

REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPALITY COUNCIL



File Reference : 5/1/1/1	Author	: Linda Africa
Report Number: 12	Designation	: ACFO

For consideration

1 st Level – MANCO	:
2 nd Level – Portfolio Committee	: /07/2020
3 rd Level – EXCO	: /07/2020
4 th Level – Council	: /07/2020

SUBJECT: PRELIMINARY MONTHLY IN YEAR MONITORING FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2020

DATE : 16 JULY 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 June or 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 June 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 30 JUNE 2020 the ten working day reporting limit expires on 16 JULY 2020.

4. REPORT

The below is the summary of financial performance for the period ended 30 JUNE 2020.

Table1

Summary of financial performance	
Actual Revenue to Budgeted Revenue	80
Actual OPEX to budgeted OPEX	97
Actual CAPEX to budgeted CAPEX	97
Employee related cost exp to total OPEX	30
% Grant Utilisation	86.90
Cash Coverage Ratio	-0.68
Debt Service to Revenue Ratio	0.24
% Debt to Revenue Ratio	28.59
Creditors Age Analysis	41% or R 44 million of creditors is outstanding longer than 30 days.
Debt Collection Rate	44

4.1 Operating Budget

The revenue raised as at 30 June 2020 is R 718.4 million against the adjusted budget of R 877 million for the year and R 877 million for the period. This reflects a revenue rate of 82% against the adjusted budget and 82% for the year to date budget.

The operating expenditure as at 30 June 2020 was R 785.1 million vs a year to date budget of R782.3 million reflecting YTD expenditure of 100% and 100% against the adjusted budget. The operating surplus for the period was R 111.7 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 95.8 million. The total expenditure for the Water Services Infrastructure Grant amount to R 80 million or 100%.

Total capital expenditure to date is 96.68 % against the adjusted budget.

4.3 Employee Related Costs and Councilor Allowances

The total salaries budget for councillor's amounts to R 10.6 million while salaries budget for staff amounts to 234.8 million. This brings the total salaries budget to 245.5 million, which is 30% of the total operational budget. This is within the norm of 25% - 40% in terms of National Treasury circular 71 of 2014.

As at 30 June 2020, 109% of the councilor's allowances budget was spent and 106% spent of the employee costs budget. The total actual salary cost including councilor's allowances represented 33% 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 June 2020 a total of R 193 million of conditional grants was received since 1 July 2019, whilst an additional R 23 million was available and was received in the previous financial year. R 183.5 million was spent as at end of June 2020. The operational grant utilisation is at 33.65 % and the capital grant utilisation was 90.99% of allocations received. Overall grant utilisation is at 86.90%.

4.5 Cash and Cash Equivalents

An amount of R 24.657 thousand was accrued in investment interest income for the month of June. The cash in bank as at 30 June 2020 amounted to **R 83.5 million** and investments amounted to **R3.9 million** bringing a total cash and cash equivalents of **R 87.5 million**. The average interest rate on investment is at **8%**. The cash coverage ratio as at 30 June 2020 is -0.68 based on average of R 70 million per month fixed operating expenditure. This indicates that the municipality as at 30 June 2020 has sufficient cash to run its operations for -20.25 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. See below extract from SC 5.

4.6 Borrowings

As at 30 June 2020 the loans book was sitting at R 205.4 million. The average interest rate on remaining loans is 11%. The debt to revenue ratio at 28.59 % as projected which is below the treasury norm of below 45%.

4.7 Outstanding Creditors

The balance of trade payables as at 30 June 2020 was R 108.5 million. Total R 44 million or 41% of invoices remained outside the compliance period of 30 days as at 30 June 2020. None of the bulk services, 3rd party and statutory invoices were outstanding for longer than 30 days as at 30 June 2020.

4.8 Billing Revenue and Debtors

Billing revenue for the month of June 2020 was R 28.3 million. Actual collections during June 2020 were R14.6 million which represented 44% of the May 2020 billed revenue.

The overall collection rate is 57% 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 30 June 2020 amounted to **R 870 million**. The collection rate in the month of June was 44 %. The average collection rate to date from July 2019 is **57%**.

Staff owe a total of R517 753.

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 the Council notes and approves the following:
 - 3.1 Surplus for the period ending 30 June 2020 is R 111.7 million.
 - 3.2 Cash & Cash Equivalent for the period ending 30 June 2020 is R 87.5 million including an investment of R 3.9 held as security for the loan.
 - 3.3 Capital Expenditure for the period ending 30 June 2020 is R 178.4 million.
 - 3.4 Trade Payables for the period ending 30 June 2020 is R 108.4 million.
 - 3.5 Trade Receivables for the period ending 30 June 2020 is R 870.4 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 R87.5 million translates to a negative cash Coverage of -20.25 days. The National Treasury Norm of 1 – 3 months.