

SCHEDULE C

OF UMSINGA MUNICIPALITY



SECTION 71 REPORT

Umsinga Municipality

EXECUTIVE SUMMARY

The aim of the Financial Monitoring Report (FMR) is to provide a monthly update and report on the municipalities consolidated performance in terms of the budget, indicate any material variances from the Service Delivery and Budget Implementation Plan (SDBIP) and provide any remedial actions or corrective steps to be taken. Challenges relating to the new financial system and mSCOA implementation are still being addressed. This report provides a summary of the main budget issues arising from the budget monitoring process. It compares the progress of the budget in terms of actual income and expenditure to the projections contained in the Service Delivery and Budget Implementation plan. The following table provide a consolidated overview of the implementation of the budget and performance of the Municipality.

MONTHLY FINANCIAL MONITORING

REPORT

FINANCIAL YEAR 2018/2019

REVENUE AND EXPENDITURE AT END OF JULY

KZN244 Msinga - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

Description	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										
Revenue By Source										
Property rates		-	9 240	-	1 555	1 555	770	785	102%	9 240
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		-	350	-	66	66	29	37	127%	350
Service charges - other		-	350	-	51	51	29	22	76%	350
Rental of facilities and equipment		-	350	-	91	91	29	62	212%	350
Interest earned - external investments		-	2 700	-	179	179	225	(46)	-21%	2 700
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		-	171 736	-	66 355	66 355	57 245	9 110	16%	171 736
Other revenue		-	12 100	-	55	55	1 008	(954)	-95%	12 100
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	196 826	-	68 352	68 352	59 336	9 016	15%	196 826
Expenditure By Type										
Employee related costs		-	52 549	-	4 513	4 513	4 379	134	3%	52 549
Remuneration of councillors		-	9 925	-	941	941	827	113	14%	9 925
Debt impairment		-	400	-	-	-	-	-	-	400
Depreciation & asset impairment		-	9 528	-	19 419	19 419	794	18 625	2346%	9 528
Finance charges		-	-	-	-	-	-	-	-	-
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials		-	54 773	-	-	-	4 564	(4 564)	-100%	54 773
Contracted services		-	5 007	-	2 028	2 028	417	1 611	386%	5 007
Transfers and subsidies		-	10 098	-	-	-	-	-	-	10 098
Other expenditure		-	92 393	-	4 514	4 514	7 699	(3 185)	-41%	92 393
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		-	234 673	-	31 416	31 416	18 681	12 735	68%	234 673
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		-	(37 847)	-	36 936	36 936	40 655	(3 719)	(0)	(37 847)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	36 715	-	10 000	10 000	3 060	6 940	0	36 715
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		-	(1 132)	-	46 936	46 936	43 714			(1 132)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		-	(1 132)	-	46 936	46 936	43 714			(1 132)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		-	(1 132)	-	46 936	46 936	43 714			(1 132)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		-	(1 132)	-	46 936	46 936	43 714			(1 132)

1.1 OPERATING REVENUE

It should be noted that the figures for property rates, service charges and rental of facilities relates to billed income and not cash collected.

It must also be noted that billing for property rates and refuse revenue, interest on outstanding debtors includes those properties both their addresses and rightful owners are not traceable. hence the overbilling compared to projections. The municipality has taken strategic steps to address this condition by appointing a consultant to conduct a credible Evaluation Roll.

The line item " Other revenue" comprise of business certificates and tender sales. There is a low collection on other revenue with an under performance or collection of 95% variance. management should take note.

The overall billing of own revenue as at 31 July 2018 is at 179% compared to the year to date budget/projections exclusive of government transfers.

Transfers recognised are as per municipal payment schedule and are spread over three tranches is a year. Grants like Financial Management Grant (FMG), and Library Grant are received once off and others are received in three tranches. As of the end of July no allocations were made for these grants.

There has not been any disposal to date. The disposals are planned to take place only later this year hence no actual movements.

ANNEXURE A

Below is the summary of Conditional Grant and receipts and expenditure as 31 July 2018

Grant Description	Allocations	Received to date	Expenditure to date	Expenditure vs Allocation %
EPWP Incentive Grant	4 394 000	0	1 287 700	29.3
Municipal Infrastructure Grant	36 715 000	10 000 000	1 686 397	4.6
Department of Human Settlement	Project Bases.	0	0	0
Finance Management Grant	1 900 000	0	100 000	5.3
Integrated Electrification Municipal Programme	17 700 000	5 700 000	0	0
Library Grant	836 000	0	R69 667	8.3

It must be noted that there were no transfers recognised at the reporting period for EPWP, Department of housing Grant, Finance Management Grant and Library Grant. Zero expenditure incurred at the end of July 2018 for Housing and INEP Grants.

Looking at the above information, Conditional grants (MIG and INEP) show an underspending compared to the receipts to date. The municipality has a plan for all conditional grants, to ensure that they are 100% spent by the end of the financial year.

1.2 TOTAL OPERATING EXPENDITURE

The budgeted operating expenditure amounts to R 234.6 m. For the period under review the planned budget target is R 14.1 m and actual expenditure is R 31.4 m with 17.2 m variance.

It must be noted that employee related cost slightly breaks the budget upper limit with an amount of R134 000.00 as at the 31 July. Council Remuneration also resisted against the upper line of monthly planned budget and break the planned budget with R 113 000.

The difference between the year to date budget and monthly actual for Depreciation and Asset Impairment is a strong indicative that the budget adjustment is necessary. The scheduled budget to date for Depreciation amounts to R 794 000 and actual expenditure is 19.4 m with variance of R 18.6 m, management should take note.

Other Expenditure reflects zero actuals. Should a straight-line trend develop from month to month, this would be a strong indication that the planned budget of R 54.7 m projected for this item needs management review.

Contracted Services showed a strong surge from the first month. Committing an expenditure of nearly 40% of its projected year budget. The planned budget expenditure to date amounted to R 417 000 and the actual expenditure is R 2 m.

The report for the month ended 31 July 2018 has been prepared in accordance with the MFMA (act 56 of 2003) and regulation made under the act

Disclaimer: please note that Section 71 reporting is subject to changes due to the fact that the municipality is still struggling with mSCOA implementation which is currently does not allow the municipality to extract all the required information for reporting.