating	35 370	890			27 143	–
Other revenue	10 353	7 896	7 498	11 265	12 349	12 579
<b>Cash Receipts by Source</b>	<b>62 096</b>	<b>31 326</b>	<b>25 114</b>	<b>33 917</b>	<b>57 915</b>	<b>31 669</b>
<b>Other Cash Flows by Source</b>						
Transfer receipts - capital	3 546	1 122	530	17 261	517	–
<b>Total Cash Receipts by Source</b>	<b>65 642</b>	<b>32 448</b>	<b>25 644</b>	<b>51 178</b>	<b>58 432</b>	<b>31 669</b>
<b>Cash Payments by Type</b>						
Employee related costs	9 449	8 806	9 020	9 175	9 463	9 354
Remuneration of councillors	821	821	702	820	801	714
Interest paid					–	–
Bulk purchases - Electricity	16 837	23 690	10 681	10 396	6 758	20 066
Bulk purchases - Water & Sewer	–	–	–	–	–	–
Other materials	50	117	179	456	147	116
Contracted services	2 802	3 744	341	2 723	2 719	3 303
General expenses	14 302	12 492	1 828	10 307	23 747	9 548
<b>Cash Payments by Type</b>	<b>44 261</b>	<b>49 670</b>	<b>22 751</b>	<b>33 877</b>	<b>43 635</b>	<b>43 100</b>
<b>Other Cash Flows/Payments by Type</b>						
Capital assets	2 965	3 460	3 737	3 724	4 365	5 774
Repayment of borrowing			585		–	–
<b>Total Cash Payments by Type</b>	<b>47 226</b>	<b>53 131</b>	<b>27 074</b>	<b>37 601</b>	<b>48 000</b>	<b>48 873</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>18 417</b>	<b>(20 683)</b>	<b>(1 429)</b>	<b>13 577</b>	<b>10 432</b>	<b>(17 205)</b>
Cash/cash equivalents at the month/year beginning:	26 809	45 226	24 543	23 114	36 692	47 124
Cash/cash equivalents at the month/year end:	45 226	24 543	23 114	36 692	47 124	29 919

### **Debtors Age Analysis**

The debtor's age analysis analyses amounts owed by customers for services rendered by the municipality according to the length of time that those amounts have remained unpaid.

The debtors balance has increased by R 48,881,796 from R 323, 927, 896 to R 372, 809, 692 for the period June 2013 to December 2013. Outstanding Debtors that are older than 90 days amounts to R 296,654,526 (79%) of the total outstanding debts.

The debt from households amounts to R 293 million, governments R 17 million while business owed R 41 million. Electricity contributes R 53 million of the outstanding debt, Property assessment rates R 74 million, Water R 65 million while interest on arrears amounts R 72 million.

The collection rate remained at 65% for the month ending December 2013, taking into account the levied amount of R 26, 904, 107 and the actual payments amounting to R 17, 475, 368.

The outstanding debts have grown by 27% (R 80 million) when compared to the same period during the 2012-13 financial year.

**MP305 Lekwa - Supporting Table SC3 Monthly Budget Statement - aged debtors - Mid-Year Assessment**

Description	Budget Year 2013/14						
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	Total
<b>R thousands</b>							
<b>Debtors Age Analysis By Income Source</b>							
Trade and Other Receivables from Exchange Transactions - Water	3 034	2 260	3 517	2 153	2 287	52 132	65 382
Trade and Other Receivables from Exchange Transactions - Electricity	18 484	4 840	2 155	2 025	1 625	24 136	53 265
Receivables from Non-exchange Transactions - Property Rates	3 184	2 401	20 443	1 924	1 811	44 174	73 937
Receivables from Exchange Transactions - Waste Water Management	1 610	1 129	1 054	985	962	34 277	40 017
Receivables from Exchange Transactions - Waste Management	977	778	677	613	560	21 280	24 885
Receivables from Exchange Transactions - Property Rental Debtors							-
Interest on Arrear Debtor Accounts	1 542	1 499	1 467	1 401	1 354	65 054	72 318
Recoverable unauthorised, irregular, fruitless and wasteful expenditure							-
Other	3 108	1 087	908	(2 715)	715	39 901	43 004
<b>Total By Income Source</b>	<b>31 939</b>	<b>13 995</b>	<b>30 220</b>	<b>6 386</b>	<b>9 315</b>	<b>280 954</b>	<b>372 809</b>
<b>2012/13 - totals only</b>							-
<b>Debtors Age Analysis By Customer Group</b>							
Organs of State	10 348	1 527	645	788	716	3 458	17 482
Commercial	10 776	2 660	3 337	(2 222)	1 102	25 985	41 638
Households	9 287	7 748	25 154	6 935	6 438	238 053	293 616
Other	1 528	2 060	1 084	885	1 058	13 458	20 073
<b>Total By Customer Group</b>	<b>31 939</b>	<b>13 995</b>	<b>30 220</b>	<b>6 386</b>	<b>9 315</b>	<b>280 954</b>	<b>372 809</b>

The table shows the amount collected by the municipality for service rendered against the service charges billing. Refer to note 9

Reporting Month	Levied Amount	Revenue Collected	Collection Rate
<b>July 2013</b>	R27,930,714	R12,726,545	45%
<b>August 2013</b>	R29,144,935	R19,845,727	68%
<b>September 2013</b>	R 32, 152, 949	R 15, 031, 595	47%

<b>October 2013</b>	R 22, 540, 247	R 20, 219, 439	89%
<b>November 2013</b>	R 26, 887, 842	R 17, 386, 238	65%
<b>December 2013</b>	R 26, 904, 107	R 17, 475, 368	65%

### Creditors Age Analysis

The creditors age analysis indicates an analysis of unpaid invoices, aged by due date. The creditors are broken down into five ageing periods.

The Creditors Age Analysis shows an outstanding amount of R 242 million of which R 135 million was owed to Eskom. The municipality has taken several initiatives to ensure that the arrears amount owed to Eskom is paid. R78 million is owed to the Department of Water Affairs and R26 million was outstanding for department of transport.

**MP305 Lekwa - Supporting Table SC4 Monthly Budget Statement - aged creditors - Mid-Year Assessment**

Description	Budget Year 2013/14				Total
	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	
<b>R thousands</b>					
<b>Creditors Age Analysis By Customer Type</b>					
Bulk Electricity	15 600	15 485	15 571	88 220	134 876
Bulk Water	4 332			74 344	78 677
PAYE deductions					-
VAT (output less input)					-
Pensions / Retirement deductions					-
Loan repayments					-
Trade Creditors					-
Auditor General					-
Other	1 681	2 053	1 767	23 069	28 569
<b>Total By Customer Type</b>	<b>21 613</b>	<b>17 538</b>	<b>17 337</b>	<b>185 633</b>	<b>242 121</b>



## Statement of Investments

The table indicates the investments and movements on the municipality's grants call accounts

Investments by maturity Name of institution & investment ID	Period of Investment	Type 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
R thousands	Yrs/Months						
<b>Municipality</b>							
First National Bank	Monthly	Call Account	68	3.4%	26 724	(5 646)	21 147
First National Bank	Monthly	Call Account	10	3.0%	3 999	200	4 209
<b>Municipality sub-total</b>			78		30 723	(5 446)	25 356

The interest end on MIG call account amounts to R 67,908 while interest on savings is R 10,413.

## Grants & Subsidies Received

Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>							
<b>RECEIPTS:</b>							
<b>Operating Transfers and Grants</b>							
<b>National Government:</b>	-	87 124	-	66 342	66 342	-	
Local Government Equitable Share		81 428		60 963	60 963	-	
Finance Management		1 550		1 550	1 550		
Municipal Systems Improvement		890		890	890		
Integrated National Electrification Programme		2 200		2 200	2 200		
EPWP Incentive		1 056		739	739		
<b>Total Operating Transfers and Grants</b>	-	87 124	-	66 342	66 342	-	
<b>Capital Transfers and Grants</b>							
<b>National Government:</b>	-	41 318	-	19 877	19 877	-	
Municipal Infrastructure Grant (MIG)		41 318		19 877	19 877	-	
<b>Total Capital Transfers and Grants</b>	-	41 318	-	19 877	19 877	-	
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	-	128 442	-	86 219	86 219	-	

## Grants & Subsidies Expenditure

MP305 Lekwa - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Mid-Year Asses

Description	2012/13	Budget Year 2013/14					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands							
<b>EXPENDITURE</b>							
<b>Operating expenditure of Transfers and Grants</b>							
<b>National Government:</b>	-	87 124	-	61 685	66 342	(4 657)	-7.0%
Local Government Equitable Share		81 428		60 963	60 963	-	
Finance Management		1 550			1 550	(1 550)	-100.0%
Municipal Systems Improvement		890			890	(890)	-100.0%
Integrated National Electrification Programme		2 200			2 200	(2 200)	-100.0%
EPWP Incentive		1 056		722	739	(17)	-2.2%
<b>Total operating expenditure of Transfers and Grants</b>	-	87 124	-	61 685	66 342	(4 657)	-7.0%
<b>Capital expenditure of Transfers and Grants</b>							
<b>National Government:</b>	-	41 318	3 537	8 884	19 877	(10 994)	-55.3%
Municipal Infrastructure Grant (MIG)		41 318	3 537	8 884	19 877	(10 994)	-55.3%
<b>Total capital expenditure of Transfers and Grants</b>	-	41 318	3 537	8 884	19 877	(10 994)	-55.3%
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	-	128 442	3 537	70 569	86 219	(15 650)	-18.2%

## Grants & Subsidies Expenditure on Rollover

MP305 Lekwa - Supporting Table SC7(2) Monthly Budget Statement - Expenditure against approved rollovers - Mid-Year Asses

Description	Budget Year 2013/14				
	Approved Rollover 2012/13	Monthly actual	YearTD actual	YTD variance	YTD variance %
R thousands					
<b>EXPENDITURE</b>					
<b>Operating expenditure of Approved Roll-overs</b>					
<b>National Government:</b>	408	-	408	-	
EPWP Incentive	408		408	-	
<b>Total operating expenditure of Approved Roll-overs</b>	408	-	408	-	
<b>Capital expenditure of Approved Roll-overs</b>					
<b>National Government:</b>	22 190	2 190	14 172	8 019	36.1%
Municipal Infrastructure Grant (MIG)	22 190	2 190	14 172	8 019	36.1%
<b>Total capital expenditure of Approved Roll-overs</b>	22 190	2 190	14 172	8 019	36.1%
<b>TOTAL EXPENDITURE OF APPROVED ROLLOVERS</b>	22 598	2 190	14 580	8 019	35.5%

## Explanatory Notes

### Property Services 1

Not all supplementary valuations have been included in the financial system therefore SV 5&6 to be implemented which will address all the property that had inaccurate values during the 2009 general valuation.

### Service Charges 2

	<b>Budget</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>
	<b>2013-14</b>	<b>July 2013-Dec 2013</b>	<b>July 2013-Dec 2013</b>	
PRE-PAID ELECTRICITY	R (11 020 000.00)	R (4 012 984.06)	R (5 510 000.00)	R 1 497 015.94
SHOPS: PRE-PAID ELECTRC	R (39 035 000.00)	R (15 699 527.95)	R (19 517 500.00)	R 3 817 972.05
SALE OF ELECTRICITY	R (159 137 000.00)	R (75 755 184.82)	R (79 568 500.00)	R 3 813 315.18
SALE OF ELECTRICITY	R (208 700 000.00)	R (95 467 696.83)	R (104 350 000.00)	R 8 882 303.17
FREE BASIC WATER	R 1 724 000.00	R 963 293.94	R 862 000.00	R 101 293.94
SALE OF WATER	R (37 119 859.82)	R (19 059 483.14)	R (18 559 929.91)	R (499 553.23)
CLEANSING SERVICES	R (13 030 918.79)	R (5 307 321.79)	R (6 515 459.40)	R 1 208 137.61
SEWERAGE CHARGES	R (22 920 484.92)	R (11 502 139.84)	R (11 460 242.46)	R (41 897.38)
	<b>R (280 047 263.53)</b>	<b>R (130 373 347.66)</b>	<b>R (140 023 631.77)</b>	<b>R 9 650 284.11</b>

### Investment Revenue 3

Interest received on the primary account and call accounts amounted to R 591 211

### Finance Charges 5

The finance charges amounted to R 584 630 for repayment for DBSA Loan and R 366 696 for bank charges.

### Transfer & Grants 6

A provision was made to register at least 6000 indigent households but to date only 3345 households have been register.

### Other Expenditure 7

The municipality has been able to reduce other expenditures as part of its cost curtailments exercise. This was done through the austerity committee that was established which monitored all the expenditure before they are incurred.

### Debt Collection 8

To sustain the increase in the collection rate it is imperative that disconnections are done on a daily basis, meters are checked for bridging and the defaulters be brought to book. This is however only possible if resources, including vehicles for the electrical department are operational and staff is allocated to do the disconnections and inspections.

In an effort to reduce the challenges of vehicle shortage especially when electricity disconnection is performed, the municipality has provided R 4million for the purchasing of vehicles and it is envisaged that the necessary procurement process will be completed in January 2014.

## **Payment of Creditors 9**

The growth in creditors is as the results of insufficient revenue collected because of the low collection rate. It should further be noted that unless our collection rate is sustained above 108%, it will be difficult for the municipality to repay creditors outstanding for a period longer than 90 days promptly. The municipality was only able to pay R 20 million on the Eskom account for the month of December 2013. The current account was R 15 mil while the arrears was R 5 mil.

At the request of Councillor C M Morajane, seconded by Councillor S S Mosia with the consent of Council, Council amended the recommendations in terms of Rule 60(1) of the Council's Standing Orders to read as set out hereunder:

### **RESOLVED**

- (1) That the report of the Executive Mayor (Municipal Manager ) regarding the mid-year budget and performance assessment report for the period ending 31 DECEMBER 2013 **BE NOTED**;
- (2) That matters related to projects and finances BE Referred to the Council's section 79 Oversight Committees for the Technical services and Finance respectively for further reports end of February 2014;