



**MID-YEAR BUDGET AND
PERFORMANCE ASSESSMENT
REPORT FOR
DR NKOSAZANA DLAMINI ZUMA
LOCAL MUNICIPALITY
2019/20 FINANCIAL YEAR**

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1. PART 1 – IN YEAR REPORT

1.1 Purpose

To inform Council of progress made in the implementation of the budget and the performance outcomes in respect of the past first six months of the 2019/20 financial year, and to recommend whether an adjustments budget is necessary.

1.2. Mayors Report



Dr Nkosazana Dlamini Zuma Local Municipality is pleased to officially present the Section 72 Mid-Year Budget and performance assessment for 2019/20 financial year where we report on how the municipality has performed in the past six months, to report on how the municipality anticipate to fulfill its Constitutional mandate and ensure that Service delivery priorities, as identified in the Integrated Development Plan (IDP) are funded and implemented, in terms of Section 71 read with Section 72 of the MFMA which states that the Accounting Officer of a municipality must by the 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 budget statements referred to in section 71 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 set in the service delivery and budget implementation plan,
- iii. The past year's annual report, and progress on resolving problems identified in the annual report;

It is by this Act that the Accounting Officer submitted this report and presented to Council. There have been no major changes on anticipated revenue both from our own revenue and from grants even though, there would be a need for adjustment budget as there were capital items that were budgeted to be procured in 2018/2019 financial year but they procured in current financial year. Because of this, there would be a need also to revise the SDBIP priorities.

I would also like to thank all the stakeholders who supported the municipality in the past years; your dedication has led to an unqualified audit opinion as included in the Annual Report for Dr Nkosazana Dlamini Zuma Municipality. The municipality had its third audit opinion from Auditor General as the new municipality after the merger of the two municipalities, former Kwa Sani and former Ingwe. The municipality did well in terms of the number of items identified by AG on the management letter and we are looking forward to improving more in this current financial year.

We would not forget our main objective as the municipality which is to ensure that the communities of Dr Nkosazana Dlamini Zuma Municipality get access to basic services and thus we are confident that with the support from all stakeholders the Adjustment Budget would be complied in a manner that would ensure that this happens. Dr Nkosazana Dlamini Zuma Municipality therefore pledges its commitment to effective and efficient Service Delivery as outlined in the 2019/20 IDP and Budget.

Honourable Mayor

Councillor P. N. Mncwabe

2. Resolutions

It is recommended that the Mayor note:

- The quarterly report on the implementation of the budget in terms of s52 (d) of the MFMA
- The Mid-year budget & Performance assessment in terms of s72 of the MFMA
- The Preparation of the adjustments budget for Tabling to Council before the 28th February 2020
- The Revision of the projections for Revenue & Expenditure in the SDBIP

3. Executive Summary

- **Purpose**

The discussion that follows, in terms of MFMA Section 71 and Section 52(d), intends to inform Council on the progress made thus far in terms of implementing the 2019/2020 budget for the period ending 31 December 2019.

- **Legislative Requirements**

In terms of Section 72 of the MFMA, the Accounting Officer of the Municipality is required to submit a report in the prescribed format to the Mayor by the 25 January of each year, reviewing the financial performance of the municipality for the past first six months of the year. This mid-year report is a critical stage in the in-year reporting cycle. As part of the review, in terms of Section 72(3), the accounting officer needs to make recommendations as to whether an Adjustment Budget is necessary and recommend revised projections for revenue and expenditure to the extent that this may be necessary. Furthermore, Section 54(e)&(f) of the MFMA requires the Mayor identify any financial problems facing the municipality, including any emerging or impending financial problems and to consider and submit a report to Council by 31 January.

- **Midyear Budget & Performance Assessment**

The municipality's Performance of the approved budget is best summarised in table C1 under the heading "In Year Budget statement Tables". While the operational budget expenditure has been good, accelerated implementation of the Capital projects would have to be sought in order to increase the provision of basic services to the communities. Piling outstanding consumer debts is continuing to be a challenge to the municipality and pose a threat to the municipality's liquidity position. The municipality is busy with strategies to try and deal with this challenge.

4. In -Year Budget Statement Tables

Budget Statement Tables Version 6.3 of the C Schedule is attached; the tables provide overall performance of the municipality in the past six months.

PERFORMANCE HIGHLIGHTS

SUMMARY OF FINANCIAL PERFORMANCE	
Actual Revenue to Budgeted Revenue (Billed)	69.7%
Actual Revenue to Budgeted Revenue (Receipts)	42%
Actual Opex to Budgeted Opex	38%
Actual Capex to Budgeted Capex	43%
Employee related cost	46%
Councillors Remuneration	44%
Conditional Grants Expenditure	44.4%
Cash Coverage Ratio	10:8
Creditors Age Analysis	98% creditors paid
Debt Collection rate	42.27%

Summary financial performance report for the period ending 31 December 2020. The SFP shown in Annexure A, Table C4, is prepared on a similar basis to the prescribed budget format, detailing revenue by source, type and expenditure. The summary report indicates the following:

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	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										
Revenue By Source										
Property rates		31 362	37 561	37 561	2 911	17 321	19 092	(1 770)	-9%	37 561
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		3 305	3 800	3 800	288	1 729	1 900	(171)	-9%	3 800
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		829	1 144	1 144	83	435	572	(137)	-24%	1 144
Interest earned - external investments		7 945	7 741	7 741	1 129	4 306	3 871	435	11%	7 741
Interest earned - outstanding debtors		-	1 800	1 800	325	915	900	15	2%	1 800
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		4 073	665	665	150	1 772	332	1 440	433%	665
Licences and permits		959	998	998	42	310	499	(189)	-38%	998
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		126 957	135 407	135 407	43 064	99 774	67 703	32 070	47%	135 407
Other revenue		2 292	1 595	1 595	62	224	797	(574)	-72%	1 595
Gains on disposal of PPE		378	345	345	-	7 043	173	6 871	3983%	345
Total Revenue (excluding capital transfers and contributions)		178 101	191 056	191 056	48 054	133 829	95 839	37 990	40%	191 056
Expenditure By Type										
Employee related costs		50 499	63 965	63 965	6 615	29 573	31 982	(2 409)	-8%	63 965
Remuneration of councillors		11 200	12 627	12 627	933	5 601	6 314	(713)	-11%	12 627
Debt impairment		10 542	6 478	6 478	-	-	3 239	(3 239)	-100%	6 478
Depreciation & asset impairment		23 496	34 654	34 654	4 345	12 735	17 327	(4 592)	-27%	34 654
Finance charges		107	425	425	13	118	212	(94)	-44%	425
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials		731	4 604	4 524	257	622	2 262	(1 641)	-73%	4 524
Contracted services		28 456	34 214	34 119	1 825	9 400	17 049	(7 650)	-45%	34 119
Transfers and subsidies		1 772	1 905	1 905	166	811	952	(141)	-15%	1 905
Other expenditure		29 432	29 166	29 341	2 022	14 345	14 670	(325)	-2%	29 341
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		156 236	188 039	188 039	16 176	73 204	94 008	(20 804)	-22%	188 039
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		21 865	3 018	3 018	31 878	60 625	1 831	58 794	0	3 018
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		26 999	27 149	27 149	13 470	18 142	13 574	4 568	0	27 149
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		48 863	30 167	30 167	45 348	78 767	15 405			30 167

The total revenue raised including operational grants as at 31 December 2019 was R 133,8 million against a total budget of R 191 million for the year and the YTD budget is R 95,8 Million as at 31 December 2019. This reflects a revenue rate of 70% against the total budget for the year.

The operating expenditure as at 31 December 2019 totals to R 73,2 million against a total budget of R 188 million and that is reflecting an expenditure rate of 38%. This suggests that operating Expenditure is down by 22% when comparing with 50% that was projected to be spent as at the end of the first half of the year.

Operating revenue material variances were in the following areas;

Rental of Facilities: (-24%) Due to decrease in demand of renting of community facilities.

Interest on Investments:(11%) Due to the receipts of first trench of grants and in grants such as FMG the full amount is received at once and the slow spending on capital projects which result in more excess cash on the bank account.

Fines Penalties and Forfeits:(358%) The actuals for fines are includes interest earned on outstanding debtors due to incorrect link of interest earned on outstanding debtors account. The error would be corrected next month as we are no longer allowed to process transactions in previous months.

Licences and Permits:(-38) Due to the delay in the reopening of the Himeville licencing office after it was closed.

Transfers and Subsidies:(46) Due to the receipts of first trench of grants and in grants such as FMG the full amount is received at once.

Gains and Disposal on PPE:(3983%) The significant generation of high revenue is due to budgeted sale of train couches that was budgeted to take place in 2018/2019 financial year but the auction processes started late in April 2019 and it was finalised in 2019/2020 financial year (August 2019).

Other Revenue: (-72) Incorrect allocation of refund from insurance

Operating Revenue Analysis

The key revenue drivers at the preparation of the budget were operational grants, property rates and service charges:

- Operational grants contributed 70,8% of the total operation revenue budget
- Property rates contributed 19,6% of the total operational revenue budget
- Interest earned from investments contributed 4% of the total operational revenue budget
- Service charges contributed 2% of the total operational revenue budget.

Equitable Share

The Municipality has received a total allocation of R 94 401 million or 75% from equitable share's allocation for the 2019 /20 financial year. The third tranche of the Equitable share totalling to R 31 468 million is to be received by March 2020.

Interest from Investments

The Municipality had R 168 182 million investments as at 31 December 2019 that were earmarked to generate revenue as interest received. The municipality has generated a total revenue of R4 306 million from interest on investment as at 31 December 2019, which translate to 55% against YTD budget of R3 871 million.

The YTD revenue recognise under National Capital Grants is R18 142 million against the original budget of R 35 149 million, the R18 million recognised is only for MIG projects only while the budget is for both MIG and INEP project. The municipality does not recognise the revenue for electrification because the municipality is acting as an agent when it comes to electrification projects.

Operating Expenditure analysis

	Original Budget 2019/2020	Month Budget December 2019	YTD Budget	YTD actual paid	YTD % Spent
Operating Expenditure	188 038 505	15 669 875	94 019 252	73 204 471	78%

The operating expenditure has shown an under performance by 22% against the year to date projected budget as at the end of December 2019 which is still within reasonable variance overall. However, there are material variances that have been reported against expenditure types such as remuneration of councillors, contracted services, other materials and depreciation & asset impairment. The rest of the operating expenditure projections were within the normal range of projections with most posting a variance of less than 10%. Based on the constrained financial resources the municipality will have to exercise strict budgetary control and implore cost cutting measures to ensure that it is still able to meet its service delivery objectives under the current financial situation.

Operating expenditure material variances were in the following areas.

Remuneration of councillors: (-11) Due to the Councillors allowance increment budgeted for but will only effectively be paid once determination by the minister has been issued which is usually around December of each year.

Debt impairment: (-100) Debt impairment will be processed at the end of the financial year (June 2020)

Depreciation and Asset Impairment: (-27) Depreciation will be revised during the review of budget as a result of a delay in completion of projects that were supposed to be completed in the last financial year, the completion date has been revised to current year.

Finance Charges: (-44%) The budget included the capital and the interest of the finance leases; it will be corrected in the adjustment budget.

Other Materials: (-73%) Timing of procurement. Most expenditure are still in procurement process.

Contracted Services: (-46%) Timing of procurement. Most expenditure are still in procurement process.

Transfers and Grants: (-15) Underspending because Invoice for December was not received on time by the expenditure section it will be processed in January

Capital Expenditure

Table C5 below reports on the capital expenditure by departments (municipal vote) and by standard classification. The bottom part of the schedule looks at the funding sources of the capital projects. The overall expenditure on capital expenditure is sitting at R 22 171 million against a total budget of R64,5 million as at the end of 31 December 2018 and that is 31% of the total

budget and 62% against YTD budget, this shows a very low performance on the capital projects. The capita

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

FUNDING SOURCE	Original Budget	YTD Budget	YTD Actual Expenditure	Balances	% Spent
MIG	27,149,000	13,574,500	18,142,020	9,006,980.00	67%
INEP	8,000,000	4,000,000	6,867,265	1,132,735.08	86%
INTERNAL	41,495,000	20,747,500	16,290,116	25,204,884.00	39%
BHIDLA HOUSING	50,447,590	25,223,795	11,730,766	38,716,823.97	23%
TOTAL	127,091,590	63,545,795	53,030,167	74,061,423.05	42%

The total capital budget for the 2019/2020 financial year is R 127 million inclusive of INEP and Housing grant, the MIG allocation is R 27 million. The cumulative capital expenditure for the period amounts to R 53 million or 42% to the total budget. The municipality anticipated to spend 50% of the total capital budget as at the second quarter but the spending is sitting at 42% as at the second quarter.

Major variances are resulted from the following projects:

Bhidla Housing Project: Project in progress. Project start date 22 November 2018, end date November 2021

Other Items: Such as: - Transport assets: Delay in the finalization of National Treasury Transversal contract process.

Backup Generator and Street light/High mast – In specification stage waiting to be advertised.

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	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	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Community Services		-	2 000	2 000	-	-	1 000	(1 000)	-100%	2 000
Vote 5 - Public Works and Basic Services		-	8 000	9 500	-	-	4 750	(4 750)	-100%	8 000
Vote 6 - Planning and Development		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	-	10 000	11 500	-	-	5 750	(5 750)	-100%	10 000
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	612	612	-	63	306	(242)	-79%	612
Vote 2 - Budget and Treasury		-	303	303	3	114	151	(38)	-25%	303
Vote 3 - Corporate Services		-	412	412	-	-	206	(206)	-100%	412
Vote 4 - Community Services		-	5 931	5 931	3 144	3 202	2 965	236	8%	5 931
Vote 5 - Public Works and Basic Services		51 233	51 266	49 766	6 334	17 668	24 883	(7 215)	-29%	51 266
Vote 6 - Planning and Development		-	120	120	45	124	60	64	107%	120
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	51 233	58 644	57 144	9 525	21 171	28 572	(7 400)	-26%	58 644
Total Capital Expenditure	3	51 233	68 644	68 644	9 525	21 171	34 322	(13 150)	-38%	68 644
Capital Expenditure - Functional Classification										
Governance and administration		-	1 827	1 827	3	177	913	(736)	-81%	1 827
Executive and council		-	612	612	-	63	306	(242)	-79%	612
Finance and administration		-	1 215	1 215	3	114	608	(494)	-81%	1 215
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	8 131	8 131	3 453	4 760	4 065	695	17%	8 131
Community and social services		-	3 525	3 125	310	1 558	1 562	(4)	0%	3 125
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	4 606	5 006	3 144	3 202	2 503	699	28%	5 006
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		51 233	58 686	58 686	6 069	16 234	29 343	(13 109)	-45%	58 686
Planning and development		51 233	53 936	53 936	6 024	16 110	26 968	(10 858)	-40%	53 936
Road transport		-	4 750	4 750	45	124	2 375	(2 251)	-95%	4 750
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	-	-
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	51 233	68 644	68 644	9 525	21 171	34 322	(13 150)	-38%	68 644
Funded by:										
National Government		26 660	27 149	27 149	2 558	4 881	13 574	(8 693)	-64%	27 149
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		26 660	27 149	27 149	2 558	4 881	13 574	(8 693)	-64%	27 149
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		24 573	41 495	41 495	6 967	16 290	20 747	(4 457)	-21%	41 495
Total Capital Funding		51 233	68 644	68 644	9 525	21 171	34 322	(13 150)	-38%	68 644

Capital expenditure for Dr Nkosazana Dlamini Zuma municipality does not include electrification projects as the municipality act as an agent in such projects.

- **Statement of Financial Position**

The table C6 below displays the statement financial position of the municipality as at 31 December 2019.

KZN436 Dr Nkosazana Dlamini Zuma - Table C6 Monthly Budget Statement - Financial Position - M06

Description	Ref	2018/19	Budget Year 2019/20			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		121 685	5 000	5 000	8 938	5 000
Call investment deposits		–	51 033	51 033	168 182	51 033
Consumer debtors		23 002	21 111	21 111	8 588	21 111
Other debtors		2 811	3 612	3 612	21	3 612
Current portion of long-term receivables		–	–	–	–	–
Inventory		–	–	–	–	–
Total current assets		147 498	80 755	80 755	185 729	80 755
Non current assets						
Long-term receivables		–	–	–	–	–
Investments		–	–	–	–	–
Investment property		20 300	20 064	20 064	20 300	20 064
Investments in Associate		–	–	–	–	–
Property, plant and equipment		361 635	415 100	415 100	340 810	415 100
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		62	35	35	16	35
Other non-current assets		–	–	–	–	–
Total non current assets		381 997	435 200	435 200	361 127	435 200
TOTAL ASSETS		529 495	515 955	515 955	546 855	515 955
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		678	540	540	325	540
Consumer deposits		–	–	–	–	–
Trade and other payables		42 817	34 713	34 713	19 582	34 713
Provisions		4 545	62	62	353	62
Total current liabilities		48 041	35 315	35 315	20 260	35 315
Non current liabilities						
Borrowing		540	171	171	540	171
Provisions		16 857	16 290	16 290	11 032	16 290
Total non current liabilities		17 397	16 460	16 460	11 572	16 460
TOTAL LIABILITIES		65 438	51 776	51 776	31 832	51 776
NET ASSETS	2	464 057	464 180	464 180	515 023	464 180
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		459 231	459 919	459 919	459 231	459 919
Reserves		4 827	4 261	4 261	4 827	4 261
TOTAL COMMUNITY WEALTH/EQUITY	2	464 057	464 180	464 180	464 057	464 180

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

• **Cash Flow Statement**

Table C7 below display the Municipality's Cash Flow Statement for the Period ending 31 December 2019

The municipality had an opening balance of R56 million and closing balance of R 177 million as at the end of December 2019 and that is favourable to the municipality

KZN436 Dr Nkosazana Dlamini Zuma - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	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	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		31,950	28,171	28,171	2,413	15,861	14,085	1,775	13%	28,171
Service charges		3,305	2,850	2,850	288	1,729	1,425	304	21%	2,850
Other revenue		16,154	3,864	3,864	323	2,659	1,932	727	38%	3,864
Government - operating		150,805	143,407	143,407	41,956	108,226	71,704	36,523	51%	143,407
Government - capital		26,660	27,149	27,149	14,000	20,000	13,575	6,426	47%	27,149
Interest		7,945	7,741	7,741	1,455	4,306	3,871	435	11%	7,741
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(119,551)	(152,577)	(152,577)	(11,652)	(59,540)	(76,289)	(16,749)	22%	(152,577)
Finance charges		(15)	(425)	(425)	(13)	(118)	(212)	(94)	44%	(425)
Transfers and Grants		(1,772)	(1,905)	(1,905)	(166)	(811)	(952)	(141)	15%	(1,905)
NET CASH FROM/(USED) OPERATING ACTIVITIES		115,482	58,275	58,275	48,603	92,311	29,137	(63,173)	-217%	58,275
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		418	345	345	-	7,043	173	6,871	3983%	345
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(51,233)	(68,644)	(68,644)	(9,525)	(21,171)	(34,322)	(13,150)	38%	(68,644)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(50,815)	(68,299)	(68,299)	(9,525)	(14,128)	(34,149)	(20,021)	59%	(68,299)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		(31,818)	(771)	(771)	-	-	(385)	(385)	100%	(771)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(31,818)	(771)	(771)	-	-	(385)	(385)	100%	(771)
NET INCREASE/ (DECREASE) IN CASH HELD		32,849	(10,795)	(10,795)	39,078	78,183	(5,397)			(10,795)
Cash/cash equivalents at beginning:		88,836	66,828	66,828		98,937	66,828			98,937
Cash/cash equivalents at month/year end:		121,685	56,033	56,033		177,120	61,430			88,142

PART 2 – SUPPORTING DOCUMENTS

2.1 Debtors Age Analysis

The table SC3 Monthly Budget Statement below provides information and summarises the Debtors Age Analysis as at 31 December 2019.

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2019/20									Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy	
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total				
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1200	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	2 529	2 356	1 747	1 623	44 076	-	-	-	52 331	45 699	-	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	1600	303	254	186	164	5 656	-	-	-	6 563	5 820	-	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	16	16	16	16	561	-	-	-	624	577	-	-	-
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	35	24	22	22	498	-	-	-	602	520	-	-	-
Total By Income Source	2000	2 883	2 651	1 970	1 825	50 791	-	-	-	60 119	52 615	-	-	-
2018/19 - totals only														
Debtors Age Analysis By Customer Group														
Organs of State	2200	487	471	455	451	13 884	-	-	-	15 749	14 335	-	-	-
Commercial	2300	1 329	1 304	847	797	18 772	-	-	-	23 049	19 569	-	-	-
Households	2400	1 038	849	645	556	17 212	-	-	-	20 300	17 768	-	-	-
Other	2500	29	27	23	21	923	-	-	-	1 022	943	-	-	-
Total By Customer Group	2600	2 883	2 651	1 970	1 825	50 791	-	-	-	60 119	52 615	-	-	-

Dr Nkosazana Dlamini Zuma Municipality's debtors' book is sitting at R 60 119 million as at the end of December 2019 and The collection rate for the month of December was 42,27%. That is an indication of that the collection is very low and our customers, they don't pay what is due to the municipality.

The challenge the municipality have been having with the collection of long outstanding debt is that once all internal collection strategies had been exhausted. we were unable to hand them over to attorneys for further legal action. The municipal attorney was appointed in the month of November 2019 a meeting was held in the month of December 2019 to discuss working procedure. On the 6th of January 2020 a list for municipal customer with highest outstanding debt was handed over.

The main challenges that the municipality experienced when collecting monies owed to the municipality can be summarized as follows:

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

- The ongoing difficulties rates payers
- Remaining unpaid traffic fines

2.2 Creditors Age Analysis

Table SC4 Monthly budget statement below provides information of the Aged Creditors as at 31 December 2019. The municipality pays its creditors within 30 days from the date of receiving fully completed invoice.

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description	NT Code	Budget Year 2019/20								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										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	-	-	-	-	-	-	-	-	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	11,706	-	-	-	-	-	-	-	11,706
Auditor General	0800	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	11,706	-	-	-	-	-	-	-	11,706

2.3 Investment Portfolio Analysis

The table SC5 below indicate the municipality's investment portfolio is sitting at R168,1 million. No account was held as security in past six (6) months of the financial year. Investment portfolio has been diversified to reduce the investment risk across four major banks i.e. First National Bank, Ned Bank, Investec bank and STD bank.

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	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
		Yrs/Months							
R thousands									
Municipality									
-		-	-	-	-	-	-	-	-
FNB CALL DEPOSIT 74165605518		-	-	-	-	0.410959049	850	3	853
FNB MONEY MARKET 62008452071		-	-	-	-	161.5168594	20,552	33,195	53,746
FNB CALL DEPOSIT 62544294987		-	-	-	-	0.488355764	4,945	24	4,969
FNB CALL DEPOSIT 62544297436		-	-	-	-	0.488355789	5,177	25	5,203
FNB CALL ACCOUNT 62550105011		-	-	-	-	0.488350082	107	1	108
FNB BUSINESS MONEY MARKET 62235619197		-	-	-	-	0.402739715	22,243	90	22,333
FNB CALL DEPOSIT 62810888935		-	-	-	-	-	446	2	448
FNB CALL DEPOSIT 62810887119		-	-	-	-	-	267	1	268
FNB MONEY MARKET 62051076688		-	-	-	-	-	370	1	371
NED BANK INVESTMENT 03/7881098635/000022		-	-	-	-	-	13,450	69	13,519
NED BANK INVESTMENT 03/7881098635/000023		-	-	-	-	-	13,318	68	13,386
NED BANK INVESTMENT 03/7881098635/000024		-	-	-	-	-	8,100	8,100	8,100
INVESTEC BANK 1100540834-500		-	-	-	-	-	44,554	240	44,794
STANDARD BANK 052070336		-	-	-	-	-	84	(0)	84
Municipality sub-total					-		134,464	41,818	168,182
TOTAL INVESTMENTS AND INTEREST	2				-		134,464	41,818	168,182

The municipality does not have long-term investments, most of these investments are grants that the municipality received to spend in the budget year therefore cannot be invested for longer periods.

2.4 Allocation / Grant Receipts and Expenditure

Grants receipts

Table SC6 monthly budget statement below provides information relating to transfers and grant receipts. A total of R 128,2 million has been received by the municipality as the 31 December 2019 and the last trench is expected by the month of march 2020 for all the grants that were gazetted for the municipality for 2019/20 financial year.

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M06 December

Description	Ref	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										
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		122 528	131 250	131 250	41 956	99 069	65 625	33 444	51.0%	131 250
Operational Revenue: General Revenue: Equitable Share		111 162	125 869	125 869	41 956	94 401	62 934	31 467	50.0%	125 869
Operational Revenue: General Revenue: Fuel Levy	3	-	-	-	-	-	-	-	-	-
Energy Efficiency and Demand-side [Schedule 5B]		-	-	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		1 596	2 381	2 381	-	1 668	1 190	478	40.1%	2 381
Khayelitsha Urban Renewal		-	-	-	-	-	-	-	-	-
Local Government Financial Management Grant [Schedule 5B]		3 870	3 000	3 000	-	3 000	1 500	1 500	100.0%	3 000
Mitchell's Plain Urban Renewal		-	-	-	-	-	-	-	-	-
Municipal Demarcation and Transition Grant [Schedule 5B]		5 900	-	-	-	-	-	-	-	-
Municipal Disaster Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
Metro Informal Settlements Partnership Grant		-	-	-	-	-	-	-	-	-
Provincial Government:		4 428	4 157	4 157	-	4 157	2 078	2 079	100.0%	4 157
Capacity Building		-	-	-	-	-	-	-	-	-
Capacity Building and Other		4 428	4 157	4 157	-	4 157	2 078	2 079	100.0%	4 157
Disaster and Emergency Services	4	-	-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	126 957	135 407	135 407	41 956	103 226	67 703	35 523	52.5%	135 407
Capital Transfers and Grants										
National Government:		26 660	35 149	35 149	14 000	25 000	17 575	7 426	42.3%	27 149
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		-	8 000	8 000	-	5 000	4 000	1 000	25.0%	-
Municipal Infrastructure Grant [Schedule 5B]		26 660	27 149	27 149	14 000	20 000	13 575	6 426	47.3%	27 149
Parent Municipality / Entity		-	-	-	-	-	-	-	-	-
Transfer from Operational Revenue		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	26 660	35 149	35 149	14 000	25 000	17 575	7 426	42.3%	27 149
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	153 617	170 556	170 556	55 956	128 226	85 278	42 948	50.4%	162 556

Transfers and grant expenditure

Table SC7(1) below provides information relating to grant expenditure, the municipality has actual spent 33% as at December 2019 on operational transfers and grants and 33% on capital grants.

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

Description	Ref	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										
EXPENDITURE										
Operating expenditure of Transfers and Grants										
National Government:		122 528	131 250	131 250	8 329	42 829	65 625	(22 796)	-34.7%	107 404
Operational Revenue:General Revenue:Equitable Share		111 162	125 869	125 869	7 697	39 432	62 934	(23 502)	-37.3%	102 023
Energy Efficiency and Demand-side [Schedule 5B]		-	-	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		1 596	2 381	2 381	186	1 146	1 190	(44)	-3.7%	2 381
Khayelitsha Urban Renewal		-	-	-	-	-	-	-	-	-
Local Government Financial Management Grant [Schedule 5B]		3 870	3 000	3 000	446	2 251	1 500	751	50.0%	3 000
Mitchell's Plain Urban Renewal		-	-	-	-	-	-	-	-	-
Municipal Demarcation and Transition Grant [Schedule 5B]		5 900	-	-	-	-	-	-	-	-
Metro Informal Settlements Partnership Grant		-	-	-	-	-	-	-	-	-
Provincial Government:		4 428	4 157	4 157	474	2 030	2 078	(48)	-2.3%	4 058
Capacity Building		-	-	-	-	-	-	-	-	-
Capacity Building and Other		4 428	4 157	4 157	474	2 030	2 078	(48)	-2.3%	4 058
Parent Municipality / Entity		-	-	-	-	-	-	-	-	-
Total operating expenditure of Transfers and Grants:		126 957	135 407	135 407	8 803	44 859	67 703	(22 844)	-33.7%	111 461
Capital expenditure of Transfers and Grants										
National Government:		26 660	35 149	35 149	3 619	11 717	17 574	(5 857)	-33.3%	35 149
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		-	8 000	8 000	1 061	6 836	4 000	2 836	70.9%	8 000
Municipal Infrastructure Grant [Schedule 5B]		26 660	27 149	27 149	2 558	4 881	13 574	(8 693)	-64.0%	27 149
Transfer from Operational Revenue		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		26 660	35 149	35 149	3 619	11 717	17 574	(5 857)	-33.3%	35 149
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		153 617	170 556	170 556	12 422	56 577	85 278	(28 701)	-33.7%	146 610

2.5 Councillors and Board Members Allowances and Employee Benefits

The table SC8 below for monthly budget statement Councillor and staff Benefit shows the detailed spending of staff salaries and wages and Councillors remuneration.

Remuneration of councillor's

Expenditure as at 31 December 2019 is sitting at R5,6 million against a year to date budget of R6,3 million and that means 44% of the councillor's allowances budget that was spent as at December 2019.

Employee related costs

Expenditure as at 31 December 2019 is sitting at R 29,5 million against year to date budget of R 31,9 million and that means 46% was spent against employee related costs budget as at

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY December 2019. The overall Employee related costs and Remuneration of councillor's represented 37,4% of YTD operating expenditure for the period.

	Original Budget 2019/2020	Month Budget December 2019	YTD Budget	YTD actual paid	YTD % Spent
Employee Related Costs	63 964 45.00	4 613 033	31 982 472.50	29 573 312.00	46%
Remuneration Of Councillors	12 627427.49	999 281	6 313 713.74	5 600 517.00	44%

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	Ref	Budget Year 2019/20								
		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
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		7 942	8 023	8 023	648	3 904	4 012	(108)	-3%	8 023
Pension and UIF Contributions		1 124	1 050	1 050	91	551	525	26	5%	1 050
Medical Aid Contributions		-	97	97	-	-	48	(48)	-100%	97
Motor Vehicle Allowance		847	2 078	2 078	87	501	1 039	(538)	-52%	2 078
Cellphone Allowance		1 288	1 379	1 379	107	644	689	(46)	-7%	1 379
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-
Sub Total - Councillors		11 200	12 627	12 627	933	5 601	6 314	(713)	-11%	12 627
% increase	4		12.7%	12.7%						12.7%
Senior Managers of the Municipality										
Basic Salaries and Wages		3 000	4 439	4 439	361	2 168	2 220	(52)	-2%	4 439
Pension and UIF Contributions		6	139	139	1	4	69	(66)	-95%	139
Medical Aid Contributions		82	232	232	5	29	116	(87)	-75%	232
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		(2)	101	101	32	207	51	157	310%	101
Motor Vehicle Allowance		340	358	358	28	165	179	(14)	-8%	358
Cellphone Allowance		-	-	-	-	-	-	-	-	-
Housing Allowances		80	85	85	7	40	42	(3)	-6%	85
Other benefits and allowances		197	238	238	11	136	119	17	14%	238
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations		-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		3 702	5 592	5 592	444	2 748	2 796	(48)	-2%	5 592
% increase	4		51.1%	51.1%						51.1%
Other Municipal Staff										
Basic Salaries and Wages		33 539	43 114	43 114	3 072	18 422	21 557	(3 135)	-15%	43 114
Pension and UIF Contributions		4 869	6 643	6 643	499	2 920	3 322	(401)	-12%	6 643
Medical Aid Contributions		2 697	2 450	2 450	205	1 242	1 225	17	1%	2 450
Overtime		1 397	1 107	1 107	86	573	553	20	4%	1 107
Performance Bonus		916	972	972	710	970	486	483	99%	972
Motor Vehicle Allowance		24	50	50	3	17	25	(8)	-32%	50
Cellphone Allowance		-	-	-	-	-	-	-	-	-
Housing Allowances		87	461	461	8	50	231	(181)	-78%	461
Other benefits and allowances		2 339	3 092	3 092	1 418	2 310	1 546	764	49%	3 092
Payments in lieu of leave		929	-	-	-	-	-	-	-	-
Long service awards		-	150	150	94	145	75	70	93%	150
Post-retirement benefit obligations		-	333	333	75	177	167	11	6%	333
Sub Total - Other Municipal Staff		46 798	58 373	58 373	6 170	26 826	29 186	(2 360)	-8%	58 373
% increase	4		24.7%	24.7%						24.7%
Total Parent Municipality		61 700	76 592	76 592	7 548	35 174	38 296	(3 122)	-8%	76 592
TOTAL SALARY, ALLOWANCES & BENEFITS		61 700	76 592	76 592	7 548	35 174	38 296	(3 122)	-8%	76 592
% increase	4		24.1%	24.1%						24.1%
TOTAL MANAGERS AND STAFF		50 499	63 965	63 965	6 615	29 573	31 982	(2 409)	-8%	63 965

2.6 Material Variances in the SDBIP

The performance of the Municipality, as discussed in detail under in the attached Performance Report. Material Variances in the SDBIP, shows that the Municipality has managed to achieve some of the objectives of the planned target as at midyear. It can be stated that the performance of the municipality at midyear is satisfactory as according to the attached mid-year performance report the overall performance is 80% in terms of the achieved targets; however, there is still more room for improvement.

The section also assesses the material variances between the planned operational, capital and revenue targets an analysis which is crucial to give direction to the second half of the final year. The revenue, Expenditure and performance targets in terms of planned indicators of the municipality would have to be reviewed for adjustments of underperformance as well as over performance.

The following section analyses material variances between the actual targets against the budget as at the Mid-year of the 2019/20 financial year. This report analyses each major component under following headings:

- Revenue;
- Operational Expenditure;
- Capital Expenditure;
- Financial Position and
- Cash Flows

The analysis also provides a brief on the impact of this report on the adjustments budget.

The last section under this heading analyses the actual targets against the planned targets as at 31 December 2019.

- **Table SC1 Material Variances Explanation**

TableSC1 below of the Schedule C provides the explanations on the material variances

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC1 Material variance explanations - M06 December

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
	R thousands			
1	Revenue By Source			
	Rental of Facilities	(24) percent	Due to decrease in demand of renting of community facilities.	The municipality will adjust the budget during the adjus
	Fines Penalties and Forfeits	358 percent	The actuals for fines are includes interest earned on outstanding debtors due to incorrect link of interest earned on outstanding debtors account. The error would be corrected next month as we are no longer allowed to process transactions in previous months.	The error will be correct next month as we are no longer allowed to process transactions on the previous months.
	Licences and Permits	(38) percent	Due to the delay in the reopening of the Himeville licencing office after it was closed.	The office has been reopened
	Gains and Disposal on PPE	3983 percent	The significant generation of high revenue is due to budgeted sale of train couches that was budgeted to take place in 2018/2019 financial year but the auction processes started late in April 2019 and it was finalised in 2019/2020 financial year (August 2019).	The municipality will adjust the budget during the adjustment budget
	Other Revenue	(72) percent	Incorrect allocation of refund from insurance	To be corrected in the following month
2	Expenditure By Type			
	Remuneration of councillors	(11) percent	Due to the Councillors allowance increment budgeted for but will only effectively paid once determination by the minister has been issued which is usually around December of	Councillors allowance will be paid once the determination by the minister has been issued
	Debt impairment	(100) percent	Debt impairment will be processed at the end of the financial year (June 2020)	Debt impairment will be processed at the end of the financial year (June 2020)
	Depreciation and Asset Impairment	(27) percent	Depreciation will be revised during the review of budget as a result of a delay in completion of projects that were supposed to be completed in the last financial year, the completion date has be revised to current year.	The budget will be adjusted during adjustment period
	Finance Charges	(44) percent	The budget included the interest capital portion of the finance leases; it will be corrected in the adjustment budget.	It will be corrected in the adjustment budget
	Other Materials	(73) percent	Timing of procurement. Most expenditure are still in procurement process	To consider adjustment during the adjustment budget period and to fast track the SCM processes
	Contracted Services	(41) percent	Timing of procurement. Most expenditure are still in procurement process.	To consider adjustment during the adjustment budget period and to fast track the SCM processes
	Transfers and Grants	(15) percent	Underspending because Invoice for December was not received on time by the expenditure section it will be processed in January	Payment will be precessed in January 2020
3	Capital Expenditure			
	Total Capital Expenditure	(38) percent	Delay in SCM processes for some projects	To fast track SCM processes

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2019/2020 FY

KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC1 Material variance explanations - M06 December

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
	R thousands			
4	Financial Position			
	Cash		The actual cash YTD is sitting at R177 million and that seem to be favorable to the municipality	
5	Cash Flow			
	Receipts			
	Service charges	21 percent	New Developed properties that were not included on the budget refuse has been added on them.	The municipality will adjust the budget during the adjustment budget
	Other revenue	38 percent	Perfomed as a result of sale of tender documents	
	Government - operating	44 percent	Operational grants above projection for the year to date – cash flow projection not prepared in line with the tranche transfers by National Treasury	
	Government - capital	47 percent	Capital grants above projection for the year to date – cash flow projection not prepared in line with the tranche transfers by National Treasury	
	Interest	35 percent	Over perfomed due to the receipts of first trenche of grants and in grants such as FMG the full amount is received at once and the slow spending on capital projects which result in more excess cash on the bank account.	
	Proceeds on disposal of PPE	3983 percent	The significant generation of high revenue is due to budgeted sale of train couches that was budgeted to take place in 2018/2019 financial year but the auction processes started late in April 2019 and it was finalised in 2019/2020 financial year (August 2019).	The municipality will adjust the budget during the adjustment budget
	Payments			
	Suppliers and employees	22 percent	Under pefomed as a result of the savings on planned employee recruitments, the payment of councillor allowance awaiting for the MEC's approval and the timing of procurement	Recruitments will take place after adjustment budger and Councillors allowance will be paid when it has been approved
	Finance charges	44 percent	The budget included the interest capital portion of the finance leases; it will be corrected in the adjustment budget.	It will be corrected in the adjustment budget
	Transfers and Grants	15 percent	Underspending because Invoice for December was not received on time by the expenditure section it will be processed in January	Payment will be processed in January 2020
	Cash and Cash Equivalent		The municipality had an opening balance of R56 million and closing balance of R 177 million as at the end of December 2019 and that is favourable to the municipality	
6	Measureable performance			
	The SDBIP is attached			
7	Municipal Entities			
	No Entity			

2.7 Parent municipality financial performance

KZN436 Dr Nkosazana Dlamini Zuma - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2018/19	Budget Year 2019/20							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue By Source										
Property rates		31 362	37 561	37 561	2 911	17 321	19 092	(1 770)	-9%	37 561
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-
Service charges - water revenue		-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		3 305	3 800	3 800	288	1 729	1 900	(171)	-9%	3 800
Service charges - other		-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		829	1 144	1 144	83	435	572	(137)	-24%	1 144
Interest earned - external investments		7 945	7 741	7 741	1 129	4 306	3 871	435	11%	7 741
Interest earned - outstanding debtors		-	1 800	1 800	325	915	900	15	2%	1 800
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		4 073	665	665	150	1 772	332	1 440	433%	665
Licences and permits		959	998	998	42	310	499	(189)	-38%	998
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		126 957	135 407	135 407	43 064	99 774	67 703	32 070	47%	135 407
Other revenue		2 292	1 595	1 595	62	224	797	(574)	-72%	1 595
Gains on disposal of PPE		378	345	345	-	7 043	173	6 871	3983%	345
Total Revenue (excluding capital transfers and contributions)		178 101	191 056	191 056	48 054	133 829	95 839	37 990	40%	191 056
Expenditure By Type										
Employee related costs		50 499	63 965	63 965	6 615	29 573	31 982	(2 409)	-8%	63 965
Remuneration of councillors		11 200	12 627	12 627	933	5 601	6 314	(713)	-11%	12 627
Debt impairment		10 542	6 478	6 478	-	-	3 239	(3 239)	-100%	6 478
Depreciation & asset impairment		23 496	34 654	34 654	4 345	12 735	17 327	(4 592)	-27%	34 654
Finance charges		107	425	425	13	118	212	(94)	-44%	425
Bulk purchases		-	-	-	-	-	-	-	-	-
Other materials		731	4 604	4 524	257	622	2 262	(1 641)	-73%	4 524
Contracted services		28 456	34 214	34 119	1 825	9 400	17 049	(7 650)	-45%	34 119
Transfers and subsidies		1 772	1 905	1 905	166	811	952	(141)	-15%	1 905
Other expenditure		29 432	29 166	29 341	2 022	14 345	14 670	(325)	-2%	29 341
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		156 236	188 039	188 039	16 176	73 204	94 008	(20 804)	-22%	188 039
Surplus/(Deficit)		21 865	3 018	3 018	31 878	60 625	1 831	58 794	0	3 018
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		26 999	27 149	27 149	13 470	18 142	13 574	4 568	0	27 149
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Companies, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		48 863	30 167	30 167	45 348	78 767	15 405			30 167
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		48 863	30 167	30 167	45 348	78 767	15 405			30 167

The total revenue raised including operational grants as at 31 December 2019 was R 133,8 million against a total budget of R 191 million for the year and the YTD budget is R 95,8 Million as at 31 December 2019. This reflects a revenue rate of 70% against the total budget for the year.

The operating expenditure as at 31 December 2019 totals to R 73,2 million against a total budget of R 188 million and that is reflecting an expenditure rate of 38%. This suggests that operating Expenditure is down by 22% when comparing with 50% that was projected to be spent as at the end of the first half of the year.

2.8 Municipality Entity financial performance

The municipality does not have an entity.

2.9 Capital programme performance

FUNDING SOURCE	Original Budget	YTD Budget	YTD Actual Expenditure	Balances	% Spent
MIG	27,149,000	13,574,500	18,142,020	9,006,980.00	67%
INEP	8,000,000	4,000,000	6,867,265	1,132,735.08	86%
INTERNAL	41,495,000	20,747,500	16,290,116	25,204,884.00	39%
BHIDLA HOUSING	50,447,590	25,223,795	11,730,766	38,716,823.97	23%
TOTAL	127,091,590	63,545,795	53,030,167	74,061,423.05	42%

The total capital budget for the 2019/2020 financial year is R 127 million inclusive of INEP and Housing grant, the MIG allocation is R 27 million. The cumulative capital expenditure for the period amounts to R 53 million or 42% to the total budget. The municipality anticipated to spend 50% of the total capital budget as at the second quarter but the spending is sitting at 42% as at the second quarter.

2.10 Municipal Managers Quality certificates

Municipal Managers Quality certificate is attached-