

Ref: 5/1/1/1

PORTFOLIO COMMITTEE: FINANCE: 12 DECEMBER 2014

**FINANCIAL SERVICES DEPARTMENT:
MUNICIPAL FINANCE MANAGEMENT ACT (MFMA):
PRELIMINARY MONTHLY IN-YEAR MONITORING FINANCIAL REPORT FOR THE PERIOD
ENDING 30 NOVEMBER 2014.**

1. **PURPOSE**

The purpose of this report is to comply with section 71 of the Municipal Finance Management Act (MFMA) and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009.

2. **STRATEGIC OBJECTIVE**

To ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.”

3. **BACKGROUND**

Section 52 (d) and 71 of the MFMA and in terms of Section 28 of the Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations” necessitates that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

“The Mayor of a municipality-

52(d) must, **within 30 days of the end of each quarter**, submit a report to council on the implementation of the budget and the financial state of the municipality;”

“71(1) The accounting officer of a municipality must by no later than **10 working days after the end of each month** submit to the mayor of the municipality and the relevant treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for the month and for the financial year up to the end of that month: ...”.

“28.The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.”

For the reporting period ending 30 November 2014 the ten working day reporting limit expired on **12 December 2014**.

Further, Section 31(1) of the Government Gazette No 32141 of 17 April 2009 prescribes the following:

“31.(1)The mayor’s quarterly report on the implementation of the budget and financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- (a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and

- (b) consistent with the monthly budget statement for September, December, March and June as applicable; and
- (c) **Submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council."**

4. EXECUTIVE SUMMARY

4.1. Summary financial performance report for the period ending 30 November 2014

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 Nov '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	314,040	228,533	85,506	57%	137%
Total Expenditure	563,718	173,167	234,883	(61,716)	31%	74%
Operating Surplus/(Deficit)	(15,238)	140,873	(6,349)	147,222		
Transfers recognised – capital	139,097	126,481	57,957	68,524	91%	218%
Surplus/(Deficit) after capital transfers & contributions	123,859	267,354	51,608	215,746		
Surplus/ (Deficit) for the year	123,859	267,354	51,608	215,746		

The revenue raised as at 30 November 2014 was R314 040 000 against a budget of R228 533 000 for the period. This reflects a revenue rate against year to date budget of 137% and 57% against the annual budget. The operating expenditure as at 30 November 2014 was R173 167 000 vs a year to date budget of R234 883 000 reflecting an expenditure of 74% against the year to date budget and 31% against the annual budget. The operating surplus for the period amounted to R140 873 000.

The major operating revenue variances against budget are:

- Service Charges
- Transfers recognised – Grants Received
- Other revenue

The major operating expenditure variances against budget are:

- Employee related costs
- Bulk purchases; Depreciation and
- Other expenditure

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

4.2. Capital Expenditure

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	40,527	124,831	-84,294	128%
Massification grant	6,104	15,235	21,339	8,891	18,629	-9,738	87%
Water Infrastructure grant	28,611	4,027	32,638	11,921	1,660	10,262	5%
	131,979	-47,329	151,241	61,339	133,695	-72,345	88%

Commented [SN1]: This figure has decreased from prior month, why? Secondly the report C5 reflects a higher expenditure on Massification grant and so too does SC 7(1). Please relook at this.

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 R27 567 000 pending the finalisation of the second tranche of front loading.

4.3. Conditional Grants

SC 6 AND SC 7(1)

CONDITIONAL GRANTS SCHEDULE as @ 30 November 2014							
Grant	Balance as at 30 June 2014	YTD Receipts	Total Received	YTD Expenditure			
CORRIDOR DEVELOPMENT GRANT	550,000.00	-	550,000.00	-			
MATERIALS RECOVERY FACILITY - CORRIDOR GRANT	19,553,971.77	-	19,553,971.77	-	19,553,971.77		0%
WATER PURIFICATION GRANT	2,244,800.00	-	2,244,800.00	-	2,244,800.00		0%
SHARED DEPLOYMENT GRANT	800,000.00	-	800,000.00	360,000.00	440,000.00		45%
MASSIFICATION GRANT	15,235,290.77	-	15,235,290.77	18,629,563.78			122%
CAMPERDOWN WASTE WATER WORKS	4,000,095.45	-	4,000,095.45	-	4,000,095.45		0%
NEW WWW & BULK SEWER LINE - CORRIDOR DEVEL	4,000,000.00	-	4,000,000.00	-	4,000,000.00		0%
IRO MUNICIPAL EXCELLENCE GRANT	262,678.47	-	262,678.47	-	262,678.47		0%
ENERGY SECTOR	150,439.76	-	150,439.76	-	150,439.76		0%
WATER DEMAND MANAGEMENT GRANT	969,333.00	-	969,333.00	-	969,333.00		0%
RURAL ROADS ASSET MANAGEMENT SYSTEMS GRANT	952,180.55	2,303,000.00	3,255,180.55	924,087.07	2,331,093.48		28%
EXPANDED PUBLIC WORKS PROGRAMMES GRANT	1,405,870.89	2,325,000.00	3,730,870.89	122,913.86	3,607,957.03		3%
ACCREDITED COUNCILLOR TRAINING PROGRAMME	23,020.08	-	23,020.08	-	23,020.08		0%
MSIG	-	934,000.00	934,000.00				68%

Commented [SN2]: SC 6 and SC 7(1) does not tie back to the schedule below and capex C5 e.g. Massification grant. SC 6 should agree to TYD Receipts column below and SC 7(1) to YTD Expenditure below (with the exclusion of grants not included on the budget). Please also separate the grants as per operating grants vs capital grants. I understand there are provincial grants not on the SC schedules listed below but still items like EPWP,MSIG and FMG do not tie back to the schedule

				637,967.20	296,032.80	
FMG	-	1,250,000.00	1,250,000.00	781,346.54	468,653.46	63%
KZN SPORT	633,775.88	-	633,775.88	-	633,775.88	0%
MIG	(66,590,950.97)	97,264,000.00	97,264,000.00	124,821,165.35		128%
MUNICIPAL WATER INFRASTRUCTURE GRANT	4,027,337.75	21,459,000.00	25,486,337.75	1,659,746.95	23,826,590.80	7%
PTP GRANT	308,816.64	-	308,816.64	-	308,816.64	0%
DPSS GIS GRANT	1,001,016.98	250,000.00	1,251,016.98	148,063.98	1,102,953.00	12%
TOTAL	(10,472,322.98)	125,785,000.00	181,903,627.99	148,084,854.73	64,770,211.62	81%

Total Excluding MIG 56,118,627.99 125,785,000.00 148,084,854.73 64,770,211.62

4.4. Cash and cash equivalents

R574 000 was accrued in investment interest income. The cash in bank as at 30 November 2014 amounted to R154 274 000 and investments amounted to R146 396 000 with a total cash and cash equivalents of R300 670 000. The cash coverage ratio as at 30 November 2014 is 4,8 months based on average operating expenditure for the period. This indicates that the municipality as at 30 November 2014 had sufficient cash to operate for a period of 4,8 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.

SC 5-

Commented [SN3]: Please add interest on money market to this amount.

Commented [SN4]: This schedule seems to have outdated information relating to maturity dates of the investments Absa Is listed as expiring on 21/08/2014 yet it was listed as expiring on 21/11/2014 in the month of October.

Investments by maturity Name of institution & investment ID R thousands	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
	Yrs/Months							
-								
Absa Bank	3 months	Short term	21/11/2014	46	6.20%	30,362	(316.00)	30,046
Nedbank	3 months	Short term	05/11/2014	143	6.10%	30,443	(300.00)	30,143
Std Bank	3 months	Short term	05/11/2014	132	6.20%	30,430	(298.00)	30,132
Investec Bank	3 months	Short term	29/01/2015	168	6.20%	30,015	153.00	30,168
FNB	1 year	Long term	05/08/2015	85	7.10%	3,813	22.00	3,835
State Bank of India	6 months	Short term	02/11/2014	0	5.70%	5,142	5,142.00	0
First National Bank (Call Account)	Daily	Short term	Money Market			52,837	(30,765.00)	22,072
TOTAL INVESTMENTS AND INTEREST				574		183,042	(26,362.00)	146,396

Commented [SN5]: Are these balances inclusive of the accrued interest e.g. interest from 22/11/2014 to 30 November 2014 for the ABSA investment especially since the amounts were reinvested. Please also note the interest on the money market account has not been factored, please update it here.

Cash in bank Account Name	Account Number	Market value at the beginning of the month	change in market value	Market value at the end of the month
Main Account	50940026773	18,832	119,690	138,522
Salaries Account	50940092196	1	14,086	14,087
Water Services Account	62023616462	2,959	(2,129)	830
NSTD Call Account	62215748289	52,837	(30,765)	22,072
Mandela Race Account	62411577193	762	(2)	764
UMDM MIG (Dbsa) Account	62400041985	70	(1)	71
Public Sector Cheque Account	62243484417			
TOTAL CASH BALANCES		22,624	131,644	154,274

TOTAL CASH AND CASH EQUIVALENTS	205,666	105,282	300,670
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5. IN-YEAR BUDGET STATEMENT TABLES: NOVEMBER 2014 REPORT

The preliminary financial results for the period ended 30 November 2014 (i.e. 04 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

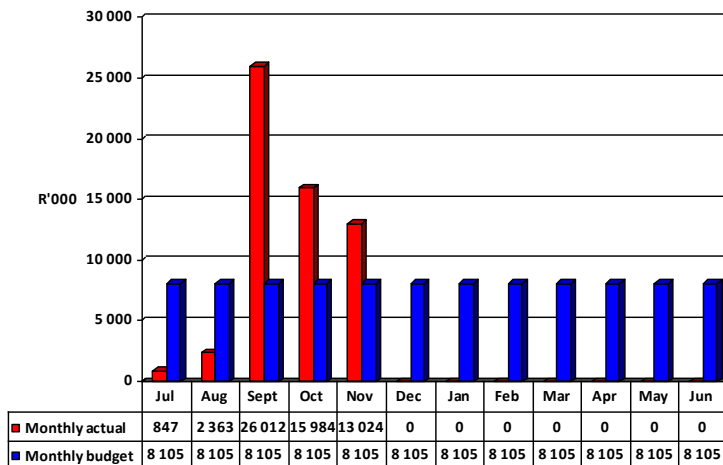
Part 2

- (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

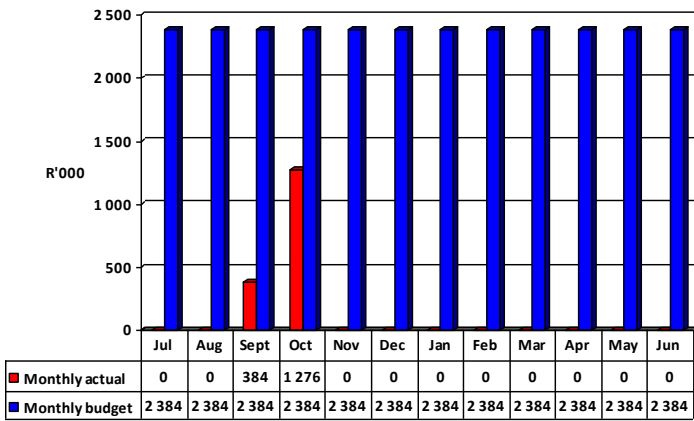
- (i) Table SC9: Monthly Budget Statement – Actual and Revised targets for cash receipts
- (j) Table SC10: Monthly Budget Statement – Parent Municipality Financial Performance (Revenue and Expenditure)
- (k) Table SC11: Monthly Budget Statement – Summary of Municipal Entities
- (l) Table SC12: Monthly 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

6. IN-YEAR BUDGET STATEMENT CHARTS: NOVEMBER 2015 REPORT

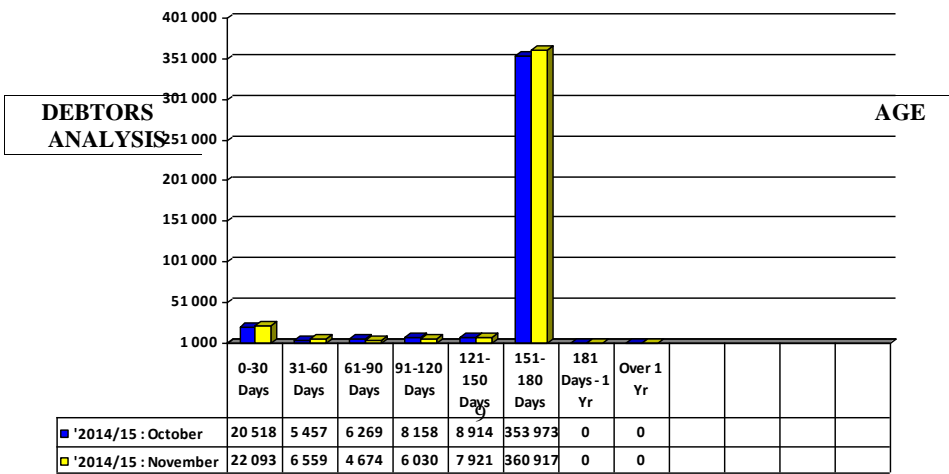
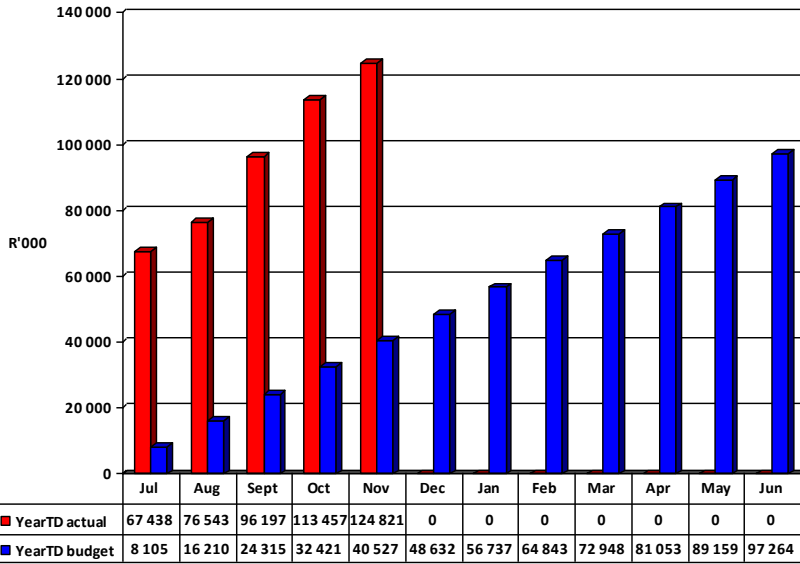
MIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET



MWIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET



CUMULATIVE CAPITAL EXPENDITURE: YTD ACTUAL VS YTD BUDGET



TOP TEN DEBTORS AS AT 30 NOVEMBER 2014

SUNDRY DEBTORS

These debtors are not water related.

Debtor	August	Movement	September	Background	Credit Control Progress to date
uMsunduzi Municipality	31,169,580.93	0.00	31,169,580.93	A meeting was held on the 14th April with MM and CFO's of both Municipalities and it was agreed that the CFO's must work on the issues and report to MM's on the progress.	This matter is being investigated terms of source documentation.
Debtor	August	Movement	September	Background	Credit Control Progress to date

KZN Department of Works	1,782,012.47	0.00	1,796,012.47	<p>This matter is in respect of the water works takeover of the Appelsbosch Water Plant.</p> <p>The original outstanding debt was R2 552 745. KZN Public works agreed to pay R 808 236 and the balance must be claimed from National Treasury as part of the equitable share. Payment of R808 236.06 was paid by KZN Public Works.</p> <p>Payment was requested from Provincial Treasury however they need to investigate the matter since it dates back to 2008.</p> <p>The Provincial Treasury has advised that they are still in process of collecting the data for the various financial years with regards to the allocation of the equitable share before payment can be effected.</p>	This matter is being investigated terms of source documentation.
uMzinyathi Municipality	1,343,086.20	0.00	1,343,086.20	<p>This matter is in respect of a DBSA loan repayment.</p> <p>A letter has been sent to uMzinyathi on the 31 July 2014 requesting payment.</p> <p>Email sent to uMzinyathi CFO on the 4th December 2014</p>	The account has been reconciled and information has been submitted to the CFO of uMzinyathi Municipality so that payment can be made.

				Further documentation and reconciliation in terms of payments made is being consolidated in order to recover the outstanding debt.	
Prov. Dept. of Social Develop	906,358.59	0.00	906,358.59	<p>The matter is in respect of a Womens Day function hosted by the municipality. The municipality paid for the event and the Department of Social Service was to pay back the expenses incurred.</p> <p>Various attempts have been made for payment.</p> <p>Request for appointment with the CFO Ashnie Singh was made.</p> <p>The Department requested information regarding the contract that was signed between the municipality and the Department of Social Development.</p> <p>This information has been requested from the office of the MM so that a meeting can be set up to finalise payment.</p>	<p>A meeting request was sent to the CFO of the department so that this matter can be finalised however the assistant manager advised that once the Memorandum of Understanding is received then only payment will be made. The document cannot be located and further investigation is required to recover the outstanding debt.</p>

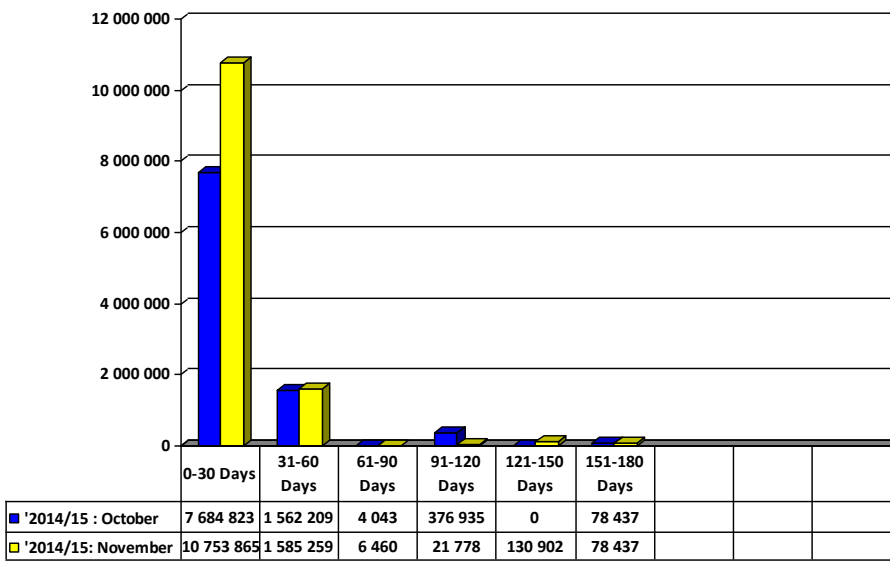
CONSUMER DEBTORS

These debtors are as a result of non-payment for water services rendered.

Debtor	August	Movement	September	Credit Control Progress to date
5922651132 P & G Spars	812,748.70	18.81	817,921.80	Meter on the property has been disconnected. UMgeni Water is investigating the Matter
5922215208 uMngeni Municipality	509,517.39	31.35	509,548.76	The meter was verified and it was established that the meter belongs to uMgungundlovu District Municipality. Amount should be written off
5922314401 Mooi River Taxi Association	509,517.39	12,225.29	414,812.42	The account disconnected on the 16 th October 2014. Meter verification was conducted in November and the meter remains disconnected.
5922711490 Richmond Country Club	426,107.71	18.81	428,864.43	Account disconnected on the 15 th October 2014. Meter verification was conducted in November and the meter remains disconnected
5922800012 Department of Public Work and Land	0.00	557,591.28	557,591.28	Payment received R 540,604.96 for October consumption. R 557,591.28 current consumption to be paid at the end of December 2014

5922121582	428,125.06	176.31	427,949.29	Account has been sent for verification.
Inanda Shopping Centre				

CREDITORS AGE ANALYSIS



7. CONCLUSION

This report meets with the requirements of the MFMA, Sections 52(d) and 71 by submitting the 'In-year report' to Finance Committee on the implementation of the budget and the financial status of the municipality.

ANNEXURES:

Annexure – **Schedule C**

RECOMMENDED

- (1) That, in compliance with, Section 52(d) and Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations" the **preliminary** financial results regarding the operating and capital budgets for the 04th month of the 2014/15 financial year, and supporting documents as required by National Treasury (Schedule C) be submitted to Full Council Committee.
- (2) In order to comply with Section 31(1) of the Government Gazette No 32141 of 17 April 2009 this report be submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council, in both a Council approved document and in electronic format.
- (3) That the Committee approves the following:
 - 3.1 Surplus for the period ending 30 November 2014 is R 140 873 million.
 - 3.2 Cash & Cash Equivalent for the period ending 30 November 2014 is R 205 673 million.

3.3 Capital Expenditure for the period ending 30 November 2014 is R 124 821 million

3.4 Trade Payables for the period ending 30 November 2014 is R 12 577 million.

3.5 Trade Receivables for the period ending 30 November 2014 R 408 193 million.

3.6 Conditional Grants for the period ending 30 November 2014 is R 33 819 million.

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 30 November 2014**

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

	COMPREHENSIVENE SS (FACTS, COMMENTS, RECOMMENDATIONS ANNEXURES) (√)	CORRECTNESS (√)	QUALITY (√)
EXECUTIVE MANAGER: BUDGET OFFICE NONDUMISO MBATHA SIGNATURE: _____ DATE :	(√)	(√)	(√)
EXECUTIVE MANAGER: REVENUE MANAGEMENT: SIBONGILE KHUMALO SIGNATURE:	(√)	(√)	(√)
EXECUTIVE MANAGER: EXPENDITURE MANAGEMENT: NOMPUMELELO KHUMALO SIGNATURE:	(√)	(√)	(√)

<p>HEAD OF DEPARTMENT: CHIEF FINANCIAL OFFICER : SINEGUGU NCUBE</p> <p>SIGNATURE :</p> <p>DATE :</p>	(√)	(√)	(√)
<p>EXECUTIVE MANAGER: INTERNAL AUDIT PORTIA NZIMAKWE</p> <p>SIGNATURE:</p> <p>DATE :</p>	(√)	(√)	(√)

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 **November 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: _____