

MID YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT 2016 / 2017



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1. MAYOR'S REPORT

As a Water Services Authority, we are mandated to provide uninterrupted water supply and access to sanitation to all our 6 Local Municipalities within our District. As new Council we have adopted the Ten Point Plan as our strategic thrust, that will elevate and enhance our service delivery through to our 2021 vision. As we commence in the first year of our 5 year Integrated Development Plan, we plan to implement and institutionalise the following:

1. *Metro (step by step roadmap to our common vision)*
2. *Universal access to services (100% access)*
3. *Maintenance plan (reliable provision of services)*
4. *Radical Economic Transformation (setting up of a functional Development Agency)*
5. *Community Partnerships (EPWP and Co-operatives)*
6. *Good Governance (sustaining the clean audit)*
7. *Sustainable IGR (a structured Mayor's Forum)*
8. *Monitoring and evaluation (through the SDBIP's)*
9. *Special Programmes (for the vulnerable communities)*
10. *Achieving sustainable development and climate change mitigation*

Our budget for the 2017/18 financial year demonstrates the positive achievements of the past 16 years of local government transformation and continues to lay a firm foundation for the future of the District. Once again, uMDM achieved its third clean audit in the 2015/16 financial year which bears testimony to this.

The 2016/17 medium term expenditure framework, consisting of a R814 million consolidated budget, has been developed in order to accelerate transformation towards an inclusive economy and participation by all. Through this we also aim to give hope to our youth through skills based training, provide economic opportunities and an enabling environment for businesses to flourish. Despite the tough economic times the country and the world are currently faced with, this budget as informed by the IDP process that allows for input from our citizens.

As the District we have had challenges which includes grappling with old and frail infrastructure resulting in experiencing large volumes of lost revenue. uMDM together with stakeholders such as the Department of Water Affairs & Sanitation, Umgeni Water have invested resources in ensuring 100% access to basic services is accomplished. This includes projects such as uMshwathi Bulk Water Project, which will see over 50 000 households accessing uninterrupted water supply. While the Hilton/ Merrivale Asbestos Replacement will start bearing fruits in the coming financial year. The unaccounted water losses that costs the municipality millions per annum will be reduced significantly.

Our plans and strategies are linked with the National Development Plan, and Vision 2030. We are forging ahead to ensure that we serve our citizens with quality, while cognisance of our external environment (such as rising costs of petrol, tariff increases, drought, unemployment, etc.). Our focus will also to aggressively collect revenue through households, businesses who owe the Municipality. We also encourage our citizens to be responsible and pay for services rendered and/ received to further re-invest to other municipal projects. We also encourage our citizens to register on the **Indigent Register Programme**, as this tremendously assists with our income projections and budget.

Drought continues to be a reality for the Province, the country and the world. While we experienced rainy season during the summer, and our dams improving, we still encourage our citizens to save this precious resource or water rationing will once again become a reality to all.

The past six financial year record speaks volumes. uMDM continues with the record of acquiring clean audits and practicing sound financial management. This was made possible by the Political Leadership, Administration and staff that led diligently, transparently, with honour and accountability. 2016 saw the Mandela Day Marathon ballooning with a great number of over 10 000 participants, indeed it is the fastest

growing marathon in Africa. This internationally recognised programme is part of the projects aimed at promoting social cohesion, local economic development, and tourism for the District.

COMMENTS FROM EXECUTIVE COMMITTEE

At the special meeting of the Executive Committee held on 25 January 2017, the following concerns were raised:

- Indigent policy must be reviewed to consider the increase of the indigent threshold of R3500
- Mid-year performance assessment report to be submitted to Portfolio Committees for monitoring.
- Consideration to increase the budget for Women be given and be included/ reflected on the Adjustment Budget report in February.

2. RESOLUTIONS

- 2.1 That in compliance with Section 72 of the Municipal Finance Management Act, No 56 of 2003 the Executive Committee notes and recommends to Full Council for noting the Mid-Year Budget & Performance Assessment report.
- 2.2 That the Full Council approves the preparation of a budget adjustment for the 2016/2017 Financial Year.

3. EXECUTIVE SUMMARY

The summary financial performance 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:

DC22 uMgungundlovu - Table C1 Monthly Budget Statement Summary - M06 December									
Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	YTD
R thousands								%	%
Financial Performance									
Property rates	–	–	–	–	–	–	–		–
Service charges	125,438	159,650	–	9,596	60,982	79,825	(18,843)	-24%	38%
Investment revenue	17,019	7,080	–	881	6,512	3,540	2,972	84%	92%
Transfers recognised - operational	402,886	434,490	–	143,748	328,030	217,245	110,785	51%	75%
Other own revenue	23,188	42,872	–	5,832	17,025	21,436	(4,411)	-21%	40%
Total Revenue (excluding capital transfers and contributions)	568,532	644,093	–	160,056	412,550	322,046	90,503	28%	64%
Employee costs	181,062	191,692	–	15,471	99,476	95,846	3,630	4%	52%
Remuneration of Councillors	10,937	13,189	–	879	5,103	6,595	(1,492)	-23%	39%
Depreciation & asset impairment	55,713	31,800	–	4,981	29,884	15,900	13,984	88%	94%
Finance charges	10,252	14,081	–	8,444	11,912	7,041	4,871	69%	85%
Materials and bulk purchases	106,590	102,828	–	8,018	54,742	51,414	3,328	6%	53%
Transfers and grants	–	16,733	–	–	4,271	8,367	(4,096)	-49%	26%
Other expenditure	303,779	241,922	–	4,925	125,040	120,961	4,079	3%	52%
Total Expenditure	668,334	612,246	–	42,718	330,427	306,123	24,304	8%	54%
Surplus/(Deficit)	(99,802)	31,847	–	117,339	82,122	15,923	66,199	416%	258%
Transfers recognised - capital	186,132	149,865	–	3,493	69,950	74,933	(4,982)	-7%	47%
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	86,330	181,712	–	120,832	152,073	90,856	61,217	67%	84%

The revenue raised as at 31 December 2016 was R412 550 million against a year budget of R644 093 million for the period. This reflects a revenue rate against the year budget of **64%** and 128% for the year to date budget. The operating expenditure as at 31 December 2016 was R330 427 million vs a year to date budget of R306 123 million reflecting a 108% spending and **54%** against the annual budget. The operating surplus for the period was R152 073 million.

The variances which are measured at greater than +/-10% from the original budget are known to be material variances deeming an explanation for such. All the operating revenue line items had a material variance of above 10% ranging from -21% to 84%. The total variance on operating revenue was 28% which suggests a possible need to adjustment on the revenue items based on the 6 months budget performance. The detailed explanation for the material variances is recorded in the below chapter.

Equally of operating expenditure the material variances were from remuneration of councillors, depreciation and asset impairment, finance charges and transfers and grants. The net variance in the total operating expenditure was however at 8% which is below the 10% margin as generally the high value expenditure items were spent well within the projection. Expenditure on employee costs, material purchases and other expenditure were well within projections of the budget with variances of below 10% from the original budget. The detailed explanation for the material variances are also detailed in the following chapter.

4. FINANCIAL PERFORMANCE

4.1 OPERATING REVENUE FRAMEWORK

The operating revenue approved in May 2016 was R644 million against an operating expenditure budget of R612 million. The major revenue drivers on the budget are service charges-water and operational grants which each contribute 23% and 68% to the income for operations respectively. The balance of revenue drivers collectively contribute 9% to the operating revenue.

This report seeks to reflect on the performance of the revenue drivers over the past 6 months of budget implementation. The reflection in the results is that there has been an underperformance in revenue from service charges and gains on disposal of PPE and an accelerated performance in interest earned both from outstanding debtors and investments.

DC22 uMgungundlovu - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December										
Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	YTD
R thousands									%	%
Revenue By Source										
Service charges - water revenue		113,739	146,441		8,787	55,905	73,220	(17,316)	-24%	38%
Service charges - sanitation revenue		11,699	13,210		809	5,077	6,605	(1,527)	-23%	38%
Rental of facilities and equipment		202			18	111		111		
Interest earned - external investments		17,019	7,080		881	6,512	3,540	2,972	84%	92%
Interest earned - outstanding debtors		18,153	2,872		2,492	7,162	1,436	5,726	399%	249%
Transfers recognised - operational		402,886	434,490		143,748	328,030	217,245	110,785	51%	75%
Other revenue		4,834			3,322	9,752		9,752		
Gains on disposal of PPE			40,000				20,000	(20,000)	-100%	0%
Total Revenue (excluding capital transfers and contributions)		568,532	644,093	–	160,056	412,550	322,046	90,503	28%	64%

Water revenue

Revenue from the sale of water has under-performed by 24% (R17m) due to the impact of drought on the projected sales. Water restrictions have forced consumers to reduce consumption at household level. Projects initially anticipated to be completed to deliver sales returns have not been completed to yield the results.

Sanitation Revenue

Sanitation revenue was under by 23% (R1,5m) due to projects initially anticipated to be commissioned not being commissioned in the first part of the financial year.

Rental of facilities and equipment

Revenue from rental of facilities and equipment is attributable to fees charges for parking collections in excess parking bays in the 176 municipal building to the amount of R111 000. Council has a contract to lease excess parking to the department of Health and this revenue stream would have to be considered in the adjustment budget in order to reflect the projection of revenue anticipated for the balance of the financial year as it was omitted at the budget preparation stage.

Interest earned- Investments

Interest on investment has over performed by 84% (R2,9m) due to council anticipating that it would dis invest R40 million of its short terms investments in order to invest in the internally funded projects. There has been delays in the award of the projects due to lack of counter funding.

Interest earned- outstanding debtors

Interest on outstanding debtors is raised on outstanding debtors. There was an over performance 399% which is R5,7m higher than anticipated. Factors contributing to this is growing number of defaulters on outstanding debt arrangements and household also growing year on year thus incurring higher compounded interest.

Transfers recognised- operational

The transfers recognised operational over performed by 51% (R110m) mainly due to operational grants being received in full or in significant portions in the first half of the year e.g. July and November tranches of the equitable share and FMG grant which was received in full. The projection was calculated evenly across the year for these grants when the budget was prepared.

In light of the above the municipality must consider fast tracking the completion of the projects originally targeted to contribute towards new customer connections, further, the municipality must consider reducing its billing income to align to the drought conditions and continually monitor and assess its sales performance.

4.2 OPERATING EXPENDITURE FRAMEWORK

4.2.1 Employee costs and councillors allowances

Section 66 of the MFMA requires that the accounting officer of a municipality must report to Council in a prescribed format all expenditure incurred by the municipality on staff salaries, wages and benefits in a manner that discloses expenditure per type such as salaries, contributions for pensions etc. The half year results indicate that as at 31 December 2016, 52% of the annual salaries and councillors remuneration budget was spent to date which is indicative of a 4% variance from the projected budget for the first half year.

Remuneration of councillors was 39% spent of the annual budget however underperforming in terms of the year to date projection against year to date budget by 23% (R1,5m). This is mainly due to the annual increment for councillors not having been implemented before the end of December. It is anticipated that

the expenditure on councillors remuneration will stabilise in the future months once the application for a upper limit increase is considered by the MEC COGTA.

The salary costs of senior managers has under-performed by 43% (R1,6m) and the factors contributing to this being; the vacancy in the SEM: Corporate Services position, bonuses for senior managers having not been considered for 2014/2015 and 2015/2016 and finally the annual cost of living adjustment of senior managers not being effected for the first half of the year. It is anticipated that these considerations will be considered in the 3rd quarter of the financial year.

Employee costs were generally within target at 53% of annual budget with a 6% (R5,2m) variance against the year to date projection. There were some significant variances within the cost type within employee costs such as cell phone allowances which were under budgeted initially. Cost types that have shown and under performance are the pension and medical aid benefit and other allowances which would have to re-considered in the adjustment budget. The municipality pays bonuses to all employees other than senior managers in November and as such the saving on this expenditure item would also have to be considered for a reallocation in the budget adjustment. Below is a demonstration of performance against the annual salaries budget.

Overall salary costs and councillors remuneration represented 44% of total operating expenditure to date which is above the threshold of 25%-40% as determined by treasury. It must be noted that at budget preparation the salary cost to operating expenditure was projected at 33%. Council should implement filling of positions with caution going forward.

DC22 uMgungundlovu - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December									
Summary of Employee and Councillor remuneration	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	YTD %
R thousands	A	B	C						D
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	10,974	13,189		879	5,103	6,595	(1,492)	-23%	39%
Sub Total - Councillors	10,974	13,189	-	879	5,103	6,595	(1,492)	-23%	39%
% increase		20.2%							
Senior Managers of the Municipality									
Basic Salaries and Wages	3,881	6,671		348	1,738	3,336	(1,597)	-48%	26%
Pension and UIF Contributions	-	9		15	74	4	69	1552%	826%
Medical Aid Contributions	347			4	19	-	19		
Overtime	-					-	-		
Performance Bonus	157	942				471	(471)	-100%	0%
Motor Vehicle Allowance	845			63	316	-	316		
Cellphone Allowance	-					-	-		
Housing Allowances	3					-	-		
Other benefits and allowances	21	67		9	34	34	0	1%	51%
Payments in lieu of leave	-					-	-		
Long service awards	17			1	7	-	7		
Post-retirement benefit obligations	-					-	-		
Sub Total - Senior Managers of Municipality	5,272	7,690	-	440	2,188	3,845	(1,656)	-43%	28%
% increase		45.9%							
Other Municipal Staff									
Basic Salaries and Wages	95,806	98,376		8,493	51,332	49,188	2,143	4%	52%
Pension and UIF Contributions	23,376	31,876		1,999	12,391	15,938	(3,547)	-22%	39%
Medical Aid Contributions	8,110	11,527		726	4,373	5,764	(1,390)	-24%	38%
Overtime	10,029	8,101		579	4,655	4,051	604	15%	57%
Performance Bonus	8,098	9,403		-	8,306	4,702	3,605	77%	88%
Motor Vehicle Allowance	15,054	12,981		1,464	8,671	6,490	2,181	34%	67%
Cellphone Allowance	403	23		85	463	11	451	3943%	2021%
Housing Allowances	926	736		84	504	368	136	37%	68%
Other benefits and allowances	4,514	9,470		687	3,753	4,735	(982)	-21%	40%
Payments in lieu of leave	209	-		29	92	-	92		
Long service awards	1,692	1,508		608	1,624	754	870	115%	108%
Post-retirement benefit obligations	3,591			278	1,124	-	1,124		
Sub Total - Other Municipal Staff	171,807	184,002	-	15,032	97,288	92,001	5,286	6%	53%
% increase		7.1%							
Total Parent Municipality	188,053	204,881	-	16,351	104,579	102,441	2,138	2%	51%
		8.9%							-100.0%
Unpaid salary, allowances & benefits in arrears:									
TOTAL SALARY, ALLOWANCES & BENEFITS	188,053	204,881	-	16,351	104,579	102,441	2,138	2%	51%
% increase		8.9%							-100.0%
TOTAL MANAGERS AND STAFF	177,079	191,692	-	15,471	99,476	95,846	3,630	4%	52%

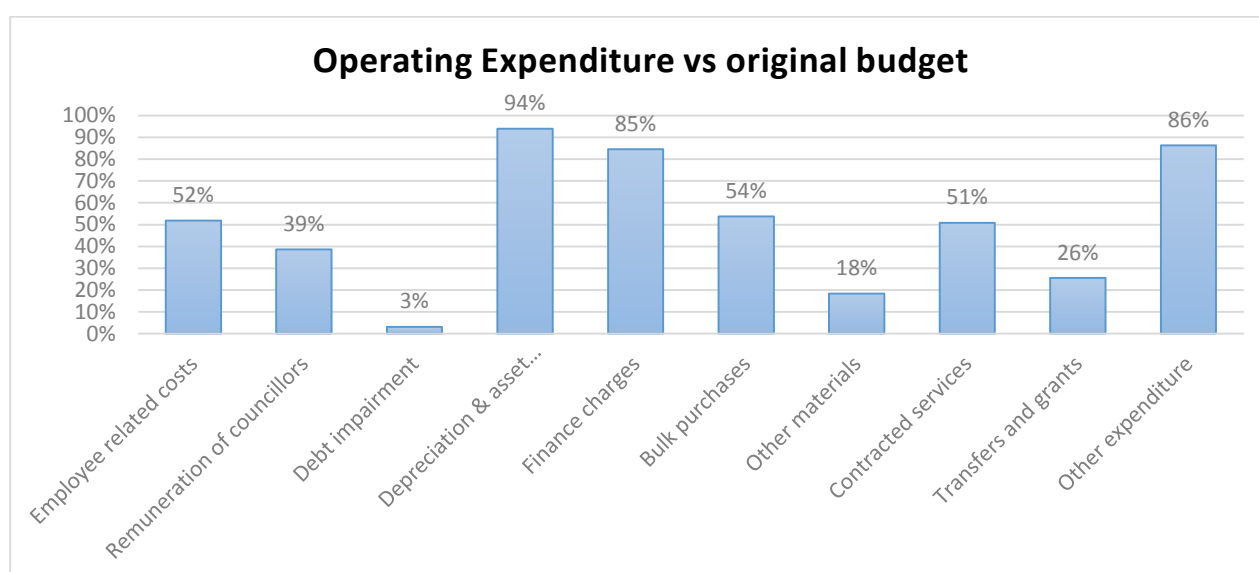
4.2.2 OTHER OPERATING EXPENDITURE

The below table represents the major operational expenditure items. Further to the explanations provided in the above content on councillor's allowances and employee costs, a material under-performance was recorded in the debt impairment, other materials and transfers and grants operational expenditure whilst an over performance was recorded on depreciation and finance charges.

Overall expenditure was at 54% against annual operating expenditure budget with an overall upwards variances of 8% (R24m).

DC22 uMgungundlovu - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

DC22 umungundlovu - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - mo6 December										
Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	YTD
R thousands									%	%
Expenditure By Type										
Employee related costs		181,062	191,692		15,471	99,476	95,846	3,630	4%	52%
Remuneration of councillors		10,937	13,189		879	5,103	6,595	(1,492)	-23%	39%
Debt impairment		50,253	48,401		82	1,545	24,200	(22,655)	-94%	3%
Depreciation & asset impairment		55,713	31,800		4,981	29,884	15,900	13,984	88%	94%
Finance charges		10,252	14,081		8,444	11,912	7,041	4,871	69%	85%
Bulk purchases		105,045	101,328		8,018	54,467	50,664	3,803	8%	54%
Other materials		1,545	1,500		-	275	750	(475)	-63%	18%
Contracted services		153,669	122,915		2,564	62,544	61,457	1,086	2%	51%
Transfers and grants		-	16,733		-	4,271	8,367	(4,096)	-49%	26%
Other expenditure		99,797	70,606		2,279	60,951	35,303	25,648	73%	86%
Loss on disposal of PPE		60					-	-		
Total Expenditure		668,334	612,246	-	42,718	330,427	306,123	24,304	8%	54%



Debt Impairment

The impairment of debt is considered annually at year end when a risk assessment on the debtor's book is performed. All impairment provision will then be reassessed at financial year end and posted accordingly,

Other materials

Improved controls over the purchase of material with the introduction of the centralised warehouse.

Depreciation

Change in the useful lives of some of our infrastructure assets as the replacement of network infrastructure is unfolding.

Finance charges

The repayment of the loans is paced at intervals according to the repayment plan, the expenditure will even out as the year progresses.

Transfers and grants operational

Under spending on operational grants due to timing of expenditure.

Other Expenditure

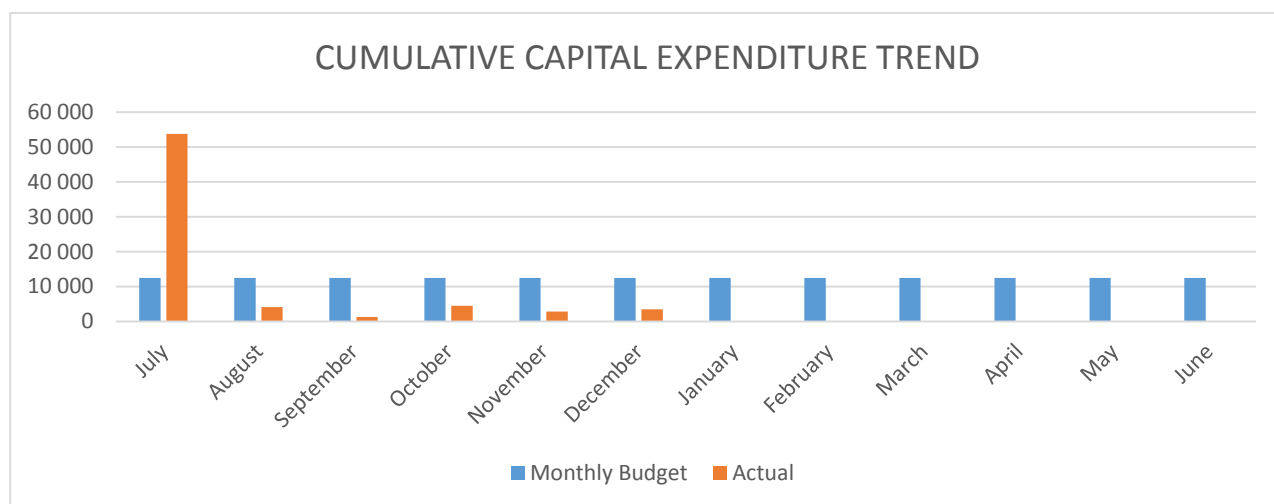
Realisation of expenditure from the re-imbursive drought mitigation grant.

Against the above is recommended that the municipality should consider adjusting the budget to accommodate the increases on the expenditure items that cannot be avoided.

4.3. Capital Expenditure

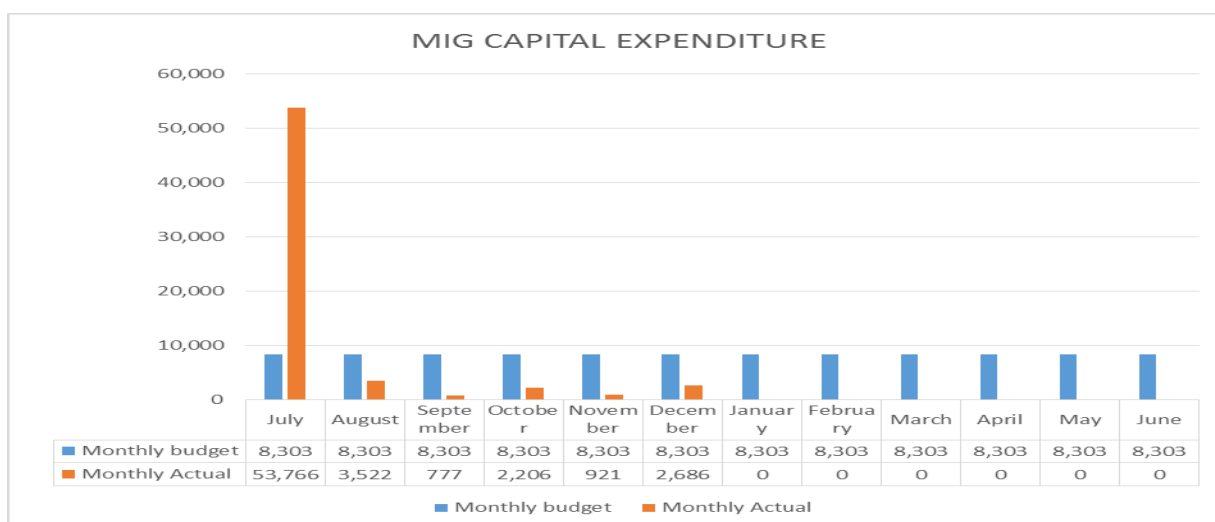
The Capital expenditure report shown in Annexure A, Table C5 has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised by municipal vote. The summary report indicates the following:

Description	Budget Year 2016/17						
	Original	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	R'000	
MIG	99,630	(148,963)	-	-	-	-	
Massification grant	-	1,650	-	-	1,650	1,650	100%
WSIG	50,235		50,235	25,118	6,072	(19,046)	12%
Operational Assets	11,350		11,350	5,675	61	(5,614)	0.54%
Borrowings	99,683		99,630	49,815	63,878	14,063	64%
Reserves	40,000		40,053	20,027	-	-	
	300,898	(147,313)	201,268	100,634	71,661	8,947	36%
Original Excluding the MIG Allocation	201,268						



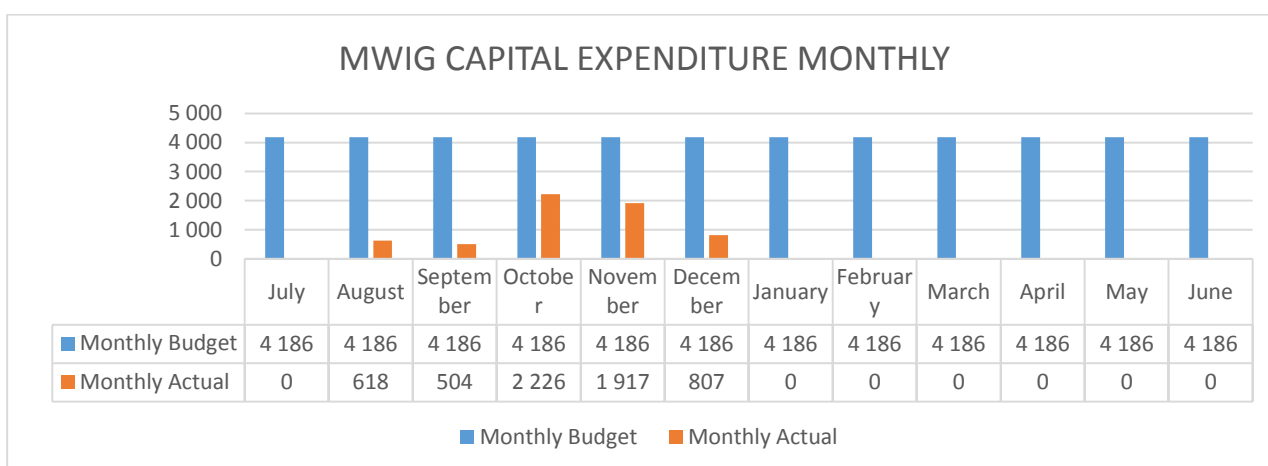
MIG Funded projects

The total approved capital budget for the 2016/ 2017 financial year is R 201 268 million. The MIG allocation of R 99 630 is to be used to settle the DBSA bridge finance loan that was received during the 2015 /2016 financial year. MIG debt is currently sitting at R99,4m since the repayment of R50m front loading loan in July 2016.



Water Service Infrastructure Grant Projects

WSIG shows an expenditure level of 12% against the budget and 15% against the year to date projection. The project was transferred to Umgeni Water to fast track implementation of the projects however greater attention needs to be paid to the project to ensure that funds are not under spent before end of the financial year. Borrowings of R99,6m were for the Hilton and Merrivale AC pipe replacement project. Of the allocations from borrowings 64% has been spent to date and the project is progressing well and performing ahead of the projected spend as at mid-term.



Spending on the Massification projects has progressed well from the projects which were rolled over from prior year indicating full expenditure on the allocation initially received as R10 million.

The allocations from reserves of R40m has not yet been spent due to delays in tender process which management is resolving. There is also a challenge of counter funding as the funds were intended as catalytic funding for the Manzanymama, Nkanyezini and Manyavu water projects. Award for 2 of the projects were made in the 2nd quarter of the financial year however the recommended contractor rejected the award.

The funding available for operational assets has been reprioritised and will be spent on amongst other assets the purchase of a vacuum tanker and jetting machine. An award was made for the jetting machine and council awaits delivery in the 3rd quarter of the financial year.

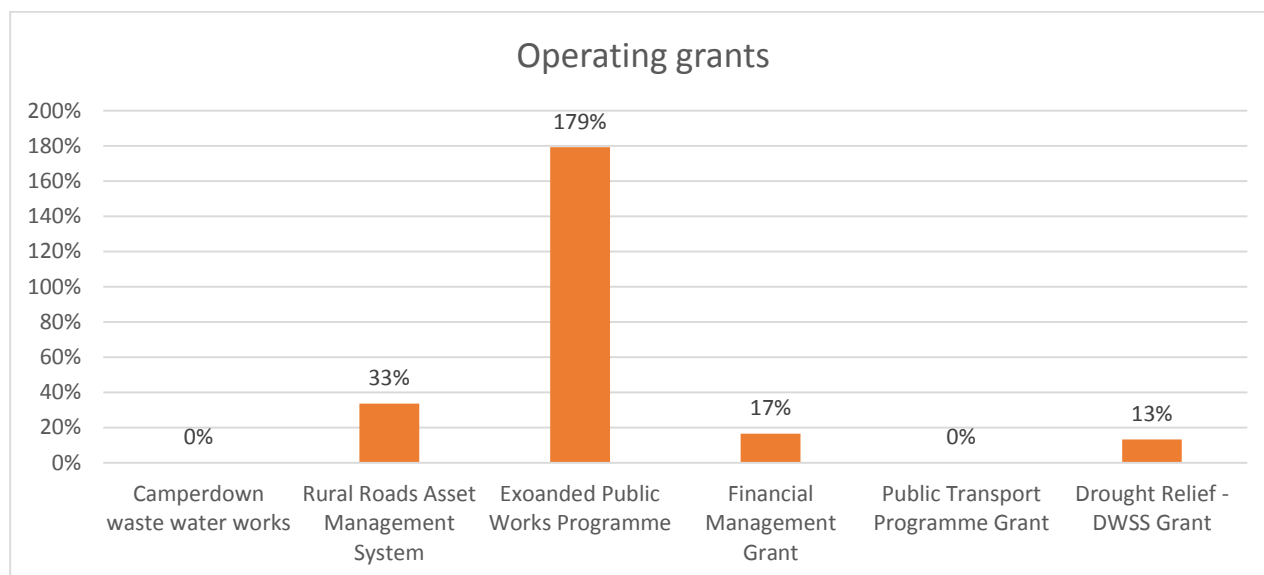
Capital commitments from prior year which were not budgeted for in the 2016/2017 budget would have to be considered at adjustment budget and this may likely place pressure on the already strained resources of council

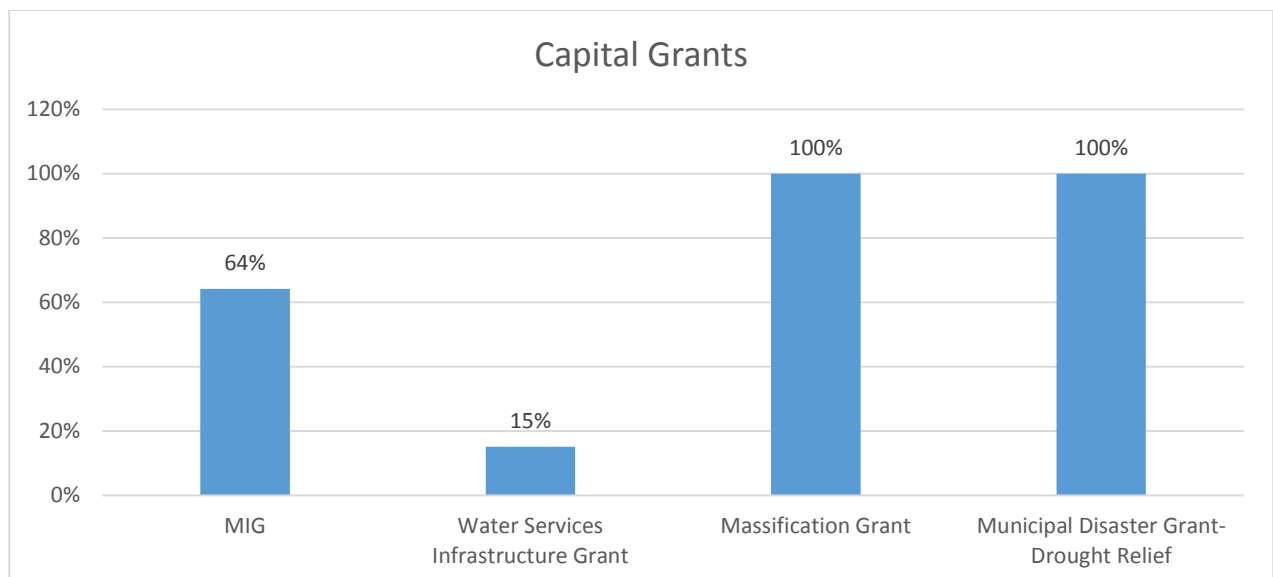
Overall expenditure on capital projects was 36% and acceleration of projects must be considered.

4.4. Conditional Grants

As at the end of December 2016, R144 918 million of conditional grants had been received since 1 July 2016 whilst R76 945 million had been spent as at 31 December 2016. Operating grants indicate 31.80% utilisation of already received money. Capital grants were 51.05% utilised as at the end of the period excluding MIG which was effectively spent in the previous financial year with current years allocation utilised to settle the bridge financing loan with DBSA. The overall conditional grants utilisation at the end of December is 49.45%.

GRANTS	Balance b/f 15/16	YTD Receipts	Total	Expenditure to date	Balance	% Spent
Operating Grant						
Camperdown waste water works	4,000,095.45	-	4,000,095.45	-	4,000,095.45	0%
Rural Roads Asset Management System	-	2,384,000.00	2,384,000.00	798,602.66	1,585,397.34	33%
Exoanded Public Works Programme	-	1,466,000.00	1,466,000.00	2,628,743.55	(1,162,743.55)	179%
Financial Management Grant	-	1,250,000.00	1,250,000.00	206,666.66	1,043,333.34	17%
Public Transport Programme Grant	308,816.64	-	308,816.64	-	308,816.64	0%
DPPSS GIS grant	-	-	-	-	-	-
Drought Relief-DWSS Grant	3,464,410.56	-	3,464,410.56	460,220.58	3,004,189.98	13%
Total Operating Grants	7,773,322.65	5,100,000.00	12,873,322.65	4,094,233.45	8,779,089.20	32%
Capital Grants						
MIG	(220,401,927.69)	99,630,000.00	99,630,000.00	63,878,220.97		64%
Water Services Infrastructure Grant	-	40,188,000.00	40,188,000.00	6,072,251.43	34,115,748.57	15%
Massification Grant	1,650,711.98	-	1,650,711.98	1,650,711.98	-	100%
Municipal Disaster Grant- Drought Relief	1,249,527.49	-	1,249,527.49	1,249,527.49	-	100%
Total	(217,501,688.22)	139,818,000.00	142,718,239.47	72,850,711.87	34,115,748.57	51%
Total excluding MIG over expenditure	209,728,365.57	144,918,000.00	155,591,562.12	76,944,945.32	42,894,837.77	49%





Camperdown Waste Water Works

This is rolled over funding received from Department of Water and Sanitation for the camper down waste water works plant which is valued at over R80m. The grant was initially received as R10m and utilised in previous years. The council does not have the counter funding to invest in the project and has requested the Department of Water and Sanitation to divert the funding to the more pressing challenges of the drought. An outcome to the request is still awaited from the department.

Rural Roads Asset Management System grant

This is funding received for the D1130 project which has been implemented over the years. Although the expenditure to date is 33% management is confident that the funds will be fully utilised before year end.

Expanded Public Works Programme

Spending on the EPWP funding has accelerated however the over utilisation of 79% will be recovered from future reporting of jobs created through the EPWP programmes of council which are able to show a higher incentive grant from the Department of Public Works.

Finance Management Grant (FMG)

The utilisation level of the FMG has been lower than projected and this is due to some interns having resigned. The positions of interns will be advertised in the 3rd quarter and costs of eh MSCOA preparation will also be factors against the FMG.

Public Transport Programme Grant

The funds relate to prior year rolled over funding. Management needs to consider suitable programmes for spending against the funding in the adjustment budget.

Drought Relief Funding- Department of Water and Sanitation

This is a grant that works on a spend then claim basis. The expenditure against this grant is progressing well. The total value of the grant is R24m and R21m of it was spent in the prior year. The balance spent in the current financial year was rolled over from prior year. Management to ensure that the funds are fully utilised by year end.

Municipal Disaster grant

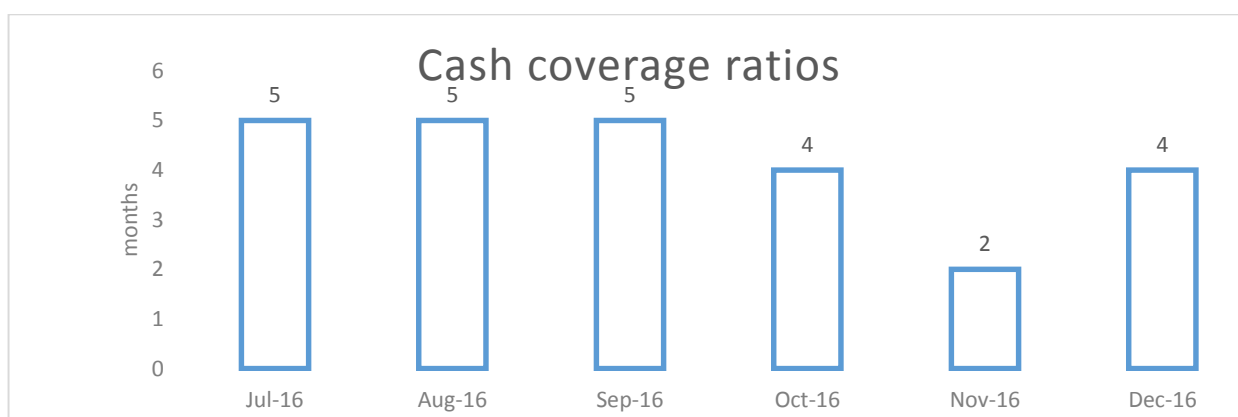
This is funding which was received from the National Treasury late in the 2014/2015 financial year for the drought relief. The funds have been fully spent as at the end of the first half of the financial year. The National Treasury withheld the funds in the November Equitable share tranche stating that it no longer qualified for a roll over as it was funds which were previously rolled over in the 2014/2015 financial year.

4.5. Cash and cash equivalents

The cash in bank as at 31 December 2016 amounted to R90,7m and investments amounted to R131m with a total cash and cash equivalents of R221,7m. The average interest rate on investment was at 8.05%. The cash coverage ratio as at 31 December 2016 is 4 months based on average R 40m per month fixed operating expenditure for the period. This indicates that the municipality as at 31 December 2016 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 to 3 months. See below extract from SC 5.

Investments by maturity	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
Name of institution & investment ID					(%)			
R thousands	Yrs/Months			R'000		R'000	R'000	R'000
Municipality								
Nedbank	4 months	Short term	31/10/2016	205	8.00%	31 063	205	31 267
Std Bank	4 months	Short term	09/10/2016	206	8.00%	30 340	206	30 546
FNB	1 year	Long term	04/09/2016	26	8.10%	3 822	26	3 847
Ithala Bank	6 Months	Short term	07/12/2016	27	8.20%	5 198	-171	5 027
Investec Bank	4 Mpnth	Short term	15/11/2016	203	8.00%	30 105	203	30 308
Absa bank	4 months	Short term	19/12/2016	79	8.00%	30 677	-598	30 079
Municipality sub-total				746		131 204	(128)	131 075

Cash in bank	Account Number	Market value at the beginning of the month	Change in market value	Market value at the end of the month
Account Name		R0.00	R0.00	R0.00
Main Account	50940026773	4,638,003.04	83,975,620.71	88,613,623.75
Salaries Account	50940092196	45,082.39	149,402.95	194,485.34
Water Services Account	62023616462	3,480,701.60	(3,316,409.13)	164,292.47
NSTD Call Account	62215748289	1,632,429.91	19,406.14	1,651,836.05
Mandela Race Account	62411577193	11,991.64	828.17	12,819.81
UMDM MIG (Dbsa) Account	62400041985	77,147.40	304.70	77,452.10
Public Sector Cheque Account	62243484417			
TOTAL CASH BALANCES		9 885 355.98	80 829 153.54	90 714 509.52
TOTAL CASH AND CASH EQUIVALENTS		141,083,954.85	80,701,153.54	221,789,509.52



4.6. Borrowings

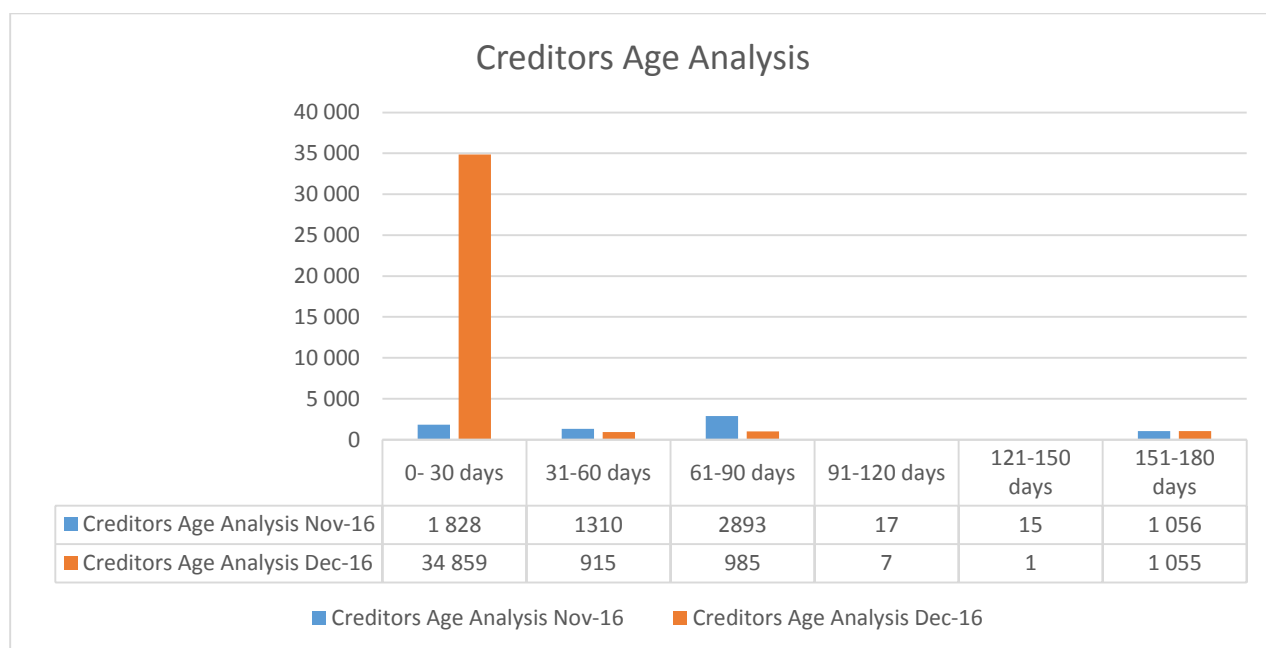
As at 31 December 2016 the borrowings were sitting as **R189 591 million** with the inclusion of the balance sheet loan that was received at the end of the 2015 /2016 financial year. The cost coverage ratio was at 21% at the end of the period compared. The municipality obtained a balance sheet loan of R230m in the 2015/2016 financial year and the loan has been drawn to an amount of R187m as at the end of the period. The municipality is fast approaching the ceiling of the cost coverage ratio which is 45%. This indicates that the municipality may not be geared for more debt in the near future.

LOANS REGISTER : DEVELOPMENT BANK OF SOUTH AFRICA (DBSA) DECEMBER 2016								
Agreement Number	Project Description	Interest Rate %	Opening Balance at 01/12/2016	Loan Amount Paid in the current year	Add: Interest Accrued	Less: Interest paid	Less :Capital Repayments	Closing Balance at 31/12/2016
10395	Greytown / Enhalakahle Bulk Water Phase 2	10	115,182.10		962.18	-	-	116,144.28
13851	uMDM Infrastructure Development Programme	11	1,844,107.25		18,530.57	-	-	1,862,637.82
12007528	Front Loading Loan 2	8.718	345,105.62	-	16,590.88	13,802.09	-	347,894.41
12007869	Balance sheet Loan	10.889	170,218,248.64	28,571,000.00	1,657,532.94	5,086,294.28	8,096,040.16	187,264,447.14
			172,522,643.61	28,571,000.00	1,693,616.57	5,100,096.37	8,096,040.16	189,591,123.65

4.7. Creditors Age Analysis

The total payments for the month of December amounted to R81 966 million and the top 20 highest paid creditors amounted to R75 436 million which is 92% of total payments. A total of R2 964 million or 8% of invoices remained outside the compliance period of 30 days as at 31 December 2016. None of the bulk services, 3rd party and statutory invoices were outstanding for longer than 30 days as at 31 December 2016. The balance of trade payables as at 31 December was R37 824 million.

DC22 uMgungundlovu - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December										
Description	NT Code	Budget Year 2016/17								
		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
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Water	0200	14,687	–	–	–	–	–	–	–	14,687
Other	0900	20,172	915	985	7	1	1,055	–	–	23,136
Total By Customer Type	1000	34,860	915	985	7	1	1,055	–	–	37,824
		92%	2%	3%	0%	0%	3%			



Top 20 highest paid creditors in the month of December 2016

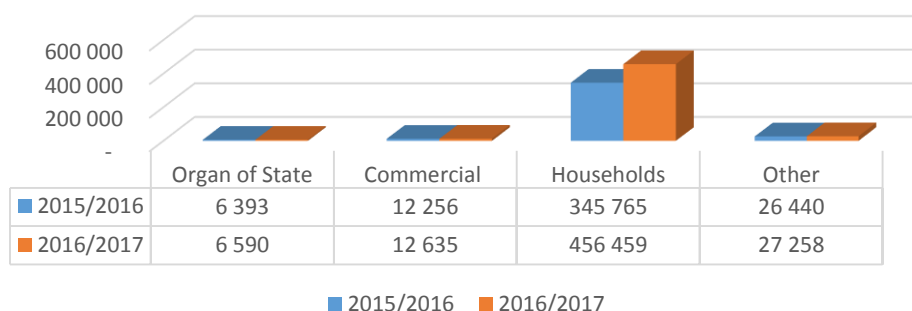
Supplier	Amount	Comments
WK Construction SA	14 536 694.49	Hilton AC Pipelines Replacement
Development Bank Of S.A.	13 182 334.44	Loan Repayment (December tranche)
Aqua Transport (PTY) LTD	11 137 227.05	Hire of Water Tankers (2 months)
Umgeni Water	9 216 792.25	Bulk Water Purchases
The Invula trust	5 869 219.97	Ekupholeni Sanitation Project/EPWP O & M
G fleet Department of public Transport	5 659 115.64	Hire/Lease of Motor Vehicles
Electric and Pump services	2 891 577.09	Maintenance at Water Plants
Umgeni Water	1 764 962.89	Operating & Maintenance Costs - Howick WWW
Icon construction (pty)ltd	1 666 009.22	Merrivale Heights AC Pipelines Replacement
Nhanhe Trading	1 526 197.89	Dalton/Cool Aire Housing Bulk Services
Naidu Consulting	1 247 726.48	Merrivale Heights/Hilton AC Pipelines Replacement
Hidrotech Infra (PTY) LTD	1 159 694.66	Ephatheni Water Supply Scheme
Amaghave Asset Management Solutions	1 051 370.67	Mechanical and Electrical maintenance
Makhaotse, Narasimulu & Associates	919 609.61	Umshwathi Regional Bulk Water Supply
MNM General Engineering Suppliers cc	785 883.68	Supply of water materials
Bosch Stemele	678 460.98	Mbhava & Mpethu Water Supply
Umgeni Water	639 398.05	Operating & Maintenance Costs - Richmond WWW
Umgeni Water	625 614.16	Operating & Maintenance Costs - Mpofana WWW
City of Choice Travels & Tours	464 543.75	Travel Arrangements
Eskom	413 878.88	Electricity costs
Sub-Total	75 436 311.85	

4.8. Debtors age analysis

The debtor book value as at 31 December 2016 amounted to **R402 942 million**. The collection rate in the month of December was at **65%**, and the average collection rate for the period was at **65%**. Household debt represented 88% of the debt book however debt over 90 days has slightly reduced from 90% to 89% in the first half of the year compared to prior year. The impact of the debt relief and amnesty programme is still yet to be assessed to account for the results.

DC22 uMgungundlovu - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December											
Description	NT Code	Budget Year 2016/17									Total over 90 days
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	
R thousands											
Debtors Age Analysis By Customer Group											
Organs of State	2200	1,652	280	220	250	138	4,050			6,590	4,438
Commercial	2300	1,227	496	462	304	187	9,959			12,635	10,450
Households	2400	18,012	9,135	7,249	4,422	4,775	312,866			356,459	322,063
Other	2500	1,629	913	762	556	540	22,858			27,258	23,954
Total By Customer Group	2600	22,520	10,824	8,693	5,533	5,640	349,733	-	-	402,942	360,905
		6%	3%	2%	1%	1%	87%				

Consumer debtors by customer type



CONCLUSION

This report meets with the requirements of the MFMA, 72 by submitting the mid-year budget and performance assessment report on the implementation of the budget and the financial status of the municipality.

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 SECOND
QUARTER BUDGET STATEMENT) FOR THE PERIOD ENDING 31 DECEMBER 2016**

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

	COMPREHENSIVE SS (FACTS, COMMENTS, RECOMMENDATIONS ANNEXURES) (√)	CORRECTNESS (√)	QUALITY (√)
EXECUTIVE MANAGER: BUDGET OFFICE NONDUMISO MBATHA SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: REVENUE MANAGEMENT: SIBONGILE KHUMALO SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: EXPENDITURE MANAGEMENT: NOMPUMELELO KHUMALO SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
HEAD OF DEPARTMENT: CHIEF FINANCIAL OFFICER : SINEGUGU NCUBE SIGNATURE : _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: INTERNAL AUDIT PORTIA NZIMAKWE SIGNATURE: _____ 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 2016** 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: _Cllr T E Maphumulo_____

Mayor: uMgungundlovu District Municipality

Signature: _____

Date: _____