

# UMUZIWABANTU MUNICIPALITY



## MID YEAR PERFORMANCE REPORT

### 2017/2018 FINANCIAL YEAR

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## **2. EXECUTIVE SUMMARY**

Reporting requires that the Municipality takes the priorities of the organization, its performance objectives, indicators, targets, measurements and analysis, and presents this information in a simple and prescribed format, relevant and useful to the stakeholders for review. The Midyear Assessment report is a tool which seeks to review the progress that is being made by Umuziwabantu Municipality in realizing the targets it had set itself at the beginning of the financial year. It clearly documents the achievements over the past six months of the financial year (01/07/2017 to 31/12/2017) and more fundamental, illustrates some of the challenges that confront the progress that has been accomplished by the municipality over this period. In order to provide a telling background to this report, this section provides a broad overview of the financial performance of Umuziwabantu Municipality.

### **3. Purpose**

The purpose of the report is for Council to note and approve the midyear and to account to the public for the mid-year budget and performance assessment for 2017/2018 financial year and service delivery actual performance against the set targets of Umuziwabantu Municipality.

This report contains information which is based on the service delivery and budget implementation plan formulated for the financial year 2017/2018 and concentrates on both the financial and service delivery performance assessment. The report was compiled using first and second quarter.

To inform Council of the municipality's mid – year performance (up to December 2017) against the approved budget in compliance with Section 72 (1)(a) and 52 (d) of the MFMA and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009, by providing a statement on the implementation of the budget and financial state of affairs of the municipality to the Executive Mayor, as legislated.

### **4. Strategic Objective**

The strategic objective of this report is to ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.

### **5. Background**

Section 72(1) of the MFMA and Section 28 of Government Gazette Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act of 2003 and Municipal Budget and Reporting Regulations” necessitates that specific financial particulars be reported on and in a prescribed format, hence this report to meet legislative compliance.

### **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.

**(i) Financial performance Assessment for the past six Months**

The Mid Year Performance Review is an assessment of the first six months of the financial year. It includes a financial review as well as well as a performance review in terms of the organizational scorecard for the 2017/2018.

<b>Description</b>	<b>Approved budget 2017-2018 '000</b>	<b>YTD Actual (December 2017) '000</b>	<b>YTD %</b>
Total Operating Revenue	161 345	84 302	52%
Total Operating Expenditure	161 345	63 513	39%
Total Capital Budget	79 112	15 325	19%

## **ii)Total Operating Revenue**

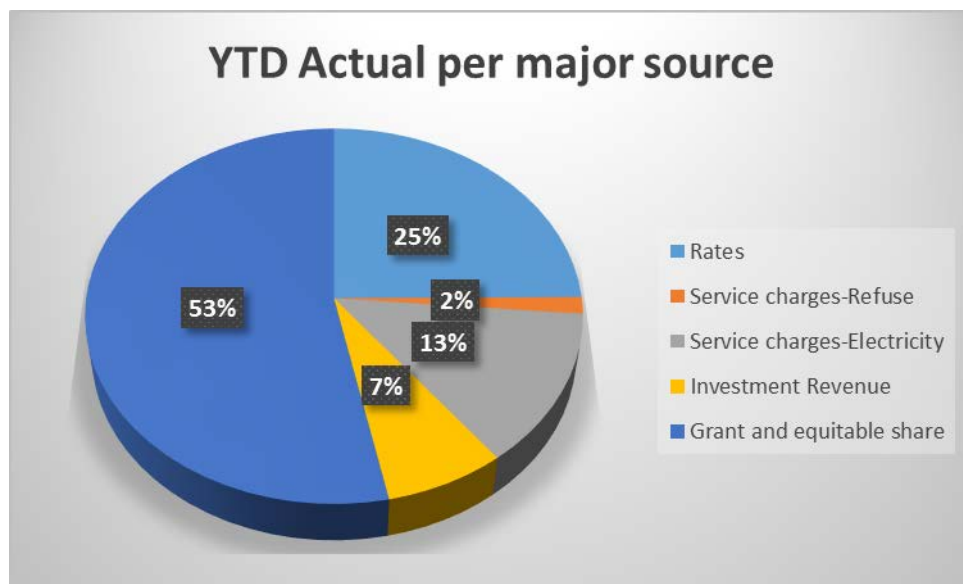
The operating revenue budget that was approved by Council is R161 million and the actual revenue collected for the period ended 31 December 2017 is R 84 million which is 52 per cent of the total revenue budget .However some of the votes need to be adjusted downwards or upwards as per their line item.

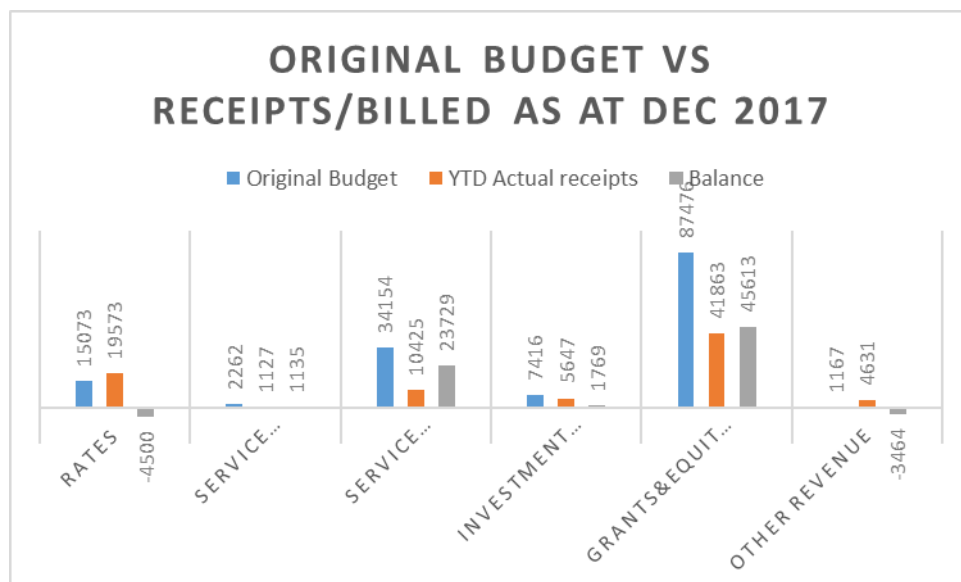
<b>Description</b>	<b>Approved budget 2017-2018</b>	<b>YTD Actual (December 2017)</b>	<b>YTD %</b>
Property rates	15 072 750.00	19 573 000.00	130%
Penalties interest	824 779.19	10 000.00	1%
Service Charges-electricity revenue	34 153 922.12	10 425 000.00	31%
Service Charges-refuse revenue	2 261 835.14	1 127 000.00	50%
Rental of Facilities &equipment	91 988.89	22 000.00	24%
Interest on investment	7 416 080.00	5 647 000.00	76%
Fines	22 556.00		47%
Licenses &permits	532 855.87	203 000.00	38%
Agency services	2 117 807.90	802 000.00	38%
Transfer recognized operational	87 476 000.00	41 863 000.00	48%
Other Revenue	1 075 467.39	4 631 000.00	430%

## Revenue/Funding Source Analysis

This section seeks to analyze the variances between the budgeted and actual revenue as at 31 December 2017.

Chart below looks at the revenue sources by major line item categories e.g (Grants, Rates, Electricity, Investments and refuse removal. As reflected, a big portion for the past six months income is government grant. A comparison of the budget, the year to date movement (YTD) and Balances the major funding sources are elaborated in detail below. As reflected, a big portion for the past six months income is government grants.





#### YTD Actual Billed vs YTD Budgeted billing

##### Property Rates:

Descriptions	Annual Budget 2017-2018	YTD budget	YTD actual	YTD%
Rates	15 072 750.00	7 536 375	19 573 000.00	130%

The municipality budgeted income of R 15 million from property rates for the whole year and as at the half year mark R19 573 000.00 million had been billed and R7 522 200.66 had been collected which is 38%. This is attributed by some rates payers (government/agriculture categories) requesting their rates billed in advance (ie for the whole year) whereas we are reporting on the midyear revenue targets. Cash collected from the consumers has also been less than anticipated as at 31 December 2017 due to the problems experienced in implementing MSCOA system in the first three months of implementation.



## YTD Actual Billed vs YTD Budgeted billing

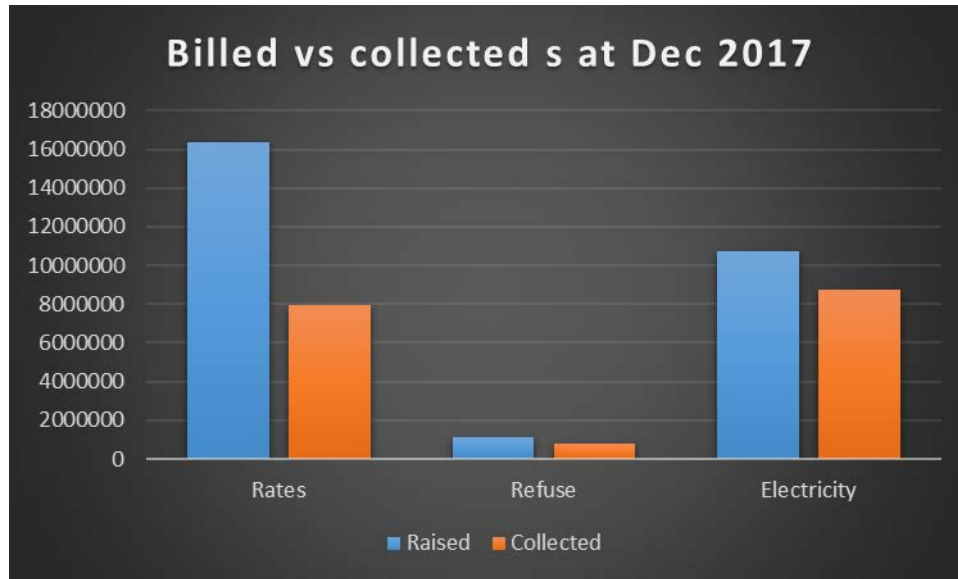
### Service Charges:

Descriptions	Annual Budget 2017-2018	YTD budget	YTD actual	YTD%	Annually%
Service charges(electricity)	34 153 922.12	17 076 961.05	10 425 000.00	61%	31%
Refuse removal	2 261 835.14	1 130 917.57	1 127 000.00	99%	50%

The municipal record shows a good collection in terms of electricity and 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 refuse of R1 million and collected R763 911.62 which is 70% as at December 2017. The year to date service charges electricity billed amount is R10 million and collected amount is 8.7 mil which is 82% of what was billed.

Chart below looks at the billing vs. receipts statistics for the past six months ending 31 December 2017. The chart clearly shows that, Rates and other services are below than anticipated due to the challenges we faced during MSCOA implementation phase.

The increase billing in July is due to the annual billing for Government Departments and Farmers. This also resulted in an increase in collection during the month of July and October and December, due to Debtors paying for the prior months.

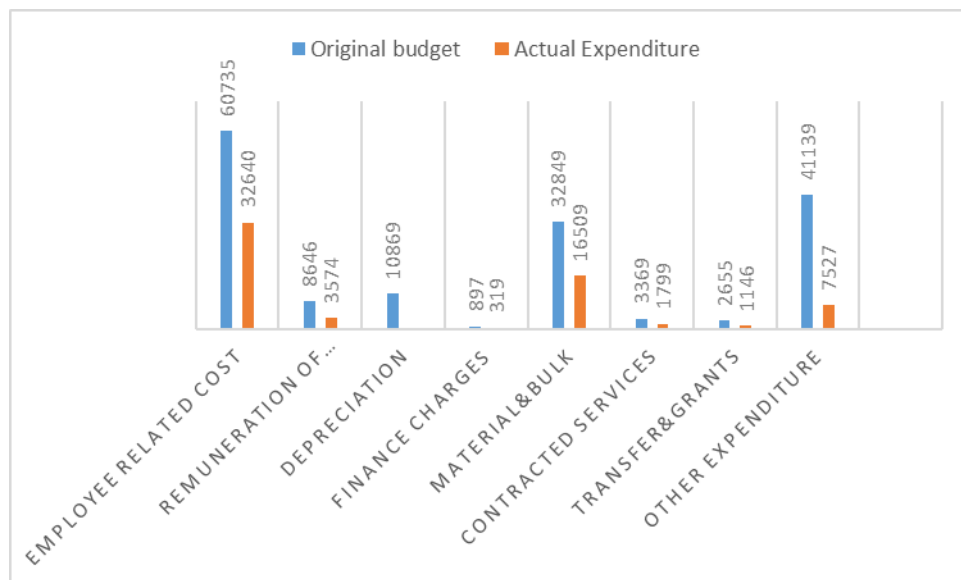


### iii)Mid-Year expenditure for the past six months

Description	Annual Budget 2017-2018	YTD Actuals	Balance	% spent
Employee Related cost	62 395 290.00	32 640 000.00	29 755 290.00	52%
Remuneration of Councillor'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%

**Expenditure chart analysis as at December 2017**



**Operational Expenditure Analysis**

The following section seeks to analyze the operational budget expenditures as at 31 December 2017. A high level analysis is being presented.

### **Bulk Purchases**

This expenditure refers to the amount of money spent on buying electricity to be sold to the Harding residents. An amount of R30.8million was budgeted for and at the end of the first half of the year, R16 million was spent which is 52%.There will be no adjustment since the usage is based on consumption and we anticipate to observe an increase in demand during autumn and winter season.

### **Repairs and Maintenance**

The total budget for the 2017-18 financial years for repairs and maintenance is R 7 million. The expenditure as at December 2017 is R 2 million which is 29%.The municipality is still going to spend this vote going forward in order to make sure that the municipal assets health are being prioritised. Some contributing factor for slow spending is due to stringent internal control cost cutting, other programmes will be implemented in the third quarter as per the SDBIP.

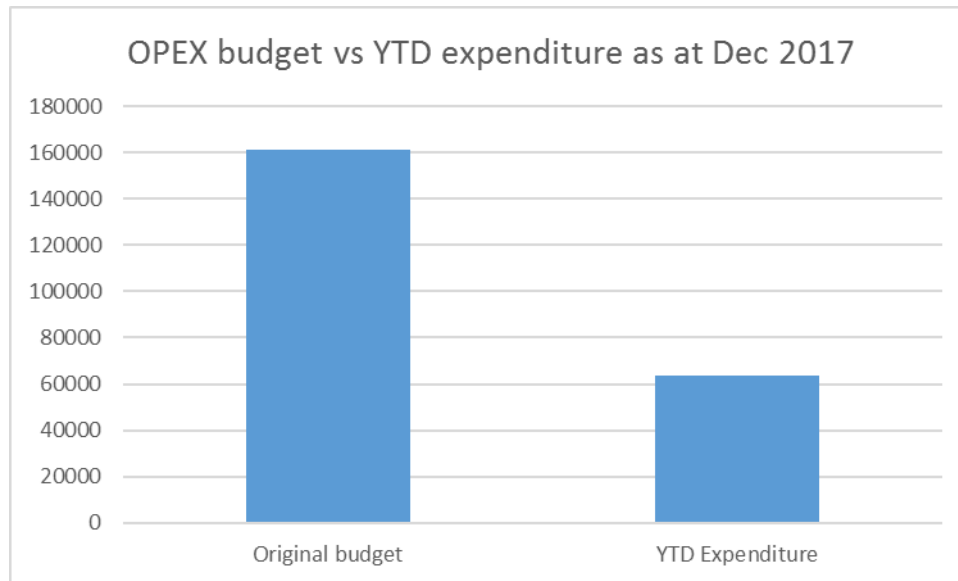
### **Depreciation**

The municipality had envisaged to spend R 10.8 million when they were doing projections for the current financial year. The actual expenditure incurred by June 2016 was R10.3 million (Certified by Auditor General) which is almost similar to the budgeted amount. The municipality normally calculates depreciation annual in order to reduce errors that might occur when passing many journal entries. Therefore there is a need to adjust this vote accordingly.

### **Debt Impairment**

An amount of R 185 973.78 was allocated for debt impairment, expenditure/journals for this vote is normally recorded annually due to the nature of this line item.

**Chart : OPERATION EXPENDITURE**



**Total Operating Expenditure**

The approved operational expenditure (Including Depreciation) is R161 million, while the year to date expenditure is R 63 million representing 39% of the approved budget. The unspent balance on the Operational budget amounts to R 97.8 million, some contributing factor for spending less in some votes is due to cost cutting measures. Municipality is expecting an increase in spending in some of the votes and programmes in the third quarter and fourth quarter. However, there are some votes that need to be adjusted accordingly.

The graph that follows further unpacks the operational expenditure budget for employee related cost and council allowances vs YTD spent as at December 2017.

**iv) Salaries Wages and Allowances**

DESCRIPTION	BUDGET	YTD Expenditure	BALANCE	%
SALARIES & WAGES	R 60 734 479.00	32 640 000.00	28 094 479.00	54%
COUNCILLOR ALLOWANCES	R 8 645 627.00	3 574 000.00	5 071 627.00	41%
<b>TOTAL</b>	<b>R 69 380 106.00</b>	<b>36 214 000.00</b>	<b>8 046 911.00</b>	<b>52%</b>

The annual budget for employee related costs is R60 million. As at the end of December 2017, R32 million was spent. This is 54% of the budgeted amount.

The annual budget for Councillors Allowances is R8 million. As at the end of December 2017, R5 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 per the Gazette.

### **v) Capital Programmes Performance**

The total capital budget which was approved is R79 million. As at the end of December 2017 expenditure on capital projects is sitting at R15 million which is 19% of the total capital expenditure. There was no roll over application needed 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% meaning this was originally understated in the original budget, adjustment is required. Overall capital expenditure is low. Major contributing factor is Municipal offices which have a budget of R 25 million and spent R185 766 for the past six months, therefore there is a need to adjust the budget accordingly.

### **Detailed Capital Budget against expenditure**

<b>Description</b>	<b>Original Budget</b>	<b>YTD Actuals</b>	<b>% Spent</b>
Sport fields and Stadium	8 500 000.00		
Roads, Pavements and Bridges	30 000 000.00	7 014 314.00	23%
Land fill site	3 550 750.00	4 780 767.00	135%
Municipal Offices	25 000 000.00	185 766.00	0.7%
Mounted Transformer	930 000.00		
Upgrade of electricity	2 050 000.00		
Computer hardware/equipment	1 450 000.00	395 643.00	27%
Vehicles	1400 000.00	860 564.00	61%
Small Town	2 921 224.02	1 908 098.00	65%
Plant and Equipment	3 310 000.00	48 393.00	1.5%
<b>TOTAL</b>	<b>79 111 974.00</b>	<b>15 193 545.00</b>	<b>19%</b>

## Expenditure on the Grant Allocations.

Total grants allocation as per the Gazette together with opening balances is R 35 million. Year to date spent is R 21 Million which is at 62% spent as illustrated in the table below. The Municipality is expected to receive last trench in March 2018.

### vi) Conditional Grants Report

DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS AS AT DECEMBER 2017									
	Unspent						Unspent	%	%
Grant name	at beginning of year	Allocation Budget	Received during year	Total Budget Plus O/B	Total Received Plus O/B	Expended during year	at end of year	Spent on	Spent on
	R		R		R	R	R		
Small Town Rehabilitation	3 301 224.02			3 301 224.02	3 301 224.02	1 908 097.71	1 393 126.31	58%	58%
LIBRARY		583 000.00	171 000.00	583 000.00	583 000.00		583 000.00	0%	0%
FMG		1 900 000.00	1 900 000.00	1 900 000.00	1 900 000.00	1 900 000.00	-	100%	100%
Electrification		4 000 000.00	4 000 000.00	4 000 000.00	4 000 000.00		4 000 000.00	0%	0%
LUMS	73 000.00			73 000.00	73 000.00		73 000.00	0%	0%
MIG		23 685 000.00	11 500 000.00	23 685 000.00	11 500 000.00	17 238 000.00	-5 738 000.00	150%	73%
Government Expect	7 889.00			7 889.00	7 889.00		7 889.00	0%	0%
EPWP		1 006 000.00	704 000.00	1 006 000.00	704 000.00	764 949.89	-60 949.89	109%	76%
Disaster Management	128 003.61	317 162.00	771 000.00	445 165.61	771 000.00	-	771 000.00	0%	0%
		-	-	-			-		
	3 510 116.63	31 491 162.00	19 046 000.00	35 001 278.63	22 840 113.02	21 811 047.60	1 029 065.42	95%	62%



### **vii) 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 R 161 067 615.80. All these investments are held between FNB, INVESTEC and Nedbank.

### **Interest on Investments**

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



### iii)DEBTORS AGE ANALYSIS

Debtors: The total debt owed to the municipality as at the end of December 2017 is R 21 mil illustrated as per the below schedule. The table presented below summarizes the Debtors Age Analysis as at 31 December 2017.

AGE ANALYSIS AS AT 31 DECEMBER 2017										
BY CATEGORY CLASSIFICATION										
CATEGORY	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	180 DAYS	181 DAYS	OVER 1YR	TOTAL	
Rates	1 186 000.00	904 000.00	775 000.00	638 000.00	526 000.00	5 780 000.00	1 145 000.00	5 367 000.00	16 321 000.00	77%
Electricity	1 312 000.00	1 239 000.00	648 000.00	451 000.00	250 000.00	133 000.00	482 000.00	88 000.00	4 603 000.00	22%
Refuse	180 000.00	134 000.00	104 000.00	80 000.00	57 000.00	45 000.00	156 000.00	133 000.00	889 000.00	4%
Other(int.pay.vat)	-1 656 000.00	187 000.00	-1 816 000.00	34 000.00	12 000.00	107 000.00	985 000.00	1 422 000.00	-725 000.00	-3%
<b>Grand Total</b>	<b>1 022 000.00</b>	<b>2 464 000.00</b>	<b>-289 000.00</b>	<b>1 203 000.00</b>	<b>845 000.00</b>	<b>6 065 000.00</b>	<b>2 768 000.00</b>	<b>7 010 000.00</b>	<b>21 088 000.00</b>	<b>100%</b>
CATEGORY	30 DAYS	60 DAYS	90 DAYS	120 DAYS	150 DAYS	180 DAYS			TOTAL	
Organ of State	-1 507 000.00	420 000.00	-398 000.00	185 000.00	132 000.00	5 386 000.00	397 000.00	1 940 000.00	6 555 000.00	31%
Commercial	1 139 000.00	1 141 000.00	601 000.00	395 000.00	211 000.00	138 000.00	716 000.00	1 928 000.00	6 269 000.00	30%
Households	1 340 000.00	843 000.00	-1 089 000.00	570 000.00	453 000.00	492 000.00	1 413 000.00	3 131 000.00	7 153 000.00	34%
Other	50 000.00	60 000.00	597 000.00	53 000.00	49 000.00	49 000.00	242 000.00	11 000.00	1 111 000.00	5%
<b>Grand Total</b>	<b>1 022 000.00</b>	<b>2 464 000.00</b>	<b>-289 000.00</b>	<b>1 203 000.00</b>	<b>845 000.00</b>	<b>6 065 000.00</b>	<b>2 768 000.00</b>	<b>7 010 000.00</b>	<b>21 088 000.00</b>	<b>100%</b>

Debtors age analysis is R21 million as at December 2017, rates is the highest owed followed by electricity and refuse. The contributing factor to this is Households which is sitting at 34%, some consumers they do not pay their account and they do not come forward to apply for indigent .Some debtors which have been outstanding for so long have been handed over for collection.

**PREVIOUS YEARS BILLED VS COLLECTED COMPARISON AS AT DECEMBER REPORT**

	2017/2018		2016/2017		2015/2016	
SERVICE S	RAISED	COLLECT	RAISED	COLLECT	RAISED	COLLECT
<b>RATES</b>	16 017 285.94	7 522 200.66	10 787 684.09	9 759 113.25	10 131 283.12	8 828 940.50
<b>REFUSE</b>	1 094 222.83	763 911.62	1 215 327.30	1 086 900.71	1 126 578.17	1 043 360.91
<b>ELECTRICITY</b>	10 715 555.06	8 747 258.15	12 533 524.21	11 250 778.91	12 610 703.00	10 431 523.21
<b>TOTAL</b>	<b>27 827 063.83</b>	<b>17 033 370.43</b>	<b>24 536 535.60</b>	<b>22 096 792.87</b>	<b>23 868 564.29</b>	<b>20 303 824.62</b>
<b>PERCENTAGE</b>	<b>61%</b>		<b>90%</b>		<b>85%</b>	

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 with 2017/2018 financial year .Major contributing factor for this is due to the new system challenges that we have faced during the implementation stage.

**ix) 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.

**x) Recommendation:**

**Motivation**

**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 overs 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 hereby acknowledge the receipt of the 2017/2018 Mid-term performance report.

Print Name : Cllr. D. Nciki

Mayor of UMUZIWABANTU MUNICIPALITY (KZN214)

Signature \_\_\_\_\_

Date :

**i)Municipal Manager's quality certificate**

I, Mr. SD Mbhele, Municipal Manager of UMUZIWABANTU MUNICIPALITY, hereby certify that the Mid-Year Performance Report for the year 2017/2018 financial year and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : Mr. SD Mbhele

Municipal Manager of UMUZIWABANTU MUNICIPALITY (KZN214)

Signature \_\_\_\_\_

Date :

