

THABATSHWEU HOUSING COMPANY

**MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT
FOR THE PERIOD 1 JULY 2014 TO 31 DECEMBER 2014**



CONTENTS

Purpose of the Mid-Year Report.....	3
Legislative Background.....	3
BUDGET PERFORMANCE ANALYSIS.....	3
The financial results	4
Revenue performance.....	4
Expenditure performance.....	4
Capital Performance.....	5
Debtors.....	5
Creditors and Borrowings.....	6
Consideration of key Ratios.....	6
Monthly budget statement.....	7 - 9

1. Purpose of the Mid-Year Report

The purpose of this report is to comply with Section 52 (d) and Section 72 of the Municipal Finance Management Act 56 of 2003, and Section 33 of the Municipal Budget and Reporting Regulations as promulgated in the Government Gazette No 32, 141 of April 2009, which requires that municipality conduct an assessment of its performance which include financial and non-financial affairs and report to the key stakeholders.

2. Legislative Background

Section 72 (1) (a) and (b) of the Municipal Finance Management Act, No 56 of 2003 states that the Accounting Officer of a Municipal Entity must by 25 January of each year assess the performance of the Municipal Entity during the first half of the financial year taking into account the monthly section 71 reports and service delivery performance. This report must be submitted to the Shareholder who must in turn submit it to Provincial Treasury and National Treasury.

Based on this assessment the Accounting Officer must make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The Mid-Year Report and supporting tables of Polokwane Municipality and its Entity has been prepared in accordance with the requirements of the Municipal Budget and Reporting Regulations and the Municipal Finance Management Act.

3. BUDGET PERFORMANCE ANALYSIS

For the first six months the entity managed to successfully negotiate the conversion of loan from Polokwane Municipality to equity and for the Municipality to waive or exempt PHA from paying its Rates and Taxes. The entity also did not receive new stock in the form of Community Residential Units (C.R.U) as it was included in the budget for 2014/15 financial year, there was also riots by tenants at Ga-Rena complex in November 2014 which was amicably resolved

The financial results for the period ending 31st December 2014 are summarised as follows:

Description	2013/14	Budget Year 2014/15							
	Audit Outcome	Original Budget	Adjusted Budget	Monthly actual	YTD actual	YTD Budget	YTD variance	YTD Variance %	Full Year Forecast
Total Revenue	10 467 992	12 443 190	11 015 576	874 791	5 246 415	6 154 050	(907 635)	-15%	12 443 190
Waiver of Liability	4 030 043								
Operational Grants	6 700 000	5 340 000	6 800 000	0	5 000 000	5 000 000	0	0	5 340 000
Total Expenditure	22 402 382	17 669 220	17 397 420	723 840	5 561 045	7 659 841	(2 098 796)	-27%	17 669 220
Surplus/(Deficit)	(1 204 347)	73 970	18 156	150 951	4 685 370	3 494 209			73 970

3.1 Revenue performance

The entity has budgeted a total revenue of R12 308 110 in 2014/15 financial year as compared against the original budget of R12 308 110 in 2013/14 financial year. The revenue remained the same comparatively because the entity never increased its primary income rental, the increase in revenue is represented by minor line items such as Admin fee. As at 31st December 2014 the entity reported actual revenue of R5 246 415 as compared to R5 171 273.73 in 2013/14 financial year.

The actual Performance against the forecast

There is highly likelihood that the project revenue might not be realised as a result of non-handing over of C.R.U. this necessitated the entity in revising in operational grant of from R5 000 000 to R6 800 000 in this current financial year to be able to meet financial obligations.

3.2 Expenditure performance

The entity has budgeted a total of R17 669 220 for the 2014/15 financial year as compared to R 14 299 051 in the same period in 2013/14 financial year. The main cost driver to the expenditure budget is depreciation and impairment which form part of non- cash items.

Actual Performance expenditure

As at 31st December 2014, the total expenditure was R5 561 045 as opposed to R4 678 122 in the same period in 2013/14 financial year. It is worth noting that the depreciation and impairment were not taken into account.

3.3 Capital Performance

The entity has budgeted a capital budget of R40 000.00 for the 2014/15 financial year as compared to R88 000 for the same period in 2013/14

The breakdown as at 31 December 2014 is tabulated as follows:

	Original budget	Adjusted Budget	Monthly Actual	YTD Actual	YTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
Furniture And Fittings	20 000.00	-	-	-	-	-	-	20 000.00
Access control System	0	250 000	-	-	-	-	-	0
Computer Costs	20 000.00	-	-	-	-	-	-	20 000.00
Improvements on Buildings	-	110 000.00	-	-	-	-	-	-

Access control and improvements on buildings (site) are necessitated by the negotiation with tenants after some riots which happened in November because initially they were not budgeted for. This will also call for Parent Municipality to also adjust our operational grant by R250 000 in order to be able to fund this capital expenditure however this figure is covered in request of top up operational grant to R1 800 000 under Revenue performance

3.4 Debtors

The entity had a total rental debtors of R13 772 613as at 31st December 2014 as compared to total rental debtors of R11 700 545 as at 31st December 2013.

The entity has embarked on aggressive collection measures to correct upsurge in Debtors. This is an effort to increase rental collection rate- this includes evicting non rental paying tenants

3.5 Creditors and Borrowings

The entity had outstanding creditors of R350 425.23 as at 31st December 2014. The entity pays its creditors within 30 days. In terms of borrowings, the municipal entity has paid its loan repayment to NHFC as at 30th November 2014 and the next repayment is due on the 31st December 2014.

3.6 Consideration of key Ratios

Number	Description	Basis for calculation	YTD 31 st December 2014	Benchmark
1	Current Ratio	Current Assets/Current Liabilities	1: 0.77	1:1
2	Debtors Collection Rate	Receipts/ Billing	59.76	82% as by Regulator
3	Gearing Ratio	Borrowing/ Total projected income	208.9%	40-50 %
4	Borrowing to Asset Ratio	Total Borrowing/Total Asset	14%	25%

Table C 1: Monthly budget statement

The table below provides the entity's operating and capital budgets, actual to date and Financial position.

DESCRIPTION	AUDIT OUTCOME	ORIGINAL BUDGET	ADJUSTED BUDGET	MONTHLY ACTUAL	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE %	FULL YEAR BUDGET
Sales	10 455 030.00	12 308 110.00	10 974 776.00	874 740.00	5 246 415.00	6 154 050.00	-907 635.00	-15	12 308 110.00
Rental Income	10455030	12 308 110.00	10 974 776.00	874 740.00	5 246 415.00	6 154 050.00	-907 635.00	-15	12 308 110.00
Other Income	10 743 005.00	5 475 080.00	6 840 800.00	51.94	5 009 427.33	5 050 590.00	-41 162.67	-1	5 475 080.00
Admin Income	12800	63 580.00	40 000.00		9 200.00	20 800.00	-11 600.00	-56	63 580.00
Operational grant Plk Muni	6700000	5 340 000.00	6 800 000.00		5 000 000.00	5 000 000.00		-	5 340 000.00
Waiver of liability	4030043								
Interest Received	162	71 500.00	800.00	51.94	227.33	29 790.00	-29 562.67	-99	71 500.00
Total Revenue	21 198 035.00	17 783 190.00	17 815 576.00	874 791.94	10 255 842.33	11 204 640.00	-948 797.67	-8	17 783 190.00
Expenses	22 402 382.00	17 709 219.00	17 797 419.84	723 840.35	5 557 445.07	7 659 840.60	-2 102 395.53	-27	17 709 219.00
Advertising and Promotions	14592	110 000.00	65 000.00		12 852.85	54 996.00	-42 143.15	-77	110 000.00
Accounting Fees	99985	100 000.00	200 000.00	29 000.00	137 000.00	41 665.00	95 335.00	229	100 000.00
Audit fees	389619	450 000.00	520 000.00		281 008.58	437 500.00	-156 491.42	-36	450 000.00
Bad debt provision	6499661								
Bank Charges	69119	200 000.00	100 000.00	4 926.54	30 679.69	99 996.00	-69 316.31	-69	200 000.00
Landscaping & Garden services		40 000.00	40 000.00			19 998.00	-19 998.00	-100	40 000.00

DESCRIPTION	AUDIT OUTCOME	ORIGINAL BUDGET	ADJUSTED BUDGET	MONTHLY ACTUAL	YTD ACTUAL	YTD BUDGET
U.I.F	17672	25 419.00	26 673.54	1 542.76	9 301.17	12 714.00
Provident fund	190529	160 869.00	170 278.00	11 882.92	69 409.79	80 430.00
S.D.L	31016	28 311.00	29 602.00	1 629.92	13 374.10	14 154.00
B.C Admin levy	497	675.00	675.00	37.95	244.95	336.00
Courier & Postage	2028	4 400.00	3 000.00		-	2 196.00
Credit Checks	271	30 000.00	20 000.00		122.96	15 000.00
Depreciation	4632237	3 000 000.00	4 157 465.00		-	
Directors Remuneration	1015580	1 122 764.00	1 294 172.00	103 817.07	790 872.00	900 000.00
Directors travel, accommodation & catering	81396	227 051.00	245 000.00	6 435.80	114 550.78	117 840.00
Conference & Workshops	180167	341 000.00	241 000.00	6 430.00	43 763.63	170 496.00
Medical aid	194115	202 806.00	282 806.40	14 636.20	83 342.60	101 408.00
Membership fees	44031	60 000.00	70 000.00		7 513.30	66 000.00
Insurance	244171	532 057.00	350 000.00	21 374.34	123 580.04	266 028.00
Interest Paid	3264771	2 700 000.00	2 200 000.00	179 788.49	1 115 219.53	1 350 000.00
Legal Fees		50 000.00	50 000.00		-	24 996.00
Motor vehicle-Fuel	11000	28 600.00	20 000.00	860.10	4 931.03	14 298.00
Motor Vehicles-Repairs & Main	12496	11 000.00	11 000.00		2 628.70	5 496.00
Printing & Stationery	24372	100 000.00	75 000.00		9 760.96	49 998.00
Office catering	16342	13 200.00	13 200.00	287.80	5 024.40	6 600.00
Repairs and Maintenance	282171	426 800.00	426 800.00	7 890.00	83 989.95	213 402.00
Salary	2888658	4 486 259.00	4 611 718.00	245 983.48	1 671 221.49	2 243 130.00
13 Cheque	126558	199 191.00	202 830.00		2 959.64	
Overtime		40 000.00			-	
Housing Allowance	72000	90 000.00	90 000.00	5 500.00	35 500.00	45 000.00

DESCRIPTION	AUDIT OUTCOME	ORIGINAL BUDGET	ADJUSTED BUDGET	MONTHLY ACTUAL	YTD ACTUAL	YTD BUDGET
Software Licenses	67677	84 417.00	100 000.00	1 801.20	19 220.30	42 204
Temporary staff		10 000.00			-	
Rates and Taxes	1064850	960 000.00	500 000.00		443 851.02	480 000
Rental external equipment	53592	79 200.00	79 200.00	6 535.70	32 371.73	39 600
Security	544945	1 148 400.00	700 000.00	45 412.11	271 892.66	574 200
Subscriptions		72 000.00			-	
Safety clothing		52 800.00	40 000.00		-	
Communications: Telephone and Cellphones	204782	250 000.00	240 000.00	22 566.33	91 311.66	104 165
Tenant committee workshop		22 000.00	22 000.00		-	10 998
Travel- staff	61482	110 000.00	150 000.00	5 501.64	49 945.56	54 996
Valuation		100 000.00	50 000.00		-	
Capital Expenditure	33 184	40 000.00	400 000.00	-	-	
Surplus / (Deficit)	-1 204 347.00	73 971.00	18 156.16	150 951.59	4 698 397.26	3 544 799
FINANCIAL POSITION						
Total current Assets	5153639	7155639	7155639		7656465	
Total noncurrent assets	160235167	161235167	161235167		160991999	
Total Current Liabilities	9629934	9754321	9754321		9946624	
Total noncurrent liabilities	52380343	53597424	53597424		52520169	
Equity	103378529	105039061	105039061		106181672	

APPENDIX TO MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

- **MID-YEAR PERFORMANCE REPORT**
- **MID-YEAR RISK MANAGEMENT REPORT**