

**FSCM /2021 REPORT ON 2021/22 MID-YEAR REVIEW OF BUDGET
PERFORMANCE AND FINANCIAL STATE OF AFFAIRS**

REPORT BY THE GENERAL MANAGER: FINANCE AND SUPPLY CHAIN MANAGEMENT

STRATEGIC THRUST

Financial viability and management

OBJECTIVE

The objective of the report is to;

- (a) To inform Council about the mid-year review of the budget performance and the financial state of affairs of the municipality in compliance with Section 72 of the Municipal Finance Management Act, 56 of 2003 (MFMA);
- (b) To inform Council about the bank withdrawals for the second quarter period of 2021/2022 ending 31 December 2021.

BACKGROUND

In accordance with Section 72 of the MFMA, the Municipal Manager should assess the performance of the municipality during the first half of the financial year. The financial assessment report should be the consolidation of the monthly Section 71 for the first half of the financial year.

The financial performance assessment report will form a basis of whether the original budget for the current financial year requires to be adjusted or not. Furthermore, the process for the budget adjustment will be undertaken in accordance with Section 28 of the MFMA and the Municipal Budget and Reporting Regulations which prescribed that the adjustment budget should be tabled for approval by Council not later than 28 February of each financial year.

The table below provides synopsis of the consolidated budget implementation status first half of the financial year.

DC32 Ehlanzeni - Table C1 Monthly Budget Statement Summary - M06 December

Description	2020/21	Budget Year 2021/22							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	-	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	-	-	-	-
Investment revenue	6 796	10 500	10 500	10	1 868	5 250	(3 382)	-64%	10 500
Transfers and subsidies	287 266	278 932	278 932	91 566	208 141	139 466	68 675	49%	208 141
Other own revenue	1 750	2 728	2 728	46	595	1 364	(769)	-56%	2 548
Total Revenue (excluding capital transfers and contributions)	295 811	292 160	292 160	91 622	210 604	146 080	64 524	44%	221 189
Employee costs	151 816	174 363	169 514	12 670	77 685	85 266	(7 581)	-9%	169 514
Remuneration of Councillors	16 264	16 726	16 744	1 488	7 921	8 333	(412)	-5%	16 744
Depreciation & asset impairment	11 052	11 484	11 484	973	5 835	5 742	94	2%	5 835
Finance charges	13 563	13 679	13 679	6 474	6 474	6 839	(366)	-5%	13 679
Inventory consumed and bulk purchases	1 873	1 133	1 871	236	926	952	(26)	-3%	1 871
Transfers and subsidies	8 827	-	-	-	-	-	-	-	-
Other expenditure	70 360	61 403	68 450	6 186	30 119	33 755	(3 635)	-11%	68 450
Total Expenditure	273 755	278 787	281 742	28 026	128 961	140 888	(11 926)	-8%	276 094
Surplus/(Deficit)	22 056	13 372	10 418	63 596	81 643	5 192	76 451	1472%	(54 905)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	2 371	2 403	2 403	-	-	1 202	###	-100%	2 403
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	30	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	24 457	15 775	12 821	63 596	81 643	6 394	75 249	1177%	(52 502)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	24 457	15 775	12 821	63 596	81 643	6 394	75 249	1177%	(52 502)
Capital expenditure & funds sources									
Capital expenditure	5 499	20 603	33 566	2 026	8 899	16 027	(7 128)	-44%	33 566
Capital transfers recognised	200	2 403	2 403	173	173	1 202	(1 029)	-86%	2 403
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	5 299	18 200	31 163	1 853	8 726	14 825	(6 099)	-41%	31 163
Total sources of capital funds	5 499	20 603	33 566	2 026	8 899	16 027	(7 128)	-44%	33 566
Financial position									
Total current assets	(68 025)	89 234	90 206		214 786				303 685
Total non current assets	210 202	230 235	243 198		215 178				251 776
Total current liabilities	376 836	33 451	33 451		213 190				33 451
Total non current liabilities	106 910	131 803	131 803		102 701				131 803
Community wealth/Equity	154 381	138 439	138 439		214 074				138 439
Cash flows									
Net cash from (used) operating	466 652	27 259	27 259	64 569	76 576	13 630	(62 946)	-462%	276 176
Net cash from (used) investing	(4 325)	(24 433)	(34 537)	(2 026)	(8 899)	(17 269)	(8 370)	48%	8 436
Net cash from (used) financing	-	1	-	(4 209)	(4 209)	-	4 209	#DIV/0!	-
Cash/cash equivalents at the month/year end	547 812	88 311	78 206	-	145 280	(3 639)	(148 919)	4092%	284 612

The summary of the financial performance and position against the budget projection for the period ending December 2021 is as follows;

- (a) The year to date revenue collected amounts to R210,6 million which represents 72% of budget revenue for the financial year;

- (b) The year to date operating expenditure incurred amounts to R128,9 million which represents 45% of total operating expenditure budget;
- (c) The capital expenditure incurred year to date incurred amounts to R 8,9 million which represents 26,5% of the total adjusted capital expenditure budget;
- (d) The cash and cash equivalents as at 31 December 2021 amounts to R145,2 million.

To enable better analysis of the budget performance and the financial state of affairs of the municipality, the following schedules and narratives are provided.

1. Operating revenue and expenditure performance

DC32 Ehlanzeni - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2020/21	Budget Year 2021/22							
		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										
Service charges - electricity revenue										
Service charges - water revenue										
Service charges - sanitation revenue										
Service charges - refuse revenue										
Rental of facilities and equipment		404	646	646	-	47	323	(276)	-86%	646
Interest earned - external investments		6 796	10 500	10 500	10	1 868	5 250	(3 382)	-64%	10 500
Interest earned - outstanding debtors		59	-	-	-	-	-	-	-	-
Dividends received		138	164	164	-	-	82	(82)	-100%	164
Fines, penalties and forfeits		100	-	-	-	-	-	-	-	-
Licences and permits		452	1 558	1 558	36	369	779	(410)	-53%	1 558
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		287 266	278 932	278 932	91 566	208 141	139 466	68 675	49%	208 141
Other revenue		575	360	360	9	180	180	0	0%	180
Gains		23	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		295 811	292 160	292 160	91 622	210 604	146 080	64 524	44%	221 189
Expenditure By Type										
Employee related costs		151 816	174 363	169 514	12 670	77 685	85 266	(7 581)	-9%	169 514
Remuneration of councillors		16 264	16 726	16 744	1 488	7 921	8 333	(412)	-5%	16 744
Debt impairment		5 925	-	-	-	-	-	-	-	-
Depreciation & asset impairment		11 052	11 484	11 484	973	5 835	5 742	94	2%	5 835
Finance charges		13 563	13 679	13 679	6 474	6 474	6 839	(366)	-5%	13 679
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
Inventory consumed		1 873	1 133	1 871	236	926	952	(26)	-3%	1 871
Contracted services		27 711	25 024	28 553	2 711	13 387	13 782	(395)	-3%	28 553
Transfers and subsidies		8 827	-	-	-	-	-	-	-	-
Other expenditure		36 445	36 379	39 897	3 474	16 733	19 973	(3 240)	-16%	39 897
Losses		280	-	-	-	-	-	-	-	-
Total Expenditure		273 755	278 787	281 742	28 026	128 961	140 888	(11 926)	-8%	276 094
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		2 371	2 403	2 403	-	-	1 202	(1 202)	(0)	2 403
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)										
Transfers and subsidies - capital (in-kind - all)		30	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		24 457	15 775	12 821	63 596	81 643	6 394			(52 502)
Taxation										
Surplus/(Deficit) after taxation		24 457	15 775	12 821	63 596	81 643	6 394			(52 502)
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		24 457	15 775	12 821	63 596	81 643	6 394			(52 502)
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		24 457	15 775	12 821	63 596	81 643	6 394			(52 502)

The above table reflects the detailed financial performance per revenue source and expenditure by type and the explanation of the variances on the actual performance against the budget projections of 25 per cent is as follows;

- (a) The actual operating revenue accrued amounting to R 210,6million (72 per cent) is mainly as a result of the first and second instalment of the equitable share grant received during July 2021 of R 114,4 million and the second instalment of the equitable share received in December 2021 of 91,5million;
- (b) The actual operating expenditure incurred amounting to R 128,9 million is less than 8 percent of the projected expenditure of R140,8million, and the under expenditure is mainly due to the following items;
- (i) There are savings realized on employee related costs and remuneration of councilors amounting to R7,9 million.
 - (ii) The savings of R3,9 million on other items is as a result of the SCM processes that are still underway.

2. The table reflects the operating revenue and expenditure performance per department

DC32 Ehlanzeni - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06 December

Vote Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote	1									
Vote 01 - Council Summary		-	-	-	-	-	-	-	-	-
Vote 02 - Corporate Services & Municipal Relations		-	-	-	-	-	-	-	-	-
Vote 03 - Finance And Procurement		298 212	294 563	294 563	91 622	210 604	147 281	63 323	43,0%	210 604
Vote 04 - Local Economic Development; Tourism And Rural		-	-	-	-	-	-	-	-	-
Vote 05 - Municipal Health & Environmental Management		-	-	-	-	-	-	-	-	-
Vote 06 - Office Of The Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 07 - Social Services & Disaster Management		-	-	-	-	-	-	-	-	-
Vote 08 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	298 212	294 563	294 563	91 622	210 604	147 281	63 323	43,0%	210 604
Expenditure by Vote	1									
Vote 01 - Council Summary		33 509	37 974	35 360	3 014	15 993	18 044	(2 051)	-11,4%	35 360
Vote 02 - Corporate Services & Municipal Relations		43 003	49 065	47 743	5 248	27 706	24 035	3 671	15,3%	34 399
Vote 03 - Finance And Procurement		92 652	66 392	71 492	9 719	28 221	34 848	(6 627)	-19,0%	59 320
Vote 04 - Local Economic Development; Tourism And Rural		21 338	26 330	26 330	1 991	10 144	13 157	(3 013)	-22,9%	25 542
Vote 05 - Municipal Health & Environmental Management		26 198	30 074	28 176	2 173	13 435	14 327	(892)	-6,2%	17 536
Vote 06 - Office Of The Municipal Manager		25 708	30 087	30 821	2 257	14 641	15 224	(583)	-3,8%	28 836
Vote 07 - Social Services & Disaster Management		22 688	26 987	26 942	2 161	13 547	13 401	146	1,1%	16 859
Vote 08 - Technical Services		8 660	11 880	14 880	1 463	5 275	7 852	(2 577)	-32,8%	13 823
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	273 755	278 787	281 742	28 026	128 961	140 888	(11 926)	-8,5%	231 676
Surplus/ (Deficit) for the year	2	24 457	15 775	12 821	63 596	81 643	6 394	75 249	1176,9%	(21 071)

It should be noted that departmental expenditure for Corporate Services and Social Services and Disaster Management is indicated as overspent. The reason for the abovementioned is as a result of

depreciation. The non-cash depreciation is now allocated to individual departments instead of only the Finance and SCM department as a result of the implementation of the new Asset Management Module on the SOLAR system. The budget adjustment will be done during the Adjustment Budget process in February 2022.

3. Capital expenditure performance

DC32 Ehlanzeni - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 01 - Council Summary		-	-	-	-	-	-	-	-	-
Vote 02 - Corporate Services & Municipal Relations		-	-	-	-	-	-	-	-	-
Vote 03 - Finance And Procurement		-	-	-	-	-	-	-	-	-
Vote 04 - Local Economic Development, Tourism And Rural Development		-	-	-	-	-	-	-	-	-
Vote 05 - Municipal Health & Environmental Management		-	-	-	-	-	-	-	-	-
Vote 06 - Office Of The Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 07 - Social Services & Disaster Management		-	-	-	-	-	-	-	-	-
Vote 08 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	-	-	-	-	-	-	-	-	-
Single Year expenditure appropriation	2									
Vote 01 - Council Summary		106	-	-	-	-	-	-	-	-
Vote 02 - Corporate Services & Municipal Relations		872	500	1 375	-	-	648	(648)	-100%	1 375
Vote 03 - Finance And Procurement		1 587	5 650	5 650	689	1 401	2 825	(1 424)	-50%	5 650
Vote 04 - Local Economic Development, Tourism And Rural Development		125	-	-	-	-	-	-	-	-
Vote 05 - Municipal Health & Environmental Management		2 189	-	-	-	-	-	-	-	-
Vote 06 - Office Of The Municipal Manager		321	-	-	-	-	-	-	-	-
Vote 07 - Social Services & Disaster Management		121	-	-	-	-	-	-	-	-
Vote 08 - Technical Services		178	14 453	26 540	1 337	7 497	12 554	(5 057)	-40%	26 540
Vote 09 -		-	-	-	-	-	-	-	-	-
Vote 10 -		-	-	-	-	-	-	-	-	-
Vote 11 -		-	-	-	-	-	-	-	-	-
Vote 12 -		-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	5 499	20 603	33 566	2 026	8 899	16 027	(7 128)	-44%	33 566
Total Capital Expenditure		5 499	20 603	33 566	2 026	8 899	16 027	(7 128)	-44%	33 566
Capital Expenditure - Functional Classification										
Governance and administration		2 886	6 150	7 025	689	1 401	3 473	(2 072)	-60%	7 025
Executive and council		427	-	-	-	-	-	-	-	-
Finance and administration		2 459	6 150	7 025	689	1 401	3 473	(2 072)	-60%	7 025
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		2 310	-	-	-	-	-	-	-	-
Community and social services		95	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		2 215	-	-	-	-	-	-	-	-
Economic and environmental services		303	10 053	9 342	1 100	1 920	5 006	(3 086)	-62%	9 342
Planning and development		303	2 000	1 289	117	250	980	(730)	-74%	1 289
Road transport		-	8 053	8 053	983	1 670	4 027	(2 357)	-59%	8 053
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	4 400	17 199	236	5 578	7 548	(1 970)	-26%	17 199
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	3 000	6 250	-	2 270	3 113	(843)	-27%	6 250
Waste water management		-	1 400	10 949	236	3 307	4 434	(1 127)	-25%	10 949
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	5 499	20 603	33 566	2 026	8 899	16 027	(7 128)	-44%	33 566

DETAILED ANALYSIS OF CAPITAL PROJECTS 2021-2022

Capital Project	Supplementary Budget for the Year	Appointment amount	Actual cumulative to date	% Spent on appointments	Available Budget vs Appointments	Comments
EDM premises main entrance road realignment	2 350 000	460 400	103 747	23	1 889 600	
Rural Road Asset Management System	2 403 000	2 403 000	172 664	7	0	
Purchase of plant and equipment	350 000	0	0	0	350 000	
Purchase of furniture and fittings	500 000	255 833	255 833	100	244 166	
Purchase of motor vehicles	2 000 000	0	0	0	2 000 000	
Temperature Monitoring Scanner - DMC	600 000	0	0	0	600 000	
Purchase of Computer Equipment and Software's	2 500 000	1 145 446	1 145 446	100	1 354 553	
Upgrade of IT Network Infrastructure	200 000	0	0	0	200 000	

Capital Projects	Supplementary Budget for the Year	Appointment amount	Actual cumulative to date	% Spent on appointments	Available Budget vs Appointments	Comments
Augmentation of Barberton bulk water source	300 000	0	0	0	300 000	
Drilling and equipping of boreholes in the City of Mbombela	1 000 000	0	0	0	1 000 000	
Construction of Nkomazi High mast lights	1 000 000	0	0	0	1 000 000	
Malelane Ext 21 sewer package plant - Construction of fence, guardhouse and operator's house	400 000	186 500	0	0	213 500	
Road rehabilitation programme	1 000 000	0	0	0	1 000 000	
Refurbishment of high mast lights in Thaba Chweu	28 432	0	0	0	28 432	
Wastewater treatment works improvement programme	500 000	0	0	0	500 000	
Goromani water supply augmentation	2 200 000	272 500	122 690	45	1 927 500	

Construction of Matseleng Pedestrian Bridge	2 300 000	4 517 249	1 393 235	31	2 217 249	
TOTAL	19 631 432	9 240 929	3 193 616	35	10 390 502	

Roll Over Projects	Supplementary Budget for the Year	Appointment amount	Actual cumulative to date	% Spent on appointments	Available Budget vs Appointments	Comments
Refurbishment of Bulk Water & Sewerage Infrastructure-Coromandel WWTW	1 483 937	1 483 937	1 203 508	81	0	
Goromani Water Supply Augmentation	149 810	149 810	0	0	0	
Drill and Equip of new boreholes-Bushbuckridge	1 442 982	1 442 982	762 199	53	0	
Drill and Equip of new boreholes-City of Mbombela	1 409 039	1 409 039	1 270 468	85	0	
Drill and Equip of new boreholes-Nkomazi	1 615 917	1 615 917	1 274 661	79	0	
Access bridge Matseleng Primary School	260 249	260 249	249 925	96	0	
Water Supply Augmentation in Steenbok and KaHhoyi	1 615 917	1 615 917	944 120	58	0	
Provision of additional EDM office space	875 440	875 440		0	0	

Torrential Rain Disaster	5 000 000	5 000 000	0	0	0	
TOTAL	13 934 291	13 934 291	5 704 884	40.94	0	

4. Financial Position

DC32 Ehlanzeni - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2020/21	Budget Year 2021/22			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		410 670	83 964	83 964	740	83 964
Call investment deposits		(542 930)	459	459	144 540	144 540
Consumer debtors		(5 623)	–	–	(5 675)	–
Other debtors		60 029	4 302	5 274	65 346	65 346
Current portion of long-term receivables		523	346	346	442	442
Inventory		9 306	163	163	9 393	9 393
Total current assets		(68 025)	89 234	90 206	214 786	303 685
Non current assets						
Long-term receivables		6 520	–	–	8 578	8 578
Investments		4 599	4 729	4 729	4 599	4 729
Investment property						
Investments in Associate						
Property, plant and equipment		194 789	218 918	231 416	198 167	231 416
Biological						
Intangible		4 294	6 588	7 053	3 834	7 053
Other non-current assets		–	–	–	–	–
Total non current assets		210 202	230 235	243 198	215 178	251 776
TOTAL ASSETS		142 177	319 469	333 404	429 964	555 461
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		8 755	7 907	7 907	(1 927)	7 907
Consumer deposits		–	–	–	–	–
Trade and other payables		326 750	16 366	16 366	75 411	16 366
Provisions		41 331	9 179	9 179	39 706	9 179
Total current liabilities		376 836	33 451	33 451	113 190	33 451
Non current liabilities						
Borrowing		106 910	100 369	100 369	102 701	100 369
Provisions		–	31 434	31 434	–	31 434
Total non current liabilities		106 910	131 803	131 803	102 701	131 803
TOTAL LIABILITIES		483 746	165 255	165 255	215 891	165 255
NET ASSETS	2	(341 569)	154 215	168 149	214 074	390 206
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		154 381	138 439	138 439	214 074	138 439
Reserves		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	154 381	138 439	138 439	214 074	138 439

The financial position as at 31 December 2021 is as follows;

- Fixed short term deposits balance is R144,5 million and these deposits held at ABSA Bank, FNB, Standard Bank and Nedbank
- The cash on hand on the operational bank accounts amounted to R740 thousand.

- (c) The creditors and other payables amounted R75,4million whilst the debtors and other receivables amounted to R60,1 million.
- (d) The DBSA non-current loan balance is R100,7 million. The municipality has complied with all the terms and conditions of the loan. The first payment of R 10,7 million was paid in December 2021. The second payment of the loan of R 10,7 million is payable by 30 June 2022.

5. Cashflow Performance

Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates								-		
Service charges								-		
Other revenue		599 864	2 564	2 564	46	595	1 282	(687)	-54%	238 793
Transfers and Subsidies - Operational		-	278 932	278 932	91 566	208 141	139 466	68 675	49%	278 932
Transfers and Subsidies - Capital		40 072	2 403	2 403	-	-	1 202	(1 202)	-100%	15 090
Interest		2 291	10 500	10 500	10	1 868	5 250	(3 382)	-64%	10 500
Dividends		-	164	164	-	-	82	(82)	-100%	164
Payments										
Suppliers and employees		(175 574)	(253 625)	(253 625)	(20 579)	(127 555)	(126 813)	742	-1%	(253 625)
Finance charges		-	(13 679)	(13 679)	(6 474)	(6 474)	(6 839)	(366)	5%	(13 679)
Transfers and Grants								-		
NET CASH FROM/(USED) OPERATING ACTIVITIES		466 652	27 259	27 259	64 569	76 576	13 630	(62 946)	-462%	276 176
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE								-		
Decrease (increase) in non-current receivables		3 960	(3 960)	-				-		3 960
Decrease (increase) in non-current investments		174	130	-				-		4 599
Payments										
Capital assets		(8 459)	(20 603)	(34 537)	(2 026)	(8 899)	(17 269)	(8 370)	48%	(123)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(4 325)	(24 433)	(34 537)	(2 026)	(8 899)	(17 269)	(8 370)	48%	8 436
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								-		
Borrowing long term/refinancing								-		
Increase (decrease) in consumer deposits		-	1	-	-	-	-	-		-
Payments										
Repayment of borrowing					(4 209)	(4 209)	-	4 209	#DIV/0!	
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	1	-	(4 209)	(4 209)	-	4 209	#DIV/0!	-
NET INCREASE/ (DECREASE) IN CASH HELD		462 328	2 827	(7 278)	58 334	63 468	(3 639)			284 612
Cash/cash equivalents at beginning:		85 484	85 484	85 484		81 812				
Cash/cash equivalents at month/year end:		547 812	88 311	78 206		145 280	(3 639)			284 612

- (a) The cashflow from operating activities reflect a net balance of R76,5 million which is mainly due to the first and second instalment of the equitable share grant received in July and December 2021 and savings realized on the operating expenditure.
- (b) The cash and cash equivalents as at 31 December 2021 comprise of R740 thousand cash available in bank accounts and R144,5 million held in short term fixed deposits.
- (c) In compliance with Section 11 of the Municipal Finance Management Act, 56 of 2003, the consolidated report on the withdrawals made during the quarter from the municipal bank accounts is attached as **Annexure FSCM**

POLICY IMPLICATIONS

None

LEGAL AND CONSTITUTIONAL IMPLICATIONS

The outcome of the review of the budget performance and state of financial affairs contained on this report reflects that there is a need for the budget approved by Council in May 2021 be adjusted in accordance in Section 28 of the MFMA.

The main adjustment budget proposals will be tabled to Council to consider for approval not later than 28 February 2022 in line with Section 28 of the MFMA and its Regulation 23 of the Municipal Budget and Reporting Regulations, 2008

FINANCIAL IMPLICATION

None

RECOMMENDATION BY THE MUNICIPAL MANAGER

- 1. That the content of the report be accepted by Council.**
- 2. That the outcome of the mid-year budget performance and state of financial affairs review depicts that the 2021/22 budget requires to be adjusted not later than 28 February 2022 in line with legislative and regulatory framework.**