

# REPORT TO THE uMGUNGUNDLOVU DISTRICT MUNICIPALITY COUNCIL



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|--------------------------|-------------|----------------|
| File Reference : 5/1/1/1 | Author      | : Linda Africa |
| Report Number: 10        | Designation | : ACFO         |

For consideration

|   |              |
|---|--------------|
| 1 <sup>st</sup> Level – MANCO               | : 13/05/2019 |
| 2 <sup>nd</sup> Level – Portfolio Committee | : 15/05/2019 |
| 3 <sup>rd</sup> Level – MPAC                | : 17/05/2019 |
| 4 <sup>th</sup> Level – EXCO                | : 23/05/2019 |
| 5 <sup>th</sup> Level – Council             | : 31/05/2019 |

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**SUBJECT: PRELIMINARY MONTHLY IN YEAR MONITORING FINANCIAL REPORT FOR THE PERIOD ENDED 30  
APRIL 2019**

**DATE : 15 MAY 2019**

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## 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 30 April 2019 the ten working day reporting limit expires on **15 May 2019**.

**The below is the summary of financial performance for the period ended 30 April 2019.**

**Table 1**

| <b>Summary of financial performance</b> |  |
|---|--|
| Actual Revenue to Budgeted Revenue      | 97   |
| Actual OPEX to budgeted OPEX            | 71   |
| Actual CAPEX to budgeted CAPEX          | 60.27  |
| Employee related cost exp to total OPEX | 40   |
| % Grant Utilisation                     | 45.91  |
| Cash Coverage Ratio                     | -0.81  |
| Debt Service to Revenue Ratio           | 1.82   |
| % Debt to Revenue Ratio                 | 22.26  |
| Creditors Age Analysis                  | 12% or R4.7 million of creditors is outstanding longer than 30 days. |
| Debt Collection Rate                    | 58   |

#### **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 10<sup>th</sup> 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 Committee approves the following:
  - 3.1 Surplus for the period ending 30 April 2019 is R289.4 million.
  - 3.2 Cash & Cash Equivalent for the period ending 30 April 2019 is R164.4 million.
  - 3.3 Capital Expenditure for the period ending 30 April 2019 is R 125.1 million excluding items that does not meet the capitalisation criteria or R 126.9 million including items that does not meet the capitalisation criteria funded by Capital Grants.
  - 3.4 Trade Payables for the period ending 30 April 2019 is R 37.8 million.
  - 3.5 Trade Receivables for the period ending 30 April 2019 is R 664.7 million.

- 3.6 Unspent conditional Grants for the period ending 30 April 2019 is R 156.5 million.
- 4 The Committee notes the cash and cash equivalents of R 164.4 million translates to a negative cash Coverage of 0.81 or negative 25 days, which is below the National Treasury Norm of 1 – 3 months.
- (5) **That the Committee notes the following for the uMgungundlovu Development Agency:**
- 4.1 Surplus for the period ending 30 April 2019 of R 2.6 million.
- 4.2 Cash & Cash Equivalent for the period ending 30 April 2019 is R2.9 million.
- 4.3 Capital Expenditure for the period ending 30 April 2019 is Nil
- 4.4 Trade Payables for the period ending 30 April 2019 is Nil

## IN YEAR MONITORING REPORT FOR THE PERIOD ENDED 30 APRIL 2019.

### 1. Operating Budget

Summary financial performance report **SF1** for the period ending 30 April 2019 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:

**Table 2**

| DC22 uMgungundlovu - Table C1 Consolidated Monthly Budget Statement Summary - M10 April |                  |                     |                 |                 |                |                 |                 |                |                    |
|---|------------------|---------------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|--------------------|
| Description   | 2017/18          | Budget Year 2018/19 |                 |                 |                |                 |                 |                |                    |
|   | Audited Outcome  | Original Budget     | Adjusted Budget | Monthly actual  | YearTD actual  | YearTD budget   | YTD variance    | YTD variance % | Full Year Forecast |
| R thousands   |                  |                     |                 |                 |                |                 |                 |                |                    |
| <b>Financial Performance</b>  |                  |                     |                 |                 |                |                 |                 |                |                    |
| Property rates  | -                | -                   | -               | -               | -              | -               | -               | -              | -                  |
| Service charges   | 177 003          | 281 429             | 208 286         | 19 986          | 216 004        | 173 572         | 42 432          | 24%            | 208 286            |
| Investment revenue  | 3 802            | 2 500               | 600             | 25              | 242            | 500             | (258)           | -52%           | 600                |
| Transfers and subsidies   | 433 487          | 492 260             | 514 010         | -               | 487 231        | 428 341         | 58 890          | 14%            | 514 010            |
| Other own revenue   | 36 266           | 10 150              | 33 996          | 2 988           | 28 028         | 28 330          | (303)           | -1%            | 33 996             |
| <b>Total Revenue (excluding capital transfers and contributions)</b>                    | <b>650 558</b>   | <b>786 339</b>      | <b>756 892</b>  | <b>22 998</b>   | <b>731 505</b> | <b>630 743</b>  | <b>100 762</b>  | <b>16%</b>     | <b>756 892</b>     |
| <b>Expenditure</b>  |                  |                     |                 |                 |                |                 |                 |                |                    |
| Employee costs  | 208 700          | 250 246             | 269 246         | 19 075          | 193 836        | 224 371         | (30 535)        | -14%           | 222 536            |
| Remuneration of Councillors   | 10 958           | 12 479              | 12 320          | 1 319           | 9 740          | 10 266          | (526)           | -5%            | 10 564             |
| Depreciation & asset impairment   | 40 172           | 51 000              | 35 000          | -               | 19 942         | 29 167          | (9 225)         | -32%           | 28 692             |
| Finance charges   | 35 321           | 22 609              | 27 546          | (22)            | 15 975         | 22 955          | (6 980)         | -30%           | 22 877             |
| Materials and bulk purchases  | 132 358          | 140 650             | 139 150         | 12 453          | 118 778        | 115 958         | 2 819           | 2%             | 127 839            |
| Transfers and subsidies   | -                | -                   | -               | 13              | 13             | -               | 13              | #DIV/0!        | -                  |
| Other expenditure   | 390 261          | 328 171             | 312 527         | 19 094          | 208 912        | 260 440         | (51 527)        | -20%           | 240 673            |
| <b>Total Expenditure</b>  | <b>817 770</b>   | <b>805 155</b>      | <b>795 789</b>  | <b>51 931</b>   | <b>567 196</b> | <b>663 157</b>  | <b>(95 961)</b> | <b>-14%</b>    | <b>653 181</b>     |
| <b>Surplus/(Deficit)</b>  | <b>(167 212)</b> | <b>(18 816)</b>     | <b>(38 897)</b> | <b>(28 933)</b> | <b>164 309</b> | <b>(32 414)</b> | <b>196 723</b>  | <b>-607%</b>   | <b>103 711</b>     |

The revenue raised as at 30 April 2019 is R 731.5 million against the adjusted budget of R 756.9 million for the year and R 630.7 million for the period. This reflects a revenue rate of 96.6% against the adjusted budget and 115.9% for the year to date budget.

The operating expenditure as at 30 April 2019 was R 567.2 million vs a year to date budget of R 663.2 million reflecting YTD expenditure of 85.5% and 71% against the adjusted budget. The operating surplus for the period was R 164.3 million.

The major operating revenue variances against year to date budget are:

- Service charges above target by 24%.
- Transfers and subsidies are 14% above target.
- Investment revenue is 52% below target.
- Other revenue account, the amount is made up of: Tender sales, Rental of facilities and SANBI

The reasons for variances per source group are also cited in Annexure A, Table SC1 of this report.

## 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:

**Table 3**

| Funding Source                   | Original Budget 2018 /2019 | Adjustment Budget 2018 /2019 | Expenditure as at 30 April 2019 | % spent      |
|----------------------------------|----------------------------|------------------------------|---------------------------------|--------------|
| MIG                              | 99 828 000.00              | 99 828 001.00                | 90 773 142.94                   | 90.93        |
| WSIG                             | 102 700 000.00             | 102 700 000.00               | 34 294 066.48                   | 33.39        |
| RESERVES                         | 5 000 000.00               | 5 000 000.00                 | 0.00                            | 0.00         |
| RRAMS                            | 2 531 000.00               | 2 531 000.00                 | 1 902 034.09                    | 75.15        |
| DWS                              | 4 000 095.45               |                              | 0.00                            |              |
|                                  | <b>214 059 095.45</b>      | <b>210 059 001.00</b>        | <b>126 969 243.51</b>           | <b>60.44</b> |
| LESS NON CAPITALISED PROJECTS    | 6 531 095.45               |                              | 1 902 034.09                    |              |
| <b>TOTAL CAPITAL EXPENDITURE</b> | <b>207 528 000.00</b>      |                              | <b>125 067 209.42</b>           | <b>60.27</b> |

**Table 4**

| Project Name                             | Funding Source | Original Budget 2018/2019 | Adjustment Budget 2018/2019 | Total current year expenditure as at 30.04.2019 | % Percentage |
|--|----------------|---------------------------|-----------------------------|---|--------------|
| <b>Infrastructure assets</b>             |                |                           |                             |   |              |
| Manyavu water                            | MIG            | 11 636 359                | 41 432 018                  | 41 209 551                                      | 99.46        |
| Manzamyama Water                         | MIG            | 10 855 358                | 26 354 712                  | 22 228 707                                      | 84.34        |
| Nkanyezini Water                         | MIG            | 8 742 766                 | 19 400 075                  | 16 000 627                                      | 82.48        |
| Maqongqo Water/ Upgrade                  | MIG            | 8 093 517                 | 11 051 998                  | 10 075 633                                      | 91.17        |
| Phase 2 Nadi - Efaye                     | MIG            | 20 350 000                |                             |   |              |
| Hilton Corridor development              | MIG            |                           | 330 574                     |   |              |
| Phase 3A Mtulwa                          | MIG            | 16 804 000                |                             |   |              |
| Phase 3B Ekhamanzi                       | MIG            | 14 346 000                |                             |   |              |
| Mshwathi Slum / Trust feeds Phase 1      | MIG            | 3 000 000                 | 1 258 624                   | 1 258 624                                       |              |
| Sanitation                               | MIG            | 6 000 000                 |                             |   |              |
| Umshwathi Regional Bulk                  | WSIG           | 102 700 000               | 56 253 560                  | 34 294 066                                      | 60.96        |
| Nadi to Ekhamanzi                        | WSIG           |                           | 11 168 037                  |   |              |
| Mtulwa to Mt Elias- Pahse 3              | WSIG           |                           | 35 278 403                  |   |              |
| Boreholes - Drought (ex Mkhambathini WW) | DWS            | 4 000 095                 |                             |   |              |
| Merrivale AV Pipes                       | DBSA           |                           |                             |   |              |
| Merrivale AV Pipes                       | MIG            |                           |                             |   |              |
| Rural roads asset management             | DOT            | 2 531 000                 | 2 531 000                   | 1 902 034                                       | 75.15        |
| Retentions                               | Reserves       |                           |                             |   |              |
| Fire Fighting Equipment                  | Reserves       | 5 000 000                 | 5 000 000                   |   |              |
| Furniture                                | Reserves       |                           |                             |   |              |
| IT Equipment and Infrastructure          | Reserves       |                           |                             |   |              |
|  |                | <b>214 059 095</b>        | <b>210 059 001</b>          | <b>126 969 244</b>                              | <b>60.44</b> |
|  |                |                           | <b>207 528 001</b>          | <b>125 067 209</b>                              | <b>60.27</b> |

The total capital adjustment budget for the 2018/ 2019 financial year is R207 528 million excluding the allocation for the Rural Roads Assets Management Grant of R 2.5 million. The MIG allocation is R 99 8 million and the Water Services Infrastructure Grant is R 102.7 million. The year to date, MIG expenditure amounts to R 90.8 million or 90.93%. The total expenditure for the Water Services Infrastructure Grant amount to R 34.3 million or 33.39 %. The municipality anticipates to spend in full the MIG allocation and has implemented strategies to improve spending on the Water Services infrastructure Grant.

The projects on the pipeline are as follows:

1. **The Nkanyezini water supply scheme** has a total project budget of R 85 million and tender was awarded on 17 October 2016. The project is ongoing. Initially there were delays in the start of the projects due to contractor challenges and contract termination processes were institution and the contractor given time to correct anomalies in line with the GCCs. Further delays were experienced due to social facilitation issues which arose after the death of the ward councillor. Other delays were due to the negotiations with the landowner and house owner which have both been resolved. An amount of R950 000 was paid for the purchase of the house which is on the site on which a reservoir is to be built. The land price of R115k was paid in November 2017. Expenditure as at 30 April is at 82.48% of the 2018/ 2019 year allocation which is R 19.4 million. The project is experiencing progress challenges due to the performance of the contractor.
2. **The Manyavu water supply scheme** has an allocation of R41.4 million for year. The project was awarded on 21 April 2017, the site handover has been completed. The project is progressing well and has an expenditure of R 41.2 million as at 30 April 2019.
3. **The Manzamnyama water supply scheme** was advertised and closed on 18 January 2018, Contractor appointed and now on onsite. The project has a year allocation of R 26.4 million and expenditure to date as at 30 April is at R22 million.
4. **Maqongqo water supply scheme** project has an allocation of R19 million and was awarded in July 2017 and has R 11 million budget allocation. The project is experienced social facilitation issues which have subsequently been attended to through the intervention of the infrastructure portfolio chairperson. The project is progressing well and has an expenditure to date of 91% or R 10 million.
5. Spending on the **WSIG is 27.5%** of the year allocation.
6. Total capital expenditure to date is **60.27%** against the original budget.

### 3. Employee costs and councillor's 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. As at 30 April 2019, **80%** of the councillor's allowances budget was spent and 70% spent of the employee costs budget. As at 30 April 2019 the total salary cost including councillor's allowances represented 40% 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

#### Table 5

DC22 uMgungundlovu - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M10 April

| Summary of Employee and Councillor remuneration             | Ref | 2017/18         | Budget Year 2018/19 |                 |                |                |                |                 |                |                    |
|---|-----|-----------------|---------------------|-----------------|----------------|----------------|----------------|-----------------|----------------|--------------------|
|   |     | Audited Outcome | Original Budget     | Adjusted Budget | Monthly actual | YearTD actual  | YearTD budget  | YTD variance    | YTD variance % | Full Year Forecast |
| R thousands   |     | A               | B                   | C               |                |                |                |                 |                | D                  |
| <b>Councillors (Political Office Bearers plus Other)</b>    |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    |     | 6 455           | 7 259               | 7 259           | 837            | 5 826          | 6 049          | (223)           | -4%            | 6 307              |
| Pension and UIF Contributions                               |     | 713             | 555                 | 555             | 77             | 570            | 462            | 107             | 23%            | 576                |
| Medical Aid Contributions                                   |     | 252             | 266                 | 266             | 16             | 159            | 222            | (63)            | -28%           | 193                |
| Motor Vehicle Allowance                                     |     | 2 472           | 2 441               | 2 441           | 304            | 2 202          | 2 035          | 167             | 8%             | 2 296              |
| Cellphone Allowance   |     | 1 067           | 1 958               | 1 799           | 69             | 879            | 1 499          | (620)           | -41%           | 1 191              |
| Housing Allowances  |     | -               | -                   | -               | -              | -              | -              | -               | -              | -                  |
| Other benefits and allowances                               |     | -               | -                   | -               | 27             | 105            | -              | 105             | #DIV/0!        | -                  |
| <b>Sub Total - Councillors</b>                              |     | <b>10 958</b>   | <b>12 479</b>       | <b>12 320</b>   | <b>1 330</b>   | <b>9 740</b>   | <b>10 266</b>  | <b>(526)</b>    | <b>-5%</b>     | <b>10 564</b>      |
| % increase  | 4   |                 | 13.9%               | 12.4%           |                |                |                |                 |                | -3.6%              |
| <b>Senior Managers of the Municipality</b>                  |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    | 3   | -               | 5 717               | 5 717           | 305            | 1 746          | 4 764          | (3 018)         | -63%           | -                  |
| Pension and UIF Contributions                               |     | -               | 185                 | 185             | 28             | 161            | 154            | 7               | 5%             | -                  |
| Motor Vehicle Allowance                                     |     | -               | 878                 | 878             | 45             | 366            | 732            | (366)           | -50%           | -                  |
| Cellphone Allowance   |     | -               | 108                 | 108             | 4              | 27             | 90             | (63)            | -70%           | -                  |
| Other benefits and allowances                               |     | -               | 75                  | 75              | 6              | 130            | 62             | 68              | 108%           | -                  |
| <b>Sub Total - Senior Managers of Municipality</b>          |     | <b>-</b>        | <b>6 964</b>        | <b>6 964</b>    | <b>387</b>     | <b>2 430</b>   | <b>5 803</b>   | <b>(3 372)</b>  | <b>-58%</b>    | <b>-</b>           |
| % increase  | 4   |                 | #DIV/0!             | #DIV/0!         |                |                |                |                 |                |                    |
| <b>Other Municipal Staff</b>                                |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    |     | 157 487         | 131 982             | 183 128         | 10 635         | 136 180        | 152 607        | (16 427)        | -11%           | 165 316            |
| Pension and UIF Contributions                               |     | 777             | 29 358              | 1 031           | 2 326          | 8 702          | 859            | 7 844           | 913%           | 903                |
| Medical Aid Contributions                                   |     | 12 009          | 11 247              | 9 939           | 871            | 6 732          | 8 283          | (1 551)         | -19%           | 9 284              |
| Overtime  |     | 7 832           | 8 902               | 10 863          | 624            | 5 623          | 9 052          | (3 429)         | -38%           | 7 162              |
| Performance Bonus   |     | 9 985           | 10 793              | 21 094          | 47             | 10 567         | 17 578         | (7 011)         | -40%           | 15 777             |
| Motor Vehicle Allowance                                     |     | 17 202          | 21 809              | 28 377          | 1 635          | 15 423         | 23 647         | (8 224)         | -35%           | 20 081             |
| Cellphone Allowance   |     | 565             | 1 702               | -               | 135            | -              | -              | -               | -              | -                  |
| Housing Allowances  |     | 1 023           | 1 037               | 1 766           | 92             | 830            | 1 471          | (641)           | -44%           | 1 179              |
| Other benefits and allowances                               |     | -               | 16 182              | -               | 1 844          | 2 843          | -              | 2 843           | #DIV/0!        | -                  |
| Payments in lieu of leave                                   |     | -               | -                   | -               | 185            | 1 226          | -              | 1 226           | #DIV/0!        | -                  |
| Long service awards   |     | 3 094           | 299                 | 2 515           | 144            | 1 438          | 2 096          | (658)           | -31%           | 1 941              |
| Post-retirement benefit obligations                         | 2   | (1 273)         | 9 000               | 3 570           | 432            | 1 841          | 2 975          | (1 133)         | -38%           | 892                |
| <b>Sub Total - Other Municipal Staff</b>                    |     | <b>208 700</b>  | <b>242 310</b>      | <b>262 282</b>  | <b>18 971</b>  | <b>191 406</b> | <b>218 569</b> | <b>(27 163)</b> | <b>-12%</b>    | <b>222 536</b>     |
| % increase  | 4   |                 | 16.1%               | 25.7%           |                |                |                |                 |                | 6.6%               |
| <b>Total Parent Municipality</b>                            |     | <b>219 659</b>  | <b>261 753</b>      | <b>281 565</b>  | <b>20 688</b>  | <b>203 576</b> | <b>234 638</b> | <b>(31 061)</b> | <b>-13%</b>    | <b>233 099</b>     |
|   |     |                 | 19.2%               | 28.2%           |                |                |                |                 |                | 6.1%               |
| <b>Unpaid salary, allowances &amp; benefits in arrears:</b> |     |                 |                     |                 |                |                |                |                 |                |                    |
| <b>Board Members of Entities</b>                            |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    |     | 845             | 845                 | 845             | -              | 709            | 845            | (137)           | -16%           | 845                |
| Post-retirement benefit obligations                         |     | -               | -                   | -               | -              | -              | -              | -               | -              | -                  |
| <b>Sub Total - Board Members of Entities</b>                | 2   | <b>845</b>      | <b>845</b>          | <b>845</b>      | <b>-</b>       | <b>709</b>     | <b>845</b>     | <b>(137)</b>    | <b>-16%</b>    | <b>845</b>         |
| % increase  | 4   |                 | 0.0%                | 0.0%            |                |                |                |                 |                | 0.0%               |
| <b>Senior Managers of Entities</b>                          |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    |     | -               | -                   | -               | -              | -              | -              | -               | -              | -                  |
| Pension and UIF Contributions                               |     | -               | -                   | 104             | -              | -              | 104            | (104)           | -100%          | -                  |
| Other benefits and allowances                               |     | 122             | 1 226               | 1 373           | -              | 842            | 1 373          | (531)           | -39%           | 1 226              |
| <b>Sub Total - Senior Managers of Entities</b>              |     | <b>122</b>      | <b>1 226</b>        | <b>1 477</b>    | <b>-</b>       | <b>842</b>     | <b>1 477</b>   | <b>(635)</b>    | <b>-43%</b>    | <b>1 226</b>       |
| % increase  | 4   |                 | 907.9%              | 1114.4%         |                |                |                |                 |                | 907.9%             |
| <b>Other Staff of Entities</b>                              |     |                 |                     |                 |                |                |                |                 |                |                    |
| Basic Salaries and Wages                                    |     | -               | -                   | -               | -              | -              | -              | -               | -              | -                  |
| Pension and UIF Contributions                               |     | -               | -                   | 24              | -              | 24             | -              | 24              | #DIV/0!        | -                  |
| Other benefits and allowances                               |     | 884             | 109                 | 342             | -              | 219            | 342            | (123)           | -36%           | 109                |
| <b>Sub Total - Other Staff of Entities</b>                  |     | <b>884</b>      | <b>109</b>          | <b>366</b>      | <b>-</b>       | <b>243</b>     | <b>342</b>     | <b>(99)</b>     | <b>-29%</b>    | <b>109</b>         |
| % increase  | 4   |                 | -87.7%              | -58.6%          |                |                |                |                 |                | -87.7%             |
| <b>Total Municipal Entities</b>                             |     | <b>1 851</b>    | <b>2 180</b>        | <b>2 688</b>    | <b>-</b>       | <b>1 794</b>   | <b>2 664</b>   | <b>(870)</b>    | <b>-33%</b>    | <b>2 180</b>       |
| <b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>              |     | <b>221 510</b>  | <b>263 933</b>      | <b>284 253</b>  | <b>20 688</b>  | <b>205 370</b> | <b>237 302</b> | <b>(31 931)</b> | <b>-13%</b>    | <b>235 280</b>     |
| % increase  | 4   |                 | 19.2%               | 28.3%           |                |                |                |                 |                | 6.2%               |
| <b>TOTAL MANAGERS AND STAFF</b>                             |     | <b>209 706</b>  | <b>250 608</b>      | <b>271 088</b>  | <b>19 358</b>  | <b>194 921</b> | <b>226 190</b> | <b>(31 269)</b> | <b>-14%</b>    | <b>223 870</b>     |

#### 4. Conditional Grants

As at the end of April 2019 a total of R 224.6 million of conditional grants was received since 1 July 2018, whilst an additional R 72.2 million was available which was received in the previous financial year. R 132.9 million was spent as at 30 April 2019. The operating grant utilisation is at 44.67% and the capital grant utilisation was 45.99% of allocations received. Overall grant utilisation is at 45.91%

**Table 6**

| Description                   | Opening Balance      | Receipts              | Roll Over Repayme | Total receipts        | Expenditure           | Balance               | % spent to date |
|-------------------------------|----------------------|-----------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------|
| <b>Operating Grants</b>       |                      |                       |                   |                       |                       |                       |                 |
| FMG                           | 0.00                 | 1 000 000.00          |                   | 1 000 000.00          | 677 081.75            | 322 918.25            | 67.71           |
| PTP                           | 308 817.00           | 0.00                  |                   | 308 817.00            | 0.00                  | 308 817.00            | 0.00            |
| RRAMS                         | 0.00                 | 2 531 000.00          |                   | 2 531 000.00          | 1 902 034.09          | 628 965.91            | 75.15           |
| EPWP                          | 0.00                 | 4 265 000.00          |                   | 4 265 000.00          | 1 518 086.48          | 2 746 913.52          | 35.59           |
| Camperdown WWW                | 4 000 095.00         | 0.00                  |                   | 4 000 095.00          | 0.00                  | 4 000 095.00          | 0.00            |
| SETA Grants                   | 219 304.75           | 0.00                  |                   | 219 304.75            | 0.00                  | 219 304.75            | 0.00            |
| RASET GRANT                   | 3 000 000.00         | 0.00                  |                   | 3 000 000.00          | 3 000 000.00          | 0.00                  | 100.00          |
| DGDS GRANT                    | 300 000.00           | 0.00                  |                   | 300 000.00            | 186 011.00            | 113 989.00            | 62.00           |
| DPSS GRANT                    | 0.00                 | 500 000.00            |                   | 500 000.00            | 500 000.00            | 0.00                  | 100.00          |
| GEOPlanning                   | 0.00                 | 1 300 000.00          |                   | 1 300 000.00          | 0.00                  | 1 300 000.00          | 0.00            |
| <b>Total Operating Grants</b> | <b>7 828 216.75</b>  | <b>9 596 000.00</b>   |                   | <b>17 424 216.75</b>  | <b>7 783 213.32</b>   | <b>9 641 003.43</b>   | <b>44.67</b>    |
| <b>Capital Grants</b>         |                      |                       |                   |                       |                       |                       |                 |
| WSIG                          | 29 373 891.00        | 102 700 000.00        | 7 400 000.00      | 124 673 891.00        | 34 294 066.48         | 90 379 824.52         | 27.51           |
| Drought Relief Initiatives    | 0.00                 | 12 487 000.00         |                   | 12 487 000.00         |                       | 12 487 000.00         |                 |
| MIG                           | 23 430 775.00        | 99 828 000.00         |                   | 123 258 775.00        | 90 773 142.88         | 32 485 632.12         | 73.64           |
| Orio                          | 11 550 860.00        | 0.00                  |                   | 11 550 860.00         | 0.00                  | 11 550 860.00         | 0.00            |
| <b>Total Capital Grants</b>   | <b>64 355 526.00</b> | <b>215 015 000.00</b> |                   | <b>271 970 526.00</b> | <b>125 067 209.36</b> | <b>146 903 316.64</b> | <b>45.99</b>    |
| <b>Total Grants</b>           | <b>72 183 742.75</b> | <b>224 611 000.00</b> |                   | <b>289 394 742.75</b> | <b>132 850 422.68</b> | <b>156 544 320.07</b> | <b>45.91</b>    |

#### 5. Cash and cash equivalents

An amount of R 24 657 was accrued in investment interest income for the month of April 2019. The cash in bank as at 30 April 2019 amounted to **R 160.5 million** and investments amounted to **R 3.9 million** bringing a total cash and cash equivalents of **R 164.4 million**. The average interest rate on investment is at 8%. The cash coverage ratio as at 30 April 2019 is a **negative 22 days or - 0.76 months** based on average of R65 million per month fixed operating expenditure. This indicates that the municipality as at 30 April 2019 does not have sufficient cash to run its operations. 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.

**Table 7**

| Period of Investment<br>Yrs/Months | 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 |
|------------------------------------|--------------------|---------------------------|--------------------------------|---------------------------|--|------------------------|----------------------------------|
| 1 year                             | Long term          | 2019 Sept Seven           | 25                             | 8.0%                      | 3 919                                  | 25                     | 3 944                            |
|                                    |                    |                           | 25                             | 0                         | 3 919                                  | 25                     | 3 944                            |



**Table 8**

| Bank Accounts                | Account Number | Market value at the beginning of the month | Change in market value | Market value at the end of the month |
|------------------------------|----------------|--|------------------------|--------------------------------------|
|                              |                | <b>R 0.00</b>                              | <b>R 0.00</b>          | <b>R 0.00</b>                        |
| Main Account                 | 50940026773    | 96 051 957.11                              | -69 201 912.86         | 26 850 044.25                        |
| Salaries Account             | 50940092196    | 20 911 994.58                              | -11 338 067.36         | 9 573 927.22                         |
| Water Services Account       | 62023616462    | 8 501 344.60                               | -650 099.45            | 7 851 245.15                         |
| NSTD Call Account            | 62215748289    | 111 435 060.35                             | 564 124.47             | 111 999 184.82                       |
| Mandela Race Account         | 62411577193    | 758 013.52                                 | 2 851.86               | 760 865.38                           |
| UMDM MIG (DBSA) Account      | 62400041985    | 0.00                                       | 0.00                   | 0.00                                 |
| Corporate Cheque Account     | 62597807125    | 3 441 780.70                               | 20 906.92              | 3 462 687.62                         |
| Public Sector Cheque Account | 62243484417    | 0.00                                       | 0.00                   | 0.00                                 |
| <b>Total Cash Balances</b>   |                | <b>241 100 150.86</b>                      | <b>-80 602 196.42</b>  | <b>160 497 954.44</b>                |

Table 8 above excluded an investment of R 3 943 973 held with FNB as a security for the Long Term Borrowings (DBSA Loan) .

## 6. Borrowings

As at 30 April 2019 the loans book was sitting at R 213.6 million. The average interest rate on remaining loans is 11%. The debt to revenue ratio at 22.26% as projected which is below the treasury norm of below 45%. This indicates that the debt books is 1.82% of the internally generated operating income. The debt service ratio to operating expenditure is 2.19% which is below the 6-8% recommended treasury norm.

**Table 9**

| <b>LOANS REGISTER : DEVELOPMENT BANK OF SOUTH AFRICA (DBSA) April 2019</b> |                                      |                 |                               |                       |                               |                               |
|--|--------------------------------------|-----------------|-------------------------------|-----------------------|-------------------------------|-------------------------------|
| Agreement Number   | Project Description                  | Interest Rate % | Opening Balance at 01/04/2019 | Add: Interest Accrued | Closing Balance at 30/04/2019 | Repayment Due before year end |
| 12007869   | uMgungundlovu Various Water Projects | 10.889          | 211 706 125.47                | 1 845 198.02          | 213 551 323.49                | 15 600 210.18                 |
|  |                                      |                 | 211 706 125.47                | 1 845 198.02          | 213 551 323.49                | 15 600 210.18                 |

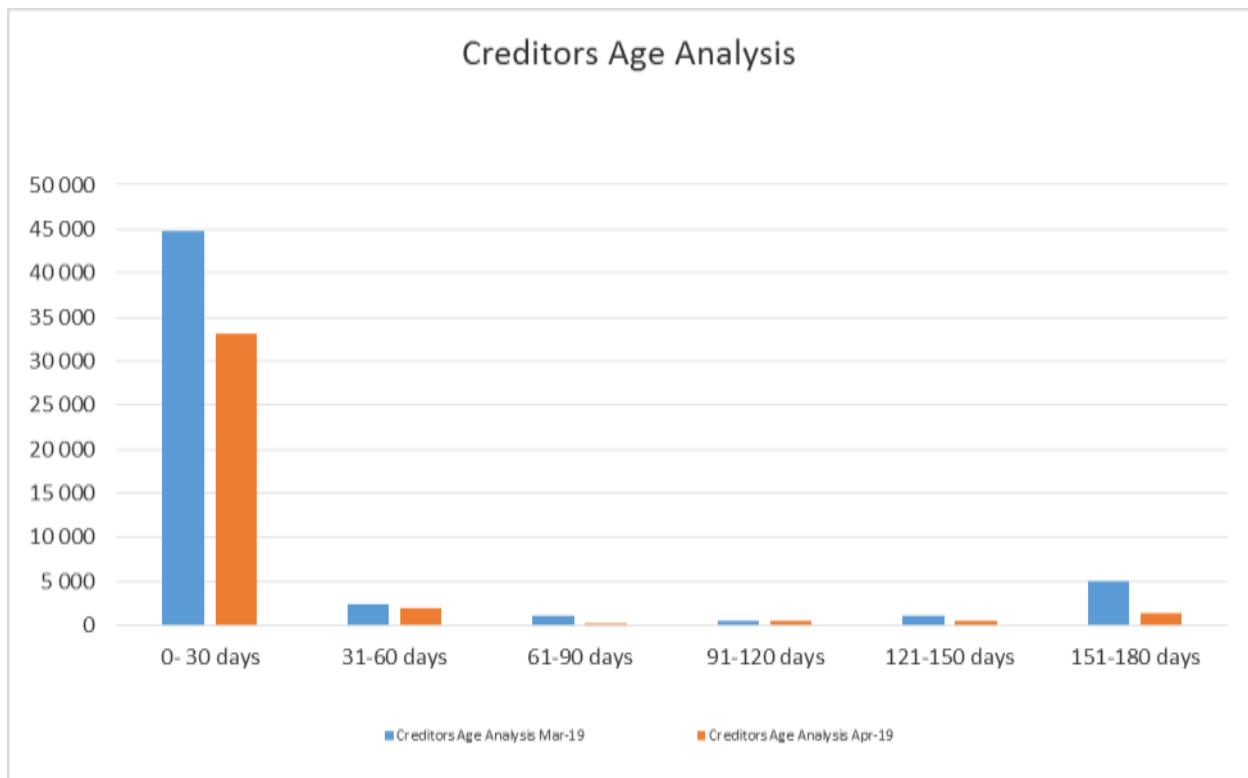
## 7. Creditors Age Analysis

A total R 4.7 million or 12% of invoices remained outside the compliance period of 30 days as at 30 April 2019. None of the bulk services, 3<sup>rd</sup> party and statutory invoices were outstanding for longer than 30 days as at 30 April 2019. The balance of trade payables as at 30 April 2019 was **R 37.8 million**.

**Table 10**

| DC22 uMgungundlovu - Supporting Table SC4 Monthly Budget Statement - aged creditors - M10 April |             |                     |              |              |               |                |                |                   |             |               |
|---|-------------|---------------------|--------------|--------------|---------------|----------------|----------------|-------------------|-------------|---------------|
| Description   | NT Code     | Budget Year 2018/19 |              |              |               |                |                |                   |             | Total         |
|   |             | 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 |               |
| R thousands   |             |                     |              |              |               |                |                |                   |             |               |
| <b>Creditors Age Analysis By Customer Type</b>  |             |                     |              |              |               |                |                |                   |             |               |
| Bulk Electricity  | 0100        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| Bulk Water  | 0200        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| PAYE deductions   | 0300        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| VAT (output less input)   | 0400        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| Pensions / Retirement deductions  | 0500        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| Loan repayments   | 0600        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| Trade Creditors   | 0700        | 25 191              | 1 629        | 208          | 61            | 519            | (487)          | 1 843             | 27          | 28 992        |
| Auditor General   | 0800        | -                   | -            | -            | -             | -              | -              | -                 | -           | -             |
| Other   | 0900        | 7 879               | 358          | 36           | 493           | 1              | -              | 2                 | 0           | 8 769         |
| <b>Total By Customer Type</b>   | <b>1000</b> | <b>33 070</b>       | <b>1 987</b> | <b>244</b>   | <b>554</b>    | <b>520</b>     | <b>(487)</b>   | <b>1 845</b>      | <b>27</b>   | <b>37 760</b> |

**Graph 1**



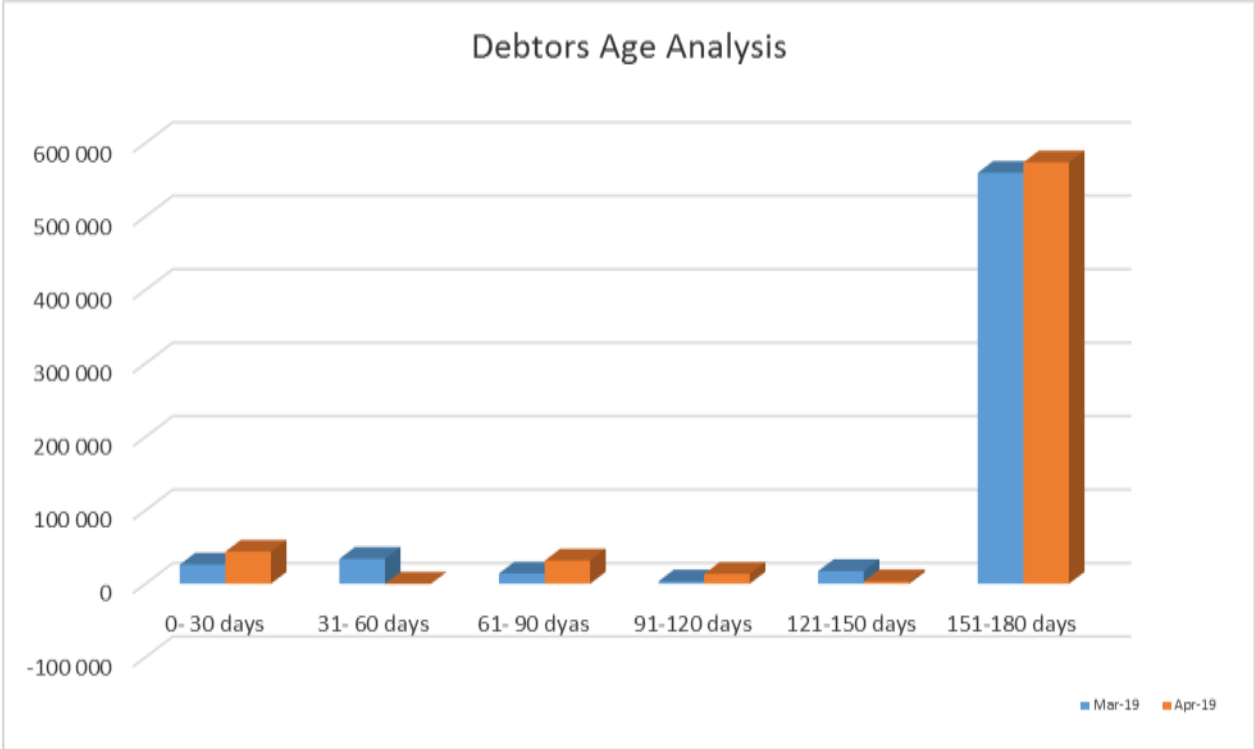
## 8. Debtors age analysis

The debtor book value as at 30 April 2019 amounted to **R664.8 million**. The collection rate in the month of April was **58%**. The average collection rate to date is **63%**.

**Table 12**

| DC22 uMgungundlovu - Supporting Table SC3 Monthly Budget Statement - aged debtors - M10 April |             |                     |              |               |               |              |               |                |                |                |
|---|-------------|---------------------|--------------|---------------|---------------|--------------|---------------|----------------|----------------|----------------|
| Description   | NT Code     | Budget Year 2018/19 |              |               |               |              |               |                |                | Total          |
|   |             | 0-30 Days           | 31-60 Days   | 61-90 Days    | 91-120 Days   | 121-150 Dys  | 151-180 Dys   | 181 Dys-1 Yr   | Over 1Yr       |                |
| R thousands   |             |                     |              |               |               |              |               |                |                |                |
| <b>Debtors Age Analysis By Income Source</b>  |             |                     |              |               |               |              |               |                |                |                |
| Trade and Other Receivables from Exchange Transactions - Water                                | 1200        | 33 632              | (422)        | 23 119        | 9 321         | (57)         | 11 807        | 60 319         | 311 874        | 449 592        |
| Trade and Other Receivables from Exchange Transactions - Electric                             | 1300        | -                   | -            | -             | -             | -            | -             | -              | -              | -              |
| Receivables from Non-exchange Transactions - Property Rates                                   | 1400        | -                   | -            | -             | -             | -            | -             | -              | -              | -              |
| Receivables from Exchange Transactions - Waste Water Management                               | 1500        | 3 814               | (146)        | 3 330         | 1 321         | -            | 1 738         | 12 852         | 61 029         | 83 938         |
| Receivables from Exchange Transactions - Waste Management                                     | 1600        | (10)                | -            | (8)           | (4)           | -            | (1)           | (57)           | (17)           | (98)           |
| Receivables from Exchange Transactions - Property Rental Debtors                              | 1700        | 10                  | -            | 8             | 4             | -            | 2             | 11             | 708            | 743            |
| Interest on Arrear Debtor Accounts  | 1810        | 6 216               | 0            | 4 964         | 2 774         | -            | 3 287         | 21 586         | 76 128         | 114 955        |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure                       | 1820        | -                   | -            | -             | -             | -            | -             | -              | -              | -              |
| Other   | 1900        | (65)                | 76           | 1             | (3)           | 3 292        | 6             | 5 703          | 6 572          | 15 583         |
| <b>Total By Income Source</b>   | <b>2000</b> | <b>43 598</b>       | <b>(492)</b> | <b>31 415</b> | <b>13 413</b> | <b>3 235</b> | <b>16 839</b> | <b>100 413</b> | <b>456 293</b> | <b>664 714</b> |
| <b>2017/18 - totals only</b>  |             |                     |              |               |               |              |               |                |                | -              |
| <b>Debtors Age Analysis By Customer Group</b>   |             |                     |              |               |               |              |               |                |                |                |
| Organs of State   | 2200        | 6 584               | (1)          | 2 327         | 669           | (1)          | 1 037         | 7 275          | 8 361          | 26 251         |
| Commercial  | 2300        | 4 549               | (3)          | 1 782         | 494           | (4)          | 606           | 2 267          | 4 967          | 14 658         |
| Households  | 2400        | 29 513              | (587)        | 24 558        | 11 169        | (60)         | 13 060        | 77 853         | 389 926        | 545 432        |
| Other   | 2500        | 2 951               | 98           | 2 748         | 1 082         | 3 300        | 2 136         | 13 018         | 53 039         | 78 373         |
| <b>Total By Customer Group</b>  | <b>2600</b> | <b>43 598</b>       | <b>(492)</b> | <b>31 415</b> | <b>13 413</b> | <b>3 235</b> | <b>16 839</b> | <b>100 413</b> | <b>456 293</b> | <b>664 714</b> |

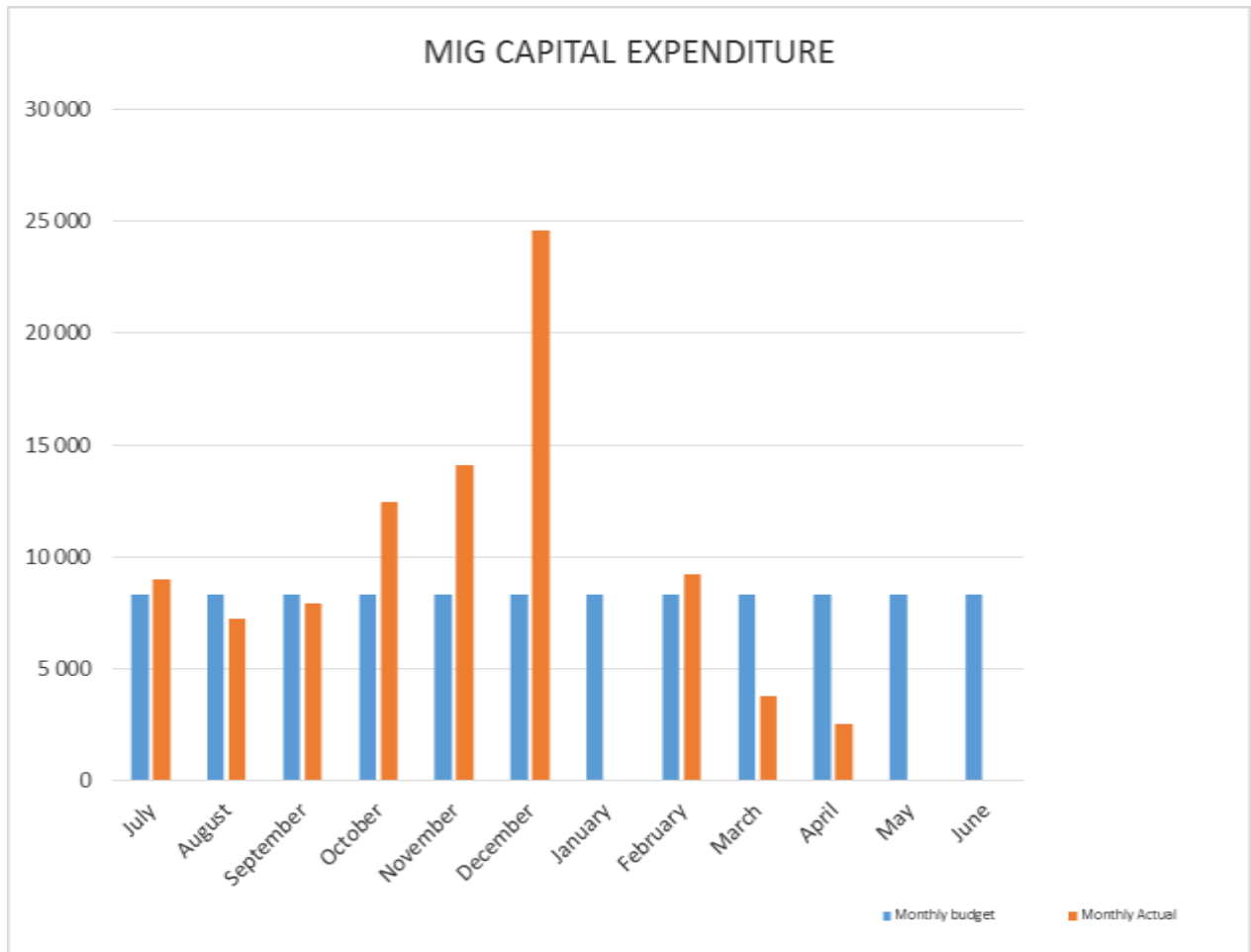
Graph 2



**9. IN-YEAR BUDGET STATEMENT CHARTS: APRIL 2019 REPORT**

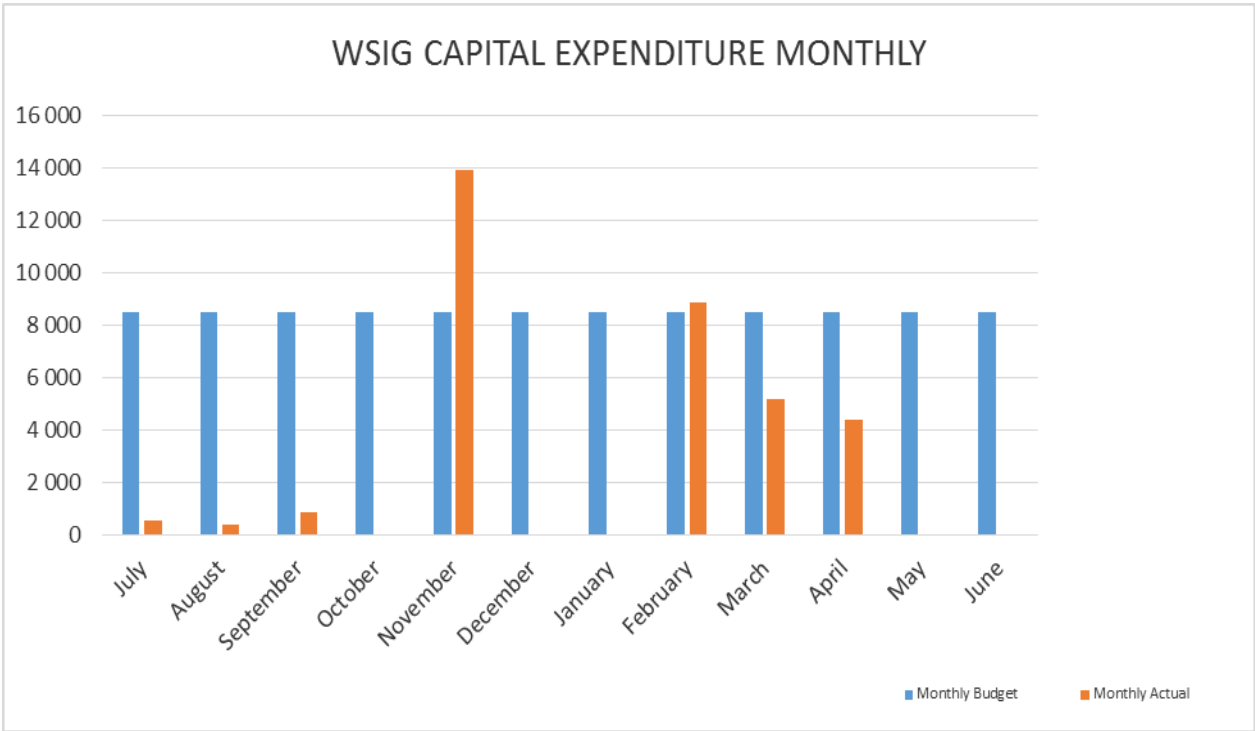
**MIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET**

|           | Monthly budget | Monthly Actual |
|-----------|----------------|----------------|
| July      | 8 319          | 9 017          |
| August    | 8 319          | 7 256          |
| September | 8 319          | 7 915          |
| October   | 8 319          | 12 424         |
| November  | 8 319          | 14 072         |
| December  | 8 319          | 24 585         |
| January   | 8 319          | 0              |
| February  | 8 319          | 9 206          |
| March     | 8 319          | 3 755          |
| April     | 8 319          | 2 543          |
| May       | 8 319          | 0              |
| June      | 8 319          | 0              |
|           | 99 828         | 90 773         |



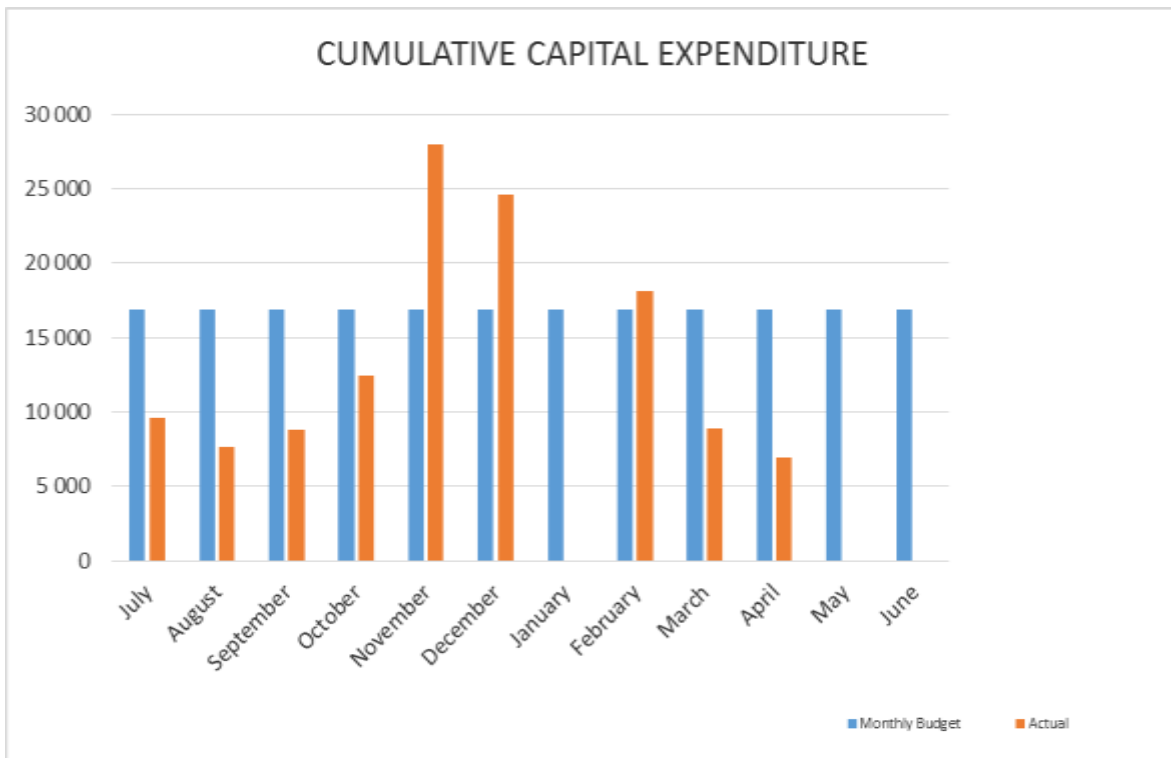
**WSIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET**

|           | Monthly Budget | Monthly Actual |
|-----------|----------------|----------------|
| July      | 8 500          | 560            |
| August    | 8 500          | 433            |
| September | 8 500          | 881            |
| October   | 8 500          | 0              |
| November  | 8 500          | 13 932         |
| December  | 8 500          | 0              |
| January   | 8 500          | 0              |
| February  | 8 500          | 8 898          |
| March     | 8 500          | 5 184          |
| April     | 8 500          | 4 406          |
| May       | 8 500          | 0              |
| June      | 8 500          | 0              |
|           | 102 000        | 34 294         |



**CUMULATIVE MIG & WSIG EXPENDITURE: MONTHLY ACTUAL VS MONTHLY BUDGET**

|           | Monthly Budget | Actual         |
|-----------|----------------|----------------|
| July      | 16 877         | 9 577          |
| August    | 16 877         | 7 689          |
| September | 16 877         | 8 796          |
| October   | 16 877         | 12 424         |
| November  | 16 877         | 28 004         |
| December  | 16 877         | 24 585         |
| January   | 16 877         | 0              |
| February  | 16 877         | 18 104         |
| March     | 16 877         | 8 939          |
| April     | 16 877         | 6 949          |
| May       | 16 877         | 0              |
| June      | 16 877         | 0              |
|           | <b>202 528</b> | <b>125 067</b> |



## 10. IN-YEAR BUDGET STATEMENT TABLES: APRIL 2019 REPORT

The preliminary financial results for the period ended 30 April 2019 (i.e. 10th month of the 2018/19 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



## 11. 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

REPORT – FLOW COMPLIANCE CHECK

FILE: 5/1/1/1

INITIATOR: Linda Africa

HEADING (INCLUSIVE OF NAME OF DIVISION/DEPARTMENT):

**FINANCIAL SERVICES DEPARTMENT**

**PRELIMINARY IN-YEAR FINANCIAL REPORT (MONTHLY BUDGET STATEMENT) FOR THE PERIOD ENDING 30 April 2019**

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

|   | COMPREHENSIVENESS (FACTS, COMMENTS, RECOMMENDATIONS ANNEXURES)<br>(√) | CORRECTNESS<br>(√) | QUALITY<br>(√) |
|---|---|--------------------|----------------|
| <b>MANAGER: BUDGET OFFICE</b><br>Vacant<br><br>SIGNATURE:.....<br><br>DATE: .....   | (√)   | (√)                | (√)            |
| <b>MANAGER: REVENUE MANAGEMENT</b><br><b>SIBONGILE KHUMALO</b><br><br>SIGNATURE.....<br><br>DATE: .....                       | (√)   | (√)                | (√)            |
| <b>MANAGER: EXPENDITURE MANAGEMENT:</b><br><b>NOMPUMELELO KHUMALO</b><br><br>SIGNATURE.....<br><br>DATE: .....                | (√)   | (√)                | (√)            |
| <b>HEAD OF DEPARTMENT: ACTING CHIEF FINANCIAL OFFICER :</b><br><b>LINDA AFRICA</b><br><br>SIGNATURE: .....<br><br>DATE: ..... | (√)   | (√)                | (√)            |
| <b>MANAGER: INTERNAL AUDIT</b><br><b>ADELE DORASAMY</b><br><br>SIGNATURE: .....<br><br>DATE: .....                            | (√)   | (√)                | (√)            |

**Municipal Manager’s quality certification**

I, **Raymond Ngcobo**, 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 **APRIL 2019** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Dr. MRB Ngcobo

Municipal Manager: uMgungundlovu District Municipality

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print name: Cllr T E Maphumulo

Mayor: uMgungundlovu District Municipality

Signature: \_\_\_\_\_

Date: \_\_\_\_\_