

UMUZIWABANTU MUNICIPALITY



MID-YEAR PERFORMANCE REPORT

MAYORS SPEECH

2017/2018 FINANCIAL YEAR

SPEECH DELIVERED BY THE HONOURABLE MAYOR, CLLR D NCIKI ON TABLING THE MIDYEAR REPORT FOR 2017/2018, HELD ON.....

Honourable Speaker;

Deputy Mayor;

Members of the Executive Committee;

Councillors;

Municipal Manager;

Senior Managers and all protocol observed

Greeting to all

I thank you Mr Speaker, I would like to greet you and all the members of the council and officials. I present this Mid-Year Budget and Performance Assessment for 2017/2018 financial year as outlined in the Municipal Finance Management Act. Section 72(1)(a) of the Municipal Finance Management Act states:

In terms of Section 72 (1, 2 and 3) of the MFMA

1. The accounting officer of a municipality must by 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 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 identified in the annual report; 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; and

(iv) The performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities and

(b) Submit a report on such assessment to –

- (i) The mayor of the municipality;
- (ii) The National Treasury; and

2. The statement referred to in section 71 (1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1) (b) of this section.

3. The accounting officer must, as part of the review -

- (a) Make recommendations as to whether an adjustments budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Honorable Speaker, this report reflects the wishes and aspirations of the people of Umuziwabantu and it's aligned with the priorities set by Treasury and it is in line with the SDBIP, IDP priorities which according to my administration's point of view should be implemented at a Local Level after considering the needs of the community. In charging ahead with the colossal task that lay ahead of it, Umuziwabantu Municipal Council and its administrative units remained resolute in its conviction of addressing the ravages of poverty, disease, in needy and unemployment and therefore move towards the ultimate goal of creating a better life for all in its residents. Six months have passed since the beginning of the 2017/2018 financial year and this municipality has managed to deliver services and implement its programs in terms of the council approved IDP, Budget ,SDBIP and other concerted and sustained programs of action as approved by Council.

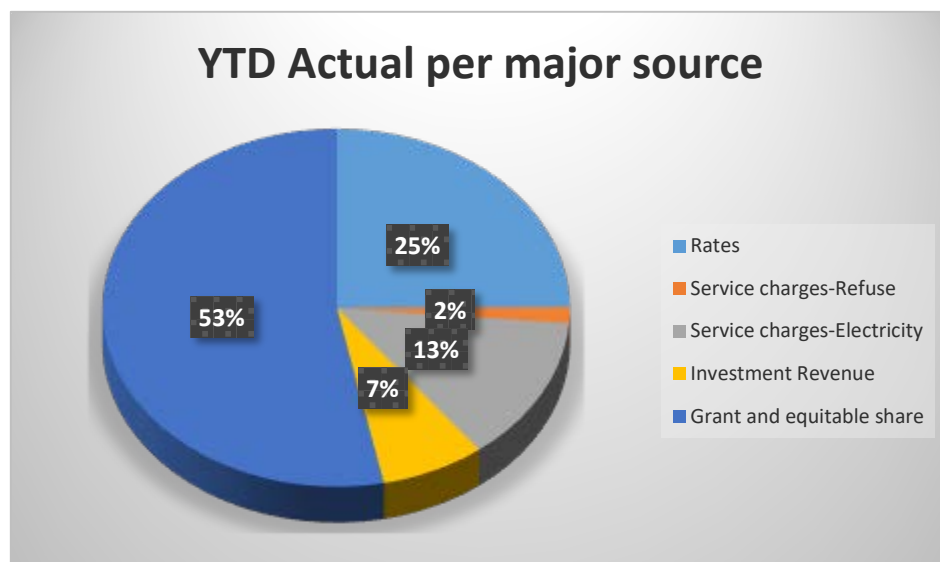
This detailed report of Umuziwabantu Municipality is intended to reflect on the realities confronting the municipality, the strategies and plans that have been developed, the extent of implementation of these plans and the difficulties encountered as well as achievements attained. Based on these reflections, a conclusion is reached that regardless of the challenges that confront us, through collective efforts, we remain convinced that we are firmly set on course to delivering on the targets that we have set ourselves. Working together with the community we can do more. Obviously we should continue considering value for money.

The Municipality should continue to strive in maintaining clean administration as shown by the Municipal performance. The Auditor General clean audit opinion for three consecutive years is a confirmation of this and has been included as such in the Municipality's annual report. The improved audit opinion is an indication that the Municipality is working and has resolved previous issues raised by the Auditor General and indeed moving in the right direction and must continue doing so in this current financial year as it continues to unfold.

Total Operating Revenue

The operating revenue that was approved by Council excluding capital grants is R151 million and the actual revenue collected for the period ended 31 December 2017 is R84 million which is 56 percent of the total revenue budget.

The pie chart on page 7 looks at the revenue sources by major line item categories i.e. (Grants, Rates, Electricity, Investments and refuse removal). As reflected, a big portion of income for the past six months is from government grants.



Property Rates

The municipality budgeted for the income of R 15 million from property rates for the whole year and as at the half year mark R19.5 million had been billed and R 7 522 200.66 had been collected which is 39%. This 39% is attributed by some rates payers (government/agriculture categories) requesting their rates billed in advance (i.e. for the whole year) whereas we are reporting on the midyear revenue targets.

YTD Actual Billed vs YTD Budgeted billing

Descriptions	Annual Budget 2017-2018	YTD budget	YTD actual	YTD%
Rates	15 073 000	7 536 499	19 573 000.00	130%

(see page 08 of your report)

Service Charges

The main service charges for the municipality are electricity and waste removal services. The municipal record shows a good collection rate in terms of electricity and refuse refuse removal. Given the seasonal nature of electricity demand, we also expect an increase on its demand towards the end of the third quarter until the end of the financial year. The municipality had billed R1 million and collected R 763 911.62 which is 70% as at December 2017. The year to date service charges electricity billed amount is R 10.7 million and collected amount is 8.7 mil which is 82% of what was billed.

Descriptions	Annual Budget 2017-2018	YTD budget	YTD actual	YTD%	Annual%
Electricity	34 153 922.12	17 076 961.06	10 425 000.00	61%	31%
Refuse removal	2 261 835.14	1 130 917.57	1 127 000.00	99%	50%

Chart on page 10 of your report compares the billing receipts for the past six months ending 31 December 2017. The chart clearly shows a very high billing in July which as Indicated earlier ,it is due to the annual billing for Government Departments and Farmers. However, for the operating revenue an increase of about R 5 million will be proposed .Property rates need to be adjusted by approximately R3 million due to the

new valuation roll that was implemented by 1st of July 2017. Interest on investment will be adjusted by approximately R 2 million due to the past six month's performance.

Operating Expenditure

Honorable Speaker, now I am going to focus on expenditure. The actual expenditure for the period ended 31 December 2017 is R63 million which is 39 percent of the total operating budget. This is good as the municipality managed to contain operational expenditure within the available budget. However, there is a need to adjust some votes accordingly.

The annual budget for employee related costs is R 60 million. As at the end of December 2017, R32 million was spent. This is 54% of the budgeted amount.

The total annual budget for salaries and allowances R8 million. As at the end of December 2017, R3 million was spent. This is 41% of the budgeted amount. The Councillor Allowances are slightly below the projected figure and the budget balance will be more than sufficient to cater for the increase retrospectively as the Gazette.

Description	Annual Budget 2017-2018	YTD Actuals	Balance	% spent
Employee Related cost	62 395 290.00	32 640 000.00	2 975 290.00	52%
Remuneration of Councilor's	8 645 627.00	3 574 000.00	5 071 627.00	41%
Finance charges	897 000.00	319 000.00	578 000.00	36%
Repairs & Maintenance	7 125 143.00	2 057 823.62	5 067 319.38	29%
Bulk purchases of electricity	30 851 674.00	16 138 000.00	14 713 674.00	52%
Depreciation	10 868 973.00			0%

General expenses	40 561 148.47	8 784 176.38	31 776 972.09	22%
TOTAL	161 344 855.47	63 513 000.00	97 831 855.47	39%

Capital Budget

The total capital budget which was approved is 79 million .As at the end of December 2017 expenditure on capital projects is R 15 million which is 19% of the total capital budget. There was no roll over application made for this financial year as the municipality utilized all the funds that was allocated by National Treasury last year. Land fill site has overspent by 35%, this was originally understated in the original budget, and adjustment is required. Overall capital expenditure is low. Major contributing factor is Municipal offices which have a budget of R25 million and only spent R185 766 as at December 2017, therefore there is a need to adjust the budget accordingly.

Expenditure on Grants allocation

Total grants as per the Gazette together with opening balances is R35 million. Year to date spent is R21 million which is 62% spent as illustrated in page 16 of your main report. The Municipality is expecting to receive last trench in March 2018.

Cash and Investments

Primary Bank Account: As at the end of December 2017 the municipality had R4 233 718.22 in the primary bank account. This account is held with Nedbank.

Investments: the municipality had total amount of investments as at the end of the December 2017 of R161 067 615.80 All these investments are held between FNB, INVESTEC and Nedbank.

Interest on Investments

Interest Received on Investments is higher than that anticipated when comparing original budget with YTD actuals. Percentage received is 76%, there is a need to adjust this line item.

Debtors Age Analysis

The total debt owed to the municipality as at the end of December 2017 is R 21 million as illustrated on a table in page 22 of the main report. That table summarizes the Debtors Age Analysis as at 31 December 2017.

PREVIOUS YEARS BILLED VS COLLECTION COMPARISON AS AT DECEMBER REPORT

	2017/2018		2016/2017		2015/2016	
SERVICE S	RAISED	COLLECT	RAISED	COLLECT	RAISED	COLLECT
RATES	16 017 285.94	7 522 200.66	10 787 684.09	9 759 113.25	10 131 283.12	8 828 940.50

REFUSE	1 094 222.83	763 911.62	1 215 327.30	1 086 900.71	1 126 578.17	1 043 360.00
ELECTRICITY	10 715 555.06	8 747 258.15	12 533 524.21	10 846 013.00	12 610 703.00	10 431 523.21
TOTAL	27 827 063.83	17 033 370.43	24 536 535.60	22 096 792.87	23 868 564.29	20 303 824.62
PERCENTAGE	61%		90%		85%	

The above table illustrates a multi-year comparison of municipal debtors collection rate which shows a gradual increase, when comparing 2015/2016 financial year with 2016/2017. There is also a decline when comparing 2016/2017 financial year. Major contributing factor for this is due to the new system challenges we have faced during the implementation phase.

Creditors Age Analysis

Creditors: The total acknowledged debt owed by the municipality to its suppliers as at the end of December 2017 was R nil, all invoices are paid within 30 days.

Recommendation:**Adjustment Budget**

As prescribed by Section 72(3) of the MFMA, an adjustment budget is needed to deal with items listed in section 28(2) of the MFMA. The adjustment budget will take into account changes in the national and provincial adjustments budget, adjust the revenue and expenditure estimates down/upwards due to shortfalls and overspending on votes and adjust the capital and operating budget with the roll over's of the previous year.

SDBIP Top Layer

Revisions to the SDBIP will have to be made taking into consideration the effects of the adjustments budget and be approved following the approval of the adjustment budget as required by Section 54(1) of the MFMA.

Recommendation:

That:

- An Adjustment budget for 2017/2018 be prepared and approved by no later than 28 February 2018
- Projections for revenue and expenditure be revised downwards/upwards as a result of the projected revenue and expenditure
- The revised SDBIP which formed the basis of the mid-year assessment be approved following of the adjustment budget

I THANK YOU

