

**PERFORMANCE ASSESSMENT: MID-YEAR REPORT: PERIOD JULY TO DECEMBER 2019**

**PURPOSE**

To submit to the Executive Mayor the mid-year report for the six months ending December 2019 of the municipality for information as required in terms of Section 28, 71, 72 and section 54(1) of the Municipal Finance Management Act 2003 (Act No 56 of 2003).

**BACKGROUND**

In accordance with Section 72 of the Municipal Finance Act, Act 56 of 2002, the accounting officer of a municipality must by 25 January of each year –

- (a) Assess the performance of the municipality during the first half of the financial year, taking into account –
  - (i) The monthly statements referred to in Section 71 for the first half of the financial year
  - (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - (iii) The past year's annual report, and progress on resolving problems identified in the annual report; and
- (b) Submit a report on such an assessment to –
  - (i) The mayor of the municipality;
  - (ii) The National treasury; and
  - (iii) The relevant provincial treasury.

Furthermore the accounting officer must –

- 3(a) make recommendation as to whether an adjustment budget is necessary; and
- (c) recommend revised projections for revenue and expenditure to the extent that this may be necessary

**DISCUSSION**

1. **CONSOLIDATED OVERVIEW OF THE 2018/2019 MTREF – MID YEAR ENDING DECEMBER 2019**
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Choose name from list - Table C1 Monthly Budget Statement Summary - M06 December

Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	180,475	536,696	515,992	56,607	271,402	267,014	4,388	2%	542,804
Service charges	693,020	748,459	725,501	66,038	371,867	369,987	1,880	1%	743,734
Investment revenue	9,558	8,871	8,871	653	4,564	4,453	111	2%	9,128
Transfers and subsidies	430,635	233,422	233,422	68,023	153,802	134,318	19,484	15%	307,604
Other own revenue	160,275	147,303	169,565	19,753	82,196	79,510	2,686	3%	164,393
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,473,963</b>	<b>1,674,750</b>	<b>1,653,350</b>	<b>211,074</b>	<b>883,831</b>	<b>855,282</b>	<b>28,549</b>	<b>3%</b>	<b>1,767,662</b>
Employee costs	324,367	369,651	362,651	26,469	160,156	184,702	(24,546)	-13%	320,312
Remuneration of Councillors	23,827	27,731	27,731	1,905	11,426	16,341	(4,914)	-30%	22,853
Depreciation & asset impairment	123,284	106,226	106,226	8,852	53,113	53,325	(212)	-0%	106,226
Finance charges	36,868	33,343	50,913	5,027	26,396	22,808	3,589	16%	52,793
Materials and bulk purchases	513,986	558,506	568,499	35,798	282,207	284,220	(2,013)	-1%	564,415
Transfers and subsidies	-	2,510	2,510	100	75	1,305	(1,230)	-94%	150
Other expenditure	552,787	537,932	611,738	52,726	263,393	306,194	(42,800)	-14%	526,786
<b>Total Expenditure</b>	<b>1,574,120</b>	<b>1,635,900</b>	<b>1,730,268</b>	<b>130,877</b>	<b>796,768</b>	<b>868,895</b>	<b>(72,128)</b>	<b>-8%</b>	<b>1,593,536</b>
<b>Surplus/(Deficit)</b>	<b>(100,157)</b>	<b>38,850</b>	<b>(76,918)</b>	<b>80,197</b>	<b>87,063</b>	<b>(13,613)</b>	<b>100,676</b>	<b>-740%</b>	<b>174,127</b>
Transfers and subsidies - capital (monetary allocations)	193,212	161,830	161,830	10,732	73,232	123,501	(50,269)	-41%	161,830
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>	<b>50,407</b>	<b>46%</b>	<b>335,957</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>	<b>50,407</b>	<b>46%</b>	<b>335,957</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>170,866</b>	<b>163,290</b>	<b>230,659</b>	<b>10,732</b>	<b>73,232</b>	<b>123,501</b>	<b>(50,269)</b>	<b>-41%</b>	<b>230,659</b>
Capital transfers recognised	168,973	161,830	215,061	10,732	73,232	123,251	(50,019)	-41%	161,830
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	1,893	1,460	15,598	-	-	250	(250)	-100%	1,460
<b>Total sources of capital funds</b>	<b>170,866</b>	<b>163,290</b>	<b>230,659</b>	<b>10,732</b>	<b>73,232</b>	<b>123,501</b>	<b>(50,269)</b>	<b>-41%</b>	<b>163,290</b>
<b>Financial position</b>									
Total current assets	331,542	267,025	355,518		522,612				355,518
Total non current assets	3,143,088	3,375,028	3,200,151		3,167,693				3,200,151
Total current liabilities	862,894	408,485	499,263		918,274				499,263
Total non current liabilities	224,222	227,578	563,420		224,222				563,420
<b>Community wealth/Equity</b>	<b>2,387,514</b>	<b>3,005,989</b>	<b>2,492,987</b>		<b>2,547,810</b>				<b>2,492,987</b>
<b>Cash flows</b>									
Net cash from (used) operating	227,476	341,802	234,376	24,713	134,141	117,188	(16,953)	-14%	234,376
Net cash from (used) investing	(195,258)	(163,290)	(163,290)	(10,732)	(116,524)	(81,645)	34,879	-43%	(163,290)
Net cash from (used) financing	(6,508)	(6,337)	(43,708)	(1,066)	(3,222)	(21,854)	(18,632)	85%	(43,708)
<b>Cash/cash equivalents at the month/year end</b>	<b>115,272</b>	<b>287,446</b>	<b>142,649</b>	<b>12,915</b>	<b>129,667</b>	<b>128,960</b>	<b>(707)</b>	<b>-1%</b>	<b>142,649</b>
<b>Debtors &amp; creditors analysis</b>	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91-120 Days</b>	<b>121-150 Dys</b>	<b>151-180 Dys</b>	<b>181 Dys-1 Yr</b>	<b>Over 1Yr</b>	<b>Total</b>
<b>Debtors Age Analysis</b>									
Total By Income Source	131,381	91,829	75,230	70,882	70,561	67,724	388,120	1,373,492	2,269,218
<b>Creditors Age Analysis</b>									
Total Creditors	32,557	94,224	77,222	57,669	93,636	150,649	16,785	8,876	531,618

## **Executive Summary**

During the month of December 2019 council billed R211,074 Million and expend R130,877 Million. The revenue for the six months under review was R883,831 Million compare to a budget of R855.282 Million. This was an over achievement of 3%.

The expenditure for the six months under review was R796,768 Million comparing to a budget of R868,895 Million. This is an underspending of 8%.

Council spent R10.732 Million on capital for the month of December 2019. The total capital expenditure for the six months under review was R73,232 Million comparing to a projected budget of R123.501 Million. This is an under performance of 41%.

Current Assets increased from R331,542 Million at year end to R522,612 Million at mid-year. Current Liabilities had increased from R862,894 Million to R918,274 Million at mid-year.

Council's cashflow remains within the projected cashflow for 2019/2020. Council has a positive cashflow balance of R129.667 Million comparing to the projected cashflow of R128,960 as at mid-year. These funds are ring fenced for unspent conditional grants.

Debtor balances as at mid-year were R2,269,218 Million at mid-year. This is an increase of R367.770 Million for the six months under review.

Creditors decreased by R16,187 Million to R531,618 Million at mid-year.

## 2. FINANCIAL MONTHLY BUDGET STATEMENT SUMMARY FOR MID-YEAR ENDING DECEMBER 2019

Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		180,475	536,696	515,992	56,607	271,402	267,014	4,388	2%	542,804
Service charges - electricity revenue		246,024	267,584	267,584	27,795	142,019	134,327	7,692	6%	284,038
Service charges - water revenue		324,383	362,742	326,482	27,226	163,879	173,031	(9,152)	-5%	327,759
Service charges - sanitation revenue		55,679	55,903	60,640	5,314	30,867	29,248	1,620	6%	61,735
Service charges - refuse revenue		66,933	62,231	70,795	5,702	35,101	33,381	1,720	5%	70,202
Service charges - other										
Rental of facilities and equipment		1,259	2,495	2,495	175	1,203	1,253	(50)	-4%	2,406
Interest earned - external investments		9,558	8,871	8,871	653	4,564	4,453	111	2%	9,128
Interest earned - outstanding debtors		107,050	113,559	135,823	12,673	70,643	62,573	8,070	13%	141,286
Dividends received										
Fines, penalties and forfeits		26,767	7,435	7,435	915	2,702	3,733	(1,030)	-28%	5,405
Licences and permits		5,746	17,384	17,382	5,778	5,846	8,725	(2,879)	-33%	11,693
Agency services										
Transfers and subsidies		430,635	233,422	233,422	68,023	153,802	134,318	19,484	15%	307,604
Other revenue		19,452	6,429	6,429	213	1,802	3,227	(1,425)	-44%	3,604
Gains on disposal of PPE										
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1,473,963</b>	<b>1,674,750</b>	<b>1,653,350</b>	<b>211,074</b>	<b>883,831</b>	<b>855,282</b>	<b>28,549</b>	<b>3%</b>	<b>1,767,662</b>
<b>Expenditure By Type</b>										
Employee related costs		324,367	369,651	362,651	26,469	160,156	184,702	(24,546)	-13%	320,312
Remuneration of councillors		23,827	27,731	27,731	1,905	11,426	16,341	(4,914)	-30%	22,853
Debt impairment		417,755	323,207	447,588	37,347	224,079	223,794	285	0%	448,158
Depreciation & asset impairment		123,284	106,226	106,226	8,852	53,113	53,325	(212)	0%	106,226
Finance charges		35,868	33,343	50,913	5,027	26,396	22,808	3,589	16%	52,793
Bulk purchases		513,986	557,254	567,247	35,757	281,991	283,624	(1,632)	-1%	563,982
Other materials			1,252	1,252	41	216	597	(380)	-64%	432
Contracted services		74,569	85,856	85,786	2,994	16,930	43,218	(26,288)	-61%	33,859
Transfers and subsidies			2,510	2,510	100	75	1,305	(1,230)	-94%	150
Other expenditure		60,463	128,868	78,363	12,385	22,385	39,182	(16,797)	-43%	44,769
Loss on disposal of PPE										
<b>Total Expenditure</b>		<b>1,574,120</b>	<b>1,635,900</b>	<b>1,730,268</b>	<b>130,877</b>	<b>796,768</b>	<b>868,895</b>	<b>(72,128)</b>	<b>-8%</b>	<b>1,593,536</b>
<b>Surplus/(Deficit)</b>										
Transfers and subsidies - capital (monetary allocations) (National/ Provincial and District)		(100,157)	38,850	(76,918)	80,197	87,063	(13,613)	100,676	(0)	174,127
Transfers and subsidies - capital (monetary allocations) (National/ Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		193,212	161,830	161,830	10,732	73,232	123,501	(50,269)	(0)	161,830
Transfers and subsidies - capital (in-kind - all)										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>			<b>335,957</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>		<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>			<b>335,957</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>		<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>			<b>335,957</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/ (Deficit) for the year</b>		<b>93,055</b>	<b>200,680</b>	<b>84,912</b>	<b>90,929</b>	<b>160,295</b>	<b>109,888</b>			<b>335,957</b>

Council billed revenue is 3% more than the budget amount of R868,895 Million for the six months under review. This is a result of various votes that had over and under performed for the six months under review as discussed below.

The expenditure for the period under review is 8% less than anticipated as discussed separately hereunder.

Due to the low payment levels in township areas; illegal connections and informal settlements not billed and Electricity losses due to tampering and the liquidation of Blyvooruitzicht mine, council is experiencing serious financial difficulties as it is not in a position to pay creditors within the specified 30 days period.

Detailed below are explanations per vote.

## 1) Revenue

### Property Rates

Council billed R56,607 Million for the month of December 2019 and have billed R271,402 Million as at mid-year comparing to a budget of R267,014. This is an over achievement of 2%

As at **01 July 2012**, the total valuation for the mines was **R4.6 billion**. The valuation appeal board reduced the valuation to **R253m** with the net effect that the total property rates recoverable were reduced to **R18m**.

It had serious implications for council. Council is applying for a review of the outcome of the valuation Appeal Board.

Council had to urgently compile a supplementary valuation roll based on the requirements of the ruling of the Valuation Appeal Board.

The supplementary valuation roll consists of two parts namely:

- All freehold land with land values only.
- Freehold land with no SRP and improvements

The municipal valuer immediately proceeded with the compilation of supplementary valuation 3 and due to the amendment of the Municipal Property Rates Act, the surface buildings and infrastructure was included. The total mines valuation based on Supplementary valuation 6 increased to R1.8 billion, generating approximately R60m property rates per annum.

The mining houses made certain proposals relating to the splitting of the immovable property, buildings and surface infrastructure to be valued with the mining rights which effectively enabled the municipality to significantly increase the existing value of **R1, 8 billion** on the SV6.

Furthermore, the mining houses have agreed that the effective date for implementation of SV6 will applied retrospectively to the implementation date of SV3, being **01 August 2015**.

Although the supplementary roll was done in line with the ruling of the Valuations Appeal Board the mines once again appeal the outcome of the supplementary roll.

It was agreed that the new valuations will only be effective after the completion of the appeal process and is anticipated that the process will be completed by June 2020.

A new valuation appeal board appointed in October 2019.

Council implemented a new valuation roll with effect of July 2019.

The following processes will continue in 2019/2020.

- Council is applying for a review of the outcome of the valuation Appeal Board for the 2012 valuation roll.
- The new valuation appeal board must deal with supplementary roll 6 of the mines.
- The new valuation appeal board must deal with the objections received on the 2019 valuation roll.
- This will be split in two. They will first deal with the objections received from consumers excluding the mines. Then they will deal with the mines objections in terms of the 2019 valuation roll.

The following mines had agreed to pay council an interim amount on the new valuation roll. It was agreed that 50% will be paid into a trust account pending the outcome of the VAB process.

Sibanye Gold undertook to pay the Assessment rates on the residential properties. The following amounts was agreed on.

- Anglo Gold R1,693,475 per month
- Harmony R956,232 per month..

#### Service Charges: Electricity

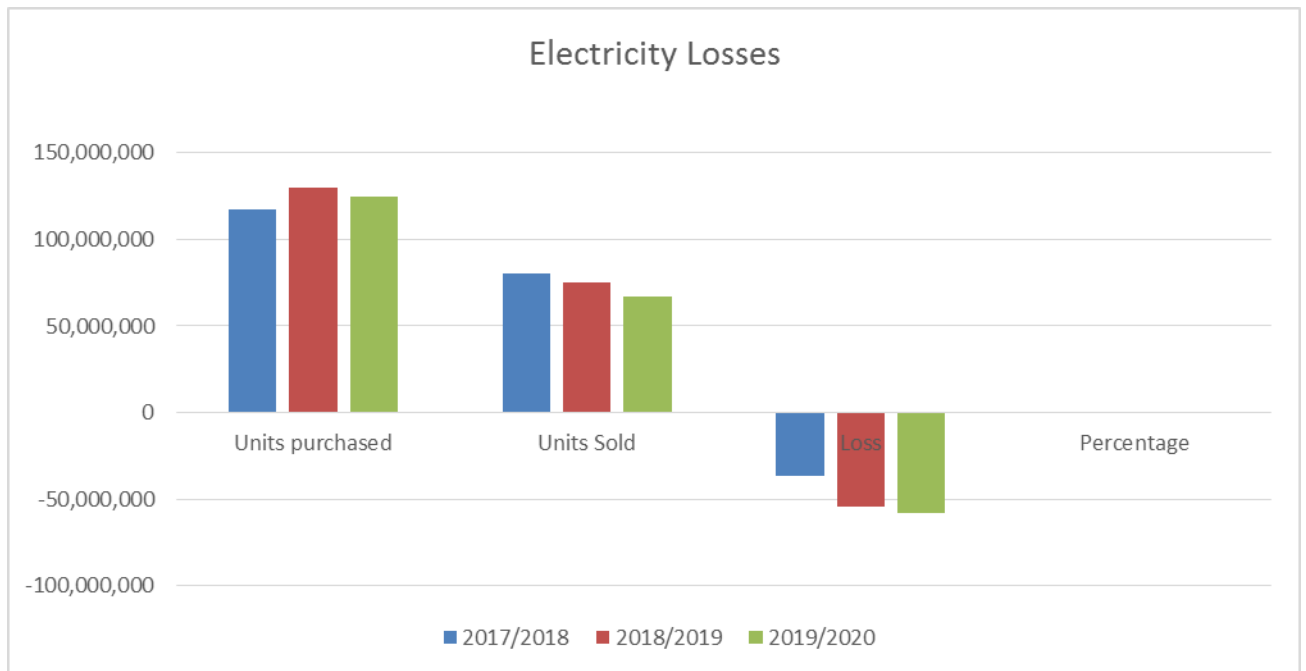
The total billing for the first six months of the financial year is R142,019 Million as compared to R131,101 in 2018/2019 and R126,455 Million during 2017/2018.

Council billed R27,795 Million for the month of December 2019. The billing for the first six months were R142,019 Million comparing to a budget of R134,327 Million. This is an over achievement of 6%

	<b>2018/2019</b>	<b>2019/2020</b>	<b>Increase / (Decrease)</b>	<b>Percentage</b>
Electricity Purchased (Units)	129,969,923	124,830,613	-5,139,310	-3.95%
Electricity Sold (Units)	75,444,508	67,000,304	-8,444,204	-11.19%

Council purchased 3.95% less electricity for the six months under review and sold 11.19% less units.

This is as a result of by-passed pre-paid meters that are currently in excess of 13488 meters comparing to 10,800 in December 2019.



The average losses for the six months are 46.33% as at December 2019 comparing to 41.95% for the 2018/2019 financial year. See table below.

As can be seen above the units sold decreased for the past three years and the losses increased.

The total loss per month can be estimated to approximately R12,384 million based on the assumption of 600 units or R62.152 million for the financial year.

This has a further affect that credit control through collection through pre-paid meter sales (60:40) cannot be affected. This an additional R231.828 Million for the 2019/2020 financial year.

	ELECTRICITY LOSSESS JULY 2019 TO JUNE 2020			
	UNITS SOLD	UNITS PURCHASED	% SOLD	% LOSS
<b>Jul-19</b>	12,218,291	27,866,727	43.85	56.15
<b>Aug-19</b>	12,648,753	23,316,599	54.25	45.75
<b>Sep-19</b>	10,927,330	19,294,933	56.63	43.37
<b>Oct-19</b>	10,965,649	19,500,646	56.23	43.77
<b>Nov-19</b>	9,367,509	16,546,657	56.61	43.39
<b>Dec-19</b>	10,872,771	18,305,052	59.40	40.60
<b>AVERAGE</b>	<b>67,000,304</b>	<b>124,830,613</b>	<b>53.67</b>	<b>46.33</b>

Service Charges: Water

Council billed R163.879 Million for the six months under review comparing to a budget of R173,031 Million. It represents an under billing of 5%. Council billed for the month R27,226 Million for the month of December 2019.

Domestic consumer consumption had increased by 3.19% for the six months under review.

	2018/2019	2019/2020	Increase / (Decrease)	Percentage
Water Purchased (units)	7,482,621	7,024,589	-458,032	-6.12%
Water Sold ( units)	3,958,356	4,084,486	126,130	3.19%

During the financial year the unmetered consumption in the informal areas were taken into account with the calculation for unaccounted for water losses.

	WATER LOSSES 2019/20				
	UNITS	UNITS	%	% INCLUDED	% EXCLUDED
	SOLD	PURCHASED	SOLD	Unmetered Areas	Unmetered Areas
				Informal Settlement 6KL	Informal Settlement 6KL
Jul-19	779,667	1,235,245	63.12	36.88	50.00
Aug-19	874,527	1,330,728	65.72	34.28	46.46
Sep-19	833,530	1,104,610	75.46	24.54	39.21
Oct-19	810,825	1,174,073	69.06	30.94	44.74
Nov-19	884,197	1,090,537	81.08	18.92	33.78
Dec-19	873,740	1,089,396	80.20	19.80	34.67
<b>AVERAGE</b>	<b>5,056,486</b>	<b>7,024,589</b>	<b>71.98</b>	<b>28.02</b>	<b>45.47</b>

The implementation of the water turn-around strategy to address historic maintenance challenges and major water breaks, overflowing reservoirs and major leakages has resulted in reducing the losses considerable to an average 45% for the first quarter of the 2019/20 financial year and 19.8% for the month of December. With effect from the 01<sup>st</sup> July 2019, the municipality has accounted for the water provided to the informal areas within Merafong jurisdiction. This has resulted in an average water loss for quarter 1 of 32% which reflects a reduction of 13% and 23.2% for quarter 2 with a cumulative reduction of 28% as at midyear. This was taken into consideration unmetered consumption in the informal areas.

During this period, water demand management was implemented in areas where pressure fluctuations had to be managed through manual opening and closing of valves to ensure that water pressure is effectively managed.



The department had received an additional R2.7 Million to replace broken PRV valves' in the later part of the financial year.

#### Service Charges: Sewerage Charges

The billing for sewerage charges was more by 6% and this is directly linked to water usage. Domestic consumer water consumption had increased by 3.19% for the six months under review.

Council had levied R5,314 Million for the month of December and R30,867 Million for the six months under review. This was comparing to a budget of 29,248 Million.

#### Service Charges: Refuse removal

The performance against the projected income for refuse removal is 5% more as the total billing for the period is R35,101 Million against budgeted R33,381 Million.

#### Rental of Facilities and Equipment

The performance against the projected income for Rental of Facilities is 4% less as the total billing for the period is R1,203 Million against budgeted R1,253 Million.

#### Interest Earned: External Investments

The amount to be invested could not be projected when the 2018/19 budget was compiled and finalized. Due to the slow pace that the capital projects are being executed, all capital projects grant funding is invested.

The amount budgeted for the year has been exceeded by 2%.

#### Interest Earned: Outstanding Debtors

The low collection rate and the increase of outstanding debtors has resulted in an increased levying on interest on arrear accounts by 13% on the total budgeted amount.

#### Fines

The collection on traffic fines has decreased for the six months under review. The performance is 28% less than was budgeted for.

The web based collections through the service provider was not taken into account for the past three months. Integration of the system must be enhanced in the future. This resulted in that this is not a true reflection of fines collected.

#### Transfers recognized - operational (Government Grants and Subsidies)

National Treasury finalized the roll-over applications of the unspent conditional grants for 2018/2019 financial year. They have not approved the roll over of the MIG Grant funding.

Council had to forfeit R18,578 Million. Projects had to be re-aligned to offset the funds lost and certain projects planned had to be postponed to future years.

### Total Income

During the month of December 2019 council billed R211,074 Million and expend R130,877 Million. The revenue for the six months under review was R883,831 Million compare to a budget of R855.282 Million. This was an over achievement of 3%.

## 2) **OPERATING EXPENDITURE**

### Operating Expenditure

#### Salaries

The total expenditure for salaries is R160,156 Million for the six months under review comparing to a budget of R184,702 which is 13% less than was planned.

During the first six months under review council had lost 10 employees through resignations, retirement and dismissals. These posts were not filled to date.

No vacancies planned for were filled. Council experienced cash flow constrains. During the special Adjustment budget National Treasury enforced council to table a funded budget. This had resulted in that certain vacancies will not be filled.

The accounting officer had implemented strict compliance with reference to overtime. This had resulted in that for the first time in many years overtime expenditure are less than was provided for. Council had spent 11% less than was budgeted for.

In addition the expenditure for the Post retirement benefit obligation will only be known at the end of the financial year. These factors must be taken into consideration when the adjustment budget is approved.

#### Councillors Remuneration

The expenditure on Councillors remuneration is R11,426 Million for the six months under review comparing to a budget of R16,341 Million.

As at the time of reporting Council had not received the determination of increases for Councillors.

Therefore no increases for Councillors had been implemented in 2019/2020.

#### Bulk Purchases: Electricity

Council spent R162,940 Million for the first six months under review. This is 51.12% of the 2019/2020 budget.

Council had purchased 3.95% less electricity units for the six months under review and sold 11.19% less units.

This is as a result of by-passed pre-paid meters that are currently in excess of 13,488 meters.

### **By-Passed pre-paid meters**

Dec-18	10,800
Dec-19	13,488
Increase	<b><u>2,688</u></b>
Percentage	<b><u>24.89%</u></b>

Herewith an indication of pre-paid meters by-passed per district.

	Meters Installed	No Purchase	% no purchase
Blybank	567	307	54.14%
Carletonville	2499	280	11.20%
Fochville	2865	284	9.91%
Greenspark	781	383	49.04%
Khutsong South	8338	7100	85.15%
Kokosi	4949	3883	78.46%
Oberholzer	715	83	11.61%
Pretoriusrus	121	10	8.26%
Waters Edge	9		0.00%
Wedela	3468	1085	31.29%
Wolverdend	403	68	16.87%
Wonderfontein	5	5	100.00%
	<b><u>24720</u></b>	<b><u>13488</u></b>	<b><u>54.56%</u></b>

By-passed pre-paid meters had increased by 24.89%. The average meters by-passed stands at 54.56% of meters installed.

It's a known fact that if a consumer does not pay for a service they tend to abuse it and assuming that an average consumption per household is 600 units of electricity the loss to council is R918 per month per household.

The total loss per month can be estimated to approximately R12,383,961 million based on the assumption of 600 units or R148,608 million for the financial year.

Stakeholder engagement meetings were held with in all areas regarding the implementation of credit control and the addressing of non - purchasing prepaid electricity meters. Various concerns were raised by stakeholders which are mostly service delivery related. A program was developed to commence with ward based implementation of non-purchasing meters and ward maps depicting the data on purchases were developed to implement the program strategically. The program was planned to commence on the 19<sup>th</sup> September 2019 in Wedela

ward 23 but it was disrupted by community protest and the unprotected strike of municipal officials.

A decision was taken to implement load shedding in the low payment areas to reduce the bulk account.

The average losses for the six months are 46.33% as at December 2019 comparing to 41.95% for the 2018/2019 financial year. See table below.

#### Bulk Purchases: Water

Council spent R119,051 Million for the six months under review, which is an under spending of 4% for the six months under review.

Water losses decreased from 50% in July 2019 to 34.67% in December 2019 which excludes the unmetered consumption in the informal areas. If the unmetered consumption in the informal areas is taken into account water losses reduced from 36.88% to 19.80% with an average of 28.02%

#### Contracted Services

Council spent R16,930 Million for the six months under review. This is 39% below that was budgeted for.

Council had to close off the month on the 31 December and it's possible that various invoices from service providers had not been received. This must be taken into consideration when the adjustment budget is done.

#### Finance Charges

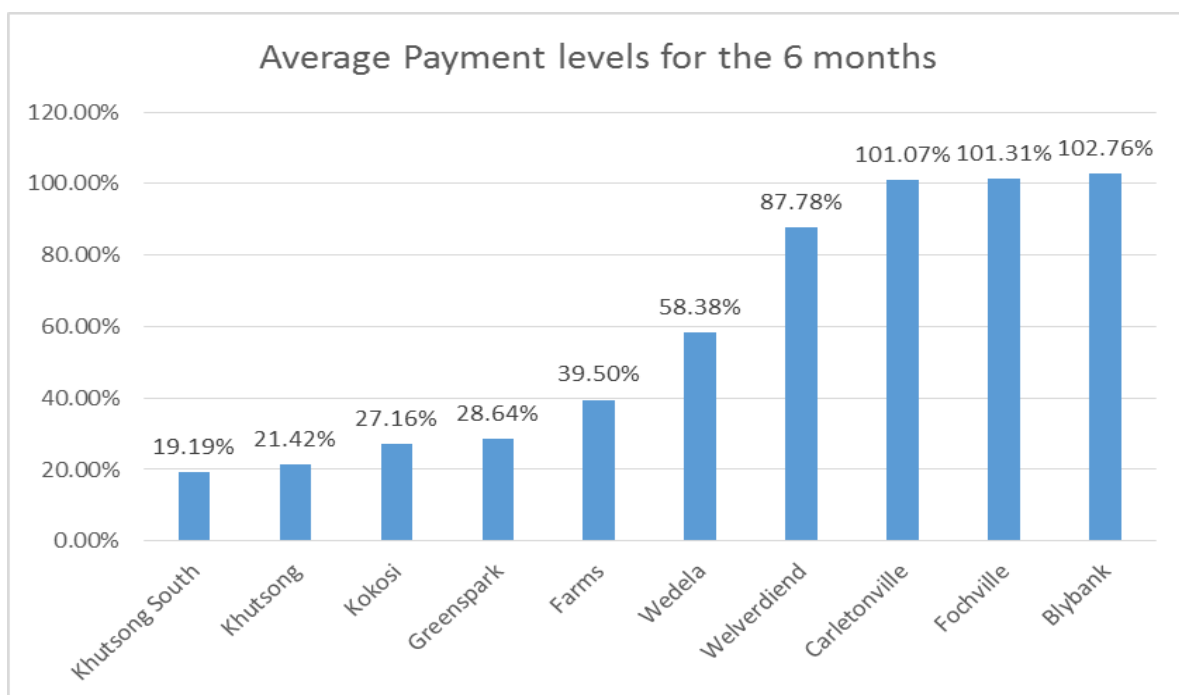
A serious concern is that presently interest is being paid on the Eskom and Rand Water overdue accounts. They both levy interest on arrear accounts. This expenditure is deemed fruitless and wasteful and the value of the interest paid on arrear accounts for the six months under review is R26,396 Million comparing to a budget of R22,808 Million for the first six months of 2018/2019.

#### Transfer to Reserves (Provision for Bad Debt)

Council's average payment levels for the past six months were 61.35%. Council budgeted for a payment level of 68% for the financial year.

PAYMENT LEVELS 01 JULY 2019 TO 31 DECEMBER 2019						
District group	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Carletonville	97.09%	114.91%	89.30%	125.10%	81.27%	98.74%
Fochville	114.69%	86.48%	101.60%	105.50%	92.83%	106.78%
Khutsong	9.16%	49.88%	7.85%	10.02%	44.49%	7.11%
Greenspark	34.51%	62.83%	18.70%	16.99%	25.02%	13.77%
Kokosi	14.80%	66.45%	13.62%	15.27%	38.33%	14.50%
Khutsong South	6.64%	39.19%	9.93%	7.54%	46.95%	4.94%
Wedela	53.77%	96.18%	38.37%	50.17%	64.13%	47.66%
Blybank	367.39%	95.51%	13.19%	90.41%	18.58%	31.48%
Wolverdiend	98.25%	92.48%	77.75%	83.41%	98.20%	76.60%
Farms	45.67%	35.54%	28.41%	35.10%	30.40%	61.87%

The disturbing culture of non-payment for municipal services prevailing in the municipal township areas is a significant cause for greater concern. This culture is spread to newly developed townships and this placed the financial wellbeing, viability and sustainability of the municipality at a huge risk.



### Other Expenditure

Council had spent R22,385 Million of a budget of R39,182 for the six months under review. This is an underspending of 57%.

Council had to close off the month on the 31 December and it's possible that various invoices from service providers had not been received. This must be taken into consideration when the adjustment budget is done.

Cost containment measures were implemented with effect from 2014/15 financial year. The expenditure has reduced from R40.5m to R10m in the 2018/19 financial year. The focus was

mainly on attendance and conference, entertainment, travel and conferences, outsources grass cutting services and security services.

### Total Expenditure

The total expenditure for the six months under review was R796,768 Million comparing to a budget of R868,895 Million. This is an underspending of 8%.

### 3 Capital Expenditure

Vote Description	Ref	Budget Year 2019/20								
		2018/19 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>Multi-Year expenditure appropriation</b>	2									
Municipal Manager		-	-	-	-	-	-	-	-	-
Finance		-	-	-	-	-	-	-	-	-
Economic Development and Planning		-	-	-	-	-	-	-	-	-
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Infrastructure Development		-	-	-	-	-	-	-	-	-
Community Services		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-
<b>Total Capital Multi-year expenditure</b>	4,7	-	-	-	-	-	-	-	-	-
<b>Single Year expenditure appropriation</b>	2									
Municipal Manager		-	-	-	-	-	-	-	-	-
Finance		4,036	1,460	1,460	-	-	250	(250)	-100%	1,460
Economic Development and Planning		-	3,674	750	-	-	750	(750)	-100%	750
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Infrastructure Development		166,830	156,831	227,124	10,732	73,232	122,036	(48,804)	-40%	227,124
Community Services		-	1,325	1,325	-	-	466	(466)	-100%	1,325
Housing		-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-
<b>Total Capital single-year expenditure</b>	4	170,866	163,290	230,659	10,732	73,232	123,501	(50,269)	-41%	230,659
<b>Total Capital Expenditure</b>		<b>170,866</b>	<b>163,290</b>	<b>230,659</b>	<b>10,732</b>	<b>73,232</b>	<b>123,501</b>	<b>(50,269)</b>	<b>-41%</b>	<b>230,659</b>
<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		4,036	1,460	1,460	-	-	250	(250)	-100%	1,460
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		4,036	1,460	1,460	-	-	250	(250)	-100%	1,460
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		7,014	4,999	2,075	-	-	1,216	(1,216)	-100%	2,075
Community and social services		7,014	4,999	2,075	-	-	1,216	(1,216)	-100%	2,075
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		1,303	30,790	45,815	1,488	6,997	24,905	(17,909)	-72%	45,815
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		1,303	30,790	45,815	1,488	6,997	24,905	(17,909)	-72%	45,815
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		158,513	126,041	181,309	9,244	66,235	97,131	(30,895)	-32%	181,309
Energy sources		12,163	15,600	25,201	2,604	14,755	18,250	(3,495)	-19%	25,201
Water management		86,642	62,944	142,675	5,465	39,541	68,821	(29,280)	-43%	142,675
Waste water management		41,981	47,497	13,433	1,175	11,940	10,060	1,880	19%	13,433
Waste management		17,727	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional Classification</b>	3	<b>170,866</b>	<b>163,290</b>	<b>230,659</b>	<b>10,732</b>	<b>73,232</b>	<b>123,501</b>	<b>(50,269)</b>	<b>-41%</b>	<b>230,659</b>
<b>Funded by:</b>										
National Government		125,414	113,561	95,861	4,648	40,100	79,746	(39,645)	-50%	113,561
Provincial Government		43,559	48,269	119,200	6,084	33,132	43,506	(10,374)	-24%	48,269
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		<b>168,973</b>	<b>161,830</b>	<b>215,061</b>	<b>10,732</b>	<b>73,232</b>	<b>123,251</b>	<b>(50,019)</b>	<b>-41%</b>	<b>161,830</b>
<b>Public contributions &amp; donations</b>	5									
<b>Borrowing</b>	6									
<b>Internally generated funds</b>		1,893	1,460	15,598			250	(250)	-100%	1,460
<b>Total Capital Funding</b>		<b>170,866</b>	<b>163,290</b>	<b>230,659</b>	<b>10,732</b>	<b>73,232</b>	<b>123,501</b>	<b>(50,269)</b>	<b>-41%</b>	<b>163,290</b>

References

**CAPITAL BUDGET VERSUS SPENDING UP TO 31 DECEMBER 2019**

<b>Project Description</b>	<b>FUNDING SOURCE</b>	<b>TOTAL ADJ. BUDGET</b>	<b>ACTUAL SPENDING</b>
Khutsong Roads and Stormwater Phase 3	MIG	3,260,000	1,370,323
Khutsong Roads and Stormwater Phase 4	MIG	1,600,000	0
Kokosi Roads and Stormwater Phase 3	MIG	842,500	755,288
Kokosi Roads and Stormwater Phase 4	MIG	12,175,000	804,945
Kokosi Extension 6 Construction of Roads	MIG	2,000,000	0
Wedela Ext.3 Roads and Stormwater Phase 3	MIG	6,000,000	3,584,462
Wedela Ext.3 Roads and Stormwater Phase 4	MIG	5,800,000	481,631
Upgrade of Access road to Carletonville landfill Site	MIG	0	0
Khutsong South Pedestrian Bridge	Income	14,137,618	0
<b>TOTAL - ROADS AND STORMWATER</b>		<b>45,815,118</b>	<b>6,996,647</b>
Kokosi Ext 99 Electrification	INEP	1,668,600	1,591,696
Kokosi Ext.6 Electrification	INEP	6,980,208	3,528,769
Fochville/Kokosi Bulk Electrical Supply	INEP	6,951,192	0
<b>TOTAL ELECTRICITY</b>		<b>15,600,000</b>	<b>5,120,465</b>
Replacement of Khutsong Reservoir	Water INFRA. Grant	20,000,000	7,224,024
Sludge Drying Beds- Kokosi and Khutsong WWTW	MIG	18,272,072	1,759,060
Khutsong North Water&Sewer Reticulation	MIG	9,561,678	0
Refurbishment of Wedela WWTW	CoGTA WSIG	15,000,000	757,254
Merfong Bulk Supply		2,700,000	0
Adata Pipeline	CoGTA WSIG	11,137,359	10,717,382
<b>TOTAL WATER</b>		<b>76,671,109</b>	<b>20,457,720</b>
Khutsong Bulk Water Supply	HSG	25,000,000	0
Greenspark Outfall Sewer	HSG	10,784,542	9,619,505
Fochville Reservoir	HSG	33,823,770	11,557,414
Kokosi Ext.7 Linkage of Old Outfall Sewer line and Manholes	HSG	2,648,291	2,320,172
Khutsong South Ext 5+6 Electrification	HSG	9,601,084	9,634,523
<b>TOTAL MINING TOWN ALLOCATIONS</b>		<b>81,857,687</b>	<b>33,131,614</b>
Informal Trading Area Phase 2(CARLETONVILLE)	MIG	750,000	0
<b>TOTAL LED</b>		<b>750,000</b>	<b>0</b>
CARLETONVILLE RESERVOIR	CoGTA WSIG	7,179,868	7,525,588
<b>TOTAL DISASTER RELIEF PROJECTS</b>		<b>7,179,868</b>	<b>7,525,588</b>
FURNITURE AND EQUIPMENT	LIBRARY	1,325,000	0
Income		<b>1,325,000</b>	<b>0</b>
<b>OUT OF INCOME</b>			
FURNITURE AND EQUIPMENT	INCOME	1,460,000	0
<b>TOTAL INCOME</b>		<b>1,460,000</b>	<b>0</b>
<b>TOTAL CAPITAL</b>		<b>230,658,782</b>	<b>73,232,035</b>

<b>Sources of Funding</b>			
MIG		60,261,250	8,755,708
INEP		15,600,000	5,120,465
Water Infrastructure Grant		20,000,000	7,224,024
Water and Sanitation		36,017,227	19,000,223
Human Settlements Grant		81,857,687	33,131,614
Library Grant		1,325,000	0
Income'		15,597,618	0
		<b>230,658,782</b>	<b>73,232,035</b>
National Government Grant		95,861,250	21,100,197
Provincial Government Grant		119,199,914	52,131,838
		15,597,618	0
		<b>230,658,782</b>	<b>73,232,035</b>
Roads and Stormwater		45,815,118	6,996,647
Electricity		25,201,084	14,754,989
Water		142,674,747	39,540,722
Sanitation		13,432,833	11,939,676
LED		750,000	0
Library		1,325,000	0
Furniture and Equipment		1,460,000	0
		<b>230,658,782</b>	<b>73,232,035</b>

Council spent R10.732 Million on capital for the month of December 2019. The total capital expenditure for the six months under review was R73,232 Million comparing to a projected budget of R123.501 Million. This is an under performance of 41%.

Factors contributing to the capital under spending were:

- Appointment of Consultants for new projects was delayed by the MM for approximately 1 month in order to have an opportunity to discuss and obtain inputs from the new incoming ED: Infrastructure Development;
- Several projects were subjected to community disruptions, in some instances repetitively so, which negatively impacted on progress and associated rate of expenditure;
- Some contractors experienced cash flow constraints which slowed down the rate of progress and the commensurate rate of expenditure;
- PMU personnel capacity constraints resulted therein that consultants' requests for approval of designs and addressing enquiries were in some instances delayed which caused delays in consultants from being able to move onto the next stage of the planning and design process;
- Tender closing dates for new projects had to take into account the closing of the construction industry over the December/January festive break which contributed to a delay of  $\pm 1$  month.

In order to avoid and overcome the delays in the commencement of actual construction associated with the compulsory preceding planning and design processes of the respective



projects, it is suggested that consideration be given to the early identification of projects to be implemented for the following financial year. Consultants can then be appointed by February/March so that the planning, design and procurement processes can be concluded by June, allowing for and enabling contractors to already start with construction early in the following financial year thus assisting in expediting and improving the rate of expenditure.

To address any possible delays in the recruitment of labour or project disruptions arising from contestations of labour recruited, the principles of the EPWP Recruitment Guidelines should be applied to plan for the recruitment process in consultation with local community leaders to ensure coordination. The target community should be mobilized to set up committees that will serve as the entry point for community participation and representation in the various phases of the project implementation cycle.

#### 4 DEBTORS

Description	NT Code	Budget Year 2019/20									Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.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			
<b>R thousands</b>													
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	27,597	13,278	12,650	11,787	13,369	12,989	110,194	421,086	622,850	569,425	-	569,425
Trade and Other Receivables from Exchange Transactions - Electricity	1300	19,236	7,476	3,706	2,690	2,872	2,400	13,524	36,247	88,151	57,733	-	57,733
Receivables from Non-exchange Transactions - Property Rates	1400	50,887	42,911	33,727	32,906	32,325	30,921	37,764	248,314	509,755	382,230	-	382,230
Receivables from Exchange Transactions - Waste Water Management	1500	5,475	4,383	4,124	3,543	3,400	3,092	21,808	88,722	134,547	120,565	-	120,565
Receivables from Exchange Transactions - Waste Management	1600	6,195	5,371	4,958	4,488	4,148	3,957	38,645	123,810	191,573	175,049	-	175,049
Receivables from Exchange Transactions - Property Rental Debtors	1700	103	69	50	27	17	16	100	464	846	624	-	624
Interest on Arrear Debtor Accounts	1810	12,694	12,707	11,943	11,922	10,711	10,941	76,292	335,015	482,224	444,880	-	417,476
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	9,194	5,634	4,171	3,518	3,719	3,407	89,792	119,835	239,272	220,272	-	182,976
<b>Total By Income Source</b>	<b>2000</b>	<b>131,381</b>	<b>91,829</b>	<b>75,230</b>	<b>70,882</b>	<b>70,561</b>	<b>67,724</b>	<b>388,120</b>	<b>1,373,492</b>	<b>2,289,218</b>	<b>1,970,778</b>	<b>-</b>	<b>1,906,078</b>
<b>2018/19 - totals only</b>													
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	2,359	1,890	1,634	1,466	1,422	1,089	4,633	11,524	26,017	20,134	-	20,134
Commercial	2300	79,706	52,195	41,546	40,147	40,166	38,394	108,717	680,392	1,082,263	908,816	-	908,816
Households	2400	46,621	36,929	31,241	28,453	28,365	26,554	256,383	602,827	1,057,374	942,583	-	915,179
Other	2500	2,695	815	808	815	608	687	18,387	78,749	103,564	99,246	-	61,950
<b>Total By Customer Group</b>	<b>2600</b>	<b>131,381</b>	<b>91,829</b>	<b>75,230</b>	<b>70,882</b>	<b>70,561</b>	<b>67,724</b>	<b>388,120</b>	<b>1,373,492</b>	<b>2,289,218</b>	<b>1,970,778</b>	<b>-</b>	<b>1,906,078</b>

Debtor balances as at mid-year were R2,269,218 Million at mid-year. This is an increase of R367.770 Million for the six months under review

The disturbing culture of non-payment for municipal services prevailing in the municipal township areas is a significant cause for greater concern. This culture is spread to newly developed townships and this placed the financial wellbeing, viability and sustainability of the municipality at a huge risk. The average payment levels for these areas range from 19.19% in Khutsong South to 28.64% in Greenspark.

Stakeholder engagement meetings were held with in all areas regarding the implementation of credit control and the addressing of non - purchasing prepaid electricity meters. Various concerns were raised by stakeholders which are mostly service delivery related. A program was developed to commence with ward based implementation of non-purchasing meters and ward maps depicting the data on purchases were developed to implement the program

strategically. The program was planned to commence on the 19<sup>th</sup> September 2019 in Wedela ward 23 but it was disrupted by community protest and the unprotected strike of municipal officials.

The credit control program in Greenspark was also disrupted by the community and had to be abandoned due to security and safety concerns. The same situation was experienced in all township areas. The credit control service provider is still not in a position to execute their functions in township areas due to intimidation.

- Disconnection in township areas not successful due to intimidation by communities.
- Ward based consultation process finalised in August 2019
- Despite intensive consultation, Council employees and credit control service provider were prohibited to execute their duties.
- Law enforcement agencies had to escort personnel to safety
- Panel of debt collectors mandated to enforce the full scope of debt collection, including attachment of property
- Targeted internal debt collection done on high owing accounts

Council had commenced with load shedding in these low paying areas.

The average payment level for the six months under review was 61.35% against a budget of 38%

CREDIT CONTROL: PAYMENT LEVELS - 2019'20								
MONTH	LEVIED	PAYMENT	PAYMENT 50% (TRUST ACCOUNT)	TOTAL	PERCENTAGE	BUDGET	UNDER COLLECTED/LOSS ON BUDGETED COLLECTION RATE	% UNDER COLLECTED/LOSS
Jul-19	90 899 630	56 684 444	0	56 684 444	62.36%	70%	6 945 297	7.64%
Aug-19	125 528 088	84 504 293	0	84 504 293	67.32%	70%	3 365 369	2.68%
Sep-19	119 282 921	59 072 521	0	59 072 521	49.52%	70%	24 425 524	20.48%
<b>Quarter 1</b>	<b>335 710 639</b>	<b>200 261 258</b>	<b>0</b>	<b>200 261 258</b>	<b>59.65%</b>	<b>70%</b>	<b>34 736 189</b>	<b>10.35%</b>
Oct-19	119 941 738	74 316 993	0	74 316 993	61.96%	70%	9 642 224	8.04%
Nov-19	123 695 049	66 135 734	0	66 135 734	53.47%	68%	17 976 899	14.53%
Dec-19	122 126 996	81 722 911	7 949 121	89 672 032	73.43%	68%	1 323 446	1.08%
<b>Quarter 2</b>	<b>365 763 783</b>	<b>222 175 638</b>	<b>7 949 121</b>	<b>230 124 759</b>	<b>62.92%</b>	<b>68%</b>	<b>28 942 569</b>	<b>7.91%</b>
<b>TOTAL</b>	<b>701 474 422</b>	<b>422 436 896</b>	<b>7 949 121</b>	<b>430 386 017</b>	<b>61.35%</b>	<b>68.00%</b>	<b>68 595 199</b>	<b>9.78%</b>

A new valuation appeal board had been appointed.

Council implemented a new valuation roll with effect of July 2019.

The following processes will continue in 2019/2020.

- Council is applying for a review of the outcome of the valuation Appeal Board for the 2012 valuation roll.
- The new valuation appeal board must deal with supplementary roll 6 of the mines.

- The new valuation appeal board must deal with the objections received on the 2019 valuation roll.

The following mines had agreed to pay council an interim amount on the new valuation roll. It was agreed that 50% will be paid into a trust account pending the outcome of the VAB process.

Sibanye Gold had agreed to pay the assessment rates on the residential properties. The following amounts was agreed on.

- Anglo Gold R1,693,475 per month
- Harmony R956,232 per month.

## 5 CREDITORS

Description R thousands	NT Code	Budget Year 2019/20									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	
<b>Creditors Age Analysis By Customer Type</b>											
Bulk Electricity	0100	16,872	49,224	52,743	57,356	93,556	126,148	-	-	395,899	248,099
Bulk Water	0200	-	42,239	20,253	-	-	-	-	-	62,492	46,385
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	11,129
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	15,685	1,803	4,226	313	80	24,501	16,785	8,876	72,270	129,919
Auditor General	0800	-	958	-	-	-	-	-	-	958	5,150
Other	0900	-	-	-	-	-	-	-	-	-	-
<b>Total By Customer Type</b>	<b>1000</b>	<b>32,557</b>	<b>94,224</b>	<b>77,222</b>	<b>57,669</b>	<b>93,636</b>	<b>150,649</b>	<b>16,785</b>	<b>8,876</b>	<b>531,618</b>	<b>440,683</b>

Creditors had decreased by R16,187 Million to R531,618 Million at mid-year.

The following creditors are included in the amount of **R531 618 456**

Eskom Holdings – **R395 899 087**

Rand Water - **R 62 491 573**

**R458 390 660**

Council had proposed a payment plan to Eskom as follows:

Current account, (R24 059 789.80) plus R1,131,283 on the arrears at **02 January 2020**. Council could not pay Eskom according to the proposed arrangement of **R7,188, 186** was paid on 02 January 2020. Council committed to pay every Friday until the amount is fully paid.

A meeting was held with Rand Water on the 26<sup>th</sup> September 2019 whereby a presentation on the financial position of the municipality was discussed in detail. With regard to the amount in arrears it is proposed that an arrangement be entered into over a period of 24 months to settle

the arrears. Council paid Rand water according to the arrangement in full that was made between Council and Rand water on the 31 December 2019.

The municipality's cash flow situation has still necessitated that creditors can only be paid as cash becomes available. Payment of creditors is managed on a weekly basis and prioritization is on bulk payments and service delivery related expenditure.

## 6 CASH FLOW

Choose name from list - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	Budget Year 2019/20								
		2018/19 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates		154,967	482,493	350,875	33,655	134,118	175,437	(41,319)	-24%	350,875
Service charges		595,070	523,921	493,341	47,869	285,974	246,670	39,304	16%	493,341
Other revenue		4,734	33,742	33,742	7,390	14,558	16,871	(2,313)	-14%	33,742
Government - operating		207,412	233,422	233,422	74,152	208,687	116,711	91,976	79%	233,422
Government - capital		210,855	161,830	161,830	-	80,391	80,915	(524)	-1%	161,830
Interest		9,558	88,264	101,230	653	4,564	50,615	(46,051)	-91%	101,230
Dividends								-		
<b>Payments</b>										
Suppliers and employees		(919,539)	(1,148,527)	(1,089,150)	(133,978)	(567,753)	(544,575)	23,177	-4%	(1,089,150)
Finance charges		(35,581)	(33,343)	(50,913)	(5,027)	(26,398)	(25,457)	941	-4%	(50,913)
Transfers and Grants				-				-		
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>227,476</b>	<b>341,802</b>	<b>234,376</b>	<b>24,713</b>	<b>134,141</b>	<b>117,188</b>	<b>(16,953)</b>	<b>-14%</b>	<b>234,376</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE			-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors								-		
Decrease (increase) other non-current receivables								-		
Decrease (increase) in non-current investments			-	-	-	-	-	-		-
<b>Payments</b>										
Capital assets		(195,258)	(163,290)	(163,290)	(10,732)	(116,524)	(81,645)	34,879	-43%	(163,290)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(195,258)</b>	<b>(163,290)</b>	<b>(163,290)</b>	<b>(10,732)</b>	<b>(116,524)</b>	<b>(81,645)</b>	<b>34,879</b>	<b>-43%</b>	<b>(163,290)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits								-		
<b>Payments</b>										
Repayment of borrowing		(6,508)	(6,337)	(43,708)	(1,066)	(3,222)	(21,854)	(18,632)	85%	(43,708)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(6,508)</b>	<b>(6,337)</b>	<b>(43,708)</b>	<b>(1,066)</b>	<b>(3,222)</b>	<b>(21,854)</b>	<b>(18,632)</b>	<b>85%</b>	<b>(43,708)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>25,711</b>	<b>172,175</b>	<b>27,377</b>	<b>12,915</b>	<b>14,395</b>	<b>13,689</b>			<b>27,377</b>
Cash/cash equivalents at beginning:		89,561	115,272	115,272		115,272	115,272			115,272
Cash/cash equivalents at month/year end:		115,272	287,446	142,649	12,915	129,667	128,960			142,649

Council's cashflow remains within the projected cashflow for 2019/2020. Council has a positive cashflow balance of R129.667 Million comparing to the projected cashflow of R128,960 as at mid-year.

The underlying issues was discussed above.

## **7 THE MUNICIPALITY'S SERVICE DELIVERY PERFORMANCE DURING THE FIRST HALF OF THE FINANCIAL YEAR (MID-YEAR REPORT ENDING DECEMBER 2019)**

Section 72 of the MFMA (Act of 56 of 2003) requires municipalities to prepare for each financial year and mid-year report on the performance of the municipalities. The following are draft guidelines on the reporting format/template. These are the minimum requirements:

- Relevant priorities for which a municipality is reporting
- The report must cover all agreed priority objectives
- The report must cover all agreed indicators and targets relevant to the period
- The report must cover measurements of current performance over the period for which it is reporting
- The report must specify when the measurements were done and the source of measurements
- The report must reflect on whether agreed targets have been met
- The report must analyze the reasons for the level of performance
- The report must suggest corrective actions
- The report must be simple, accessible and useful to the intended reader and contain only necessary information

Attached as Annexure A and is the Performance Management System: Mid-year reports respectively:

- (i) Performance on Pre-determined Objectives
- (ii)

## **8. PROBLEMS IDENTIFIED IN ANNUAL REPORT 18/19 – AUDIT REPORT**

In terms of Section 72(a) (iii) of the MFMA, the Accounting Officer must also report on:

- “(iii) The past year’s annual report, and progress on resolving problems identified in the annual report.

The annual report was tabled to Council on 31 August 2019 in accordance with the legal requirements and will serve before council on 25 January 2020 for approval. The issues raised in the Annual Report will be dealt with in the item that will serve before council.

Council had achieved an unqualified audit opinion for 2018/2019 financial year.

## 9. MUNICIPAL ADJUSTMENT BUDGETS

The MFMA section 29 reads,

“28. (1) A municipality may revise an approved annual budget through an adjustments budget.

- (1) An adjustments budget –
  - (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
  - (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
  - (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
  - (d) may authorize the utilization of projected savings in one vote towards spending under another vote;
  - (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
  - (f) may correct any errors in the annual budget; and
  - (g) may provide for any other expenditure within a prescribed framework.
- (2) An adjustments budget must be in a prescribed form.
- (3) Only the mayor may table an adjustments budget in the municipal council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.
- (4) When an adjustments budget is tabled, it must be accompanied by –
  - (a) an explanation how the adjustments budget affects the annual budget;
  - (b) a motivation of any material changes to the annual budget;
  - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - (d) any other supporting documentation that may be prescribed.
- (5) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (6) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”

10 **Adjustment budget 2019/2020– Motivations**

10.1 Various votes that over and underperformed necessitated adjustments.

10.2 The adjustment to the revised capital projects.

10.3 The repayment if the unspent MIG Grant Funding

The Service Delivery and Budget Implementation plan Mid –Term Performance report document will be circulated separately.

**RECOMMENDATIONS**

1. That cognizance be taken of the financial performance achievements for the past six months ended 31 December 2019 in accordance with Section 72 of the MFMA.
2. That the revised projection for revenue and expenditure be noted.
3. That it be approved that an adjustment budget be drafted for the 2019/2020 financial year in line with the performance achieved and needs identified by the respective departments as indicated in the mid-year performance report.