



**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**

**1.1 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.

**1.2 Mayors Report**



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

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY 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 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

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY pledges its commitment to effective and efficient Service Delivery as outlined in the 2018/19 IDP and Budget.

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**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**

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY  
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.

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

Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		88 836	40 311	40 311	157 069	40 311
Call investment deposits		–	48 809	48 809	–	48 809
Consumer debtors		26 556	50 240	50 240	28 012	50 240
Other debtors		4 536	4 069	4 069	7 121	4 069
Current portion of long-term receivables		–	–	–	–	–
Inventory		–	–	–	–	–
<b>Total current assets</b>		<b>119 928</b>	<b>143 428</b>	<b>143 428</b>	<b>192 202</b>	<b>143 428</b>
<b>Non current assets</b>						
Long-term receivables		–	–	–	–	–
Investments		–	–	–	–	–
Investment property		20 064	19 264	19 264	20 064	19 264
Investments in Associate		–	–	–	–	–
Property, plant and equipment		331 110	403 076	403 076	379 206	403 076
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		66	187	187	406	187
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		<b>351 239</b>	<b>422 527</b>	<b>422 527</b>	<b>399 676</b>	<b>422 527</b>
<b>TOTAL ASSETS</b>		<b>471 167</b>	<b>565 956</b>	<b>565 956</b>	<b>591 878</b>	<b>565 956</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		357	242	242	357	242
Consumer deposits		–	13	13	–	13
Trade and other payables		36 103	41 105	41 105	63 057	41 105
Provisions		62	70	70	62	70
<b>Total current liabilities</b>		<b>36 522</b>	<b>41 430</b>	<b>41 430</b>	<b>63 477</b>	<b>41 430</b>
<b>Non current liabilities</b>						
Borrowing		–	–	–	–	–
Provisions		16 741	15 198	15 198	16 741	15 198
<b>Total non current liabilities</b>		<b>16 741</b>	<b>15 198</b>	<b>15 198</b>	<b>16 741</b>	<b>15 198</b>
<b>TOTAL LIABILITIES</b>		<b>53 263</b>	<b>56 628</b>	<b>56 628</b>	<b>80 217</b>	<b>56 628</b>
<b>NET ASSETS</b>	2	<b>417 904</b>	<b>509 328</b>	<b>509 328</b>	<b>511 660</b>	<b>509 328</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		416 171	504 966	504 966	507 399	504 966
Reserves		4 261	4 362	4 362	4 261	4 362
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>420 432</b>	<b>509 328</b>	<b>509 328</b>	<b>511 660</b>	<b>509 328</b>

- **Cash Flow Position**

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

## 2. 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 2018.

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

Description	NT Code	Budget Year 2018/19								Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.to 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													
<b>Debtors Age Analysis By Income Source</b>													
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	1 604	2 343	1 877	1 887	43 815	-	-	-	51 526	45 702	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Exchange Transactions - Waste Management	1600	286	237	179	152	4 878	-	-	-	5 732	5 030	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	14	17	17	17	462	-	-	-	527	479	-	-
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	34	28	26	18	349	-	-	-	454	366	-	-
<b>Total By Income Source</b>	<b>2000</b>	<b>1 939</b>	<b>2 624</b>	<b>2 098</b>	<b>2 073</b>	<b>49 504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58 238</b>	<b>51 577</b>	<b>-</b>	<b>-</b>
<b>2017/18 - totals only</b>													
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	412	588	565	563	13 038	-	-	-	15 166	13 601	-	-
Commercial	2300	463	451	356	334	11 203	-	-	-	12 806	11 537	-	-
Households	2400	398	856	856	533	13 833	-	-	-	16 475	14 366	-	-
Other	2500	667	729	321	643	11 430	-	-	-	13 790	12 073	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>1 939</b>	<b>2 624</b>	<b>2 098</b>	<b>2 073</b>	<b>49 504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58 238</b>	<b>51 577</b>	<b>-</b>	<b>-</b>

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.

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY  
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

## **2.2 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

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY completed invoice.

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

Description R thousands	NT Code	Budget Year 2018/19									Total	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			
<b>Creditors Age Analysis By Customer Type</b>												
Bulk Electricity	0100	-	-	-	-	-	-	-	-	-	-	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	3 877	-	-	-	-	-	-	-	-	3 877	-
Auditor General	0800	647	-	-	-	-	-	-	-	-	647	-
Other	0900	-	-	-	-	-	-	-	-	-	-	-
<b>Total By Customer Type</b>	<b>1000</b>	<b>4 524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 524</b>	<b>-</b>

Notes

### 2.3 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
<b>Cash and Cash Equivalents</b>	<b>157 069 285,92</b>

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY  
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 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.

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY

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

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>RECEIPTS:</b>	1,2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		115 586	130 128	130 128	41 914	100 760	100 760	-		130 128
Local Government Equitable Share	3	95 909	111 162	111 162	35 914	82 232	82 232	-		111 162
RSC Levy Replacement		-	-	-	-	-	-	-		-
Finance Management		3 800	3 870	3 870	-	3 870	3 870	-		3 870
Municipal Systems Improvement		-	-	-	-	-	-	-		-
Water Services Operating Subsidy		-	-	-	-	-	-	-		-
Energy Efficiency and Demand Management		-	-	-	-	-	-	-		-
Integrated National Electrification Programme		14 000	13 500	13 500	6 000	13 540	13 540	-		13 500
Municipal Drought Relief		-	-	-	-	-	-	-		-
Electricity Demand Side Management		-	-	-	-	-	-	-		-
EPWP Incentive		1 877	1 596	1 596	-	1 118	1 118	-		1 596
Other transfers and grants [insert description]		-	-	-	-	-	-	-		-
<b>Provincial Government:</b>		2 978	3 522	3 522	-	4 014	3 522	492	14.0%	3 522
Health subsidy		-	-	-	-	-	-	-		-
Operational support for Thusong		-	-	-	-	500	-	500		-
Housing	4	-	-	-	-	-	-	-		-
Sport and Recreation		-	58	58	-	50	58	(8)	-13.8%	58
Provincialisation Libraries		2 978	3 464	3 464	-	3 464	3 464	-		3 464
<b>District Municipality:</b>		-	-	-	-	-	-	-		-
[insert description]		-	-	-	-	-	-	-		-
<b>Other grant providers:</b>		-	-	-	-	-	-	-		-
[insert description]		-	-	-	-	-	-	-		-
<b>Total Operating Transfers and Grants</b>	5	118 564	133 650	133 650	41 914	104 774	104 282	492	0.5%	133 650
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		40 066	26 666	26 666	10 000	20 000	20 000	-		26 666
Municipal Infrastructure Grant (MIG)		40 066	26 666	26 666	10 000	20 000	20 000	-		26 666
Public Transport and Systems		-	-	-	-	-	-	-		-
Rural Transport Services and Infrastructure		-	-	-	-	-	-	-		-
Regional Bulk Infrastructure		-	-	-	-	-	-	-		-
Rural Households Infrastructure		-	-	-	-	-	-	-		-
Neighbourhood Development Partnership		-	-	-	-	-	-	-		-
<b>Total Capital Transfers and Grants</b>	5	40 066	26 666	26 666	10 000	20 000	20 000	-		26 666
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	158 630	160 316	160 316	51 914	124 774	124 282	492	0.4%	160 316

DR NDZ MUNICIPALITY MID YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR 2018/2019 FY  
Table SC7(1) below provides information relating to grant expenditure

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

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>EXPENDITURE</b>										
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		115 586	130 128	130 128	23 360	79 264	64 931	14 333	22.1%	130 128
Local Government Equitable Share		95 909	111 162	111 162	23 000	72 000	55 581	16 419	29.5%	111 162
RSC Levy Replacement		-	-	-	-	-	-	-	-	-
Finance Management		3 800	3 870	3 870	188	1 491	1 935	(444)	-22.9%	3 870
Municipal Systems Improvement		-	-	-	-	-	-	-	-	-
Water Services Operating Subsidy		-	-	-	-	-	-	-	-	-
Energy Efficiency and Demand Management		-	-	-	-	-	-	-	-	-
Integrated National Electrification Programme		14 000	13 500	13 500	-	4 574	6 750	(2 176)	-32.2%	13 500
Municipal Drought Relief		-	-	-	-	-	-	-	-	-
Electricity Demand Side Management		-	-	-	-	-	-	-	-	-
EPWP Incentive		1 877	1 596	1 596	171	1 199	665	534	80.3%	1 596
Municipal Demarcation Transitional Grant		-	-	-	-	-	-	-	-	-
<b>Provincial Government:</b>		2 978	3 522	3 522	441	1 825	1 761	64	3.6%	3 522
Health subsidy		-	-	-	-	-	-	-	-	-
Ambulance subsidy		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Sport and Recreation		-	58	58	-	-	29	(29)	-100.0%	58
Provincialisation Libraries		2 978	3 464	3 464	441	1 825	1 732	93	5.4%	3 464
Operational Support or Thusong		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants:</b>		118 564	133 650	133 650	23 801	81 089	66 692	14 397	21.6%	133 650
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		40 066	26 666	26 666	3 882	13 026	13 333	(307)	-2.3%	26 666
Municipal Infrastructure Grant (MIG)		40 066	26 666	26 666	3 882	13 026	13 333	(307)	-2.3%	26 666
Public Transport and Systems		-	-	-	-	-	-	-	-	-
Rural Transport Services and Infrastructure		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		40 066	26 666	26 666	3 882	13 026	13 333	(307)	-2.3%	26 666
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		158 630	160 316	160 316	27 684	94 115	80 025	14 090	17.6%	160 316

## **2.5 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.

## **2.6 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

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

Ref	Description R thousands	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	<b>Revenue By Source</b>			
	Property rates	32 percent	Property rates overstated in the original budget	The municipality will adjust the property rates during the adjustment budget
	Service charges - refuse revenue	24 percent	The variance is due to some customers who received rebate during the year	The municipality will consider adjustments during the budget revision
	Other revenue	29 Percent	The municipality will consider adjustments during the budget revision	The municipality will consider adjustments during the budget revision
2	<b>Expenditure By Type</b>			
	Debt impairment	100 percent	The municipality only consider the debt impairment at the end of the financial year	It will be considered at year end
	Finance charges	57 percent	Most of the municipal machines were aging and the municipality entered into a new contract and the delivery of the new machines delayed to be delivered	machines has been delivered and the new contract is in place.
	Other materials	95 percent	Its because of the incorrect allocation of the budget	It will be corrected during the adjustment budget
	Other expenditure	25 percent	most of the expenditure will take place during the second half of the financial year as most of the programmes take place in the last 6 months of the FY	most of the expenditure will take place during the second half of the financial year as most of the programmes take place in the last 6 months of the FY
3	<b>Capital Expenditure</b>			
	Total capital expenditure	51 percent	There was a delay in SCM processes to some of the project, some of the project will only start next financial year due to phyisibility study that still need to take place in this current Financial Year.	To consider adjustments during the adjustment budget and to fast track SCM processes.
4	<b>Financial Position</b>			
	Cash		The original budget was R4.,3 million and the actual YTD is sitting at R157 million and that seem to be favourable to the municipality .	
5	<b>Cash Flow</b>			
	Cash and Cash Equivalent		The municipality had an opening balance of R91,9 million and a closing balance of R157 millionas at December 2018 and that is favourable to the municipality .	
6	<b>Measureable performance</b>			
	The SDBIP is attached			
7	<b>Municipal Entities</b>			
	No entity			

## 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**

	<b>Original Budget 2018/201</b>	<b>Month Budget December 2018</b>	<b>YTD Budget</b>	<b>YTD actual paid</b>	<b>YTD % Spent</b>
Employee Related Costs	55 356 399	4 613 033	27 678 200	25 847 156	46.69
Remuneration Of Councillors	11 991 370	999 281	5 995 685	5 392 971	44.97

**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**

	<b>Original Budget 2018/2019</b>	<b>Month Budget December 2018</b>	<b>YTD Budget</b>	<b>YTD actual paid</b>	<b>YTD % Spent</b>
Operating Expenditure	167 723 452	13 976 954	83 861 726	73 934 098	44%

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

**2.7 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.

<b>FUNDING SOURCE</b>	<b>ORIGINAL BUDGET</b>	<b>ADJUSTED BUDGET</b>	<b>YTD ACTUAL</b>	<b>BALANCE</b>
MIG	26 666 000	26 666 000	13 026 377	13 639 622.90
INEP	13 540 000	13 540 000	4 574 091	8 965 909.04
INTERNAL	37 796 240	37 796 240	2 356 403	35 439 837.50
<b>TOTAL</b>	<b>78 002 240</b>	<b>78 002 240</b>	<b>19 956 871</b>	<b>58 045 369.44</b>

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.

## 2.8 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.

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<b>Zekeleni access road</b>	<b>10</b>	The project is practical complete and the contractor is busy with snags.
<b>Buyani Madlala sport field</b>	<b>11</b>	The project is practical complete, outstanding electricity connection waiting for Eskom and the claim of R111 212.82 was paid to Quit Storm trading.
<b>Mafohla access road</b>	<b>11</b>	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.
<b>Manyathela access road</b>	<b>12</b>	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.
<b>Chapter access road</b>	<b>13</b>	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
<b>Nomandlovu access road</b>	<b>14</b>	The project is practical complete, under liability period
<b>Sawoti Sport field</b>	<b>15</b>	The project is practical complete, under liability period.
<b>Voyizane Sport field</b>	<b>12</b>	The project is practical complete.
<b>Gqumeni sports field</b>	<b>07</b>	The project is still under liability and has been extended due to slow growth of grass
<b>Khukhulela sports field</b>		The project is still under liability and has been extended due to slow growth of grass
<b>Glenmaize Electrification</b>	<b>14</b>	Waiting for outage date from Eskom.
<b>Eskhesheni Electrification</b>	<b>15</b>	The project is 85% complete
<b>Vita's Electrification</b>	<b>02</b>	The project is practical complete.

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<b>Mhlangeni Electrification</b>	<b>01</b>	The project is 50% complete
<b>Gxalingenwa Electrification</b>	<b>02</b>	The project is 50% complete
<b>Gwejane Electrification</b>	<b>07</b>	The project has been energized awaiting for an official handover
<b>Mqatsheni Electrification</b>	<b>01</b>	The project is 50% complete.
<b>Pitela Electrification</b>	<b>01</b>	The project is practical complete.
<b>Ukhahlamba Electrification</b>	<b>03</b>	The project is practical complete.
<b>Zuma's Electrification</b>	<b>02</b>	The project is practical complete
<b>Khalweni Electrification</b>	<b>02</b>	The project is practical complete.
<b>Qulashe Electrification</b>	<b>06</b>	The project has been energized waiting for an official handover.
<b>Mahwaqa Electrification</b>	<b>02</b>	The project is practical complete.
<b>Qweleni/Kalimakawosi Electrification</b>	<b>12</b>	The project has been energized waiting for official handover.

**2018/2019 PROJECTS**

<b>Project Name</b>	<b>Ward</b>	<b>DECEMBER</b>
<b>Zwelisha Access Road</b>	<b>1</b>	Contractor has established on site and official handed over to PSC. The claim of R172 953.00 was paid to Black Moon Investment.
<b>Mahwaqa access road</b>	<b>2</b>	The project is at an intention to award stage for the appointment of a contractor.
<b>Underberg taxi rank upgrade</b>	<b>3</b>	The project is at an intention to award stage for the appointment of a contractor
<b>Goqweni Access Road</b>	<b>4</b>	The project is at an intention to award stage for the appointment of a contractor
<b>Hadebe to Langa Access Road</b>	<b>5</b>	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
<b>Scedeni Hall</b>	<b>6</b>	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
<b>Mnqundekweni Sport field</b>	<b>7</b>	A contractor was appointed and will start in January 2019.
<b>Sonyongwane to mashayunina access road</b>	<b>8</b>	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
<b>Sporini Hall</b>	<b>9</b>	Contractor has been handed over to the PSC and has established on site.
<b>Gobhogobho Hall</b>	<b>10</b>	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
<b>Nkelabantwana access road</b>	<b>11</b>	Contractor has been handed over to the PSC and has established on site and the claim of R72 776.03 was paid to Terbitex.
<b>D1213 to Plazini access road</b>	<b>12</b>	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.
<b>Diphini Access Road</b>	<b>13</b>	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.

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<b>Florence and Dladla Access Road</b>	<b>14</b>	Contractor has been handed over to the PSC and has established on site. The claim of R428 378.74 was paid to Menopix CC.
<b>Khuphuka access Road</b>	<b>15</b>	The project is at an adjudication stage for the appointment.
<b>Creighton Asphalt Road</b>	<b>14</b>	The project will be re-advertised.
<b>Bulwer Asphalt Roads phase 6</b>	<b>10</b>	The project will be re-advertised.
<b>Donnybrook Asphalt surfacing</b>	<b>13</b>	The project will be re-advertised.
<b>Himeville Asphalt surfacing</b>	<b>02</b>	The project will be re-advertised.
<b>Centocow Taxi Rank</b>	<b>06</b>	The contractor is busy on site with brick works on ablutions and stalls. The claim of R906 369.53 was paid to Lunentobeko Construction.
<b>Greater stepmore /Ridge</b>	<b>01</b>	The contractor is busy with marketing.
<b>Greater Nhlanhleni/ Goxhill</b>	<b>02</b>	The contractor is busy with marketing.
<b>Greater Underberg</b>	<b>03</b>	The contractor is busy with marketing.
<b>Greater Amakhuze/ Cabazi</b>	<b>04</b>	The contractor is busy with marketing.
<b>Greater Khukhulela/ Nomagaga</b>	<b>05</b>	The contractor is busy with marketing.
<b>Greater Centocow/ Hlabeni</b>	<b>06</b>	The contractor is busy with marketing.
<b>Greater Gqumeni/ nqudekweni</b>	<b>07</b>	The contractor is busy with marketing.
<b>Greater Ngwagwane</b>	<b>08</b>	The contractor is busy with marketing.
<b>Greater Nkwezela</b>	<b>09</b>	The contractor is busy with marketing.
<b>Greater Bulwer</b>	<b>10</b>	The contractor is busy with marketing.
<b>Greater Nkumba</b>	<b>11</b>	The contractor is busy with marketing.
<b>Greater Bhidla/ Sizanenjane</b>	<b>12</b>	The contractor is busy with marketing.
<b>Greater Donnybrook</b>	<b>13</b>	The contractor is busy with marketing.

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<b>Greater Mjila/Creighton</b>	<b>14</b>	The contractor is busy with marketing.
<b>Greater Sandanezwe/ Masamini</b>	<b>15</b>	The contractor is busy with marketing.

**2.9 Municipal Manager's Quality Certificate attached**

**2.10 Schedule C version 6.2 attached**