

**SECTION 52 - FIRST QUARTER REPORT FOR FINANCIAL AFFAIRS OF DR NKOSAZANA
DLAMINI ZUMA MUNICIPALITY AS AT 31 DECEMBER 2016**

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Legislative Framework

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

This report has been prepared in terms of the following legislative framework

- The Municipal Finance Management Act-No.56 of 2003,Sections 71&52
- And The Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements. The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168(1) of the Act.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency,

Accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

Report of the Executive Mayor

In accordance with Section 52(d) of the Municipal Finance Management Act, I submit a report to the council within 30 days after the end of the second quarter of 2016/2017 on the implementation of the budget and the financial state of affairs of Dr Nkosazana Dlamini Zuma Municipality.

The submission of this report forms part of the general responsibilities of the Mayor of a Municipality, and is intended to inform and enable to council to fulfil its oversight responsibility.

It must be noted that the figures contained in this report are interim, the final figures will be available with finalization of the Annual Financial Statements.

Recommendations

- (a) That Council and Audit Committee note the contents of this report and supporting documentations for the 2nd quarter of 2016/2017 financial year.
- (b) That the Council ensures that the budget is implemented in accordance with the Service Delivery and Budget Implementation Plan projections and that spending of funds and that revenue collection proceeds in accordance with the budget.

Part 1: Executive Summary

1.1 Consolidated performance

This report is a summary of the main budget issues arising from the in-year monitoring process. It compares the progress of the budget to the projections contained in the Service Delivery and Budget Implementation Plan (SDBIP).

Furthermore it compares the quarterly projections for service delivery targets and performance indicators contained in the SDBIP, against the actual outcomes of the municipality's performance in service delivery for the 2nd quarter of 2016/2017.

1.2 The following table summarizes the overall position on the operating income budgets vs actuals

Revenue Source	Original Budget 2016/2017	Budget for December 2016	Actual received for December 2016	YTD Actual received	Budget YTD	Variance YTD
Rates	19 452 029	1 768 366	1 650 460	7 220 633	8 841 831	1 621 209
Grants & Equitable	141 672 126	12 879 284	45 436 000	111 353 000	69 850 966	-41 502 034
Traffic fines	143 820	13 075	11 200	19 500	65 373	45 873
Other Revenue	13 070 897	1 188 263	1 083 046	4 645 213	5 941 317	1 296 103

The following is variance explanation as per the attached table

- Overall percentage income YTD is sitting at 60 %
- Rates collected is R 1 650 460 for December 2016 and YTD is R 7 220 633 this amount was paid by individuals, farmers, business and government.
- Traffic fines, we still have a challenge, some people they do not pay their traffic fines, other fines are reduced or cancelled by the court. DNDZ Municipality has collected an amount of R 11 200 for December 2016 and YTD actual collected amount is R 19 500

1.3 The following table summarizes the overall position on the operating expenditure budgets vs actuals

Original Budget 2016/2017	Budget December 2016	Actual spent for December 2016	YTD Actual spent 2016/2017	Budget YTD 2016/2017	Variance YTD
141 996 950	12 908 814	8 808 082	49 639 424	64 544 072	14 904 648

- Overall operating expenditure percentage is 35% when compared to the total budget amount of R 141 966 950 which was allocated for 2016/2017 financial year.

1.4 The following table summarizes the overall position on the staff salaries and remuneration for Councillors budgets vs actuals

Original Budget 2016/2017	Budget for December 2016	Actual spent for December 2016	YTD Actual spent 2016/2017	Budget YTD 2016/2017	Variance YTD
58 722 089	5 338 372	5 340 721	21 563 847	10 676 743	5 128 012
10 836 088	985 099	781 747	3 796 591	1 970 198	1 128 903

- Employees related costs actual YTD percentage spent is 37% and Remuneration of Councillors YTD percentage spent is sitting at 35% as at December 2016.

1.5 The following table summarizes the overall position on the capital expenditure budgets vs actual

Original Budget 2016/2017	Actual Spent YTD 2016/2017
62 209 009	39 499 299

- Capital expenditure overall including prior years project, percentage is sitting at 63%
- MIG overall expenditure percentage is sitting at 22%

1.6 Debtors Age Analysis: Attached (Appendix A)

- Dr Nkosazana Dlamini Zuma is a new municipality and we are still combining the two municipalities and the system
- The Debtors age analysis indicates the amount which is owed by debtors to Dr Nkosazana Dlamini Zuma Municipality per each category services rendered.
- The municipality has a challenge of rate payers not paying their debts
- The major challenges are with residential and businesses rate payers, a significant of the population are not willing to pay their rates.
- Government: Government department always have an excuse that they need to verify their properties before they pay but still they are not doing the process, but National

treasury and Cogta are assisting with the collection of all monies owed by government departments.

- Other debtors: Dr Nkosazana Dlamini Zuma municipality has now decided to collect debt in house other than using external debt collectors.

1.7 Creditors Age Analysis: Attached

The reason for creditors outstanding longer than 30 days is due to the fact that payment section does not received invoices on time for payment.

1.8 Investment Portfolio analysis

- The investment table (ANNEXURE F) in Section 71 indicates the status of the investment portfolio and detailed instruments of where the funds are invested, which amount to R 109 307 140.83 as at 31 December 2016.

1.9 Allocation, grant receipts and expenditure

- The grant table (ANNEXURE E&G) in section 71, indicates the allocation received per each grant and expenditure incurred per each grant and unspent allocation as at 31 December 2016 is R38 012 428.

1.10 Council allowances and Employee benefits

- As per section 66 of the MFMA, Attached table (ANNEXURE A), indicates the Original Budget for salaries and expenditure incurred as at 31 December 2016.

1.11 Conclusion

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
- To spend budget according to the SDBIP and Procurement plan and be able to do more with the less we have considering value for money while assisting needy community.