

**SECTION 52 - FOURTH QUARTER REPORT FOR FINANCIAL AFFAIRS OF DR  
NKOSAZANA DLAMINI ZUMA MUNICIPALITY AS AT 30 JUNE 2017**

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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 fourth 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 the 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 4<sup>th</sup> 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 4<sup>th</sup> quarter of 2016/2017.

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

Revenue source	Adjusted Budget 2016/2017	Month Budget June 2017	YTD Budget	Month Actual Received	YTD actual Received	Variance YTD
Rates	15 240 062.00	1 385 460.18	15 240 062.00	2 653 642.62	14 803 469.03	436 592.97
Grants	167 650 126.00	15 240 920.55	167 650 126.00	0	167 650 000.00	126.00
Traffic Fines	39 710.00	3 610.00	39 710.00	700.00	372 950.00	(333 240.00)
Other Revenue	48 164 756.00	4 378 614.18	48 164 756.00	1 412 530.81	46 508 012.12	1 656 743.88

### The following is variance explanation as per the attached table

- Overall percentage income YTD is sitting at 99%
- Rates collected is R 2 653 642.62 for June 2017 and YTD is R 14 803 469.03, 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 700.00 for June 2017 and YTD actual collected amount is R 372 950.00

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

Adjusted Budget 2016/2017	Month Budget June 2017	YTD Budget	Month Actual Paid	YTD actual paid	Variance YTD
137 857 968.00	12 532 542.55	137 857 968.00	14 481 385.63	110 141 693.55	30 036 223.45

- Overall operating expenditure percentage is 80% as at June when compared to the total budget amount of R 137 857 968.00 which was allocated for 2016/2017 financial year.

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

<b>Adjusted Budget 2016/2017</b>	<b>Month Budget June 2017</b>	<b>YTD Budget</b>	<b>Month Actual Paid</b>	<b>YTD actual paid</b>	<b>Variance YTD</b>
53 689 077.00	4 880 825.18	53 689 077.00	2 611 865.18	40 491 588.00	13 186 209.00
8 661 970.00	787 451.82	8 661 970.00	810 016.90	8 288 782.00	373 188.00

- Employees related costs actual YTD percentage spent is 75% and Remuneration of Councilors YTD percentage spent is sitting at 96% as at June 2017.

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

<b>Adjusted Budget</b>	<b>Actual Spent YTD</b>
R 93 232 976.00	R 79 289 465.32

- Capital expenditure overall including prior years' project, percentage is sitting at 85%
- MIG overall expenditure percentage is sitting at 100%

**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

The reason for creditors being outstanding for longer than 30 days it's because 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 91 824 967.48 as at 30 June 2017.

### 1.9 Withdrawals report on the Municipality's bank accounts as 30 June 2017

		<b>BANK ACCOUNT WITHDRAWALS NOT IN TERMS OF AN APPROVED BUDGET</b>		D
		<b>Municipal Finance Management Act, section 11(4)</b>		
		<i>Consolidated Quarterly Report for period 01/04/2017 to 30/06/2017 (complete relevant period)</i>		

NAME OF MUNICIPALITY: Dr Nkosazana Dlamini Zuma LM/ 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 30 June				
	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;				
13-04-2017		7 000 000.00	Transfer From Primary account to money Market	KMB Mzimela(CFO) and NC Vezi (MM)
24-04-2017		2 928 000.00	Transfer From Money Market to Salaries Account	KMB Mzimela(CFO) and NC Vezi (MM)
28-04-2017		1 000 000.00	Transfer From Money Market to Primary Account	KMB Mzimela(CFO) and NC Vezi (MM)
22-05-2017		4 000 000.00	Transfer From Money Market to Primary Account	KMB Mzimela(CFO) and NC Vezi (MM)
24-05-2017		2 754 410.75	Transfer From Money Market to Salaries Account	KMB Mzimela(CFO) and NC Vezi (MM)
31-05-2017		1 000 000.00	Transfer From Money Market to Primary Account	KMB Mzimela(CFO) and NC Vezi (MM)
02-06-2017		1 500 000.00	Transfer From Money Market to Primary Account	KMB Mzimela(CFO) and NC Vezi (MM)
21--06-2017		7 000 000.00	Transfer From Money Market to Primary Account	KMB Mzimela(CFO) and NC Vezi (MM)
22-06-2017		3 002 537.37	Transfer From Money Market to Salaries Account	KMB Mzimela(CFO) and NC Vezi (MM)
30-06-2017		10 000 000.00	Transfer From Money Market to Primary Account	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			

### 1.10 Allocation, grant receipts and expenditure

- The grant table (Appendix B&D) in section 71, indicates the allocation received per each grant and expenditure incurred per each grant and unspent allocation as at 30 June 2017 is R 21 645 267.82

### **1.11 Council allowances and Employee benefits**

- As per section 66 of the MFMA, attached table (ANNEXURE A), indicates the Adjusted Budget for salaries and expenditure incurred as at 30 June 2017.

### **1.12 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.