

15. **SUBMISSION OF MID-YEAR ASSESSMENT REPORT IN COMPLIANCE WITH SECTION 72 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003 (MFMA) AS WELL AS SECTION 23 OF THE LOCAL GOVERNMENT MUNICIPAL BUDGET AND REPORTING REGULATIONS (MBRR)**

(Directorate: Budget and Treasury)

**1. STRATEGIC THRUST**

The Rustenburg Local Municipality has adopted the following Strategic Thrust:

- To ensure sustainable municipal financial viability and management
- Upholding good governance and public participation co-principles

**2. PURPOSE OF THE REPORT**

The purpose of the report is to submit to Council the mid-year Budget Assessment Report in compliance with Section 72 of the Municipal Finance Management Act No. 56 of 2003 (MFMA) as well as Section 23 of the Local Government: Municipal Budget and Reporting Regulations (MBRR).

**3. EXECUTIVE SUMMARY**

**3.1 BACKGROUND**

Section 72(1) of the Municipal Finance Management Act (MFMA), Act 56 of 2003, states that the accounting officer of a municipality must by 25 January of each year –

- (a) assess the performance of the municipality during the first half of the financial year taking into account -
  - (i) the monthly statements referred to in section 71 (of the MFMA) for the first half of the financial year.
  - (ii) the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators as set in the service delivery and budget implementation plan,
  - (iii) the past year's annual report and progress on resolving the problems identified in the annual report
  - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account the report in terms of section 88 from any entities.
- b) submit a report on such assessments to
  - (i) the mayor of the municipality
  - (ii) the National Treasury; and
  - (iii) the relevant Provincial Treasury

Section 72 (3) further stipulates that as part of the assessment, recommendation must be made whether an adjustment budget is necessary, taking into consideration the revised projections for revenue and expenditure's extent.

The mid term budget and performance must be consistent with the monthly budget statements on the implementation of the annual budget in accordance with the Service Delivery Budget and Implementation Plan (SDBIP) for the first half of the financial year and be submitted to the Executive Mayor, National Treasury and relevant Provincial Treasury

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The report is in line with the Municipal Budget and Reporting Regulation under Schedule C and includes all the required tables, charts and explanatory information. The Regulation further prescribes the report must be public by placing it on the municipal website within 5 working days.

The accounting officer must also, in terms of section 72 (3) of the MFMA, make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that it might be necessary.

### **4. DISCUSSION**

The operating revenue realised for the first six months ending 31st December 2019 is R2,379 billion to the projected revenue of R2,599 billion for the same period. Revenue generated is below the projected 50% of the yearly budget of R5,198 billion by R220 million (8%).

The operating expenditure incurred for the first six months ending 31st December 2019 is at R2,413 billion to the projected expenditure of R2,520 billion. Expenditure incurred is below the projected 50% of the yearly budget of R5,041 billion by R107 million (4%).

Capital expenditure for the mid year is R191 million (24,3%), which is below the budgeted capital expenditure to date of R394 million (50%) by R203 million (52%).

The municipality realised operating deficit of R34 million during mid year.

**Annexure 'A' (Table C4)** to the report is a monthly budget statement (Financial Performance – Expenditure) for the first six months ending the 31<sup>st</sup> December 2019. The actual results are compared to the budget and contain the percentage for year to date budget revenue and revenue received (billed) as at 31<sup>st</sup> December 2019. The annexure also has the projected figures for the full year forecast.

**Annexure 'A' (Table C5)** contains the list of Capital Budget per standard classification and trend. The Capital Expenditure for the first six months of the 2019/2020 financial year is which ended at the 31<sup>st</sup> December 2019 is standing 24,32% which in monetary value is at R191 million. The mentioned expenditure of R191 million does not include shadow cost (cost committed such as orders already placed but not yet paid).

**Annexure 'A' (Table SC)** to the report is a monthly budget statement (Aged Debtors) for the first six months ending the 31<sup>st</sup> December 2019.

**Annexure 'A' (Table C4)** to the report is a monthly budget statement (Aged Creditors) for the first six months ending the 31<sup>st</sup> December 2019.

--- The detailed financial performance report for the six months that depicts the overall performance of the Rustenburg Water Services trust is attached as **Annexure B**.

### **5. OPERATING BUDGET RESULTS**

#### **5.1 OPERATIONAL REVENUE**

The actual revenue received or billed is below the anticipated projected revenue by 8%. The main contributors to this underperformance are services charges and other revenue (Fines, Licensing, Agency Fees, Gains on Disposal of PPE, etc).

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Implementation of the new financial system resulted in various challenges on the revenue management cycle, billing discrepancies due to an unreconciled valuation roll uploaded on the financial system, failure to take on prior customer balances, failure to issue clearance certificates, challenges with meter information and customer accounts balances which led to various impediments in implementation of credit control in debt collection processes.

Furthermore, the system generated financial reports are still a challenge to reconcile, thus subsidiary ledgers and registers were used to incorporate some of the data.

Mid-year accumulated year to date revenue performance is as follows:

NW373 RUSTENBURG - TABLE C4 MONTHLY BUDGET STATEMENT - FINANCIAL PERFORMANCE (REVENUE & EXPENDITURE) - M06 DECEMBER									
Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								%	
<b>Revenue By Source</b>									
Property rates	353 910	362 089	-	31 153	189 003	181 045	7 959	4%	378 007
Service charges - electricity revenue	2 190 288	2 253 168	-	165 939	911 997	1 126 584	(214 587)	-19%	1 823 995
Service charges - water revenue	474 480	619 817	-	36 916	253 368	309 908	(56 540)	-18%	506 736
Service charges - sanitation revenue	176 933	334 764	-	30 442	170 204	167 382	2 822	2%	340 408
Service charges - refuse revenue	85 345	166 232	-	10 317	63 096	83 116	(20 020)	-24%	126 192
Rental of facilities and equipment	20 141	11 604	-	728	5 025	5 802	(777)	-13%	10 050
Interest earned - external investments	15 524	20 774	-	558	13 161	10 387	2 774	27%	26 321
Interest earned - outstanding debtors	282 389	261 054	-	38 360	212 812	130 527	82 285	63%	425 624
Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	8 046	18 708	-	56	156	9 354	(9 198)	-98%	313
Licences and permits	10 372	10 198	-	33	157	5 099	(4 942)	-97%	315
Agency services	91 267	131 249	-	2 796	23 975	65 624	(41 649)	-63%	47 950
Transfers and subsidies	622 713	772 560	-	225 607	509 786	386 280	123 506	32%	1 019 571
Other revenue	40 599	65 778	-	736	26 210	32 889	(6 680)	-20%	52 419
Gains on disposal of PPE	1 150	170 477	-	111	809	85 238	(84 429)	-99%	1 618
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4 373 158</b>	<b>5 198 472</b>	<b>-</b>	<b>543 751</b>	<b>2 379 760</b>	<b>2 599 236</b>	<b>(219 477)</b>	<b>-8%</b>	<b>4 759 519</b>

### Property rates

Property rates is favourable by R7,9 million (4%) which is indicative of positive exercise in ensuring completeness of rateable properties.

### Services Charges

**Electricity charges:** Actual year to date billed electricity revenue is at R911 million. It is below the projected revenue by R215 million (19%). The performance of this revenue source has been influenced by various factors, which included, significant scale down by Glencore operation during August 2019 and electricity losses (tempering (blockage of prepaid meters as credit control) and illegal collections). As these factors are progressively addressed, performance is expected to improve and hoping that Glencore operation will remain stable.

**Water revenue** is unfavourable by R56,5 million (18%) to the projected revenue for the period. This is indicative on incomplete billing and water losses. This revenue source is seasonal as the usage for the first 2 months of the financial period is less.

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Water losses and incomplete billing are addressed through water meter audits and water conservations and demand management programmes.

**Sanitation charges** performance is within the budget projection for the period to date.

**Refuse revenue** are unfavourable by R20 million (24%) mainly on waste removal services. The projected revenue need to be assessed and possibly revised based on number of households that are serviced or incompleteness of billing addressed. This service charge needs to be reassessed during budget adjustment.

### **Other Revenue**

#### **Rental of Facilities**

Revenue realised from Rental of Facilities as at 31<sup>st</sup> December 2019 is below the half yearly projected revenue by R777 thousand (13%). Revenue enhancement measures has unfolded during October and November 2019 to ensure complete billing and collection of rental revenue.

#### **Interest on Long Outstanding Debtors**

The performance to date is above the anticipated revenue to date by R82 million. This revenue source is influenced by revenue collection/receivable balance at every billing period.

#### **Fines, Penalties and Licence and Permits**

The two items (Fines, Penalties and Licence and Permits) are unfavourable by R14 million (98% averagely) which can most possibly be to incorrect allocation or unallocated revenue charges and unrealistic projections. These revenue sources need to be reassessed during budget adjustment for possible adjustment to projections.

#### **Agency Fees Services**

Agency fees are unfavourable by R41,6 million (63%). This is possibly due to low turnout in licencing services for the period than anticipated. We must also note that 80% portion of what the municipality collects is paid to the Provincial Government for vehicle testing and licenses and the municipality only keep 20%. This revenue source needs to be reassessed during budget adjustment for possible adjustment to projections.

#### **Transfers and Subsidies**

Operating grants and subsidies are performing accordingly. The equitable share is split between the respective service departments based on the provision for doubtful debts. To this date, two tranches (in July and December 2019) have being received by the municipality. Also, the Financial Management Grant has been received and the Extended Public Works Programme allocation are also been allocated accordingly as per the payment schedule.

The variance is mainly due anticipated allocation spread over 12 months while actual receipt is in 3 tranches.

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## Other Revenue

Other Revenue is performing below the anticipated revenue, with the year to date unfavourable variance of R6,6 million. The sundry income is expected to improve as operations pick up in the last half of the financial period.

## Gain on disposal of PPE

The Item is unfavourable by R84 million as sale of identified properties has not progressed well. This item need to be reconsidered during budget adjustment.

## OPERATING EXPENDITURE

The following table is indicative of year to date expenditure compared to the approved budget for the period ended 31<sup>st</sup> December 2019.

NW373 RUSTENBURG - TABLE C4 MONTHLY BUDGET STATEMENT - FINANCIAL PERFORMANCE (REVENUE & EXPENDITURE) - M06 DECEMBER									
Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
<b>Expenditure By Type</b>									
Employee related costs	697 514	729 912	-	54 464	378 605	364 956	13 649	4%	757 209
Remuneration of councillors	53 751	60 893	-	4 668	30 406	30 446	(40)	0%	60 812
Debt impairment	-	635 638	-	52 970	317 819	317 819	0	0%	635 638
Depreciation & asset impairment	415 391	448 974	-	34 098	204 454	224 487	(20 033)	-9%	408 909
Finance charges	60 376	50 877	-	19 641	26 133	25 438	695	3%	52 266
Bulk purchases	2 465 846	2 274 386	-	203 869	1 154 234	1 137 193	17 040	1%	2 308 467
Other materials	9 301	9 184	-	308	3 343	4 592	(1 249)	-27%	6 686
Contracted services	275 336	460 880	-	10 030	142 992	230 440	(87 448)	-38%	285 984
Transfers and subsidies	23 789	17 658	-	246	1 720	8 829	(7 109)	-81%	3 440
Other expenditure	1 403 008	352 957	-	10 424	154 284	176 478	(22 194)	-13%	308 568
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>5 404 312</b>	<b>5 041 358</b>	<b>-</b>	<b>390 718</b>	<b>2 413 990</b>	<b>2 520 679</b>	<b>(106 689)</b>	<b>-4%</b>	<b>4 827 980</b>

## Employee relates cost

Wages and Salaries have unfavorable variance of R8,9 million (2%), due to insufficient management of overtime, acting allowances and difference in budgeted average salary increase rate (6.2%) compared to approved salary increase by bargain council (6.5%). Introduction of shift system and management of overtime would improve the performance, while adjustment due to salary increase rate should be considered in budget adjustment.

## Remuneration of councillors

Performance of this line item is with the budget projections with 0% variance.

## Debt Impairment

Debt impairment budget has been prorated over 12 months on actual figures, thus no variance. The final calculation of debt impairment usually happens at the end of the financial year during Annual Financial Statement preparation process.

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### **Depreciation**

Depreciation is processed on assets for the period is less than projected depreciation by 10% due to programmed calculation that does not take into account the conditions of assets on month to month basis. Reliable calculations of depreciation are performed at year end in line with the conditional assessment for assets.

### **Repairs and Maintenance**

Repairs and maintenance and contracted services spending remains a concern. The spending is not as anticipated/projected. Due to low revenue collection, lower spending has positive impact on commitments. It is below the projected prorata by R102 million. No adjustment should be made as welfare of assets is dependent on its maintenance.

### **Bulk Purchases**

Bulk Purchases is performing relatively within the budget projection, with mere R17 million unfavourable balances considering that bulk purchases is highest expenditure line item in the budget.

### **Contracted Services**

Contracted service has unfavourable variance of R17million (14%) to budgeted projections which could be to contract expansions and rolled over commitments from previous year that were not budgeted. Commitment on this line item will be monitored to reduce spending in line with current cash flow or revenue collection.

### **Transfer and subsidies**

Transfers and Subsidies is paid on quarterly and biannual. Variance of 81% is expected as budget is spread over 12 months.

### **General Expenditure**

General expenditure exceed the projected expenditure for the period by R20 million (12%). Expenditure on this line item need to be monitored closely to avoid unauthorised expenditure. Commitment on this line item will be monitored to reduce spending in line with current cash flow or revenue collection.

## **6. CAPITAL EXPENDITURE**

Detail results per unit are contained in **Annexure 'A' (Table C5 Monthly Budget Statement – Capital Expenditure)**. The expenditure of Capital budget is at 24% (R191 million). A capital budget to the amount of R788 million was approved by Council for the 2019/2020 financial year.

---- Attached below is the Capital Expenditure by municipal vote, function and classification:

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NW373 RUSTENBURG - TABLE C5 MONTHLY BUDGET STATEMENT - CAPITAL EXPENDITURE (MUNICIPAL VOTE, FUNCTIONAL CLASSIFICATION AND FUNDING) - M06 DECEMBER									
Vote Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
<b>Capital Expenditure - Functional Classification</b>									
<i>Governance and administration</i>	25 991	50 062	-	19	3 335	25 031	(21 696)	-87%	1 668
Executive and council	20 717	31 485	-	-	2 888	15 743	(12 854)	-82%	1 444
Finance and administration	5 274	18 319	-	19	447	9 160	(8 713)	-95%	223
Internal audit	-	258	-	-	-	129	(129)	-100%	-
<i>Community and public safety</i>	1 211 515	54 603	-	1 751	7 765	27 302	(19 536)	-72%	3 883
Community and social services	1 154 831	47 471	-	-	5 660	23 736	(18 075)	-76%	2 830
Sport and recreation	50 732	1 132	-	-	437	566	(129)	-23%	218
Public safety	5 952	3 500	-	1 751	1 668	1 750	(82)	-5%	834
Housing	-	2 500	-	-	-	1 250	(1 250)	-100%	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	9 115 622	329 267	-	5 331	125 864	164 633	(38 769)	-24%	62 932
Planning and development	3 221 199	129 600	-	2 775	22 658	64 800	(42 142)	-65%	11 329
Road transport	5 894 423	199 667	-	2 556	103 206	99 833	3 373	3%	51 603
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	3 690 711	355 494	-	2 232	54 170	177 747	(123 576)	-70%	27 085
Energy sources	1 313 590	62 300	-	241	19 803	31 150	(11 347)	-36%	9 901
Water management	1 326 528	105 027	-	631	12 971	52 513	(39 543)	-75%	6 485
Waste water management	1 044 902	180 167	-	1 360	20 341	90 083	(69 742)	-77%	10 171
Waste management	5 692	8 000	-	-	1 055	4 000	(2 945)	-74%	528
<i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional Classification</b>	<b>14 043 840</b>	<b>789 426</b>	<b>-</b>	<b>9 333</b>	<b>191 135</b>	<b>394 713</b>	<b>(203 578)</b>	<b>-52%</b>	<b>95 568</b>

## Funding Source of the Capital Expenditure

NW373 RUSTENBURG - TABLE C5 MONTHLY BUDGET STATEMENT - CAPITAL EXPENDITURE (MUNICIPAL VOTE, FUNCTIONAL CLASSIFICATION AND FUNDING) - M06 DECEMBER									
Vote Description	2018/19	Budget Year 2019/20							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
<b>Funded by:</b>									
National Government	2 485 167	467 131	-	7 321	157 675	233 565	(75 890)	-32%	78 837
Provincial Government	3 857	1 054	-	1 751	1 788	527	1 261	239%	894
District Municipality	-	-	-	-	-	-	-	-	-
Other transfers and grants	2 996	912	-	-	231	456	(225)	-49%	115
<b>Transfers recognised - capital</b>	<b>2 492 020</b>	<b>469 097</b>	<b>-</b>	<b>9 073</b>	<b>159 694</b>	<b>234 548</b>	<b>(74 855)</b>	<b>-32%</b>	<b>79 847</b>
<b>Borrowing</b>	<b>1 454 996</b>	<b>60 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 000</b>	<b>(30 000)</b>	<b>-100%</b>	<b>-</b>
<b>Internally generated funds</b>	<b>10 096 824</b>	<b>260 329</b>	<b>-</b>	<b>843</b>	<b>32 041</b>	<b>130 165</b>	<b>(98 124)</b>	<b>-75%</b>	<b>16 020</b>
<b>Total Capital Funding</b>	<b>14 043 840</b>	<b>789 426</b>	<b>-</b>	<b>9 916</b>	<b>191 734</b>	<b>394 713</b>	<b>(202 979)</b>	<b>-51%</b>	<b>95 867</b>

The current capital budget projected projects are funded from Grant (National and Provincial), Borrowings (which is not yet acquired) and projects that will be paid from internal reserves that will be raised during the year.

Borrowing acquisition process will need to be fast track to avoid roll over of project to be funded from these funds.

Focus and pressure needs to be put on all the Directorates to start putting more efforts in terms of the new capital acquisition. The results of this under-spending are hampering on the main objectives and core business of the municipality which is to provide service to the communities around Rustenburg Local municipality. Directorates must put proper plans as to how they are going to start spending and implementing their capital budget requirements to deliver in order to can be able to deliver the expected municipal services. For projects that are funded by Grants, Directorates are encouraged to spend on capital projects in order to avoid applying for roll-over next financial year.

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National Treasury has approved the 2018/2019 Conditional Grants Roll Over application and that will have to be incorporated into the budget through an Adjustment Budget.

### 7. DEBTORS AGING FOR DECEMBER 2019

Debtor's age analysis indicates the extent to which income accrued is not received in cash, the success or effectiveness of the credit control, rating, and tariffs policy, the possibility of viability problem being encountered when analyzing the imbalance between actual revenue received and actual expenditure.

**Annexure "A" (Table SC3 Monthly Budget Statement – Aged Debtors)** is debtor's age analysis as at the end of December 2019 for the 2019/2020 financial year. The outstanding consumer debtors as at 31<sup>st</sup> December 2019 is R5 249 billion.

As at the end of December 2019, Organ of States owed municipality R116 million, Households owed R4 billion, Business/Commercial owed R768 million while other is at R319 million.

NW373 Rustenburg - Supporting Table SC3 Monthly Budget Statement - aged debtors - M08 December

Description		Budget Year 2019/20											Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
NT Code	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr	Over 1Yr	Total	Total over 90 days				
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1200	42 935	41 792	35 940	29 893	29 510	28 076	27 217	1 296 599	1 533 962	1 413 295			
Trade and Other Receivables from Exchange Transactions - Electricity	1300	210 561	102 300	79 616	64 390	57 889	57 193	73 010	420 395	1 065 375	672 676			
Receivables from Non-exchange Transactions - Property Rates	1400	25 753	15 699	11 014	8 897	8 004	7 289	6 601	257 325	340 663	286 196			
Receivables from Exchange Transactions - Waste Water Management	1500	12 624	10 668	8 790	7 536	7 021	6 680	6 476	329 568	389 363	357 281			
Receivables from Exchange Transactions - Waste Management	1600	12 343	10 334	8 788	7 716	7 182	6 867	6 502	357 422	417 155	385 689			
Receivables from Exchange Transactions - Property Rental Debtors	1700	791	696	683	647	627	636	449	19 568	24 097	21 927			
Interest on Arrear Debtor Accounts	1810	27 219	26 804	26 421	25 492	24 674	23 601	23 148	1 161 570	1 358 929	1 276 405			
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-			
Other	1900	(53 059)	6 365	(3 249)	(434)	1 786	(500)	(451)	167 234	117 613	167 556			
Total By Income Source	2000	279 186	214 660	168 006	144 138	136 694	129 761	143 031	4 031 680	5 247 155	4 585 304	-	-	
2019/19 - totals only										-	-			
Debtors Age Analysis By Customer Group														
Organs of State	2200	5 474	4 936	3 372	3 552	4 121	2 722	1 874	90 292	116 344	102 562			
Commercial	2300	167 016	92 195	72 605	58 063	52 834	52 762	66 041	167 069	768 603	416 788			
Households	2400	86 182	100 952	81 594	73 422	70 870	66 277	67 170	3 496 344	4 042 812	3 774 084			
Other	2500	5 14	16 577	10 435	9 100	8 869	8 000	7 946	257 955	319 396	291 870			
Total By Customer Group	2600	279 186	214 660	168 006	144 138	136 694	129 761	143 031	4 031 680	5 247 155	4 585 304	-	-	

Debt collection and credit control measure need to be intensified to collect all collectable debt and all identified uncollectable debt should be submitted to council for write off consideration.

### 8. CREDITORS AGING FOR DECEMBER 2019

**Annexure "A" (Table SC4 Monthly Budget Statement – Age Creditors)** is a creditor's age analysis for the municipality as at the end of December 2019.

The below table depicts creditors analysis for the period



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NW373 Rustenburg - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 DECEMBER										
Description	NT Code	Budget Year 2019/20								
		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	Total
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	184 832								184 832
Bulk Water	0200	35 009								35 009
PAYE deductions	0300	10 478								10 478
VAT (output less input)	0400	-								-
Pensions / Retirement deductions	0500	20 720								20 720
Loan repayments	0600	29 222								29 222
Trade Creditors	0700	145 424								145 424
Auditor General	0800	3 911								3 911
Other(Trust Dec 2019 invoices)	0900	14 495								14 495
Total By Customer Type	1000									444 891

Creditors should be paid within 30 days as stipulated by the MFMA except where there are disputes between the municipality and the creditor. Outstanding sundry creditors as at 30th December 2019 is at R444 million.

## 9. INVESTMENT REGISTER

Investment made with the various financial institutions are strictly in compliance with Municipal Finance Management Act and in terms of the Investment Framework Policy and Guidelines.

The total value of investments for the Parent Municipality as at 31st December 2019 is approximately R22 083 904,73 million.

<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: center;"> <b>RUSTENBURG LOCAL MUNICIPALITY</b>              INVESTMENT REGISTER AS AT 31 DECEMBER 2019         </div>  </div>										
Name of Institution	Type of Investment	Account Number	Rate %	Invested Date	Maturity Date	Opening Balance	Invested During the month	Actual Interest Received / Capitalised / Accrued	Investment / Interest Withdrawn	Closing Balance
<b>SHORT - TERM INVESTMENTS</b>										
ABSA: Call Account	Call Savings	40-7850-3088			Monthly	100 480 331.66	98 036 600.53	334 911.76	198 780 000.00	71 843.95
ABSA: Investment Acc	Flexible Deposit	90-6393-0063	2.90		Monthly	590 000.00	-	1 163.84	1 163.84	590 000.00
ABSA: Investment Acc	Fixed Deposit	20-7642-7525	7.65			4 747 886.10	-	173 466.94	173 466.94	4 747 886.10
ABSA: Investment Acc	Fixed Deposit	20-7293-1992	7.05			-	-	-	-	-
ABSA: Investment Acc	Fixed Deposit	20-7676-3430	8.25			373 922.39	404 770.99	30 848.60	404 770.99	404 770.99
Standard Bank	Call Deposit	2288-18613-062	6.70		Monthly	445 460.29	-	1 362.01		446 822.30
Standard Bank	Call Deposit	2288-18613-063	6.70		Monthly	121 275.74	-	370.80		121 646.54
Kagiso Asset Management	Money Market Assets	550/ 827	N/A		Monthly	6 303 651.00	-	30 856.71		6 334 507.71
Sanlam	Money Market Fund	RUSTEN	N/A		Monthly	8 273 029.58	-	28 830.65		8 301 860.23
						121 335 556.76	98 441 371.52	601 811.31	199 359 401.77	21 019 337.82
<b>LONG TERM INVESTMENTS</b>										
Sanlam Shares	Ordinary - 12 948	U0063386178	76.41	80.21	Monthly	989 356.68		49 202.40		1 038 559.08
Sanlam Shares	Ordinary -323	U0053871618	76.41	80.21	Monthly	24 680.43		1 227.40		25 907.83
						1 014 037.11	-	50 429.80	-	1 064 466.91
										22 083 804.73

## 10. BORROWINGS

The municipality is currently servicing few existing loans with different institutions (DBSA, ABSA and INCA).

Below summary Loan Register:

# AGENDA: SPECIAL COUNCIL: 28 FEBRUARY 2020

RUSTENBURG LOCAL MUNICIPALITY					
Schedule of External loans for 2019					
Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 31 December 2019
INCA	R 50 000 000.00	13.82%	50619016740	Thursday, 29 February 2024	R 26 166 650.99
ABSA - Drawdown 1	R 20 000 000.00	11.73%	3017981971	Monday, 01 June 2020	R 1 964 040.59
ABSA - Drawdown 2	R 20 000 000.00	11.94%	3017982317	31 May 2021	R 6 799 762.86
ABSA - Drawdown 3	R 20 000 000.00	11.95%	3022362516	Tuesday, 31 May 2022	R 6 322 267.70
DBSA	R 308 000 000.00	9.903%	61007193	Monday, 02 July 2029	R 237 316 978.29
DBSA	R 150 000 000.00	10.007%	61007264	Friday, 28 June 2030	R 123 761 468.79
<b>Total Other Loans</b>	<b>R 568 000 000.00</b>				<b>R 402 331 169.22</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>R 568 000 000.00</b>			<b>Per AFS</b>	<b>R 402 331 169.22</b>

The table below indicates the 2019/20 Loans Repayment Register for both Capital and Interest portion

LOAN REPAYMENTS JULY 2019 TO JUNE 2020				
LOAN DETAILS	REPAYMENT DATE	CAPITAL	INTEREST	TOTAL REPAYMENT
INCA(Rand Merchant Bank) (R50m)	31/08/2019	2 047 153.68	1 954 915.21	4 002 068.89
				-
ABSA(3017982317) (R20m)	30/11/2019	1 375 883.34	79 622.79	1 455 506.13
ABSA(3017981971) (R20m)	30/11/2019	1 415 199.56	32 392.71	1 447 592.27
ABSA(3022362516) (R20m)	30/11/2019	1 420 857.01	75 691.34	1 496 548.35
DBSA (R308m)	30/12/2019	7 345 936.87	12 219 363.71	19 565 300.58
DBSA (R150m)	30/12/2019	3 183 499.18	6 473 504.73	9 657 003.91
		<b>16 788 529.64</b>	<b>20 835 490.49</b>	<b>37 624 020.13</b>

**DBSA** - Structured secured 15-year loan for various purposes. Original loan capital of R308 000 000. Drawdown of R 200 million was transferred on April 2014. Another drawdown was transferred on October 2014. Interest is repayable semi-annually in at fixed rate interest.

Structured secured 15-year loan for various purposes. Original loan capital of R150 000 000. Drawdown of R 150 million was transferred on February 2015. Interest is repayable semi-annually in at fixed rate interest.

**INCA** - Original loan capital of R50 000 000. Bears interest at 13.82% per annum and repayable in equal instalments of R4 002 068 at the end of February and August every year, with the last instalment payable on 29 February 2024.

**Absa Loan (1064)** - Original loan amount was R 20 000 000 for the 3 drawdowns respectively. Bears interest from first draw down at 11.92%, 12.02% and 12.14% per annum respectively, with equal instalments of R 1 447 592, R 1 455 506 and R 1 465 020 payable at the end of November and May every year, with the last instalment payable 15 years from date of draw down.

**11. CONCLUSION**

In light of the above financial assessment and forecasting figures on the annual budget on the first six month ended 31<sup>st</sup> December 2019 of the 2019/2020 financial year, it is recommended that an adjustment budget for 2019/2020 is required to cater for the shift of funds between votes. The adjusted budget will be submitted to Council by the end of February 2019.

## **AGENDA: SPECIAL COUNCIL: 28 FEBRUARY 2020**

### **RECOMMENDED:**

### **ACTION**

- |   |     |
|---|-----|
| 1. This Report on the submission of the Mid-Year Budget Assessment in compliance with Section 72 of the Municipal Finance Management Act No. 56 of 2003, as well as Section 23 of the Local Government: Municipal Budget and Reporting Regulations (MBRR) be noted; | ALL |
| 2. That an adjustments budget is necessary to address all the mentioned issues in the report;   | ALL |
| 3. That the Mid-Year report submitted to both National Treasury and Provincial Treasury;  | BTO |
| 4. That the Mid-Year report be made public in line with requirements of Section 21(A) of Municipal Systems Act of 2000 within five (5) days of approval by Council.   | BTO |

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