

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR



**SECTION 52 REPORT FOR THE 3RD
QUARTER FOR
DR NKOSAZANA DLAMINI ZUMA LOCAL
MUNICIPALITY
2017/2018 FINANCIAL YEAR**

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR

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1.1 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 2017/2018 budget for the period ending 31 March 2018.

1.2 Executive Summary

- **Legislative Requirements**

Section 52 of the Municipal Finance Management Act states the following - states that the Mayor of a municipality must: -

- (a) Provide general political guidance over the fiscal and financial affairs of the municipality;
- (b) In providing such general political guidance, may monitor and, to the extent provided in this Act, oversee the exercise of responsibilities assigned in terms of this Act to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;
- (c) Take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;
- (d) Within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and financial state of affairs of the municipality; and
- (e) Exercise the other power and perform the other duties assigned to the mayor Terms of this Act or delegated by the council to the mayor.

1.3 Resolutions

The following recommendations are linked to the responsibilities of the Mayor as contained in s54 of the MFMA.

It is recommended that the Mayor;

- Notes the quarterly report on the implementation of the budget in terms of s52 (d) of the MFMA Act, No, 56 of 2003

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2. PART 2 – SUPPORTING DOCUMENTS

2.1. Debtors Age Analysis

The debtors book is sitting at R 45,3 million as the end of March 2018. The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. Amongst the things that the municipality is doing is that of strengthening the municipality's debt collection unit, in a process to procure the customer care system that will assist in dealing with customer queries, answer questions and dealing with queries and complaints timeously and effectively and maximising the customers' satisfaction.

The municipality is planning to recover cash in terms of a debt collection strategy from consumers to ensure sufficient cash is available to meet daily requirements.

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

- The ongoing difficulties rates payers
- Remaining unpaid traffic fines

2.2 Creditors Age Analysis

The municipality's creditors are paid with 30 days from the date of receiving invoice and the table below extracted in monthly budget statement provide information on creditors age analysis as at 31 March 2018

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR
KZN436 Dr Nkosazana Dlamini Zuma - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March

| Description R thousands | NT Code | Budget Year 2017/18 | | | | | | | | | Prior year totals for chart (same period) | |
|--|-------------|---------------------|-----------------|-----------------|------------------|-------------------|-------------------|----------------------|----------------|----------|---|----------|
| | | 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 | | |
| 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 | 11 007 | | | | | | | | | 11 007 | |
| Auditor General | 0800 | | | | | | | | | | - | |
| Other | 0900 | | | | | | | | | | - | |
| Total By Customer Type | 1000 | 11 007 | - | - | - | - | - | - | - | - | 11 007 | - |

2.3 Investment Portfolio Analysis

The following information presents a summary of the municipal short-term investments balances broken down per investment type as at 31 March 2018.

| ACCOUNT | AMOUNT |
|---------------------------------|-----------------------|
| NED BANK | 24 504 986.75 |
| FNB | 99 916 872.35 |
| STANLIB | 680 170.19 |
| STANDARD BANK | 88 361.97 |
| INVESTEC | 20 244 389.79 |
| PRIMARY | 4 610 054.78 |
| SALARIES | 506 394.15 |
| CASH AND CASH EQUIVALENT | 150 551 229.98 |

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.

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR**2.4 Allocation and Grant Receipts and Expenditure**

Table below provides information relating to grant receipts.

| Name of Grant | Adjusted Budget 2017/2018 | Actual Received in March 2018 | Actual Received YTD 2017/2018 |
|--------------------------------------|------------------------------|----------------------------------|----------------------------------|
| Equitable Share | 101 241 000.00 | 25 310 000.00 | 99 017 000.00 |
| Intergrated National Electrification | 14 000 000.00 | | 14 000 000.00 |
| Municipal Infrastucure Grant | 40 066 000.00 | 30 066 000.00 | 40 066 000.00 |
| Financial Management Grant | 3 800 000.00 | | 3 800 000.00 |
| Demarcation Transition Grant | 8 280 000.00 | 5 236 000.00 | 8 280 000.00 |
| Provincial of Libraries | 1 503 000.00 | | 1 503 000.00 |
| Community Library Services Grant | 906 000.00 | | 906 000.00 |
| Expanded Public Works | 1 877 000.00 | | 1 877 000.00 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL | 171 673 000.00 | 60 612 000.00 | 169 449 000.00 |

A total of R 169, 4 million has been received by the municipality as at 31 March 2018 and the Municipality has received all trenches by the month of march for all the grants that were gazetted to the municipality for 2017/18 financial year, National treasury has withheld an amount of R2 millions against Municipality's Equitable share that was not spent in 2016/2017 financial year for INEP grant.

2.5 Revenue Collection

The table below indicate the status of collection against budgeted revenue.

The municipality has actual collected R 194,2 million year to date against R 164,1 million year to date budget and that is 89% of the total budget as at 31 March 2018.

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| Revenue source | Adjusted Budget 2017/2018 | Month Budget March 2018 | YTD Budget | Month Actual Received | YTD actual Received |
|----------------|---------------------------|-------------------------|-------------|-----------------------|---------------------|
| Rates | 31 826 696 | 2 652 225 | 23 870 022 | 1 713 733 | 14 662 785 |
| Grants | 171 673 000 | 14 306 083 | 128 754 750 | 60 612 000 | 169 449 000 |
| Traffic Fines | 391 935 | 32 661 | 293 951 | 1 535 | 52 814 |
| Other Revenue | 15 004 395 | 1 250 366 | 11 253 296 | 1 186 283 | 10 054 833 |

2.6 Councillors and Board Members Allowances and Employee Benefits and Operational Expenditure

The table below displays a comparison between operational budget (employee related costs and councillor's remuneration) and the performance against this budget as depicted in the form of Year to date (YTD) Actual figures.

| | Adjustment Budget 2017/2018 | Month Budget March 2018 | YTD Budget | Month Actual Paid | YTD actual paid | YTD % Spent |
|-----------------------------|-----------------------------|-------------------------|------------|-------------------|-----------------|-------------|
| Employee Related Costs | 56 161 166 | 4 680 097 | 42 120 875 | 3 933 226 | 37 716 386 | 67.16 |
| Remuneration Of Councillors | 10 723 085 | 893 590 | 8 042 314 | 892 108 | 8 073 856 | 75.29 |

Employee Related Costs

The YTD budget for employee related costs is R42,1 million against a YTD actual of R37,7 million, this is due to some of the vacant positions that were budgeted and not filled by March 2018.

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR**Remuneration of Councillors**

The YTD remuneration of councillor's expenditure as at 31 March is R8, million against a YTD budget of R 8 million, the expenditure is within the budget.

Operational Expenditure

The table below displays a comparison between operational budget and the performance against budget as depicted in the form of Year to date (YTD) Actual figures.

| | Adjusted Budget 2017/2018 | Month Budget March 2018 | YTD Budget | Month Actual Paid | YTD actual paid | YTD % Spent |
|--------------------------|--------------------------------------|------------------------------------|-------------------|------------------------------|------------------------|--------------------|
| Operating Expenditure | 155 934 923 | 12 994 577 | 116 951 192 | 10 300 943 | 94 124 397 | 60 |
| | | | | | | |

The YTD operating budget is R116,9 million against a YTD actual of R94, 1 million.

2.7 Capital Programme Performance

Infrastructure projects financed from MIG to be implemented in the 2017/18 and over the 2017/18 MTREF period.

| Adjustment Budget 2017/2018 | Actual Spent YTD | % Spent |
|------------------------------------|-------------------------|----------------|
| R 40 066 000.00 | R 17 582 029 | 44% |

Progress of total capital projects against the annual budget is sitting at an actual Of R 69,2 million

| Adjustment Budget 2017/2018 | Actual Spent YTD | % Spent YTD |
|------------------------------------|-------------------------|--------------------|
| R 102 694 754,60 | R 69 217 829.64 | 67% |

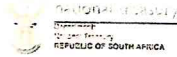
DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR
Looking at the findings above it is noted that there has been a very low performance that is below the required norm of 75% at the 3rd quarter of the year, but the course of these might be the R12.5 Million that was mistakenly withheld by National Treasury previous years and the municipality received back that money in March 2018. The most of the municipal capital projects are funded by grants, therefore a municipality is at risk as the grants may be reverted to National Revenue Fund at the end of the financial year.

Based on the performance indicated above, there is a need to take into consideration some of the following:

- The need to mitigate some of the risks i.e. grant which indicates lower spending might be reverted to the Funder.
- To fast track spending on capital projects and be able to provide sufficient services to the community.

2.8 Other Supporting Documents

2.8.1 Withdrawals report on the Municipality's bank accounts as 31 March 2018

DR NDZ MUNICIPALITY SECTION 52 REPORT FOR THE 3RD - 2017/2018 FINANCIAL YEAR**BANK ACCOUNT WITHDRAWALS NOT IN TERMS OF AN APPROVED BUDGET****Municipal Finance Management Act, section 11(4)**

Consolidated Quarterly Report for period 01/01/2018 to 31/03/2018 (complete relevant period)

NAME OF MUNICIPALITY: DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY (KZN436)

| Date | Payee | Amount in R'000 | Description and Purpose | Authorised by (name) |
|---|-------|-----------------|--|-----------------------------------|
| 1. Section 11(b) - Expenditure authorised by the MEC for finance in terms of section 26 (4) when a municipality has failed to approve a budget by 31 December; | | | | |
| | N/A | | | |
| 2. Section 11(c) - Unforeseeable and unavoidable expenditure authorised by the mayor in terms of section 29 (1); | | | | |
| | N/A | | | |
| 3. Section 11(d) - Payments from a trust, charitable or relief fund without budget appropriation in terms of section 12(4); | | | | |
| | N/A | | | |
| 4. Section 11(e) - Payments to a person or organ of state of money received by the municipality on behalf of that person or organ of state, including | | | | |
| (i) money collected by the municipality on behalf of that person or organ of state by agreement; or | | | | |
| (ii) any insurance or other payments received by the municipality for that person or organ of state; | | | | |
| | N/A | | | |
| 5. Section 11(f) - Refund money incorrectly paid into a bank account; | | | | |
| | N/A | | | |
| 6. Section 11(g) - Refund guarantees, sureties and security deposits; | | | | |
| | N/A | | | |
| 7. Section 11(h) - Payments for cash management and investment purposes in accordance with section 13; | | | | |
| 01/02/2018 | | 3 000 000.00 | Transfere from Money market to Primary Account | KMB Mzimela(CFO) and NC Vezi (MM) |
| 20/02/2018 | | 5 000 000.00 | Transfere from Money market to Primary Account | KMB Mzimela(CFO) and NC Vezi (MM) |
| 22/02/2018 | | 3 100 000.00 | Transfere from Money market to Primary Account | KMB Mzimela(CFO) and NC Vezi (MM) |
| 01/03/2018 | | 3 000 000.00 | Transfere from Money market to Primary Account | KMB Mzimela(CFO) and NC Vezi (MM) |
| 08/03/2018 | | 2 000 000.00 | Transfere from Money market to Primary Account | KMB Mzimela(CFO) and NC Vezi (MM) |
| 28/03/2018 | | 40 000 000.00 | Transfere from Primary Account to money maket | KMB Mzimela(CFO) and NC Vezi (MM) |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 8. Section 11(i) - To defray increased expenditure on a multi-year capital project in terms of section 31; | | | | |
| | N/A | | | |
| 9. Section 11(j) - Payments for such other purposes as may be prescribed from time-to-time. | | | | |
| | N/A | | | |
| | | | | |

2.9 Municipal Manager's Quality Certificate



Quality Certificate

I, N.C Vezi acting Municipal Manager of Dr Nkosazana Dlamini Zuma Municipality hereby certify that the Third Quarter budget statement for the year 2017/2018 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the act.

Print Name: N.C Vezi

Acting Municipal Manager of Dr Nkosazana Dlamini Zuma Municipality,
KZN436

Signature: _____

Date: 12/04/2018