

UMZUMBE MUNICIPALITY

COUNCIL

PURPOSE : APPROVAL OF MID YEAR PERFORMANCE ASSESSMENT AND ADJUSTMENT BUDGET 2012/2013

FROM THE MUNICIPAL MANAGER

SUBJECT : MID YEAR PERFORMANCE ASSESSMENT AND ADJUSTMENT BUDGET 2012/2013

BACKGROUND

In terms of section 72(1) of the Municipal Finance Management Act, No. 56 of 2003, the accounting officer must by 25 January of each year:

- Assess the performance of the municipality during the first half of the financial year, taking into account the –
 - (a) The monthly statements (i.e. financial reports);
 - (b) Annual report for previous year; and
 - (c) 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 (SDBIP)
- Submit a report on such assessment to –
 - (a) The mayor of the municipality;
 - (b) The National Treasury; and
 - (c) The Provincial Treasury.

The accounting officer must as part of the review-

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

STRATEGIC IMPLICATIONS

The report facilitates the monitoring and transparency of overall expenditure in terms of the budget. It further serves to ensure compliance.

STAFF IMPLICATIONS

There are no staff implications.

OTHER PARTIES CONSULTED

There were no other parties consulted.

COMMUNICATION

This report is tabled to Council and submitted to Provincial and National Treasury.

LEGAL IMPLICATIONS

Compliance with MFMA.

FINANCIAL IMPLICATIONS

There are no financial implications except for the implications of the adjustments on the budget.

RECOMMENDATION

The Council approves the mid year performance assessment and adjustment budget for the 2012/2013 financial year.

PREPARED BY:

APPROVED BY:

K AUDAN

CHIEF FINANCIAL OFFICER

N C MGIJIMA

MUNICIPAL MANAGER

PEFORMANCE ASSESSMENT OF UMZUMBE MUNICIPALITY

PART 1

1 . EXECUTIVE SUMMARY

The performance assessment is based on the implementation of planned projects and programmes during the past six months period ended on 31 December 2012.

For the first six months ending December 2012, revenue to the amount of R 76,964 million was received. The year to date budget is R 99,559 million which indicates a favourable 77% of revenue that has been received. It is anticipated that there is no problems in receiving the remaining 23% over the next six months.

The municipality incurred operating expenditure of R 29,849 million against the year to date budget of R 86,759 million which represents a spending of 34%.The municipality does not foresee and problems in spending the 66% as various projects will materialize over the next six months.

Capital expenditure for the six months amounts to R10,837 million against a budget of R 42,709 million reflecting 25%.However MIG spending represents 43%.

The municipality remains in a favourable liquidity position as at 31 December 2012.The bank balance was R 92,542 million as at 31 December 2012 while investments were R 9,573 million. It is planned that these investments will be held by the municipality for the next six months.

The following are highlighted projects for the last six months :

1.1 INFRASTRUCTURE DEVELOPMENT

As it is well known that Umzumbe Municipality is grant dependent. Our infrastructure and other capital projects are funded by grants that we receive from national and provincial government i.e. Municipal Infrastructure Grant, Disaster Management Grant, Equitable Share as well as the Low Cost Housing Grant. The allocation for MIG grant for 2012/2013 of R 29,908,000 was allocated to the construction of access roads. Other infrastructural projects are funded by our equitable share. The housing projects are implemented by the Provincial Department of Human settlements. The progress of our infrastructural and other capital projects are as follows:

| Project Name | Total Budget | Expenditure | Progress | Balance |
|---------------------------|---------------------|--------------------|--|----------------|
| Gospel access road | R 3,952,927.62 | R 2,410,123.45 | Practical Completion certificate has been issued; the contractor is busy completing the snag. | R 1,542,804.17 |
| Esivandeni access road | R 4,002,540.00 | R 1,993,173.48 | The project is practically completed; the contractor is busy completing the snag. | R 2,009,366.52 |
| Sthabathaba access road | R 2,078,490.82 | R 1,742,706.61 | The project is completed, it on the defects liability period. | R 335,784.21 |
| Mkhoba access road | R 3,833,820.00 | R 3,437,762.09 | The project is 85% complete; the contractor is busy with concrete pavement and landscaping. | R 396,057.91 |
| Ndilinde Access road | R 3,042,902.48 | R 2,753,491.25 | The project is 100% complete. | R 289,411.23 |
| Jiba access road | R 4,748,630.75 | R 1,970,646.25 | The project is currently under construction, the contractor is busy with culverts and the road bed preparation. | R 2,777,984.50 |
| Cimeni access road | R 1,900,000.00 | R 1,694,073.83 | The project is currently under construction, the contractor is busy with roadbed preparation, storm water and relocation of pipes. | R 205,926.17 |
| Mpisane D1099 access road | R 2,794,452.00 | R 3,075,120.38 | The project is at 95% to completion. The contractor is now busy with the concrete pavement which is the last item in the contract. | R -280,668.38 |
| Zakhe access road | R 5,315,201.33 | R 2,005,323.17 | The project is currently under construction stage. | R 3,309,878.16 |
| Malukhakhe access road | R 5,474,019.92 | R 2,933,733.06 | The project is currently under construction stage. | R 2,540,286.86 |

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|-------------------------------|-----------------|----------------|--|----------------|
| Ndunge access road | R 6,000,000.00 | R 2,593,998.53 | The project is almost complete, the contractor is busy with the snag list. | R 3,406,001.47 |
| Mfomfo access road | R 2,409,968.30 | R 2,110,469.07 | The project is complete, it is under Defect Liability Period that is due on January 2013 | R 299,499.23 |
| Vethe access road | R 10,000,000.00 | R 844,015.16 | The contractor has been appointed to commence with the project. | R 9,155,984.84 |
| Mashazini access road | R 4,383,636.00 | R 536,575.97 | The contractor has been appointed to commence with the project. | R 3,847,060.03 |
| Ebhanoyini community hall | R 3,871,183.05 | R 419,877.68 | The contractor has been appointed to commence with the project. | R 3,451,305.37 |
| Completion of Manonka | R 1,882,044.00 | R 18,820.44 | The consultant is preparing the designs. | R 1,863,223.56 |
| Esihlabeni access road | R 2,308,738.15 | R 285,423.24 | The contractor has been appointed to commence with the project. | R 2,023,314.91 |
| Isivivane access road | R 4,619,330.08 | R 625,414.69 | The contractor has been appointed to commence with the project. | R 3,993,915.39 |
| Ntelezi Msane Heritage Centre | R 5,053,916.00 | R 0.00 | The consultant is preparing the designs. | R 5,053,916.00 |

1.2 OTHER CAPITAL PROJECTS

| Project Name | Total Budget | Expenditure | Progress | Balance |
|---|-----------------|-----------------|--|-----------------|
| Construction of KwaShibase Sport Field | R 3,000,000.00 | R 2,725,941.67 | The project is currently under construction but almost complete. | R 274,058.33 |
| Construction of Mantiyaneni Sport Field | R 2,500,000.00 | R 1,994,246.12 | The project is currently under construction but almost complete. | R 505,753.88 |
| Purchase of Plant | R 4,500,000.00 | R 0.00 | The department is in the process of purchasing of Grader and TLB, it is on tender process. | R 4,500,000.00 |
| Maintaining of Community Facilities | R 3,830,000.00 | R 0.00 | The project is on tender processes. | R 3,830,000.00 |
| Upgrading of sport fields. | R 2,000,000.00 | R 0.00 | The project involves the upgrading of 4 sport fields of Umzumbe, the project is on tender stage. | R 2,000,000.00 |
| Cluster A Rural Housing Project | R 76,258,180.00 | R 22,391.880.09 | Construction Stage: 352 Superstructures Constructed and 157 VIP Constructed. | R 53,866,299.91 |
| Cluster B Rural Housing Project | R 64,868,080.00 | R 59,768,071.76 | Construction Stage: 999 housing units has been completed and currently the contractor will have to complete the outstanding units to reach 1000 units | R 5,100,008.24 |
| Cluster C Rural Housing Project | R 2,000,000.00 | R 1,145,210.00 | Planning stage: The IA has submitted the application pack for tranche two (2) | R 854,790.00 |

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| Cluster D Rural Housing Project | R 2,819,590.00 | R 2,623,040.45 | Planning Stage: Currently the implementing agent has submitted the application pack for tranche two (2) | R 196,549.55 |
| Nhlangwini Rural Housing Project | R 2,442,350.00 | R 1,894,080.00 | Planning Stage: Currently the IA has submitted the application pack for tranche two (2). | R 548,270.00 |

1.3 COMMUNITY ,SOCIAL AND LOCAL ECONOMIC DEVELOPMENT

There are special social and Local Economic Development Programmes that are being implemented and their progress is as follows:

| <u>PROGRAMME</u> | <u>BUDGET</u> | <u>EXPENDITURE</u> | <u>BALANCE</u> | <u>COMMENTS</u> |
|--------------------------|----------------------|---------------------------|-----------------------|--|
| Community gardens | 1 000 000 | 20 070 | 979 930 | Purchase of inputs for community gardens |
| Co-operative Development | 350 000 | 10 566 | 339 434 | Development of co-operatives within the municipality for them to be able sustain themselves in the long run. |
| SMME Development | 380 000 | 44 451 | 335 549 | Programmes aimed at developing SMME's within the municipality to |

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| | | | | encourage communities to be involved in businesses and economic development. |
| Tourism Development | 1 995 000 | 509 423 | 1 485 577 | Development of tourism within the jurisdiction of Umzumbe municipality |
| Art and Culture | 350 000 | 393 232 | -43 232 | Promotion of art and culture. |
| Art and Craft | 270 000 | 141 480 | 128 520 | Development of people who are involved in art and craft |
| Youth Programmes | 1 100 000 | 273 541 | 826 459 | Development of young people in different aspects. |
| HIV/AIDS Programmes | 430 000 | 11 400 | 418 600 | Assisting those who are infected and affected by HIV/AIDS and awareness campaigns |
| Disability Programmes | 250 000 | 82 152 | 167 848 | Development of people living with disability |
| Senior Citizens Programmes | 260 000 | 167 307 | 92 693 | Programme that is aimed at promoting the well being of |

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|--|-----------|---------|-----------|---|
| | | | | our senior citizens |
| Vulnerable Children Programmes / Rights of a Child | 800 000 | 138 373 | 661 627 | Assisting vulnerable children with school uniforms and other needs. |
| Gender Programmes | 200 000 | 217 238 | 17 238 | Development of women and other gender programmes |
| Disaster Management | 1 155 000 | 100 691 | 1 054 309 | Provide assistance to communities that are affected by the disaster and also conducting the awareness campaigns |
| Poverty alleviation Programmes | 400 000 | 255 938 | 144 062 | Programmes to alleviate poverty within our communities |
| NGO's Programmes | 300 000 | 82 750 | 217 250 | Provide assistance to NGO's to be able to perform their duties |

1.4 OTHER PROJECTS :

1.4.1 SUPPLY OF ELECTRICITY

The municipality had been allocated an amount of R 7,000,000 from the Integrated National Electrification Programme. The purpose of the grant is to provide capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The planning and design phase of the project as well as the procurement processes has been completed. During the last six months R 6,000,000 has been received and R 521,523.97 in expenditure was incurred.

1.4.2 MAINTENANCE OF ROADS

The Municipality has assessed that wear and tear and severe climatic conditions such as rains storms have resulted in damage to the roads. An amount of R 3,000,000 was set aside in order to purchase a grader and all systems are in order to procure the grader within the next six months. The Municipality is thus focusing on grading of roads being done in house.

1.4.3 DISASTER MANAGEMENT SHARED SERVICES

Due to the extreme weather conditions over the last six months, many areas within Umzumbe faced disasters. The Municipality had to manage these disaster areas. In addition, the Municipality has a shared services agreement with Umdoni Municipality for Disaster Management Services.

1.5 FINANCIAL VIABILITY :

1.5.1 ANNUAL FINANCIAL STATEMENTS FOR 2012/2013 FINANCIAL YEAR

The annual financial statements for the financial year 2012/2013 was compiled in accordance with Generally Recognized Accounting Practice (GRAP).The annual financial statements were submitted to the Auditor General on time and compliance was confirmed.

1.5.2 REPORT OF THE AUDITOR GENERAL FOR 2012/2013 FINANCIAL YEAR

The 2012/2013 external audit was completed and the audit report from the Auditor General has been received. The municipality received an unqualified audit opinion. The audit report will be presented to council by the Auditor General. In addition the municipality has implemented corrective measures which seek to address the audit queries raised by the Auditor General.

1.5.3 MUNICIPAL PROPERTY RATES IMPLEMENTATION

As of 1 July 2009, the municipality began charging for property rates in terms of the Municipal Property Rates Act. The valuation roll was compiled and the property rates billing system was integrated with the general ledger system. During the year the supplementary valuation rolls were advertised and updated on the system. In addition there has been a considerable reduction of government debt.

2. IN YEAR BUDGET STATEMENT TABLES

Annexure A

Table C2 measures the financial performance by standard classification.

Tables C3 measures the financial performance i.e. revenue and expenditure by municipal vote.

Table C4 measures the financial performance i.e. revenue by source and expenditure by type.

Table C5 measures the capital expenditure by vote.

Table C7 refers to the detail of projected cash in and out flow.

PART 2

1. DEBTOR'S AGE ANALYSIS

Supporting Table SC3 provides a breakdown of the consumer debtors. The outstanding debtors at the end of December 2012 amounted to R 3,596 million. These debtors relate to amounts owing for property rates. There has been a considerable reduction in government debt which is the municipality's largest debtor for property rates.

2. CREDITOR'S AGE ANALYSIS

Supporting Table SC4 provides detail on aged creditors. The creditors balance as at the end of December 2012 amounted to R 335 000. The municipality is managing its creditors efficiently.

3. INVESTMENT PORTFOLIO ANALYSIS

Supporting Table SC5 display the Council's Investment Portfolio and indicates that R 9,573 million is invested at the end of December 2012.

4. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

The municipality has received conditional grants amounting to R 28,291 million and incurred expenditure of R 14,372 million for the six months ended December 2012. In addition the municipality has received R 64,633 million of equitable share.

The municipality foresees no problems in receiving the additional allocations within the next six months.

5. EXPENDITURE ON COUNCILOR AND BOARD MEMBERS ALLOWANCES AND EMPLOYEE BENEFITS

Supporting Table SC8 provides the detail for councillor and employee benefits paid. The total salaries, allowances and benefits paid for the first six months ending 31 December 2012 amounts to R16 ,125 million, which is 43 % of the budgeted amount.

6. MATERIAL VARIANCES TO THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Supporting Table C7 provides details of the cash inflow and outflows setting out receipts by source and payments by type per month.

The municipality is in a favourable cash flow position. The year to date net cash from operating activities for the six months was R 67,967 million while the net cash from investing activities was R 12,662 million. The net increase in cash held was R 55,304 million.

The municipality successfully held its quarterly reviews in which actual performance was measured against targets set out in the SDBIP. The result of these interactive sessions indicate that the implementation of the budget against the service delivery targets are on track with no major deviations.

7. CAPITAL PROGRAMME PERFORMANCE

With specific reference to the MIG, the municipality was allocated an amount of R 29,908 million for the 2012-13 financial year. To date an amount of R18,841 million was received and expenditure incurred of R 12,965 million. The municipality's spending in this regard is on track, representing 43%.

Early indications are that 100% of the capital budget will be spent by 30 June 2013. The implementation of the capital budget according to the SDBIP will be closely monitored.

CONCLUSION AND RECOMMENDATION

The proposed detailed budget adjustments (as attached) are expected to enhance service delivery by ensuring that resources are earmarked for those activities where they are needed the most and that under spending is minimized.

It is recommended that the Mid-Year Budget and Performance assessment for the first 6 months be approved.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Municipal Manager of Umzumbe Municipality, hereby certify that the mid-year budget and performance assessment report for the first half of the year end December 2012 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name _____

Municipal Manager of Umzumbe Municipality (KZN213)

Signature _____

Date _____