

UBUHLEBEZWE MUNICIPALITY
MID-YEAR BUDGET AND PERFORMANCE
ASSESSMENT REPORT
SECTION 72 OF THE MFMA
25 JANUARY 2018



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REPORT BY THE MAYOR OF UBULHEBEZWE MUNICIPALITY

Mr Speaker, EXCO Members, All Councillors, the entire management team under the stewardship of the Municipal Manager, Amakhosi, distinguished guest, ladies and gentlemen good morning.

On behalf of the recently inaugurated Council of the UBuhlebezwe Local Municipality we wish to express our sincere appreciation to all our stakeholders, in particular the communities of UBuhlebezwe for putting your faith in us in being your representatives and also all dedicated municipal officials for their continued support.

Since August 2016, we have dedicated ourselves in ensuring that we respond promptly to all areas related to services delivery.

This meeting of Council is constituted in terms Municipal Finance Management Act, Act number 56 of 2003, Section 72 (b), to review the report from the accounting officer assessing the performance of the municipality during the first half of the financial year. Besides being mandated by the MFMA, as public representatives we have a responsibility to fulfill the commitments we have made to the electorates and on a continuous basis, we have a responsibility to account to Council as a body representing our people.

We are therefore presenting the mid-year budget assessment, which will determine whether there is a need for adjusting our budgets, or not. I must also indicate that there were no additional revenues that were received during the year. This therefore implies that in adjusting the budgets, we will shift funds within the available funds as recorded in the original budget.

We have also noted increase on our revenue collection primarily on rate, Due to door to door campaigns and SMS sent as a reminder to our customers. We commit ourselves as leadership and management to ensure we maintain current level of revenue collection. We will therefore increase revenue collected during adjustment budget. Revenue on interest received will also be adjusted upwards as it reflected a 66% collection against projected budgets.

Mr Speaker, I must indicate that according to the cumulative MFMA Section 71 report, the MIG expenditure was at 56% which invariable so, suggests that the municipality is on the right track with regards to service delivery and conditional grant expenditure.

Mr Speaker, the report tabled below details the actual expenditure for the six months ending 31 December 2017 against projected budgets. The report reflects a rather satisfactory expenditure trend as well as revenue collection generally.

I wish to thank this council for the vehemence and enthusiasm in ensuring that their legislative mandate is carried out for the benefit of our people. To the administration led by the accounting officer, thank you.

Ngiyabonga

RESOLUTION

MID TERM BUDGET REVIEW RESOLUTIONS

Section 72(1) of the Municipal Finance management Act no 56 of 2003 (MFMA) requires that the Accounting Officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year. The Municipal Budget and Reporting Regulations states that a mid – year budget and performance assessment must be in a format specified in Schedule C and include all required schedules.

The following resolutions were tabled by the Accounting Officer before the Mayor and Council for adoption and approval on the 25 January 2018.

a. That:-

The Mid – year budget and performance assessment for the period 01 July 2017 to December 2017 be approved as set out in the tables:

- Table C1 – Monthly Budget Statement Summary
 - Table C2 – Monthly Budget Statement- Financial Performance (Revenue and Expenditure by standard classification)
 - Table C3 – Monthly Budget Statement - Financial Performance (Revenue and Expenditure by municipal vote)
 - Table C4 –Monthly Budget Statement - Financial Performance (Revenue by Source and Expenditure by type)
 - Table C5 – Multi-year and single year capital appropriations (Capital expenditure by vote, standard classification and funding source)
 - Table C6 – Budgeted Financial Position
 - Table C7 – Budgeted Cash flow
 - Supporting Documents
- SC (1-13)

b. Budget resolution attached

EXECUTIVE SUMMARY

As instructed by the Local Government: Municipal Finance Management Act No.56 of 2009, Chapter 8 on roles of municipal officials, section 72, the Accounting Officer must assess the half yearly performance of the municipality and this is required to be done by 25th January every year to be submitted to the Mayor, National and Provincial Treasuries.

The following were considered as instruments to define the actual performance of UBuhlebezwe Municipality for the period of July 2017 to December 2017,

- Approved Budget for 2017/2018,
- Service Delivery Budget and Implementation Plan
- Council approved Procurement Plan
- Budget versus actual on approved 2017/2018 budget
- Investments and Cash and Cash equivalents
- Analysis of billed revenue versus collected revenue
- Analysis of budgeted expenditure versus actual expenditure for the six months ending December 2017
- Monthly MFMA Section 71 reports
- Mid – term performance report, considering targets versus actuals for both the first and the second quarter
- Audited Annual Financial Statements for the previous year
- Auditor General's audit report for the previous year
- Risk Register

During this process it became noticeable that the municipality must adjust its current budget (2017/2018) accordingly. The Accounting Officer will therefore ensure that the adjusted budget document is approved by Council by the 22 February 2018 as prescribed by the MFMA regulations.

The report below details the final mid-year budget and performance assessment.

2017/2018 BUDGET GUIDELINES AND ASSUMPTIONS

The 2017/2018 mid-term budget was prepared in accordance with guidelines and assumptions as outlined in Circular 58, taking into consideration the following aspects:

- National budget assumptions, guidelines and projections;
- Alignment with national and provincial priorities;
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions with regard to grants allocation in terms of DORA.

Municipal budget underlying assumptions, guidelines and projections;

- Anticipated own revenue from rates and services charges, sundry charges and other revenues and affordability of ratepayers and consumers services;
- The ability of municipality to collect revenue (payment level);
- Operating expenditure cost drivers and growth thereof;
- Capital budget funding model;
- Protecting the poor by ensuring access to basic services.

2017/2018 FINANCIAL YEAR OVER VIEW

- 1.1 The 2017/2018 annual budget, Integrated Development Plan and service delivery and budget implementation plan was adopted on May 2017.
- 1.2 The municipality submitted its annual financial statements on the 31 August 2017 to AG.
- 1.3 Ubulabezwe municipality subsequently received unqualified audit opinion with other matters.
- 1.4 The budget has been monitored through section 71 reports monthly.
- 1.5 Capital expenditure is considered as unreasonable hence we still at 29% against the approved budget, MIG spending is at 56 %, Electrification at 40% and Internally funded projects at 1%. The municipality anticipates capital expenditure to be 100% at the end of June 2018. The municipality has a history of spending 100% of capital grant funding; being MIG and Electrification Projects.
- 1.6 Operating expenditure was sitting at 46% as at 31 December 2017.
- 1.7 Cash and Cash equivalents amounted to R184, 378 million as at 31 December 2017. Unspent grants amounted to R18 680 million (Difference between grant funding received and actual expenditure on those grants).

REVENUE FROM RATES

Revenue collected from rates was 44% of the budget, however the total received compared to the billed assessment rates was 104%. This is due to municipal strategies that have been implemented in order to increase collection of revenue.

The municipality will therefore increase the budget in the adjustments budget.

2017 - 2018 Collection Rate

Receipts		Collection Rate	
MTD	July	August	September
959,938.86	407,691.98	405,093.23	1,061,824.41
1,203,353.40	1,087,056.22	1,090,894.44	1,090,894.44
	79.77%	37.50%	37.13%
			97.34%
			330.47%
			45.34%
			104.17%
YTD	Total	December	YTD
6,927,804.29	6,650,444.44	493,796.97	6,650,444.44
		1,089,047.22	

REVENUE FROM SERVICE CHARGES - REFUSE

The budget for waste management was R1 990 711. However, the total amount billed for the six months ending 31 December 2017 reflected an amount of R992 055. There will be no adjustment hence it's on its Norm.

Cash Collected per month vs billed (Refuse)

Receipts		Collection Rate	
MTD	July	August	September
96,631.82	103,789.24	105,631.82	149,742.14
157,666.65	157,689.27	159,126.10	158,657.36
	61.29%	65.82%	66.38%
			94.38%
			89.49%
			86.92%
			77.86%
YTD	Total	December	YTD
772,413.19	772,413.19	154,637.89	772,413.19
		177,904.38	

The collection based on monthly billing was at 77.86%, which reflects improvements therefore, there will be no adjustment.

OTHER REVENUE

Remarks

5 71(1) (a) ACTUAL REVENUE, PER REVENUE SOURCE

Source	Budget 2017/2018	Budget 2017	Actual December 2017	Budget YTD	Actual YTD	Variance YTD	To Date Received %
Property Rates	15,747,822.00	1,312,318.50	493,796.97	8,869,266.50	6,927,804.29	9,313,814.68	44%
Service Charges	1,990,711.00	165,892.58	154,637.89	995,355.50	772,413.19	1,218,297.81	39%
Rent of facilities	500,000.00	41,666.67	59,681.05	250,000.00	254,931.90	245,068.10	51%
Interest earned - Investments	7,000,000.00	583,333.33	354,041.99	3,500,000.00	4,600,178.68	2,399,821.32	66%
Fines - Traffic	250,000.00	20,833.33	19,665.50	125,000.00	94,524.21	155,475.79	38%
Brackage and Losses Recovery	500.00	41.67	-	250.00	1,004.94	-504.94	201%
Licensing and Permits							
Hawkers Permits	10,000.00	833.33	87.72	5,000.00	15,701.87	-5,701.87	157%
Taxi Permits	50,000.00	4,166.67	263.16	25,000.00	32,587.98	17,412.02	65%
Drivers Licences	3,600,000.00	10,885.09	164,397.11	1,800,000.00	1,070,819.82	2,529,180.18	30%
Licence Commission	800,000.00	9,558.41	54,120.89	400,000.00	309,984.68	490,015.32	39%
Other Revenue	5,531,000.00	460,916.67	168,413.65	2,765,500.00	824,795.73	4,706,204.27	15%
TOTAL	51,227,855.00	3,922,764.75	1,962,902.91	26,609,283.00	21,338,754.61	30,382,897.36	42%

The overall total revenue collected was 42% of the budget. The areas of concern on revenue collection were on other revenue due to the anticipated budget on the Sale of land. We have only received 7 % on the revenue from the sale of land, therefore its will be adjusted downwards during the adjustment Budget.

Interest Received – Interest received was 66% of the budget. The budget will be adjusted upwards.

Taxi Permits – The budget will be adjusted upwards. The percentage received was 65% against original budget.

Hawkers Permits – Revenue received was 157%. The budget will be adjusted upwards.

EXPENDITURE

5 71(1) (c) ACTUAL EXPENDITURE, PER SOURCE

Expenditure	Budget 2017/2018	November 2017	Actual November 2017	Budget YTD	Actual YTD	Variance YTD	% Spent YTD
Employee related costs	77 540 000.00	6 461 666.67	5 624 230.03	38 720 000.00	36 646 911.36	2 123 088.64	47.26%
Bad and doubtful debts	1 900 000.00	158 333.33	125 000.00	950 000.00	950 000.00	-	50.00%
Depreciation	19 000 000.00	1 583 333.33	1 583 333.33	9 500 000.00	9 500 000.00	-	50.00%
Contracted services	6 316 000.00	526 333.33	231 547.00	3 158 000.00	2 629 541.95	528 458.05	41.63%
Repairs and Maintenance	4 186 000.00	348 833.33	321 405.00	2 093 000.00	1 605 912.28	487 087.72	38.36%
Grants Expenses	4 221 000.00	351 750.00	334 521.26	2 110 500.00	1 525 772.63	584 727.37	36.15%
General Expenses	31 921 000.00	2 650 083.33	1 154 125.00	15 960 500.00	12 248 681.14	3 711 818.86	38.37%
TOTAL	145,084,000.00	12,090,333.33	12,374,161.62	72,542,000.00	65,106,819.36	7,435,180.64	45%

The operating budget that was approved by the Council is R145 084 Million and the year to date actual expenditure for the ended 31 December 2017 is R65 016 Million, which is 45% of the total operation expenditure budget.

Employee related cost and remuneration of councillors

The expenditure on employee related costs and remuneration of councillors is at 47,26 % of the budget, which is reasonable and is within the budget limits. No adjustment will be required on employee related costs.

Bad and doubtful debts

These line items are currently sitting at 0 per cent, the reason being is that these are non-cash items and are processed at year end.

Other Expenditure

The spending in these items is reasonable and there is no adjustment that will be made.

		<u>Capital Expenditure by Asset Class/Sub-class</u>	<u>Funding Source by name</u>	<u>Amount Awarded</u>	<u>2017 - 2018 Final Capital Budget</u>	<u>M.T.D ACTUAL</u>	<u>Year To Date 2017-2018</u>	<u>Percentage Spent</u>
		<u>Infrastructure</u>						
		<u>Infrastructure - Road transport</u>						
<u>Votes Numbers</u>		<u>Roads, Pavements & Bridges Infrastructure - Road transport MIG</u>						
490000511	50301000461	Mkolisi Ngubo Road	MIG	811,827.06	42,209.88	-	-	0%
490000531	50301000451	Thuleshe Road	MIG	1,177,274.01	76,154.28	-	-	0%
490000521	50301000441	Nomakhele Road W12	MIG	1,454,561.63	85,766.63	-	-	0%
490000491	50301000431	Msenge Road W6	MIG	1,095,751.47	52,904.74	-	-	0%
490000261	50301000421	Reggie Hadebe W6	MIG		183,938.94	-	-	0%
490000271	50301000411	Magawula Nzimande Road W8	MIG		159,057.54	-	125,079.99	79%
490000121	50301000401	Portion of East Street (Internal Funded) W2	Internal		210,311.93	-	-	0%
490000471	50301000051	Ixopo Bus Rank W2	COGTA		504,051.69	-	-	0%
490000481	50301000391	Chapel Street W2	MIG		5,943,707.48	1,157,236.29	4,830,652.21	81%
422500131	50301000381	Sprenza Road W4	MIG		1,878,727.32	50,895.35	241,866.29	13%
422500061	50301000371	Butateni Road W5	MIG		1,496,553.70	341,603.44	1,164,690.84	78%
422500071	50301000361	Harold Nxasane Road W1	MIG		3,010,620.26	899,280.94	1,412,239.19	47%
422500081	50301000351	Mkhwanazi Road W7	MIG		1,613,029.32	123,248.66	1,187,346.62	74%
422500091	50301000341	Mncadi Road W10	MIG			60,481.09		48%

442500161	50301000331	Golf Course Roads	Internal		2,129,517.46		1,016,249.15		
					10,000,000.00	213,897.09	213,897.09		2%
					10,657,812.45	178,265.88	5,442,220.52		51%
		Sports Fields & Stadiums			10,657,812.45	178,265.88	5,442,220.52		51%
471000001	50301000571	Jeffrey Zungu Sportfield W2	M / G		8,670,924.96	178,265.88	4,327,072.25		50%
471000011	50301000561	Upgrade of Jolivet Sportfield W7	M / G		477,302.02	-	-		0%
441000091	50301000551	Morningside Hall (Soweto) W4	MIG		215,201.87	-	41,964.57		20%
441000011	50301000541	Bayempini Mzizi Hall W9	MIG		51,194.35	-	-		0%
441000101	50301000531	Themba Mguni Hall W10	MIG		32,634.03	-	-		0%
441000251	50301000521	Emadungeni Hall W8	MIG	3,325,991.72	175,701.63	-	-		0%
441000261	50301000511	Kintail Hall W9	MIG		1,034,853.59	-	1,073,183.70		104%
		INTERNAL FUNDING			21,018,300.00	66,737.91	241,163.96		1%
		Other assets			21,018,300.00	66,737.91	241,163.96		1%
		General vehicles			1,300,000.00	-	-		0%
410000021	50301000091	Mayor's Vehicle / Speaker	internal		500,000.00	-	-		0%
440000061	50301000061	SD 1 X Double cab and 1X Single Cabs	internal		800,000.00	-	-		0%
		Plant & Equipment			350,000.00	-	-		0%
440000091	50301000191	Slasher	internal		50,000.00		-		0%
441000281	50301000181	Maintenance Equip (Jolivet & Jeffrey Zungu)	internal		300,000.00		-		0%
		Office & IT Equipment			1,937,500.00	42,737.91	139,214.97		7%

421000031	Corporate & Admin.	<i>internal</i>		283,000.00	-	-	0%
	laptops	<i>internal</i>		53,000.00	-	6,773.13	13%
441000211	Air Conditioner	<i>internal</i>		38,000.00	-	25,980.00	68%
421000161	Microphones	<i>internal</i>		8,500.00	-	-	0%
421000171	Biometric Scan	<i>internal</i>		20,000.00	-	-	0%
421000181	Recording equipment PI and Boardroom	<i>internal</i>		250,000.00	-	-	0%
421000191	Alarm Sytem	<i>internal</i>		265,000.00	-	-	0%
421000211	Acess Control	<i>internal</i>		135,000.00	-	-	0%
421000221	CCTV and LCD Screen Workshop & Taxi Rank	<i>internal</i>		100,000.00	-	-	0%
421000231	ArcEditor Gis software	<i>internal</i>		100,000.00	-	-	0%
440000121	Fire equipment	<i>internal</i>		170,000.00	42,737.91	106,461.84	63%
441000271	Chairs for halls	<i>internal</i>		100,000.00	-	-	0%
461000061	Fire wall upgrade	<i>internal</i>		60,000.00	-	-	0%
421000311	Software licenses	<i>internal</i>		270,000.00	-	-	0%
	Website	<i>internal</i>		85,000.00	-	-	0%
	Office Furniture			460,800.00	24,000.00	37,800.00	8%
420100031	Budget & Treasury	<i>internal</i>		330,000.00	24,000.00	37,800.00	11%
421000041	Chairs and tables for boardroom	<i>internal</i>		84,800.00	-	5,263.16	6%
421000141	Vacuum Cleaner and Precher cleaner	<i>internal</i>		30,000.00	-	7,608.80	25%
421000131	Workshop: Kettle, 2 Fridge and Microwave	<i>eletr</i>		16,000.00	-	-	0%
	Other Buildings				-	-	0%

					12,105,000.00				
		Municipal Houses - Double Storey	internal		700,000.00	-	-	0%	
490000321	50301000611	Filing cabinets Registry and Pl 2x Guard house w/shop& SD Offices	internal		125,000.00	-	-	0%	
440000041	50301000681	Fencing main, vacant land and workshop	internal		60,000.00	-	-	0%	
440000071	50301000601	Fibre Underground Traffic/SD	internal		1,000,000.00	-	-	0%	
421000151	50301000591	Revamping of Redcross Revamping of Municipal Building	internal		100,000.00	-	-	0%	
421000251	50301000581	Intangible	internal		460,000.00	-	-	0%	
440000101	50301000501	PMS Software System	internal		360,000.00			0%	
422500171	50301000661	Risk Management Software	internal		100,000.00			0%	
		ELECTRIFICATION PROJECTS			23,999,999.80	3,331,060.70	7,947,820.99	33%	
490000361	50301000111	OFAFA - ELECTRIFICATION PROJECT	eletr		1,275,802.80	-	45,156.75	4%	
490000371	50301000101	UMKHUNYA - ELECTRIFICATION	eletr		18,724,197.00	3,331,060.70	7,902,664.24	42%	
422500111	50301000121	Golf course Electrification	internal		4,000,000.00			0%	
		Other Assets			4,405,000.00	-	64,148.99	1%	
421000201	50301000631	Winch and Mega Tester	internal		85,000.00	-	12,378.00	15%	
422500121	50301000171	Low Bed & Padfoot Roller	internal		1,500,000.00	-	-	0%	
490000171	50301000621	Infrastructure Services - Mckenzie Farm	internal		1,500,000.00	-	-	0%	
440000081	50301000491	SkipBins and Wheely Bins	internal		470,000.00	-	-	0%	
440000111	50301000481	Tree Felling	internal		50,000.00	-	6,752.99	14%	

421000261	50301000641	Sisco Switch 48 ports Traffic	internal		R90,000.00	-	-	0%
421000271	50301000641	UPS for mScoa Servers	internal		R200,000.00	-	-	0%
421000281	50301000641	GIS Server	internal		R300,000.00	-	-	0%
422500141	50301000651	Fencing Mariathal Quarry	internal		R160,000.00	-	45,018.00	28%
421000291	50301000641	Network Cambling	internal		R50,000.00	-	-	0%
		Total Assets			83,062,663.42	6,422,707.35	23,823,226.85	29%

M I G								
Internal Funded								
Small Town Rehabilitation - Roll Over								
Electrification								
					27,330,000.00	2,811,011.65	15,420,344.81	56%
					35,228,611.93	280,635.00	455,061.05	1%
					504,051.69	-	-	0%
					19,999,999.80	3,331,060.70	7,947,820.99	40%
		Total CapEx			83,062,663.42	6,422,707.35	23,823,226.85	29%

The expenditure on MIG was at 56% against the budget against allocations received, as at 31 December 2017. All projects are anticipated to be completed by end of June 2018. MIG expenditure is expected to be at 100% at 30 June 2018.

Other Capital Expenditure

The overall capital expenditure was 29% against the budget as at 31 December 2017.

PART - 2

DEBTORS AGE ANALYSIS

Indigent Register

The Council approved an indigent register which is currently being implemented. Indigents are paid for by the municipality though equitable share.

Outstanding Debtors

Ubuhlebezwe implemented its valuation roll with property values valued at 1 July 2012. This resulted in increased property values which by default increased the value of the debtor's book. The municipal council increased the assessment rates charge by 5% from 2016/2017 to 2017/2018. This was done in line with the national treasury guidelines.

The total debtor's amount as at 31 December 2017 equalled to R23 919 170 categorised as follows:

Government	R 6 347 415
Business	R 8 440 436
Households	R 9 122 297
Other	R 9 022
Total	R23 919 170

Debt Collection Strategy

Revenue enhancement strategy has been implemented successful hence there is an increase in revenue collection.

Change Year End (ccy) to Financial Year End (e.g.: 2005 for year 2004/2005) and Month End (Mnn) to Active Month End (M01=July...M12=June)(e.g.: M10) Change Mnn to your own municipal code (e.g.: G1411)

End	End	Min	Item	Detail
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0300 PAYE deductions

အကျဉ်းချုပ် ပေးစာ	၀၀၀၀
အကျဉ်းချုပ် ပေးစာ	၀၀၀၀

0060

TP02

TP06

TFOS

	TOT	Total
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THE CHINESE AGE ANALYSIS

The municipality pays its creditors tw

With the MFWIA, and to ensure that SW

INVESTMENT PORTFOLIO ANALYSIS

1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

funds not needed in short term invest

investment policy.

ALL OCCASIONS AND CPANT BEG

estimated in the Division of Personnel

received as well as expenditure on such

© 2000 Blackwell Science Ltd *Journal of Internal Medicine* 247: 399–406

[illegible]

Allocations	Orig	20
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[illegible]

20	Electrification - DOE
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2	Small Town Rehab - COGTA (carry over)
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17		Lyons Sportsfield Maintenance Grant (2007/08)
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Library Grant - Cyber	
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The above spread sheet shows actual grants received as at end of 31 December 2017 as per DORA allocation.

Finance Management Grant – 53% of the grant was spent as at 31 December 2017. The spending of this grant is reasonable as it above 50% as at 31 December 2017.

Municipal Infrastructure Grant – The expenditure was sitting at 60 % as at 31 December 2017. The municipality anticipates capital expenditure to be 100% at the end of June 2018. The municipality has a history of spending 100% of capital grant funding being MIG.

COUNCILOR ALLOWANCES AND EMPLOYEE BENEFITS

The staff salaries and Remuneration of Councillors were paid as per the recommendation of the collective agreements and were at 47% at 31 December 2017. All staff bonuses were paid out in November 2017 except performance bonuses for the senior management.

MATERIAL VARIANCES ON THE SDBIP

Ubuhlebezwe Municipality's Service Delivery & Budget Implementation Plan (SDBIP), as legislated, is aligned to the municipality's Integrated Development Plan (IDP) as well as the Annual Budget. All adjustments made to the budget during the Mid-Year assessments, are effected to the IDP & SDBIP.

MID YEAR PERFORMANCE REVIEW

In terms of Section 72(1) (a) of the Municipal Finance Management Act, 2003 (No. 56 of 2003), that the accounting officer of a municipality must by the 25th of January each year, assess the performance of the municipality during the first half of the financial year

The 2017/2018 Mid-Year budget and Performance Assessment report has been finalised and will therefore be tabled at a council meeting of the 25 January 2018.

ATTACHED IS THE ANNEXURE DEPICTING THE FIRST QUARTER AND SECOND QUARTER PERFORMANCE.