

KOUGA MUNICIPALITY (EC108)

SPECIAL COUNCIL MEETING

FINANCE

DATE: 25 JANUARY 2018

ITEM NO: 18/01/

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1. MID-YEAR FINANCIAL REPORT FOR THE PERIOD JULY TO DECEMBER 2017 AND THE ASSESSMENT OF THE MUNICIPALITY'S FINANCIAL POSITION AS AT 31 DECEMBER 2017 (2017/18 FINANCIAL YEAR)

1.1. PURPOSE

The purpose of this report is to assess the financial performance and financial position of the Municipality, as at 31 December 2017, and its consequential impact on the implementation of the approved 2017/18 Budget.

This report is submitted in compliance with Sections 72, 52(d) and 54(1)(f) of the Municipal Finance Management Act (MFMA) and the Municipal Budget and Reporting Regulations.

1.2. LEGISLATIVE REQUIREMENTS

The Municipality is required to assess on an ongoing basis whether it collects sufficient revenue to meet its commitments, such as paying Employees, Councillors, Eskom, Nelson Mandela Bay Municipality, service providers etc.

In accordance with Section 72 of the MFMA, the Accounting Officer is required to submit to the Mayor of the municipality, National Treasury and Provincial Treasury a report on the performance of the municipality during the first half of the financial year on the state of the municipality's budget.

In accordance with Section 52(d) of the MFMA, the Executive Mayor must within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the Municipality. Furthermore, section 54(1)(f) of the MFMA states that, in the case of a section 72 report, the Executive Mayor must submit the report to the Council by 31 January of each year

1.3 EXECUTIVE SUMMARY

This report provides a balanced and consolidated financial performance overview to assist the Executive Mayor in her oversight role.

An analysis of the financial position and performance was undertaken to determine the relative financial strength and liquidity of the Municipality. This was complemented by analysing the cash flow position, the investment portfolio, ratios, the operating and capital budget performance for the period July to December 2017, so as to facilitate an informed assessment of the relative liquidity and financial position of the Municipality.

The financial performance highlights are as follows:

- Operating revenue amounted to R 377,009 million, whilst operating expenditure amounted to R 324,463 million, resulting in an operating surplus of R 52,546 million.
- Capital expenditure constituted 20,34% of the approved 2017/18 Adjusted Capital Budget.
- Overdue consumer debts increased by R 16,191 million (14,05%) since June 2017.
- An amount of R 82,430 million is owing to creditors, of which R 22,033 million (26,73%) represents current creditors.
- The municipality's investment portfolio has increased by R 61,450,462 (73,16%) since June 2017, from R 83,998,799 to R 145,449,261.

The following key financial ratios are monitored on an on-going basis:

Ratio	Actuals as at June 2015	Actuals as at June 2016	Actuals as at 30 June 2017	Actuals as at 31 Dec 2016	Actuals as at 31 Dec 2017	2017/18 Approved Budget
Current Ratio	0.72:1	0.85:1	1.13:1	1.47:1	1.29:1	0.95:1
Liquidity Ratio	0.22:1	0.40:1	0.62:1	0.92:1	0.90:1	0.39:1
Cost Coverage (Excluding unspent conditional grants)	0.82 months	1.60 months	1.74 months	2.68 months	2.55 months	1.14 months
Debt servicing costs to Operating Revenue Ratio	0.05:1	0.04:1	0.02:1	0.02:1	0.07:1	0.02:1

1.3. DETAILED REPORTS

In order to comply with Schedule C of the Municipal Budget and Reporting Regulations, the following detailed schedules are attached for the month, ending 31 December 2017:

Annexure "A1" – Operating Revenue and Expenditure Performance

Annexure "A2" - Capital Budget Performance

Annexure "A3"- Projected Cash Flow Statement

Annexure "A4" – Municipal Monthly Budget Tables

Annexure "A5"- Analysis of Municipality's Statement of Financial Performance

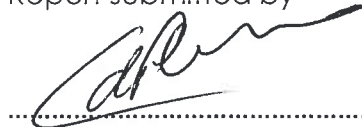
- Overview of Outstanding Consumer Debtors
- Overview of Creditors position

- iii. Investment portfolio
- iv. Grants receipts and Expenditure
- v. Councillors & Employee benefits
- vi. Key performance Indicators

1.4. RECOMMENDATION

- i. That the Municipal Manager's report on the Mid-year Budget and Performance Assessment of the municipality, in accordance with Section 72(1)(a) of the MFMA, be noted.
- ii. That the Executive Mayor's report on the implementation of the budget and the financial state of affairs of the municipality, in accordance with Sections 52(d), 54(1)(f) and 72 of the MFMA, be noted.
- iii. That an Adjustments Budget, based on the realistically anticipated revenues, in line with section 18 of the MFMA, be tabled by the Executive Mayor to the Council.
- iv. That the 2017/18 Adjustments Budget be tabled by the Executive Mayor to the Council on 28 February 2018.
- v. That the Mid-year report accordingly be submitted to National Treasury and Provincial Treasury, in line with Section 72(1) (b) of the MFMA.

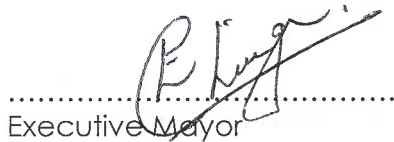
Report submitted by



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Mr. Charl Du Plessis (Municipal Manager)

Acknowledgement of MFMA Section 72 reports by the Executive Mayor for the period July to December 2017

I hereby acknowledge the receipt of MFMA Section 72 reports in terms of the Municipal Finance Management Act No. 56 of 2003.



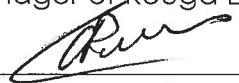
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Executive Mayor

1.5. Municipal Manager's Quality Certificate

I CHARL DU PLESSIS....., Municipal Manager of Kouga Local Municipality, hereby certify that the Mid-Year Financial Report has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Mid-Year Financial Report is consistent with the Integrated Development Plan of the municipality.

Print Name CHARL DU PLESSIS

Municipal Manager of Kouga Local Municipality

Signature 

Date 22 JANUARY 2018