

REPORT TO THE uMGUNGUNDOVU DISTRICT MUNICIPALITY COUNCIL



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For consideration

1 st Level – MANCO	: 12/08/2020
2 nd Level – Portfolio Committee	: 14/08/2020
3 rd Level – EXCO	: 21/08/2020
4 th Level – Council	: 28/08/2020

SUBJECT: PRELIMINARY MONTHLY IN YEAR MONITORING FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2020

DATE : 14 AUGUST 2020

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 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-

Section 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 or 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: ...”.

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 31 JULY 2020 the ten working day reporting limit expires on 17 August 2020.

4. REPORT

The below is the summary of financial performance for the period ended 31 JULY 2020.

Table 1

Summary of financial performance	
Actual Revenue to Budgeted Revenue for the year	30
Actual OPEX to budgeted OPEX for the year	9
Actual CAPEX to budgeted CAPEX	0
Employee related cost exp to total OPEX	32
% Grant Utilisation	0.00
Cash Coverage Ratio	1.68
Debt Service to Revenue Ratio	0.64
% Debt to Revenue Ratio	67.04
Creditors Age Analysis	36% or R 11 million of creditors is outstanding longer than 30 days.
Debt Collection Rate	68

4.1 Operating Budget

The revenue raised as at 31 July 2020 is R 77.9 million against the original budget of R 935 million for the year and R 285 million for the period. This reflects a revenue rate of 31 % against the original annual budget.

The operating expenditure as at 31 July 2020 was R 67.8 million vs a year to date budget of R 66.2 million reflecting YTD expenditure of 102.4 % and 8.5% of the original annual budget. The operating surplus for the period was R 218 million.

4.2 Capital Expenditure

The total capital budget for the 2020/2021 financial year is R 181 245 million including the allocation for the Rural Roads Assets Management Grant of R 2.5 million. The MIG allocation is R 101.4million and the Water Services Infrastructure Grant is R 80 million. The year to date certified MIG expenditure amounts to R Nil . The total expenditure for the Water Services Infrastructure Grant amount to R 0 or 0%.

Total capital expenditure to date is 0 % against the original budget.

4.3 Employee Related Costs and Councilor Allowances

The total salaries budget for councillor's amounts to R 13.7 million while salaries budget for staff amounts to R272 million. This brings the total salaries budget to R285.7 million, which is 36% of the total operational budget. This is within the norm of 25% - 40% in terms of National Treasury circular 71 of 2014.

As at 31 July 2020, 7% of the councilor's allowances budget was spent and 7.6% was spent on the employee costs. The total actual salary cost including councilor's allowances represented 32% of total operating expenditure for the period which is within the norm of 25%-40% to total operating expenses as set by National Treasury circular 71.1

4.4 Conditional Grants

As at the end of July 2020 a total of R 33.5 million of conditional grants was received since 1 July 2020, whilst an additional R 26 million was available as was received in the previous financial year. No new operational grants were received for the first month of the year, as a result, there is no spending on the operational grants. There was no spending reported for the capital grants for the month of July. Overall grant utilisation is at 0%.

4.5 Cash and Cash Equivalents

An amount of R 25 479.45 was accrued in investment interest income for the month of July 2020. The cash in bank as at 31 July 2020 amounted to **R 229.9 million** and investments amounted to **R4 million** bringing a total cash and cash equivalents of **R 233.9 million**. The average interest rate on the investment is at 8%. The cash coverage ratio as at 31 July 2020 is 1.68 based on average of R 85 million per month fixed operating expenditure. This indicates that the municipality as at 31 July 2020 have sufficient cash to run its operation for a 1 month or 50 days based on a 30 day calendar month. The norm as set out in the uniform financial ratios and norms circular 71 is 1 to 3 months

4.6 Borrowings

As at 31 July 2020 the loans book was sitting at R191.6 million. The average interest rate on remaining loans is 11%. The debt to revenue ratio at 67.04%, the treasury norm of 45%.

4.7 Outstanding Creditors

The balance of trade payables as at 31 July 2020 was R 30.6 million.

Total R 11 million or 36% of invoices remained outside the compliance period of 30 days as at 31 July 2020. None of the bulk services, 3rd party and statutory invoices were outstanding for longer than 30 days as at 31 July 2020.

The invoices that are outstanding longer than 150 days, are mostly invoices under dispute and some confiscated by the SIU. The Heads of Departments have been requested to finalise the disputes with the service providers or the service providers have been requested to submit a credit note to cancel the raised invoices. The municipality has extended rental lease agreements to allow for the supply chain processes to be finalized.

4.8 Billing Revenue and Debtors

Billing revenue for the month of July 2020 was R 28.2 million. Actual collections during July 2020 were R19.1 million which represented 68% of the June 2020 billed revenue. The overall collection rate is 68% which is about the same as the collection rate for the same period in the previous financial year.

The percentage of collection for Water Schemes is low as consumers in these areas refuse to pay for water services rendered. Certain rural schemes have constant interruption of water supply and it is therefore difficult to implement the Credit Control Policy in these areas.

Customers in rural areas such as Gomane and Swampo at iMpendle are appealing to the Municipality to write off their debts as they assist by providing water to other sections within the area when there is an interruption of water supply.

The debtor book value as at 31 July 2020 amounted to **R 883 million**. The collection rate in the month of July was 68 %. The average collection rate to date from July 2020 is **68%**.

Staff owe a total of R515 671.22, a total of R440 242.11 is more than 90 days. Individual letters are being sent to individuals to sign consent for the Municipality to deduct the monies owed above 90 days during the end August payroll run.

5. RECOMMENDATIONS

- (1) That, in compliance with, 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 10th month of the 2018/19 financial year, and supporting documents as required by National Treasury (Schedule C) be submitted to Council.
- (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 Council notes and approves the following:
 - 3.1 Surplus for the period ending 31 July 2020 is R 218 million.
 - 3.2 Cash & Cash Equivalent for the period ending 31 July 2020 is R 229.9 million including an investment of R 4 million held as security for the loan.
 - 3.3 Capital Expenditure for the period ending 31 July 2020 is R 0.
 - 3.4 Trade Payables for the period ending 31 July 2020 is R 30.6 million.
 - 3.5 Trade Receivables for the period ending 31 July 2020 is R 883 million.
 - 3.6 Unspent conditional Grants for the period ending 30 June 2020 is R 23.4 million.
- (4) The Committee notes the cash and cash equivalents of R 229.9 million translates to a positive cash Coverage of 50.4 days. The National Treasury Norm of 1 – 3 months.