



**MID YEAR BUDGET & PERFORMANCE
ASSESSMENT REPORT
2022/2023**

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1. PURPOSE

The purpose of this report is to comply with section 72 (1) (a) of the Municipal Finance Management Act and the requirements as promulgated in the Government Gazette No.32141 of 17 April 2009 regarding Municipal Budget and Reporting Regulations, which requires that specific financial particulars be reported on and in the formats prescribed.

2. LEGAL/STATUTORY REQUIREMENTS

Section 72 of the MFMA 56 of 2003 states that the Accounting Officer must by the 25 January of each year assess the performance of the municipality during the first half of the financial year and submit a report on assessment to the Honourable Mayor, the relevant Provincial Treasury and National Treasury. The mid-year budget and performance assessment review must make recommendations as to whether an adjustments budget is necessary.

3. BACKGROUND

The Mid-Year Budget and Performance Report is a valuable resource that assists the municipality, and the public to assess the impact of government policies and the resources allocated to implement them. The Accounting Officer shall in terms of section 72 of the MFMA 56 of 2003 consider:-

- the monthly statements referred to in section 71 for the first half of the year;
- the municipality's service delivery performance during the first half of the financial year, and the service delivery targets & performance indicators set in the Service Delivery Budget Implementation Plan;
- the past year's annual report, and progress on resolving problems identified in the annual report.

The Mid-Year Budget & Performance Assessment Report supports the council in assessing the progress that is made in implementing government programmes. It also assists political office bearers in evaluating future plans for the municipality's critical services. The report also identifies a range of challenges that need to be addressed to ensure faster service delivery in the period ahead. It thus serves as both an accountability and future planning document.

4. SUMMARY STATEMENT OF FINANCIAL PERFORMANCE

The summary of the statement of financial performance annexed in attached tables indicates that as at the end of the first half of the financial year, operating expenditure should be R 130 074 000; which is 50% of the total operational budget of R 260 148 000. As at end of 31 December 2022, the actual operating expenditure is R 125 165 000 which is less than the projected operating expenditure.

The report indicates that revenue should be R 114 428 000 based on the anticipated billing, collection and the revenue recognised from operational grants. The revenue raised (including revenue recognised from operational grants) is R139 000 000, which is made up of R91 281 000 relating to grants and R47 771 000 relating to billed revenue and other revenue. This is more than the anticipated revenue. Capital Expenditure was projected to be R 22 136 000 based on the anticipated capital expenditure. The actual capital expenditure as at 31 December 2022 is R11 179 000.

5. FINANCIAL PERFORMANCE RESULTS

The municipality should in terms of section 71(1) (g) of the MFMA, when necessary provide an explanation of any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote, and any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

EC124 Amahlathi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December										
Description	Ref	2021/22	Budget Year 2022/23							
		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		22 178	23 785	23 785	1 916	11 330	11 892	(563)	-5%	22 659
Service charges - electricity revenue		38 857	41 147	41 147	2 210	18 753	20 574	(1 821)	-9%	37 506
Service charges - water revenue		—	—	—	—	—	—	—	—	—
Service charges - sanitation revenue		—	—	—	—	—	—	—	—	—
Service charges - refuse revenue		10 856	13 141	13 141	931	5 878	6 570	(692)	-11%	11 757
Rental of facilities and equipment		171	100	100	9	121	50	71	142%	242
Interest earned - external investments		366	1 040	1 040	—	365	520	(155)	-30%	729
Interest earned - outstanding debtors		8 182	8 646	8 646	951	5 142	4 323	819	19%	10 285
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		12	15	15	1	11	8	3	41%	21
Licences and permits		1 780	2 429	2 429	135	1 059	1 215	(155)	-13%	2 118
Agency services		1 059	1 829	1 829	55	661	914	(254)	-28%	1 322
Transfers and subsidies		121 995	130 728	130 728	41 246	91 281	65 364	25 917	40%	130 728
Other revenue		5 037	5 996	5 996	422	4 451	2 998	1 453	48%	8 902
Gains		1 005	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		211 499	228 855	228 855	47 876	139 051	114 428	24 624	22%	226 269
Expenditure By Type										
Employee related costs		125 340	106 959	110 264	12 147	68 012	55 132	12 881	23%	136 025
Remuneration of councillors		11 533	11 996	13 501	1 194	7 402	6 751	651	10%	14 804
Debt impairment		(7 489)	27 000	27 000	—	—	13 500	(13 500)	-100%	—
Depreciation & asset impairment		26 055	26 000	26 000	6 077	12 088	13 000	(912)	-7%	24 175
Finance charges		2 536	4 000	4 000	671	2 501	2 000	501	25%	5 001
Bulk purchases - electricity		42 658	38 070	38 070	3 209	20 967	19 035	1 932	10%	41 934
Inventory consumed		404	267	267	—	99	134	(35)	-26%	197
Contracted services		10 882	19 154	19 154	402	7 834	9 577	(1 743)	-18%	15 667
Transfers and subsidies		—	—	—	—	—	—	—	—	—
Other expenditure		24 369	21 891	21 891	208	6 263	10 946	(4 683)	-43%	12 525
Losses		—	—	—	—	—	—	—	—	—
Total Expenditure		236 287	255 339	260 148	23 907	125 165	130 074	(4 909)	-4%	250 329
Surplus/(Deficit)		(24 789)	(26 484)	(31 293)	23 969	13 887	(15 647)	29 533	(0)	(24 060)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		28 080	31 701	34 781	—	6 401	17 391	(10 990)	(0)	34 781
Surplus/(Deficit) after capital transfers & contributions		3 292	5 217	3 488	23 969	20 287	1 744			10 721
Taxation		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after taxation		3 292	5 217	3 488	23 969	20 287	1 744			10 721
Attributable to minorities		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) attributable to municipality		3 292	5 217	3 488	23 969	20 287	1 744			10 721
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—
Surplus/ (Deficit) for the year		3 292	5 217	3 488	23 969	20 287	1 744			10 721

5.1 Explanation of variances to Statement of Financial Performance

- **Rental of facilities and equipment** indicates an over performance when compared to the budgeted estimate. This shows an improvement in the renting out of municipal facilities to generate more revenue for the institution.
- **Interest on investments** is showing an underperformance of 30% when compared to the budgeted estimate of R520 000 and this is due to financial constraints that the municipality continue to experience which then means that there is limited amount of money invested which then translates to lower interest earned.
- **Fines** have improved from prior year figures showing the strides taken to collect more revenue from this source.
- **Other expenditure** is underperforming as the municipality tightly manages expenditure and cost reduction.

6. CAPITAL EXPENDITURE

The total capital expenditure budgeted estimate as at 31 December 2022 amounts to R22m which is 50% of the budgeted R44m for the 2022/23 financial year. The actual capital expenditure amounts to R11m which is slightly less to the budgeted estimate of R22m. The chart below depicts actual capital expenditure when compared to budgeted capital expenditure.

EC124 Amahlathi - Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - M06 December									
Month	2021/22	Budget Year 2022/23							
	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	1 038	3 316	3 689	2 951	2 951	3 689	738	20,0%	7%
August	3 450	3 316	3 689	1 537	4 488	7 379	2 891	39,2%	11%
September	1 993	3 316	3 689	1 668	6 156	11 068	4 912	44,4%	15%
October	547	3 316	3 689	2 042	8 198	14 757	6 559	44,4%	21%
November	3 231	3 316	3 689	3 190	11 388	18 446	7 058	38,3%	29%
December	3 141	3 316	3 689	1 638	13 026	22 136	9 110	41,2%	33%
January	2 839	3 316	3 689			25 825	-		
February	3 618	3 316	3 689			29 514	-		
March	3 298	3 316	3 689			33 203	-		
April	1 727	3 316	3 689			36 893	-		
May	1 965	3 316	3 689			40 582	-		
June	345	3 316	3 689			44 271	-		
Total Capital expenditure	27 192	39 791	44 271	13 026					

The capital expenditure breakdown per municipal vote is annexed in table C5. Below is detailed capital expenditure as at 31 December 2022.

Projects	Vote Number	Budget	YTD Exp (Exc. Vat)	Balance
Lower Kologha Internal Roads	C0040-10/IA00132/F0791/X099/R2124/001/LED	2 200 000	244 345	1 955 655
Mgwali Internal Roads	C0040-29/IA00132/F0791/X099/R0840/001/ENG	2 000 000	325 610	1 674 390
Khayelitsha Internal Road	C0040-16/IA00132/F0791/X099/R2133/001/LED	1 415 950	786 979	628 971
Upper Gxulu Internal Roads	C0040-20/IA00132/F0791/X099/R2128/001/LED	2 000 000	1 141 605	858 395
Border Post Internal Roads	C0040-23/IA00132/F0791/X099/R2133/001/LED	1 500 000	169 267	1 330 733
Buildings	C0352-1/IA00092/F0791/X099/R0840/001/LED	50 000	43 304	6 696
Surfacing of Cathcart Street	C0040-30/IA00132/F0791/X099/R2129/001/LED	2 485 050	4 020 924	-1 535 874
Mthwaku Dontsa Access Roads	C0040-29/IA00132/F0791/X099/R2128/001/LED	3 500 000	420 696	3 079 304
Stutterheim Recreation Center	C0225-1/IA00032/F0791/X099/R2124/001/LED	4 775 000	681 797	4 093 203
Mzamomhle Paving	C0040-29/IA00132/F0791/X099/R2125/001/LED	2 500 000	1 308 692	1 191 308
Toise Internal Roads	C0040-29/IA00132/F0791/X099/R2130/001/LED	2 000 000	1 356 742	643 258
Keiskamahoe Recreation Center	C0225-1/IA00032/F0791/X099/R1514/001/LED	4 775 000	850 500	3 924 500
Mlungisi Sportfield	C0237-1/IA00032/F0791/X099/R2125/001/LED	2 500 000	879 017	1 620 983
Amabele Internal Roads	C0040-33/IA00132/F0791/X099/R2134/001/LED	-	6 755	-6 755
Fencing of Cemeteries	C0224-2/IA00032/F0791/X099/R0840/001/LED	-	147 804	-147 804
Ngcamngeni Access Roads/Rabe	C0040-32/IA00132/F0791/X099/R1515/001/LED	-	80 915	-80 915
Mlungisi Access Roads	C0040-17/IA00132/F0791/X099/R2125/001/LED	-	261 582	-261 582
Total		31 701 000	12 726 535	18 974 465

7. FINANCIAL POSITION

7.1 Analysis of Creditors

Council attempts to process and settle invoices within 30 days of receiving them in line with the Municipal Finance Management Act where possible, however delays are experienced due to cash flow challenges the municipality is faced with. Below are the creditor's balances as at 31 December 2022. The detail of aging of creditors is attached on table SC4.

Detail	Balances
Eskom Bulk	73 739 348.85
Eskom Other	4 304 896.64
Eskom FBE	1 001 505.20
Special Investigating Unit	8 509 752.82
EC Department of Transport	4 288 621.41
Amathole DM	2 165 901.73
Workmans Compensation	4 436 473.48
SALGA	4 886 251.00
Auditor General	3 835 242.31
All other suppliers	1 900 434.17
Total	109 068 427.61

7.2 Analysis of Debtors

The debtors report below provides the total amount owed to the municipality by income source and by debtor type. Total outstanding debt for the month ending 31 December 752022 is R135m. Government Departments owe the municipality R14m (11%), Businesses owe R18m (14%) and Households owe R101m (75%). The biggest contributor being the households that owe R101m followed by government departments that owe R14m. As much as households owe R101m, an average of 75% every year (for the past 4 years) was impaired. The collection rate versus billing is 68%, however this is based on the monthly billing.

EC124 Amahlathi - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2022/23										Actual Bad Debts Written Off against	Impairment - Bad Debts i.t.o Council Policy	
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days			
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	2 225	744	569	686	449	364	529	1 037	6 602	3 064	-	-	
Receivables from Non-exchange Transactions - Property Rates	1400	1 901	1 492	1 315	621	1 197	1 132	6 486	36 843	50 987	46 279	-	-	
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	
Receivables from Exchange Transactions - Waste Management	1600	1 050	875	853	830	821	815	5 405	33 810	44 458	41 682	-	-	
Receivables from Exchange Transactions - Property Rental Debtors	1700	0	(0)	(0)	-	-	-	(14)	343	330	329	-	-	
Interest on Arrear Debtor Accounts	1810	947	925	846	830	774	757	4 581	22 704	32 364	29 646	-	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	419	(19)	(33)	(67)	(44)	(45)	(284)	880	807	440	-	-	
Total By Income Source	2000	6 542	4 017	3 549	2 898	3 197	3 023	16 704	95 617	135 548	121 440	-	-	
2021/22 - totals only										-	-			
Debtors Age Analysis By Customer Group														
Organs of State	2200	1 339	1 187	1 037	663	926	843	3 028	5 706	14 729	11 166	-	-	
Commercial	2300	2 712	635	473	297	370	329	1 976	12 174	18 965	15 146	-	-	
Households	2400	2 461	2 168	2 018	1 917	1 879	1 830	11 553	77 615	101 441	94 794	-	-	
Other	2500	29	28	22	22	21	21	148	122	413	334	-	-	
Total By Customer Group	2600	6 542	4 017	3 549	2 898	3 197	3 023	16 704	95 617	135 548	121 440	-	-	

7.3 CASH AND CASH EQUIVALENTS

The municipality invests money that is not immediately required on short term to generate interest, and this is in line with the municipal policy and the requirements of the Municipal Finance Management Act. The total cash available as at 31 December 2022 indicates a total balance of **R 41 618 319.17** which is made up of the following:-

Closing bank balance account	R 8 600 244.39
Call Account Deposits	<u>R33 018 074.78</u>
Total	R 41 618 319.17

Date	Account Description	Balance
31 December 2022	Lower Kologha Housing	1 048.01
31 December 2022	MIG Account	3 192 712.68
31 December 2022	Insurance Account	1 678 495.17
31 December 2022	FNB Guarantee	5 570 759.75
31 December 2022	EPWP Account	1 104.18
31 December 2022	FMG Account	1 534 695.13
31 December 2022	INEP Account	18 070.53
31 December 2022	Library Account	2 233.44
31 December 2022	Payroll Account	17 861 196.95
31 December 2022	Waste Management	3 157 758.94
		33 018 074.78

8. GRANTS

The conditional and unconditional grants allocation gazette for 2022/23 reflected an amount of R162m. An amount of R111m has been received for period ending 31 December 2022. The expenditure on grants where conditions have been met and transferred to revenue is detailed below.

EC124 Amahlathi - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December										
Description	Ref	2021/22	Budget Year 2022/23							
		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:										
		120 478	128 755	128 755	20	91 513	64 378	27 136	42,2%	128 755
Local Government Equitable Share		115 504	124 987	124 987	-	89 991	62 494	27 498	44,0%	124 987
Finance Management		2 100	2 200	2 200	20	721	1 100	(379)	-34,4%	2 200
Municipal Systems Improvement		-	-	-	-	-	-	-	-	-
EPWP Incentive		1 263	1 568	1 568	-	801	784	17	2,2%	1 568
PMU 5%		1 478	-	-	-	-	-	-	-	-
Disaster Relief Grant		134	-	-	-	-	-	-	-	-
Provincial Government:										
		1 297	1 973	1 973	-	962	986	(386)	-39,2%	1 973
Sport and Recreation		1 200	1 200	1 200	-	962	600	362	60,3%	1 200
Seta		97	773	773	-	-	386	(386)	-100,0%	773
Total operating expenditure of Transfers and Grants:		121 776	130 728	130 728	20	92 475	65 364	26 749	40,9%	130 728
Capital expenditure of Transfers and Grants										
National Government:										
		28 080	31 701	31 701	1 876	14 664	15 851	(1 187)	-7,5%	31 701
Municipal Infrastructure Grant (MIG)		28 080	31 701	31 701	1 876	14 664	15 851	(1 187)	-7,5%	31 701
		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		28 300	31 701	34 781	1 876	14 812	17 391	(2 579)	-14,8%	34 781
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		150 076	162 429	165 509	1 896	107 286	82 754	24 170	29,2%	165 509

9. CHALLENGES

The major challenge in respect of revenue is an increasing debt book. The municipality has implemented a revenue enhancement strategy with an objective of improving revenue collection. In addition to this the municipality is in a process of making an analysis of its debt book in order to write off prescribed debt as the debt book is growing. The other challenge that the municipality has is the high salary bill that is above treasury norm of between 25% and 40% of the total operating expenditure. The salary bill is currently 51% of the total operating expenditure budget. The percentage is even higher when non-cash items are excluded.

10. AREAS OF ADJUSTMENT

The following are possible areas of adjustments:-

- **Employee Related Costs**
- **Capital Expenditure** to revise MIG projects based on the actual spending of projects not budgeted for.
- **Rentals of facilities and Equipment** to incorporate the vodacom rental account.
- **Grants** to revise in order to incorporate opening balance of unspent grants.

After assessment of the mid-year report it is advisable that an adjustment budget be **considered**.

11. RECOMMENDATIONS

- That the Mid-year budget assessment report **be noted and accepted**.
- That it **be noted** that a 1st adjustments budget for the financial year 2022/23 is necessary.
- That it **be noted** that the projections for revenue and expenditure be revised.

9. ANNEXURES

- Quality Certificate
- Schedule C Tables
- Service Delivery Performance will be submitted as separate report.