

# MID YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT 2014/2015



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## A. EXECUTIVE SUMMARY

As uMgungundlovu District Municipality to continue providing and improving the quality of services provided to our citizens, we need to generate required revenues to sustain the services and strive to overcome grant dependency. In these tough economic times, strong revenue management and cost controlling measures become fundamental to the financial sustainability of every municipality. The reality is that, as the municipality, we are faced with challenges such as aged infrastructure, development backlogs and poverty.

We have come a long way as a municipality with our efforts to generate own revenues from the services that we provide as a water and citizen centric municipality. Although we experience a steady incline in revenue generation and collection, the Municipality continues to rely on grants to fund both its operational expenditure and capital expenditure as the income generated from trading services is still not sufficient to facilitate profits and growth of the services.

The amount required to address challenges related to provision of basic services and growth, continues to exceed available funding; hence difficult choices are made in relation to tariff increases, expenditure prioritization and balancing against realistically anticipated revenues.

## B. MAYORS REPORT

### 1. OPERATING BUDGET FRAMEWORK

The SFP shown in Annexure A, Table C4, is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by input type. The summary report indicates the following:

| Description   | Budget Year 2014/15 |                    |            |              |                |                            |
|---|---------------------|--------------------|------------|--------------|----------------|----------------------------|
|   | Original Budget     | YTD actual Dec '14 | YTD budget | YTD variance | % Progress YTD | % YTD Actual vs YTD Budget |
| R thousands   | R'000               | R'000              | R'000      | R'000        |                |                            |
| Total Revenue (excluding capital transfers and contributions) | 548,480             | 357,995            | 274,240    | 83,755       | 65%            | 131%                       |
| Total Expenditure   | 563,718             | 265,178            | 281,859    | (16,681)     | 47%            | 94%                        |
| Operating Surplus/(Deficit)                                   | (15,238)            | 92,817             | (7,619)    | 100,436      |                |                            |
| Transfers recognised – capital                                | 139,097             | 152,855            | 69,549     | 83,307       | 110%           | 220%                       |
| Surplus/(Deficit) after capital transfers & contributions     | 123,859             | 245,672            | 61,930     | 183,743      |                |                            |
| Surplus/ (Deficit) for the year                               | 123,859             | 245,672            | 61,930     | 183,743      |                |                            |

The revenue raised as at 31 December 2014 was R357.9 million against a budget of R274,2 million for the period. This reflects a revenue rate against year to date budget of 131% and 65% against the annual budget. The operating expenditure as at 31 December 2014 was R265,1 million vs a year to date budget of R281,9 million reflecting an expenditure of 94% against the year to date budget and 47% against the annual budget. The operating surplus for the period amounted to R92,8 million.

The major operating revenue variances against budget were transfers recognised – Grants Received (69% against budgeted transfers) which contributes 71% of the R54,5 million operating revenue on the budget indicating a high grant dependency to fund operations. The collective variance on service charges was 5% year to date and well within estimate for the annual budget

and as such no adjustment should be effected on the projections. Although the projections on service charges have a positive variance, the collection rate still remained below 70% at 58% for the period. This however showed an improvement from prior year collection rate of 50%.

Other revenue drivers which showed a significant variance were; other own revenue and investment revenue. The factors that affected the investment revenue was the redirecting of anticipated cash resources from investing activities to fund the MIG expenditure whilst the DBSA front loading is being pursued. As a result the interest on investments would have to be adjusted down to realistic levels in the adjustment budget and other income would need to be adjusted up to accommodate the additional income which was not anticipated at budget preparation stage. Below is a table reflecting the revenue sources and performance thereof.

**Extract of Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December**

| Description  | 2013/14         | Budget Year 2014/15 |                |                |                |               |                |                    |
|--|-----------------|---------------------|----------------|----------------|----------------|---------------|----------------|--------------------|
|  | Audited Outcome | Original Budget     | Monthly actual | YearTD actual  | YearTD budget  | YTD variance  | YTD variance % | Full Year Forecast |
| <b>R thousands</b>   |                 |                     |                |                |                |               |                |                    |
| <b>Revenue By Source</b>   |                 |                     |                |                |                |               |                |                    |
| Service charges - water revenue                                      | 132,953         | 99,459              | 7,378          | 51,223         | 49,730         | 1,494         | 3%             | 99,459             |
| Service charges - sanitation revenue                                 | –               | 7,832               | 766            | 5,094          | 3,916          | 1,178         | 30%            | 7,832              |
| Service charges - other  | 9               | –                   | –              | 89             | –              | 89            |                | –                  |
| Rental of facilities and equipment                                   | –               | 320                 | 32             | 168            | 160            | 8             | 5%             | 320                |
| Interest earned - external investments                               | 30,210          | 23,310              | 684            | 6,614          | 11,655         | (5,041)       | -43%           | 23,310             |
| Interest earned - outstanding debtors                                | –               | –                   | 2,362          | 4,777          | –              | 4,777         |                | –                  |
| Transfers recognised - operational                                   | 357,728         | 390,746             | 1,277          | 269,207        | 195,373        | 73,833        | 38%            | 390,746            |
| Other revenue  | 12,370          | 26,812              | 19,882         | 20,825         | 13,406         | 7,419         | 55%            | 26,812             |
| Gains on disposal of PPE   | –               | –                   | –              | –              | –              | –             |                | –                  |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>533,269</b>  | <b>548,480</b>      | <b>32,381</b>  | <b>357,995</b> | <b>274,240</b> | <b>83,755</b> | <b>31%</b>     | <b>548,480</b>     |

The major operating expenditure variances against budget are:

- Employee related costs
- Materials and bulk purchases;
- Depreciation and asset impairment; and
- Other expenditure

Significant variances against budget were also from employee costs mainly due to a higher percentage increment being budgeted for at the beginning of the year in anticipation of the bargaining council outcomes. Remuneration of councillors which is also related to the annual increments not having being effected to date whilst council awaits a directive from the National COGTA. Further finance costs were spread out evenly across the year on projection and not aligned to the redemption periods as per the loan agreement and as such the trend will normalise over the year as redemption and interest charges fall due at the agreed intervals. Operating grant expenditure also slowed down due the slow implementation of related programmes, e.g. EPWP, Corridor development project.

The detail of the variances per source group are cited in Annexure A, Table C1 of this report.

## Employee Costs and Councillors Allowances

Only 33% of the budget of councillors allowances was spent as at 30 December. This is mainly due to the annual increments not having been effected on the councillors allowances as council still awaits the national gazette on the determination of councillors allowances. The salary cost was at 40% expenditure as at 31 December 2014 whilst it represented 30% of total operating expenditure for the period which is below the norm of 40% to total operating expenses. The factors contributing to the slow movement in salaries were Medical Aid contributions, cellphone and vehicle allowances, other benefits and allowances and post-retirement benefit obligations. The main reason for the variance is that the salary increments were prudently estimated above the value which was later determined by the bargaining council whilst medical aid contribution are budgeted on the maximum allowable as per the collective agreement. The expenditure trends against these vote will be reviewed and adjusted accordingly in the adjustment budget. Performance bonuses indicated a 98% variance from budget as they remained unpaid at the end of the period. See SC 10.

| Summary of Employee and Councillor remuneration                 | 2013/14         | Budget Year 2014/15 |                |               |                |                 |                |                    |
|---|-----------------|---------------------|----------------|---------------|----------------|-----------------|----------------|--------------------|
|   | Audited Outcome | Original Budget     | Monthly actual | YearTD actual | YearTD budget  | YTD variance    | YTD variance % | Full Year Forecast |
| <b>R thousands</b>  |                 |                     |                |               |                |                 |                |                    |
| <b><u>Councillors (Political Office Bearers plus Other)</u></b> |                 |                     |                |               |                |                 |                |                    |
| Basic Salaries and Wages  | 9,944           | 14,878              | 784            | 4,891         | 7,439          | (2,549)         | -34%           | 14,878             |
| <b>Sub Total - Councillors</b>                                  | <b>9,944</b>    | <b>14,878</b>       | <b>784</b>     | <b>4,891</b>  | <b>7,439</b>   | <b>(2,549)</b>  | <b>-34%</b>    | <b>14,878</b>      |
| <b><u>Other Municipal Staff</u></b>                             |                 |                     |                |               |                |                 |                |                    |
| Basic Salaries and Wages  | 91,462          | 109,678             | 7,872          | 53,756        | 54,839         | (1,083)         | -2%            | 109,678            |
| Pension and UIF Contributions                                   | 22,634          | 19,795              | 1,061          | 10,118        | 9,897          | 221             | 2%             | 19,795             |
| Medical Aid Contributions                                       | 1,637           | 13,022              | 597            | 2,942         | 6,511          | (3,569)         | -55%           | 13,022             |
| Overtime  | 7,284           | 28,177              | 618            | 5,656         | 14,089         | (8,433)         | -60%           | 28,177             |
| Performance Bonus   | 7,702           | 8,386               | 20             | 80            | 4,193          | (4,113)         | -98%           | 8,386              |
| Motor Vehicle Allowance   | 12,993          | 12,024              | 933            | 5,112         | 6,012          | (900)           | -15%           | 12,024             |
| Cellphone Allowance   | 22              | 22                  | 2              | 9             | 11             | (2)             | -17%           | 22                 |
| Housing Allowances  | 592             | 590                 | 66             | 327           | 295            | 32              | 11%            | 590                |
| Other benefits and allowances                                   | 2,571           | 5,753               | 313            | 1,313         | 2,877          | (1,564)         | -54%           | 5,753              |
| Payments in lieu of leave                                       | -               | -                   | -              | -             | -              | -               | -              | -                  |
| Long service awards   | 4,105           | 2                   | 11             | 25            | 1              | 24              | 2712%          | 2                  |
| Post-retirement benefit obligations                             | 6,180           | 1,391               | 106            | 465           | 696            | (231)           | -33%           | 1,391              |
| <b>Sub Total - Other Municipal Staff</b>                        | <b>157,181</b>  | <b>198,840</b>      | <b>11,598</b>  | <b>79,802</b> | <b>99,420</b>  | <b>(19,618)</b> | <b>-20%</b>    | <b>198,840</b>     |
| <b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>                  | <b>167,126</b>  | <b>213,718</b>      | <b>12,382</b>  | <b>84,692</b> | <b>106,859</b> | <b>(22,167)</b> | <b>(0)</b>     | <b>213,718</b>     |

## Capital Budget Framework

The Capital expenditure report shown in Annexure A, Table C5 has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised by municipal vote. The summary report indicates the following:

| Description                | Budget Year 2014/15 |                |                                 |               |                |                |                              |
|----------------------------|---------------------|----------------|---------------------------------|---------------|----------------|----------------|------------------------------|
|                            | Original Budget     | Roll over      | Total including roll over funds | YTD budget    | YTD Actual     | Variance       | % YTD spent vs Annual Budget |
| Funding Source             | R'000               | R'000          |                                 | R'000         | R'000          | R'000          |                              |
| MIG                        | 97,264              | -66,591        | 97,264                          | 48,632        | 150,404        | -101,772       | 155%                         |
| Massification grant        | 6,104               | 15,235         | 21,339                          | 10,670        | 19,586         | -8,916         | 92%                          |
| Water Infrastructure grant | 28,611              | 4,027          | 32,638                          | 16,391        | 2,119          | 14,200         | 6%                           |
|                            | <b>131,979</b>      | <b>-47,329</b> | <b>151,241</b>                  | <b>75,693</b> | <b>172,109</b> | <b>-96,488</b> | <b>114%</b>                  |

Spending on MIG has accelerated due projects implementation. The municipality overspent the MIG allocation in the previous financial year by an amount of R 66.6 million. This amount was bridge financed by a DBSA loan of R 70 million as MIG front loading. The municipality has received the total MIG allocation amounting to R97.2 million for the current financial year. Of this allocation R 70 000 million has been paid back to DBSA as it was for front loading in the 2014 financial year as per loan agreement. The MIG funding is currently overspent by R53,1 million pending the finalisation of the second tranche of front loading. Internal funding is currently being utilised to buffer the shortfall in the interest of project progress whilst the second tranche of front loading is being pursued. The low expenditure against the Water infrastructure grant is attributed to the delays in appointment of a contractor due to an objection being received during the procurement process. The objection has since been resolved and the service provider appointed in December. The overall expenditure against the total allocation for the financial year is 68%. 91% of the expenditure for the period ended has been heavily invested in water infrastructure and 9% in sanitation. The expenditure can be interpreted to be spread as follows;

| Description                | Budget Year 2014/15 |                |                |               |                              | Contribution |
|----------------------------|---------------------|----------------|----------------|---------------|------------------------------|--------------|
|                            | Original Budget     | YTD budget     | YTD Actual     | Variance      | % YTD spent vs Annual Budget |              |
| Asset class                | R'000               | R'000          | R'000          | R'000         |                              |              |
| Water infrastructure       | 241,808             | 120,904        | 152,523        | 31,619        | 63%                          | 90,86%       |
| Sanitation                 | 2,800               | 1,400          | 15,016         | 13,616        | 536%                         | 8,95%        |
| Fire, Safety and Emergency | 500                 | 250            | 0              | -250          | 0%                           | 0%           |
| Computers                  | 500                 | 250            | 195            | -55           | 39%                          | 0,12%        |
| Furniture                  | 500                 | 250            | 136            | -114          | 27%                          | 0,08%        |
|                            | <b>246,108</b>      | <b>123,054</b> | <b>167,870</b> | <b>44,816</b> | <b>68%</b>                   | <b>100%</b>  |

## Conditional grants

The following were the movements on the conditional grants as at 31 December 2014. To date R131,9 million of conditional grants has been received since 1 July 2014 whilst R174,2 million has been spent as at 30 December 2014. R6,1 million of the Massification grant was received in the month of December. Only 7% of the operating grants and 119% capital grants had been utilised at the end of the period which shows an overall utilisation of 93%. The balance of conditional grants as at 31 December was R65,9 million. Considerations of plans to spend against the stagnant grants will be considered in the adjustment budget. See SC6 and SC7(1).

|  | <i>Balance as at<br/>30 June 2014</i> | <i>YTD Receipts</i>   | <i>Expenditure to<br/>date</i> | <i>Balance as at<br/>30 December<br/>2014</i> | <i>%<br/>utilisation</i> |
|--|---------------------------------------|-----------------------|--------------------------------|---|--------------------------|
| <b>Grants 2013/2014</b>                          |                                       |                       |                                |   |                          |
| Corridor Development Grant                       | 550,000.00                            | -                     | -                              | 550,000.00                                    | 0%                       |
| Materials Recovery facility-Corridor grant       | 19,553,971.77                         | -                     | -                              | 19,553,971.77                                 | 0%                       |
| Water purification grant                         | 2,244,800.00                          | -                     | -                              | 2,244,800.00                                  | 0%                       |
| Shared deployment grant                          | 800,000.00                            | -                     | 420,000.00                     | 380,000.00                                    | 53%                      |
| Camperdown Waste water works                     | 4,000,095.45                          | -                     | -                              | 4,000,095.45                                  | 0%                       |
| New WWW and Bulk sewer line-Corridor development | 4,000,000.00                          | -                     | -                              | 4,000,000.00                                  | 0%                       |
| Municipal Excellence Awards grant                | 262,678.47                            | -                     | -                              | 262,678.47                                    | 0%                       |
| Energy Sector                                    | 150,439.76                            | -                     | -                              | 150,439.76                                    | 0%                       |
| Water demand management grant                    | 969,333.00                            | -                     | -                              | 969,333.00                                    | 0%                       |
| Rural Roads Asset Management System grant        | 952,180.55                            | 2,303,000.00          | 924,087.07                     | 2,331,093.48                                  | 28%                      |
| Expanded Public Works Programme grant            | 1,405,870.89                          | 2,325,000.00          | 122,913.86                     | 3,607,957.03                                  | 3%                       |
| Accredited Councillor training programme         | 23,020.08                             | -                     | -                              | 23,020.08                                     | 0%                       |
| PTP grant  | 308,816.64                            | -                     | -                              | 308,816.64                                    | 0%                       |
| DPSS GIS grant                                   | 1,001,016.98                          | 250,000.00            | 166,703.81                     | 1,084,313.17                                  | 13%                      |
| MSIG   | -                                     | 934,000.00            | 637,967.20                     | 296,032.80                                    | 68%                      |
| FMG  | -                                     | 1,250,000.00          | 875,541.38                     | 374,458.62                                    | 70%                      |
| KZN Sport  | 633,775.88                            | -                     | -                              | 633,775.88                                    | 0%                       |
| <b>Total operating grants</b>                    | <b>36,855,999.47</b>                  | <b>7,062,000.00</b>   | <b>3,147,213.32</b>            | <b>40,770,786.15</b>                          | <b>7%</b>                |
| Massification grant                              | 15,235,290.77                         | 6,104,000.00          | 19,585,971.01                  | 1,753,319.76                                  | 92%                      |
| MIG  | (66,590,950.97)                       | 97,264,000.00         | 150,404,115.22                 | (53,140,115.22)                               | 155%                     |
| Municipal Water infrastructure grant             | 4,027,337.75                          | 21,459,000.00         | 2,119,346.00                   | 23,366,991.75                                 | 8%                       |
| <b>Total capital grants</b>                      | <b>(47,328,322.45)</b>                | <b>124,827,000.00</b> | <b>172,109,432.23</b>          | <b>(28,019,803.71)</b>                        | <b>119%</b>              |
| <b>Total capital grants excluding MIG</b>        | 19,262,628.52                         | 27,563,000.00         | 21,705,317.01                  | 25,120,311.51                                 |                          |
| <b>Total conditional grants</b>                  | <b>56,118,627.99</b>                  | <b>131,889,000.00</b> | <b>175,256,645.55</b>          | <b>65,891,097.66</b>                          | <b>93%</b>               |

## Cash and cash equivalents

The cash in bank as at 31 December 2014 amounted to R16,3 million and R207,2 million in investments totalling R223,5 million in cash and cash equivalents. The average interest rate earned on investments was 6.4%. Interest accrued in the month on investments excluding money market interest was R684 000. For the period ended interest on investments and current accounts amounted to R 6,6 million which is below the target of R11,7 million. This has mainly been due to internal funds being channelled to contribute to MIG expenditure whilst the pledging facility is being pursued. The cash coverage ratio as at 31 December stood at 4 months which indicates that council had sufficient cash to operate for a period of 4 months without receiving grants to cover operating costs. The norm as set out in the uniform financial ratios and norms circular 71 is 1 month to 3 months.

### Schedule of Bank Balances October - December 2014

| Account Name                 | Account Number | October              | November              | December             |
|------------------------------|----------------|----------------------|-----------------------|----------------------|
| Main Account                 | 50940026773    | 18,831,899.68        | 138,521,501.19        | 15,164,695.00        |
| Salaries Account             | 50940092196    | 9,055.50             | 14,087,328.95         | 66.64                |
| Water Services Account       | 62023616462    | 2,958,957.01         | 829,691.38            | 254,875.55           |
| Mandela Race Account         | 62411577193    | 761,561.38           | 764,387.86            | 767,036.66           |
| UMDM MIG (Dbsa) Account      | 62400041985    | 70,318.27            | 70,515.87             | 70,705.53            |
| Public Sector Cheque Account | 62243484417    | 0.00                 | 0.00                  | 0.00                 |
| <b>Total</b>                 |                | <b>22,631,791.84</b> | <b>154,273,425.25</b> | <b>16,257,379.38</b> |

### INVESTMENTS

|                     |               |                       |                       |                       | interest rate |
|---------------------|---------------|-----------------------|-----------------------|-----------------------|---------------|
| Standard bank       | 358610095-002 | 30,429,670.49         | 30,132,493.15         | 30,291,166.43         | 6.2%          |
| FNB                 | 71101199555   | 3,813,015.41          | 3,834,744.86          | 3,857,198.63          | 7.1%          |
| Investec            | 50003728655   | 30,015,287.67         | 30,168,242.29         | 30,327,100.82         | 6.2%          |
| Absa                | 2070530459    | 30,361,808.22         | 30,046,232.88         | 30,205,479.46         | 6.2%          |
| State Bank of India |               | 5,142,109.59          | 0.00                  | 0.00                  | 6.0%          |
| Ithala Bank         | 63647675      | -                     | 0.00                  | 5,026,465.75          | 6.9%          |
| Nedbank             | 1296000028    | 30,442,561.64         | 30,142,684.93         | 30,300,657.53         | 6.2%          |
| NSTD Call Account   | 62215748289   | 52,836,707.23         | 22,072,407.23         | 77,221,168.44         |               |
| <b>Total</b>        |               | <b>183,041,160.25</b> | <b>146,396,805.34</b> | <b>207,229,237.06</b> | <b>6.4%</b>   |

|  |  |                       |                       |                       |
|--|--|-----------------------|-----------------------|-----------------------|
| <b>Total Balances as at 31 December 2014</b> |  | <b>205,672,952.09</b> | <b>300,670,230.59</b> | <b>223,486,616.44</b> |
|--|--|-----------------------|-----------------------|-----------------------|

## Creditors Age analysis

Total payments for the month of December amounted to R60,697,823.97 of which R53 224 471.45 was paid to the top 20 highest paid creditors as listed below. The total amount paid excludes salaries and 3<sup>rd</sup> party payments. Whilst **21%** of invoices were still within 30 days



payment period only **79%** of invoices were outside of the 30 day period for the period ending 31 December 2014, this mainly due to the holiday season when most staff take leave which has a resultant effect of slowing the processing of the invoices. The creditors balance as at 31 December 2014 was R372 000 which indicated that most invoices from prior months had been paid in December

| Description                                    | Budget Year 2014/15 |              |              |               |                |                |                   |             |            |
|--|---------------------|--------------|--------------|---------------|----------------|----------------|-------------------|-------------|------------|
|  | 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>R thousands</b>                             |                     |              |              |               |                |                |                   |             |            |
| <b>Creditors Age Analysis By Customer Type</b> |                     |              |              |               |                |                |                   |             |            |
| Bulk Electricity                               | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Bulk Water                                     | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| PAYE deductions                                | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| VAT (output less input)                        | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Pensions / Retirement deductions               | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Loan repayments                                | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Trade Creditors                                | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Auditor General                                | -                   | -            | -            | -             | -              | -              | -                 | -           | -          |
| Other  | 78                  | 196          | -            | 4             | 12             | -              | 12                | 70          | 372        |
| <b>Total By Customer Type</b>                  | <b>78</b>           | <b>196</b>   | <b>-</b>     | <b>4</b>      | <b>12</b>      | <b>-</b>       | <b>12</b>         | <b>70</b>   | <b>372</b> |
|  | 21%                 | 53%          |              | 1%            | 3%             |                | 3%                | 19%         |            |

### Top 20 highest paid creditors for the month of December

| Reference | Description                         | Amount               |
|-----------|-------------------------------------|----------------------|
| PR1058    | ICON CONSTRUCTION (PTY) LTD         | 9,093,251.44         |
| ET17297   | UMGENI WATER                        | 8,103,315.42         |
| ET17298   | AQUA TRANSPORT & PLANT HIRE         | 5,402,733.87         |
| PR1049    | THE MVULA TRUST                     | 4,308,810.25         |
| PR1041    | HIDROTECH INFRA (PTY) LTD           | 3,975,356.42         |
| PR1068    | UHLANGA TRADING                     | 3,506,976.36         |
| PR1044    | MAKHUBU CIVIL CC                    | 2,649,843.22         |
| PR1059    | LET CONSULTING (PTY) LTD            | 2,233,529.75         |
| PR1067    | THE MVULA TRUST                     | 2,021,652.72         |
| PR1062    | ROYAL HASKONING DHV                 | 1,968,955.55         |
| ET17261   | ELECTRIC & PUMP SERVICES            | 1,550,183.82         |
| PR1038    | BOSCH STEMELE                       | 1,395,030.81         |
| ET17251   | SIGMA IT & ION CONSULTING JV        | 1,257,888.54         |
| PR1045    | NAIDU CONSULTING                    | 1,124,789.20         |
| PR1065    | TAURIS GARDEN TRADING 500           | 971,160.04           |
| PR1050    | WORLEY PARSONS RSA                  | 912,108.86           |
| ET17252   | AMAQHAWE ASSET MANAGEMENT SOLUTIONS | 762,158.63           |
| PR1064    | SUNSET BEACH TRADING 529 CC         | 726,100.98           |
| ET17305   | ILANGA SECURITY                     | 635,885.27           |
| PR1060    | MAKHAOTSE, NARASIUMULU & ASSOCIATES | 624,740.30           |
|           |                                     | <b>53,224,471.45</b> |

## Debtors Age Analysis

The debtor book value as at 31 December 2014 amounted to **R413, 9 million** of which 91% (R378,1 million) is over 90 days. Of the total debt 73% is household debt and 14% other debtors, 10% organs of state and 3% commercial debtors.

| Description                                   | Budget Year 2014/15 |              |              |              |              |                |                |                    |             |
|---|---------------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------------|-------------|
|   | 0-30 Days           | 31-60 Days   | 61-90 Days   | 91-120 Days  | 121-150 Dys  | 151-180 Dys    | Total          | Total over 90 days |             |
| <b>R thousands</b>                            |                     |              |              |              |              |                |                |                    |             |
| <b>Debtors Age Analysis By Customer Group</b> |                     |              |              |              |              |                |                |                    |             |
| Organs of State                               | 1,794               | 1,088        | 250          | 50           | 251          | 38,714         | 42,148         | 39,016             | 10%         |
| Commercial                                    | 1,783               | 463          | 332          | 227          | 379          | 8,886          | 12,069         | 9,492              | 3%          |
| Households                                    | 11,072              | 5,981        | 4,084        | 3,058        | 4,211        | 272,809        | 301,215        | 280,078            | 73%         |
| Other   | 5,637               | 1,932        | 1,342        | 1,128        | 1,046        | 47,416         | 58,500         | 49,590             | 14%         |
| <b>Total By Customer Group</b>                | <b>20,287</b>       | <b>9,463</b> | <b>6,008</b> | <b>4,463</b> | <b>5,886</b> | <b>367,825</b> | <b>413,932</b> | <b>378,175</b>     | <b>100%</b> |
|   | <b>5%</b>           | <b>2%</b>    | <b>1%</b>    | <b>1%</b>    | <b>1%</b>    | <b>89%</b>     |                | <b>91%</b>         |             |

The following has been the collection trend over the 6 months. The average collection rate over the period is 58%. Provision for bad debts would have to be increased to accommodate the irrecoverable debt. Revenue collection efforts would also need to be improved to support the targets set.

| Month     | Billing        | Receipts               | Collection % |
|-----------|----------------|------------------------|--------------|
| July 2014 | R 11 171 223   | R 5 591 172            | 50%          |
| Aug 2014  | R 9 907 252    | R 5 470 535            | 55%          |
| Sept 2014 | R 11 834 966   | R 8 831 459            | 75%          |
| Oct 2014  | R 12 334 978   | R 6,590,429            | 53%          |
| Nov 2014  | R 11,885,311   | R 6,781 973            | 57%          |
| Dec 2014  | R 9,490,192.86 | Due by the 31 Jan 2015 |              |

#### 4. IN-YEAR BUDGET STATEMENT TABLES: DECEMBER 2014 REPORT

The preliminary financial results for the period ended 31 December 2014 (i.e. 06 month of the 2014/15 financial year) are attached consisting of the following tables, in Annexure A:

##### *Part 1*

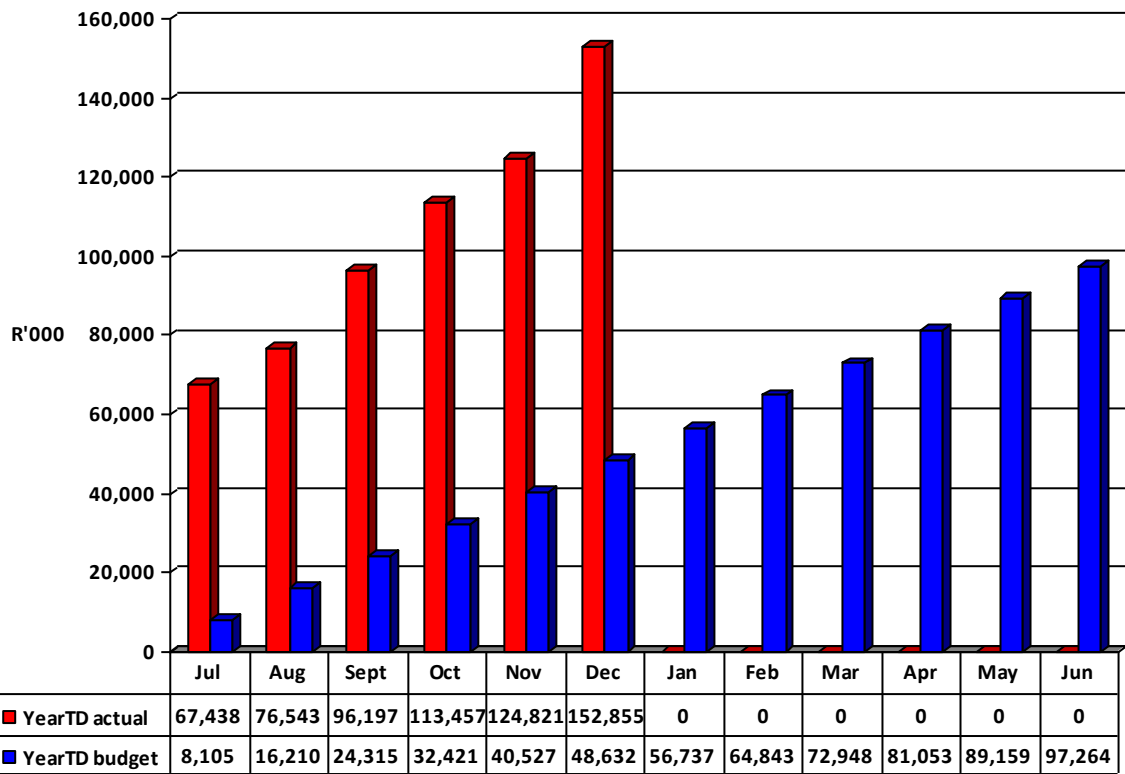
- (a) Table C1: Consolidated Monthly Budget Statement – Summary
- (b) Table C2: Consolidated Monthly Budget Statement – Financial Performance (standard Classification)
- (c) Table C3: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure by Municipal vote)
- (d) Table C4: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure)
- (e) Table C5: Consolidated Monthly Budget Statement – Capital Expenditure by vote, standard classification and funding
- (f) Table C6: Consolidated Monthly Budget Statement – Financial Position
- (g) Table C7: Consolidated Monthly Budget Statement – Cash Flow

##### *Part 2*

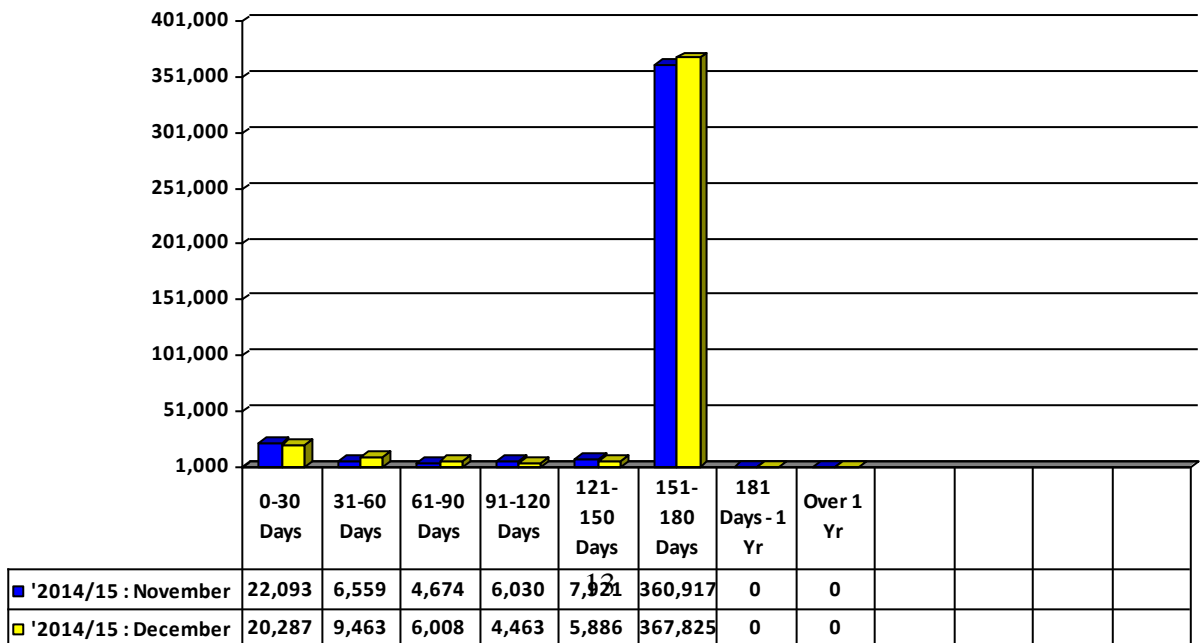
- (a) Table SC1: Material variance explanations
- (b) Table SC2: Monthly Budget Statement – Performance Indicators
- (c) Table SC3: Monthly Budget Statement – Aged Debtors
- (d) Table SC4: Monthly Budget Statement – Aged Creditors
- (e) Table SC5: Monthly Budget Statement – Investment Portfolio
- (f) Table SC6: Monthly Budget Statement – Transfers and grant receipts
- (g) Table SC7: Monthly Budget Statement – Transfers and grant expenditures
- (gb) Table SC7 (1): Monthly Budget Statement-Approved Roll overs
- (h) Table SC8: Monthly Budget Statement – Councillor and Staff Benefits
- (i) Table SC9: Monthly Budget Statement – Actual and Revised targets for cash receipts
- (j) Table SC10: Monthly Budget Statement – Parent Municipality Financial Performance (Revenue and Expenditure)
- (k) Table SC11: Monthly Budget Statement – Summary of Municipal Entities
- (l) Table SC12: Monthly Budget Statement – Capital Expenditure Trend
- (m) Table SC13a: Monthly Budget Statement – Capital expenditure on new assets by asset class
- (n) Table SC13b: Monthly Budget Statement – Capital expenditure on renewal of existing assets by asset class
- (m) Table SC13c: Monthly Budget Statement – Capital expenditure on repairs and maintenance by asset class
- (p) Municipal manager's quality certification



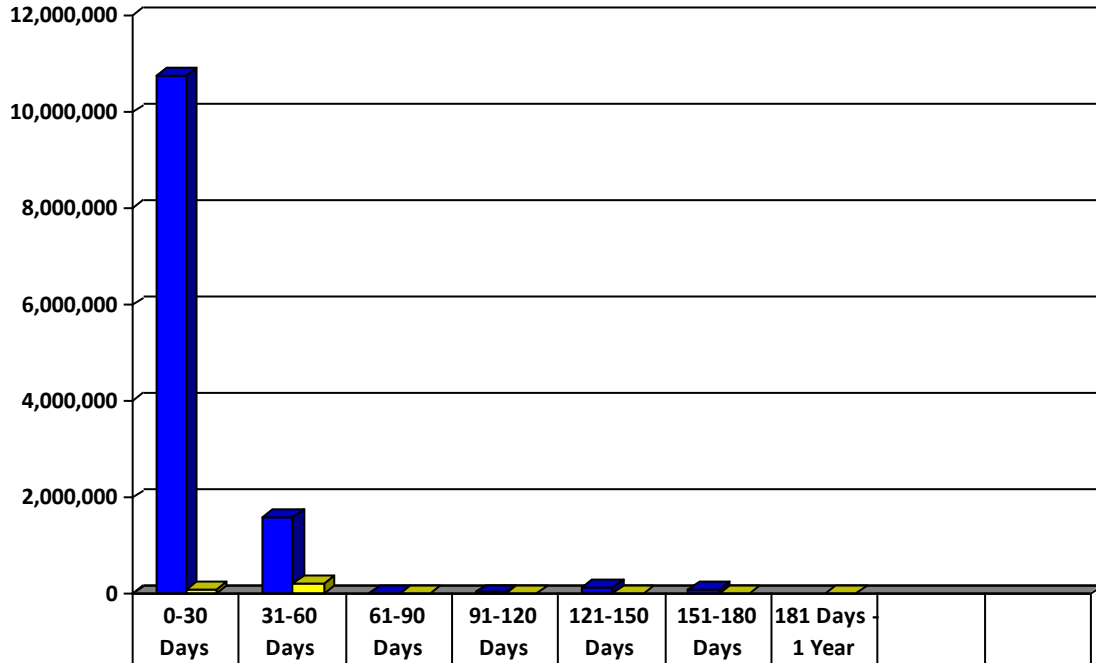
**CUMULATIVE CAPITAL EXPENDITURE: YTD ACTUAL VS YTD BUDGET**



**DEBTORS AGE ANALYSIS**



## CREDITORS AGE ANALYSIS



|                     |           |           |       |        |         |        |        |  |  |
|---------------------|-----------|-----------|-------|--------|---------|--------|--------|--|--|
| '2014/15 : November | 10,753,86 | 1,585,259 | 6,460 | 21,778 | 130,902 | 78,437 |        |  |  |
| '2014/15: December  | 77,797    | 196,315   | 0     | 3,818  | 12,142  | 0      | 12,488 |  |  |

### 6. CONCLUSION

This report meets with the requirements of the MFMA, Sections 52(d) and 72 by submitting the 'In-year report' to Executive Committee on the implementation of the budget and the financial status of the municipality with recommendations for adjustments.

### ANNEXURES:

Annexure – **Schedule C**

REPORT – FLOW COMPLIANCE CHECK

FILE: **5/1/1/1**

INITIATOR: Sinegugu Ncube

HEADING (INCLUSIVE OF NAME OF DIVISION/DEPARTMENT):

**FINANCIAL SERVICES DEPARTMENT**

**PRELIMINARY IN-YEAR FINANCIAL REPORT (MONTHLY AND FIRST QUARTER BUDGET STATEMENT) FOR THE PERIOD ENDING 31 December 2014**

REPORT CHECKED AND PASSED FOR SUBMISSION TO: **Executive Committee**

|   | COMPREHENSIVENESS (FACTS, COMMENTS, RECOMMENDATIONS ANNEXURES)<br>(√) | CORRECTNESS<br>(√) | QUALITY<br>(√) |
|---|---|--------------------|----------------|
| <b>EXECUTIVE MANAGER: BUDGET OFFICE<br/>NONDUMISO MBATHA</b><br><br>SIGNATURE: _____<br>DATE : _____              | (√)   | (√)                | (√)            |
| <b>EXECUTIVE MANAGER: REVENUE MANAGEMENT:<br/>SIBONGILE KHUMALO</b><br><br>SIGNATURE: _____<br>DATE : _____       | (√)   | (√)                | (√)            |
| <b>EXECUTIVE MANAGER: EXPENDITURE MANAGEMENT:<br/>NOMPUMELELO KHUMALO</b><br><br>SIGNATURE: _____<br>DATE : _____ | (√)   | (√)                | (√)            |
| <b>HEAD OF DEPARTMENT: CHIEF FINANCIAL OFFICER :<br/>SINEGUGU NCUBE</b><br><br>SIGNATURE : _____<br>DATE : _____  | (√)   | (√)                | (√)            |
| <b>EXECUTIVE MANAGER: INTERNAL AUDIT<br/>PORTIA NZIMAKWE</b><br><br>SIGNATURE: _____<br>DATE : _____              | (√)   | (√)                | (√)            |

**Municipal Manager’s quality certification**

I, **Terence L Sibusiso Khuzwayo**, the Municipal Manager of the uMgungundlovu District Municipality, hereby certify that -

the monthly **preliminary** report on the implementation of the budget and financial state affairs of the municipality for the month of **December 2014** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Mr. T L S Khuzwayo\_\_\_\_\_

Municipal Manager: uMgungundlovu District Municipality

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print name: Mr. Y Bhamjee\_\_\_\_\_

Mayor: uMgungundlovu District Municipality

Signature: \_\_\_\_\_

Date: \_\_\_\_\_