

REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPALITY COUNCIL



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For consideration

1 st Level – MANCO	:
2 nd Level – Portfolio Committee	: 13/02/2020
3 rd Level – EXCO	: 20/02/2020
4 th Level – Council	: 27/02/2020

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

DATE : 14 FEBRUARY 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 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 JANUARY 2020 the ten working day reporting limit expires on 14 FEBRUARY 2020.

4. REPORT

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

Table1

Summary of financial performance	
Actual Revenue to Budgeted Revenue	47
Actual OPEX to budgeted OPEX	45
Actual CAPEX to budgeted CAPEX	63
Employee related cost exp to total OPEX	30
% Grant Utilisation	83.04
Cash Coverage Ratio	0.12
Debt Service to Revenue Ratio	0.20
% Debt to Revenue Ratio	22.45
Creditors Age Analysis	16% or R 13.5 milliion of creditors is outstanding longer than 30 days.
Debt Collection Rate	59

4.1 Operating Budget

The revenue raised as at 31 January 2020 is R 443.4 million against the original budget of R 936.0 million for the year and R 546 million for the period. This reflects a revenue rate of 47% against the original budget and 81% for the year to date budget.

The operating expenditure as at 31 January 2020 was R 419.8 million vs a year to date budget of R 532.8 million reflecting YTD expenditure of 78% and 45% against the original budget. The operating surplus for the period was R 48.8 million.

4.2 Capital Expenditure

The total capital budget for the 2019/ 2020 financial year is R 184 625 million including the allocation for the Rural Roads Assets Management Grant of R 2.6 million. The MIG allocation is R 101.9 million and the Water Services Infrastructure Grant is R 80 million. The year to date certified MIG expenditure amounts to R 75.5 million. The total expenditure for the Water Services Infrastructure Grant amount to R 41.2 million or 51.50%.

Total capital expenditure to date is 63.32% against the original budget

4.3 Employee Related Costs and Councilor Allowances

The total salaries budget for councilors amounts to R12,941 million while salaries budget for staff amounts to R283,677 million. This brings the total salaries budget to R296,618 million, which is 32% 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 January 2020, 45% of the councilor's allowances budget was spent and 42% spent of the employee costs budget. The total actual salary cost including councilor's allowances represented 30% 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 January 2020 a total of R 126.3 million of conditional grants was received since 1 July 2019, whilst an additional R 23 million was available which was received in the previous financial year. R 113.3 million was spent as at end of January 2020. The operating grant utilisation is at 21.40% and the capital grant utilisation was 89.65 % of allocations received. Overall received grant utilisation is at 83%

4.5 Cash and Cash Equivalents

An amount of R 25 479 was accrued in investment interest income for the month of January 2020. The cash in bank as at 31 January 2020 amounted to R 138.7 million and investments amounted to R3.8 million bringing a total cash and cash equivalents of R 142.6 million. The average interest rate on investment is at 8%. The cash coverage ratio as at 31 January 2020 is 0.12 based on average of R 70 million per month fixed operating expenditure. This indicates that the municipality as at 31 January 2020 has sufficient cash to run its operations for 3.5 days. 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 January 2020 the loans book was sitting at R 210.2 million. The average interest rate on remaining loans is 11%. The debt to revenue ratio at 22.45% as projected which is below the treasury norm of below 45%. This indicates that the debt books is funded by 0.20% of the internally generated operating income.

4.7 Outstanding Creditors

The balance of trade payables as at 31 January 2020 was R 82. 8million.

A total R 13.5 million or 16% of invoices remained outside the compliance period of 30 days as at 31 January 2020. None of the bulk services, 3rd party and statutory invoices were outstanding for longer than 30 days as at 31 January 2020.

4.8 Billing Revenue and Debtors

Billing revenue for the month of January 2020 was R30.813 million. Actual collections during January 2020 were R16.616 million which represented 59% of the December 2019 billed revenue.

The overall collection rate is 60% 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 customers advised that they will commence with payment once the interruption of water supply is resolved and the write-off is approved.

The debtor book value as at 31 January 2020 amounted to **R 797.6 million**. The collection rate in the month of January was 59%. The average collection rate to date from July 2019 is **62 %**.

Councilors owe Council a total of R207 799.30 while staff owe a total of R436 463.96

4. 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 the Council notes and approves the following:
 - 3.1 Surplus for the period ending 31 January 2020 is R 134 million.
 - 3.2 Cash & Cash Equivalent for the period ending 31 January 2020 is R 142.6 million.
 - 3.3 Capital Expenditure for the period ending 31 January 2020 is R 110.3 million.
 - 3.4 Trade Payables for the period ending 31 January 2020 is R 82.8 million.
 - 3.5 Trade Receivables for the period ending 31 January 2020 is R 797.6 million.
 - 3.6 Unspent conditional Grants for the period ending 31 January 2020 is R 32.2 million.
- 4 The Committee notes the cash and cash equivalents of R 142.6 million translates to a positive cash Coverage of 3.5 days, which falls below the National Treasury Norm of 1 – 3 months.