

**MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR**

**DR NKOSAZANA DLAMINI ZUMA LOCAL MUNICIPALITY**

**2018/2019 FINANCIAL YEAR**

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1. **PART 1 – IN YEAR REPORT**
	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 2018/19 financial year, and to recommend whether an adjustments budget is necessary.

* 1. **Mayors Report**

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Dr Nkosazana Dlamini Zuma Local Municipality is pleased to officially present the Section 72 Mid-Year Budget and performance assessment for 2018/19 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-

1. Assess the performance of the municipality during the first half of the financial year,

taking into account-

1. The monthly budget statements referred to in section 71 for the first half of the financial year;
2. 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,
3. 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 there would be a need for adjustment budget as the Council will recall that there was an unspent grant on 2017/2018 AFS which was not included in the original budget as the municipality was still waiting for the approval of unspent grants from National Treasury during the 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 second audit opinion from Auditor General as the new municipality after the merger of the two municipalities, former Kwa Sani and 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 2018/19 IDP and Budget.

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Honourable Mayor**

**Councillor P. N. Mncwabe**

**1.3 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 2018/2019 budget for the period ending 31 December 2018.

* **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 “1.5 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.

* **Material Variances in the SDBIP**

The performance of the Municipality, as discussed in detail under 2.6 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 slightly below average; however, there is still more room for improvement.

Section 2.6 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 of the municipality would have to be reviewed for adjustments of underperformance as well as over performance.

**1.4 Resolutions**

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

It is recommended that the Mayor;

* Notes the quarterly report on the implementation of the budget in terms of s52(d) MFMA
* Notes the Midyear budget & Performance assessment in terms of s72 of the MFMA
* Prepares the adjustments budget for Tabling to Council before the 28th February 2018
* Revise the projections for Revenue & Expenditure in the SDBIP

**1.5 In -Year Budget Statement Tables**

Budget Statement Tables from the Version 6.2 of the C Schedule, the tables provide overall performance of the municipality in the past six months.

**Monthly Budget Statement**

**• Statement of Financial Performance**

Table C2 provides the statement of financial performance by standard classification.

Table C3 presents the same information as the table C2, the difference being that it is presented by Municipal vote.

Table C4, this schedule provides a summary of the overall performance on the planned revenue and operational expenditures against the actual results for the period ending 31 December 2018.

* **Operational revenue**

The municipality has a total revenue of R114.2 million including grants and the actual collection when we exclude grants is R27.6 million that has been collected by the municipality as at the end of the first half of the 2018/19 financial year.

* **Operational Expenditure**

The municipality is sitting at an overall expenditure of R 68,9 million as at the 31 December 2018, this shows that there has been a low spending in some line items that are below the average i.e. Employee related costs has 7% YTD variance due to vacant positions especially for senior managers, Councillors remuneration has a YTD variance of 10% due to fact that the budget was inclusive of increment percentage for Councillors which it has not implemented as yet, Debt impairment has 100% YTD variance due to the fact that the municipality only consider the debt impairment at the end of the financial year, other materials has a YTD variance of 95% and that is because of the incorrect allocation of the budget of which will be corrected during the adjustment budget. and general expenditure has 25% YTD variance.

The YTD revenue recognise under National Capital Grants is R13 million against the original budget of R40.2 million, the R13 million recognised is only for MIG projects while the budget is for 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.

* **Capital Expenditure**

Table C5 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 15,7 million against a total budget of R64,5 million as at the end of 31 December 2018, this shows a very low performance on the capital projects. The capital expenditure for Dr Nkosazana Dlamini Zuma municipality does not include electrification projects as the municipality act as an agent in the such projects.

* **Statement of Financial Position**

The table below C6 displays the statement financial position of the municipality as at 31 December 2018.



* **Cash Flow Position**

Table C7 display the Municipality’s Cash Flow Statement for the Period ending 31 December 2018

1. **PART 2 – SUPPORTING DOCUMENTS**
	1. **Debtors Age Analysis**

The table SC3 Monthly Budget Statement below provides information and summarises the Debtors Age Analysis as at 31 December 2018.



Dr Nkosazana Dlamini Zuma Municipality’s debtors’ book is sitting at R58.2 million as at the end of December 2018 and 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 Municipality had an issue with upload the valuation roll at the beginning of the financial year which affected the months of July, August with a billing of +3Million for each month customers not

receiving the monthly statements and partly Sept 18. which contributed to the aging growing at an alarming rate. customers only received their July and August statements late September 2018 which affected the collection rate.

The collection unit is following on customer with the collection process mostly on customers where they have been no payment to account for a number of months, which we have seen responses with customer settling their account in full and other coming forward to make arrangements. The municipality is doing everything in its powers to collect the outstanding debts from customers and to decreasing the aging debt.

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
	1. **Creditors Age Analysis**

Table SC4 Monthly budget statement below provides information of the Aged Creditors as at 31 December 2018. The municipality pays its creditors with 30 day from the date of receiving fully completed invoice. 

* 1. **Investment Portfolio Analysis**

The Municipality’s investment portfolio is sitting at R157,1 million. No account was held as security in last six (6) months. 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.

|  |  |
| --- | --- |
| **ACCOUNT** | **AMOUNT** |
| FNB |  86 071 280,98 |
| NED BANK |  25 648 537,66 |
| INVESTEC |  41 988 534,29 |
| STANDARD BANK |  86 473,92 |
| PRIMARY ACCOUNT |  2 006 150,55 |
| SALARIES ACCOUNT |  90 200,39 |
| MONEY MARKET ACCOUNT |  1 178 108,13 |
|   |   |
| **Cash and Cash Equivalents** | **157 069 285,92** |

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.

* 1. **Allocation and Grant Receipts and Expenditure**

Table SC6 monthly budget statement below provides information relating to grant receipts.

A total of R 124,7 million has been received by the municipality as the 31 December 2018 and the last trench is expected by the month of march for all the grants that were gazetted to the municipality for 2018/19 financial year.



Table SC7(1) below provides information relating to grant expenditure



* 1. **Councillors and Board Members Allowances and Employee Benefits**

The remuneration of councillor’s expenditure as at 31 December 2018 is sitting at R5,3 million against a year to date budget of R5,9 million.

Employee related costs expenditure as at 31 December 2018 is sitting at R 25,8 million against year to date budget of R27,6 million.

* 1. **Material Variances**

The following section analyses material variances between the actual targets against the budget as at the Mid-year of the 2018/19 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 2018.

* **Table SC1 Material Variances Explanation**

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



 **REVENUE**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue source** |  **Original Budget 2018/2019** |  **Month Budget December 2018**  |  **YTD Budget**  |  **Actual Received in Quarter 2** |  **YTD actual Received**  | **YTD Actual Percentage** |
| Rates |  36 214 610 | 3 017 884 | 18 107 305 | 5 751 980 | 9 296 931 | 25.6% |
| Grants |  160 356 000 | 13 363 000 | 80 178 000 | 63 182 000 | 124 774 000 | 77.8% |
| Traffic Fines |  412 316 | 34 360 | 206 157 | 5 439 | 18 478 |  4.4% |
| Other Revenue |  21 388 314 | 1 782 360 | 10 694 157 | 5 162 757 | 8 822 899 | 41.2% |

**Rates Revenue**

The municipality has collected 25.6% of revenue from property rates when comparing with approved budget of R36,2 million. 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.

**Transfers Recognised - Operational**

The operational grants revenue of R104,7 million has been received by the municipality against a budget of R133,6 million and that include equitable share funding for electrification project as the municipality act as an agent in electrification projects.

**Transfers Recognised – Capital**

The municipality has received a total of R20 million for capital grants and that is to fund MIG project.

Adjustment Budget Implications: A downward adjustment would be affected resulting from the sanction by National Treasury to withhold R1.1 million of the INEP grants from the rollover of 2016/2017 financial year.

**Interest Earned on External Investments**

Actual interest earned on external investments as at midyear is 50% (R3,8) and that is within the required norm.

**Traffic Fines**

The YTD actual revenue on traffic fines is R 232 000 against the YTD budget of 235 000. An increase in budget will have to be affected

**OPERATIONAL EXPENDITURE**

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

**Salaries and wages**



**Employee Related Costs**

The YTD budget for employee related costs as at December 2018 is R27,6 million against a YTD actual of R25,8 million, the expenditure is below the targeted budget as the municipality has some post that are vacant.

**Remuneration of Councillors**

The YTD remuneration of councillor’s expenditure as at December 2018 is R5,3 million against a YTD budget of R5,9 million, the expenditure is not within the budget as the increment percentage was not affected for councillors in the month of July 2018.

**Operational Expenditure**



The YTD operating budget is R83,8 million against a YTD actual of R73,9 million.

* 1. **Capital Programme Performance**

The table below indicate the progress on capital projects against the annual budget. The total capital expenditure is sitting at 26% actual YTD including INEP as at the end of the first half of 2018/2019 financial year.



Looking at the findings above it is noted that there has been a very low performance that is way below the required norm of 50% at the time of midyear, 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.
	1. **Other Supporting Documents**

**Progress on the 2018/2019 Projects**

**2017/2018 Projects**

|  |  |  |
| --- | --- | --- |
| **Project Name** | **Ward** | **DECEMBER** |
| **Ridge access road** | **01** | The project is 100% complete. Waiting for an official handover and the claim of R42 747.05 was paid to Mjadu Contractors. |
| **Kwapitela Creche** | **01** | The project is 100% complete. Waiting for an official handover and the claim of R81 601.19 was paid to Phohlophohlo Trading. |
| **Sidangeni access road** | **04** | The project is 100% complete. Waiting for an official handover |
| **Dwaleni access road** | **05** | The project is 100% complete. Waiting for an official handover and the claim of R78 724.40 was paid to Celani Civils. |
| **Hlathikhulu access road** | **06** | The project is 100% complete. Waiting for an official handover and the claim of R45 318.51 was paid to Mjadu contractors. |
| **Gala community hall** | **07** | The project is practical complete, under liability period  |
| **Nyazi access road phase 1** | **08** | The project is practical complete, under liability period |
| **Sdandane access road** | **09** | The project is practical complete, under defect liability period. |
| **Zekeleni access road** | **10** | The project is practical complete and the contractor is busy with snags. |
| **Buyani Madlala sport field** | **11** | The project is practical complete, outstanding electricity connection waiting for Eskom and the claim of R111 212.82 was paid to Quit Storm trading. |
| **Mafohla access road** | **11** | The project is 100% complete waiting for an official handover to the community and the claim of R5 571.75 was paid to Shardesh Sewlal & Associates, claim of R34 422.09 was paid to AmaGents Construction. |
| **Manyathela access road** | **12** | The project is 100% complete waiting for an official handover to the community and the claim of R5 571.75 was paid to Shardesh Sewlal & Associates, claim of R67 103.85 was paid to Ziziyane Construction. |
| **Chapter access road** | **13** | The project is 100% complete waiting for an official handover to the community and the claim of R45 600.02 was paid to AmaGents construction |
| **Nomandlovu access road** | **14** | The project is practical complete, under liability period |
| **Sawoti Sport field** | **15** | The project is practical complete, under liability period. |
| **Voyizane Sport field** | **12** | The project is practical complete. |
| **Gqumeni sports field** | **07** | The project is still under liability and has been extended due to slow growth of grass  |
| **Khukhulela sports field** |  | The project is still under liability and has been extended due to slow growth of grass |
| **Glenmaize Electrification** | **14** | Waiting for outage date from Eskom. |
| **Eskhesheni Electrification**  | **15** | The project is 85% complete |
| **Vita’s Electrification** | **02** | The project is practical complete. |
| **Mhlangeni Electrification**  | **01** | The project is 50% complete |
| **Gxalingenwa Electrification** | **02** | The project is 50% complete |
| **Gwejane Electrification** | **07** | The project has been energized awaiting for an official handover |
| **Mqatsheni Electrification** | **01** | The project is 50% complete. |
| **Pitela Electrification**  | **01** | The project is practical complete. |
| **Ukhahlamba Electrification** | **03** | The project is practical complete. |
| **Zuma’s Electrification**  | **02** | The project is practical complete |
| **Khalweni Electrification**  | **02** | The project is practical complete. |
| **Qulashe Electrification** | **06** | The project has been energized waiting for an official handover. |
| **Mahwaqa Electrification** | **02** | The project is practical complete. |
| **Qweleni/Kalimakawosi Electrification** | **12** | The project has been energized waiting for official handover. |

**2018/2019 PROJECTS**

|  |  |  |
| --- | --- | --- |
| **Project Name** | **Ward** | **DECEMBER** |
| **Zwelisha Access Road**  | **1** | Contractor has established on site and official handed over to PSC. The claim of R172 953.00 was paid to Black Moon Investment. |
| **Mahwaqa access road** | **2** | The project is at an intention to award stage for the appointment of a contractor. |
| **Underberg taxi rank upgrade** | **3** | The project is at an intention to award stage for the appointment of a contractor |
| **Goqweni Access Road**  | **4** | The project is at an intention to award stage for the appointment of a contractor |
| **Hadebe to Langa Access Road**  | **5** | The contractor has been appointed handed over to the PSC and has also established. The claim of R328 255.43 was paid to Somakhala Constructors Mathafamahle JV OS |
| **Scedeni Hall** | **6** | The contractor has been appointed handed over to the PSC and has also established. The claim of R645 378.52 was paid to Mvumeza Construction |
| **Mnqundekweni****Sport field** | **7** | A contractor was appointed and will start in January 2019. |
| **Sonyongwane to mashayunina** **access road** | **8** | Contractor has been handed over to the PSC and has established on site. The claim of R490 295.03 was paid to Somakhala Constructors Mathafamahle JV OS |
| **Sporini Hall** | **9** | Contractor has been handed over to the PSC and has established on site. |
| **Gobhogobho Hall** | **10** | Contractor has been handed over to the PSC and has established on site. The claim of R148 964.09 was paid to Ngqika Trading JV Ngethes Trading cc |
| **Nkelabantwana** **access road** | **11** | Contractor has been handed over to the PSC and has established on site and the claim of R72 776.03 was paid to Terbitex. |
| **D1213 to Plazini access road** | **12** | Contractor has been handed over to the PSC and has established on site. The claim of R131 859.00 was paid to Monisa JV Ukwazi home development. |
| **Diphini Access** **Road**  | **13** | Contractor has been handed over to the PSC and has established on site. The claim of R77 970.00 was paid to Black Moon Investment. |
| **Florence and** **Dladla Access Road** | **14** | Contractor has been handed over to the PSC and has established on site. The claim of R428 378.74 was paid to Menopix CC. |
| **Khuphuka access** **Road** | **15** | The project is at an adjudication stage for the appointment. |
| **Creighton Asphalt Road** | **14** | The project will be re-advertised. |
| **Bulwer Asphalt Roads phase 6** | **10** | The project will be re-advertised. |
| **Donnybrook** **Asphalt surfacing**  | **13** | The project will be re-advertised. |
| **Himeville Asphalt surfacing**  | **02** | The project will be re-advertised. |
| **Centocow Taxi** **Rank** | **06** | The contractor is busy on site with brick works on ablutions and stalls. The claim of R906 369.53 was paid to Lunentobeko Construction. |
| **Greater stepmore /Ridge** | **01** | The contractor is busy with marketing. |
| **Greater Nhlanhleni/ Goxhill** | **02** | The contractor is busy with marketing. |
| **Greater Underberg** | **03** | The contractor is busy with marketing. |
| **Greater Amakhuze/ Cabazi** | **04** | The contractor is busy with marketing. |
| **Greater Khukhulela/ Nomagaga** | **05** | The contractor is busy with marketing. |
| **Greater Centocow/ Hlabeni** | **06** | The contractor is busy with marketing. |
| **Greater Gqumeni/ nqudekweni** | **07** | The contractor is busy with marketing. |
| **Greater Ngwagwane** | **08** | The contractor is busy with marketing. |
| **Greater Nkwezela** | **09** | The contractor is busy with marketing. |
| **Greater Bulwer** | **10** | The contractor is busy with marketing. |
| **Greater Nkumba** | **11** | The contractor is busy with marketing. |
| **Greater Bhidla/ Sizanenjane** | **12** | The contractor is busy with marketing. |
| **Greater Donnybrook** | **13** | The contractor is busy with marketing. |
| **Greater Mjila/Creighton** | **14** | The contractor is busy with marketing. |
| **Greater Sandanezwe/ Masamini** | **15** | The contractor is busy with marketing. |
|  |  |  |

* 1. **Municipal Manager’s Quality Certificate attached**
	2. **Schedule C version 6.2 attached**