

UMZUMBE MUNICIPALITY

COUNCIL

PURPOSE: APPROVAL OF MID YEAR BUDGET & PERFORMANCE ASSESSMENT AND CONSIDERATION OF DRAFT ADJUSTMENT BUDGET 2018/2019

FROM THE MUNICIPAL MANAGER

SUBJECT: MID YEAR BUDGET & PERFORMANCE ASSESSMENT AND DRAFT ADJUSTMENT BUDGET 2018/2019

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.

In terms of section 72 (3) of the MFMA, 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

Provincial Treasury.

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 Budget and Performance Assessment and
- The Council considers and approves the Draft Adjustment Budget for the 2018/2019 financial year.

PREPARED BY:

APPROVED BY:

Mr. K. AUDAN

CHIEF FINANCIAL OFFICER

Ms. Z. MNGADI

ACTING MUNICIPAL MANAGER



Umzumbe
M U N I C I P A L I T Y

MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT OF
UMZUMBE MUNICIPALITY

2018-2019

PART 1

1. EXECUTIVE SUMMARY

The performance assessment is based on the implementation of planned projects and programmes during the past six months ended on 31 December 2018.

In conducting its performance assessment, the municipality had utilized various sources of service delivery information such as financial reports, annual reports and SDBIPs to determine the status of planned targets within the contrast of efficiency and effectiveness.

For the first six months ending December 2018, revenue to the amount of R111 million was received against a budget of 156 million indicating a favourable 71% of revenue received. It is anticipated that there are no problems in receiving the remaining revenue over the next six months.

The municipality incurred operating expenditure of R55 million against the year to date budget of R95 million which represents a spending of 58% of the year to date budget. The municipality has implemented cost cutting measures and will re-prioritize expenditure. In addition, the municipality does not foresee any problems in spending the remaining portion as various projects will also materialize over the next six months.

Capital expenditure for the six months ending 31 December 2018 amounts to R14 million against the year to date budget of R35 million reflecting a 40% spent on capital and infrastructure projects to date. The municipality has plans in place to accelerate capital expenditure and anticipates that the remaining capital expenditure will be spent accordingly.

The municipality remains in a sound financial position with a favourable liquidity position as at 31 December 2018. The bank balance was R 231 million as at 31 December 2017 while investments were at R10 million. It is planned that these investments will be held by the municipality for the next six months. In addition, all conditional grants are cash backed as the unspent conditional grants amounted to R20 million as at 31 December 2018.

The following are some of the key projects/highlights for the six months ended 31 December 2018:

1.1 INFRASTRUCTURE DEVELOPMENT

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, Integrated National Electrification Program, Equitable Share, Extended Public Works Program as well as the Low Cost Housing Grant. The municipality's infrastructure projects includes construction of access roads, bridges, community halls, municipal offices and a sports complex and sports fields upgrades. The allocation for MIG grant for 2018/2019 of R33 million was allocated to infrastructure projects such as construction of access roads, bridges, sports complex and sports field's upgrades. Other infrastructural projects are funded by internal funding and equitable share. The housing projects are implemented by the Provincial Department of Human settlements. The progress of some of the key infrastructural and other capital projects are as follows:

1.1 INFRASTRUCTURE DEVELOPMENT

PROJECT	BUDGET	EXPENDITURE	BALANCE	PROGRESS
Ntatshana Access Road and Bridge	R 35 409 830.59	R 33 928 992.12	R 2 712 878.78	The project is 100% completed
Indoor Sport-centre Phase 2	R 45 443 676.86	R 33 662 378.42	R 11 781 298.44	The project is 85% competed. (The project has been extended to end of March 2019)
Road Maintenance 2017/18	R 6 500 000.00	R 2 895 430.37	R 3 604 569.63	The project is 48% competed.
Mnamfu Hall	R 7 876 115.31	R 962 828.12	R 6 913 287.19	The project is on procurement stage.
Mevana Access Road	R 3 901 583.54	R 633 507.20	R 3 268 076.34	The project is on procurement stage.
Ncapheni Access Road	R 3 085 884.00	R 0.00	R 0.00	The project is on

				procurement stage.
Mkhize Access Road	R 3 000 000.00	R 281 875.88	R 2 718 124.12	The project is on procurement stage.
Mphelazwe Access Road	R 3 995 854.45	R 312 160.43	R 3 674 694.02	The project is on procurement stage.
Ndumakude Sports field	R 13 342 178.03	R 1 035 667.92	R 12 306 510.11	The project is on procurement stage.
Rossetenville Hall	R 7 876 115.31	R 1 403 399.97	R 6 472 715.34	The project is on procurement stage.
Nomakhanzana Sportsfields	R 1 065 000.00	R 958 696.25	R 106 303.75	The project is 100% complete.
Isibanini Sportsfields	R 400 000.00	R 400 000.00	R 0.00	The project is 100% complete.
Inkanini Sports Ground (Phase 3)	R 10 000 000.00	R 929 971.52	R 9 070 028.48	The project is on procurement stage.
Ncazolo Access Road	R 25 461 961.98	R 8 653 063.99	R 16 808 897.99	The project is 19% complete.
Mthin'Omile Access Road	R 10 533 806.17	R 7 814 004.18	R 2 719 801.99	The project is 95% complete.
New Offices	R 11 000 000.00	R 9 677 672.21	R 1 322 327.79	The project is 60% complete.

1.2 OTHER CAPITAL PROJECTS

PROJECT	BUDGET	EXPENDITURE	BALANCE	PROGRESS
Electrical connections of Magwaza Phase 2 Ward 9 (397 connections)	R 9 900 000.00	R 2 874 067.25	R 7 025 932.75	The project is 35% complete.
Electrical connections of Mthwalume Ward 9 (150 connections)	R 4 250 000.00	R 302 310.37	R 3 947 689.63	The project is 5% complete.

1.3 COMMUNITY, SOCIAL AND LOCAL ECONOMIC DEVELOPMENT

The municipality has implemented projects that impact on social and community development. The performance of some of these key projects is as follows:

SOCIAL AND COMMUNITY SERVICES

PROGRAMME	BUDGET	EXPENDITURE TO DATE	BALANCE	PROGRESS
Maintenance of Community Facilities	R456 000	R216 000	R240 000	Payment of 38 Women: Target met all 6 payments were made
	R400 000	R28 350	R371 650	Acquisition of Furniture: Furniture for kwaFica Hall was acquired. Second quarter was disturbed due to protests
Maintenance of Sports fields	R200 000	R192 500	R7 500	Sports Fields: Sport Fields were maintained for the end of year tournaments and also as and when requested.
Free Basic Energy:				
Electricity Tokens	R2 800 000.00	R686 264.26	R2 113 735.74	All 5 months claims were paid excluding December 2018. This will be paid when invoice is sent.
Gel	R400 000	R0	R400 000	Target not met due to protests. Awaiting appointment of service provider.
Poverty Alleviation Programme :				
Indigent Support	R400 000	R85 393.52	R314 606.48	Indigent Support: Provided indigent support to needy families as identified

Seed Distribution	R165 000	R138 387.65	R26 612.35	and reported.
Service Delivery	R110 000.00	R59 100	R50 900	Seed packs distributed to identified indigent families. Service Delivery event held in the first quarter.
NGO Incubation Programme				
Material Support	R350 000.00	R111 963.60	R238 036.40	Inputs were distributed to 3 NGOs
NGO Capacity Building	R50 000	R0	R50 000	Target for Q3
Vulnerable Children (Dress a child)	R1 000 000.00	R0	R1 000 000.00	Target for Q4
Social Crime Prevention	R200 000	R0	R200 000	Target for Q3
Moral Regeneration	R220 000.00	R0	R220 000	Target for Q3
Municipal Police Services/DLTC	R500 000.00	R0.00	R500 000.00	Delays in the construction/partitioning of identified MPCC.
Educational Awareness Campaign	R21 000	R0	R21 000	Awareness was held in October and a second one will also be held February 2019.
Library Services	R21 000	R0	R21 000	Target for Q3
Repairs of Community Facilities	R250 000	R181 100	R68 900	Repaired Community facilities and acquired poles for sports field.

Acquire Traffic Vehicle	R450 000	R0	R450 000	Delays in the document due to protest action. The document is ready for submission to Bid Specification.
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DISASTER MANAGEMENT

PROGRAMME	BUDGET	EXPENDITURE TO DATE	BALANCE	PROGRESS
4 Disaster Management Advisory Forum	R0	R0	R0	One Advisory Forum meeting were held.
4 Report on the Disaster Incidents	R590 000	R248 839.60	R341 160.40	2 incident support reports of all reported cases is compiled and submitted
Purchasing of Fire Fighting Vehicle	R1 800 000	R0	R1 800 000	Delays in the document due to protest action. The document is ready for submission to Bid Specification
13 Awareness Campaigns (5 Community and 8 Fire Awareness Campaigns)	R590 000	R142 870	R447 130	One community and three fire awareness campaigns were conducted. Second quarter was disturbed due to protests. The campaign will be held 18 January 2019.
Ward Based Risk Assessments	R0	R0	R0	Risk Assessments were done in cluster A, the second quarter was disturbed by protests.
Volunteer Program	R600 000	R136 350	R463 650	Two progress reports are submitted.

Capacity Building and Training	R70 000	R0	R70 000	Training for Volunteers will be conducted on 6 February 2019 (Delays due to protests)
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LOCAL ECONOMIC DEVELOPMENT

ROGRAMME	BUDGET	EXPENDITURE	BALANCE	PROGRESS
Community gardens	R850 000.00	R 0.00	R850 000.00	Needs assessment has been done to 3 community gardens on 1 st quarter we will be providing inputs as per the needs assessment report
One home one garden	R 200 000	R104 500.00 Garden implements inputs	R95 500	Handover of garden implements (90) and seeds (159) to 249 beneficiaries has been done for 1 st and 2 nd quarter.
Co-operative Development	R800 000.00	R0. 00	R800 000	4 Cooperatives has submitted financial assistance requests to the office and needs assessment has been done. Procurement process has begun however handover will be done in this quarter (Q3) and quarter 4
SMME Development	R800 000.00	R143 000.00 Inputs for Asande Mafuze PTY (Ltd)	R657 000.00	The office posted a funding application advert in quarter one and we in a process of selecting 5 SMMEs for incubation and needs assessment has been done.
Umzumbe business fair and indaba	R200 000.00	R0.00	R200 000.00	This target is for this quarter (Q3)
Kwa-Phungashe Market Stalls Renovations	R200 000.00	R0.00	R200 000.00	Assessment has been done, waits for SCM to appoint service provider

Tourism Development	R1 103 000.00	R422 800 Turton Beach Festival hosted on the 16/12/2018	R680 200.00	Ntelezi Msani Commemoration Event is a target for this quarter (Q3) and Isivivane Senkosi Ushaka Heritage event is a target for quarter 4
SLAs	R1 130 000.00	R548 317.70 Contribution towards service level agreement between Umzumbe Municipality and Ugu South Coast Tourism	R581 682.30	The LED Office waits for the agreement between Umzumbe Municipality and Ugu South Coast Development Agency to be approved by The MM.
Art and Culture	R600 000	R0. 00	R600 000.00	Isicathamiya Festival will be done in the 4 th Quarter
Art and Craft	R380 000.00	R31 720.04 Taken 3 crafters for Durban Business Fair Exhibition and 3 crafters for NPS Phola Nathi exhibition	R348 279.96	6 crafters were taken for Exhibitions Inputs for 4 crafters are in the procurement stage
Local Economic Development Forum	0	0	0	1 st Quarter LED Forum Meeting sat on the 28 September 2018 2 nd Quarter LED Forum meeting did not sit however on the 3 rd quarter 2 meetings will sit.

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1.4 OTHER PROJECTS:

1.4.1 INVESTMENT IN VEHICLES AND PLANT & MACHINERY

The municipality acquired vehicles, plant and machinery during the last six months. However during the next two quarters, the municipality plans to increase its fleet with the acquisition of vehicles, plant and machinery.

1.4.1 NEW OFFICE BUILDINGS

Due to space constraints and the expansion, the municipality had identified the need to construct new offices. Accordingly a land site had been identified and consultation with various stakeholders had begun. Project plans have also been developed and presented to the stakeholders.

1.5 FINANCIAL VIABILITY:

1.5.1 ANNUAL FINANCIAL STATEMENTS FOR 2017/2018 FINANCIAL YEAR

The annual financial statements for the financial year 2017/2018 was compiled in accordance with Generally Recognized Accounting Practice (GRAP).The annual financial statements were submitted to the Auditor General within the legislated deadline and compliance was confirmed.

1.5.2 REPORT OF THE AUDITOR GENERAL & CORRECTIVE ACTION PLAN FOR 2017/2018 FINANCIAL YEAR

The 2017/2018 external audit was successfully completed and the audit report from the Auditor General had been received. The municipality had received an unqualified audit opinion with matters of emphasis for the year 2017/2018.The audit report was 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

As of 1 July 2009, the municipality began charging for property rates in terms of the Municipal Property Rates Act. The municipality is now in its new cycle of the general valuation roll. The new valuation roll was compiled and came into effect on the 1 July 2017.The property rates billing system was updated to reflect the new valuation roll and customers were billed.

1.5.4 MSCOA

The Municipal Regulations on a Standard Chart of Accounts (MSCOA) strategic municipal financial management reform (Municipal Regulations on a Standard Chart of Accounts) and operational and institutional implications came into effect on 1 July 2017.

The municipality is in its second year of implementation of MSCOA. The municipality went live on the MSCOA system in July 2017 and is currently transacting on this MSCOA system. There has been significant improvement in the use and compliance with the MSCOA system. During the last six months, the municipality has uploaded MSCOA extracts onto the LG Portal. The municipality has plans in place to address technical issues and ensure smooth running of the MSCOA system. All monitoring and evaluation of the system is ongoing by the municipality.

2. IN YEAR BUDGET STATEMENT TABLES

Annexure A

- Table C1 refers to the monthly budget statement summary.
- 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 C6 refers to the financial position.
- Table C7 refers to the detail of projected cash in and out flow.
- Table SC1 to SC13d refer to supporting schedules.

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 2018 amounted to R23 million. These debtors relate to amounts owing for property rates. There has been a reduction in government debt which is the municipality's largest debtor for property rates. However the municipality plans to recoup more debt through constant liaison with government departments, businesses and the community.

2. CREDITOR'S AGE ANALYSIS

Supporting Table SC4 provides detail on aged creditors. The creditors balance as at the end of December 2018 amounted to R31 thousand. The municipality is managing its creditors efficiently.

3. INVESTMENT PORTFOLIO ANALYSIS

Supporting Table SC5 display the Council's Investment Portfolio and indicates that R10 million is invested at the end of December 2018. The investments are held at authorised financial institutions and earn competitive interest rates. The municipality plans to hold these investments for the next six months.

4. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

For the six months ended December 2018, conditional grants amounting to R38 million was received while expenditure incurred against these conditional grants amounted to R20 million. In addition the municipality has received R90 million of its equitable share budget as at 31 December 2018. The municipality foresees no problems in receiving the additional allocations within the next six months and plans to spend accordingly.

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 2018 amounted to R35 million against the budget of R67 million representing a spending of 52% of the budget.

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

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. In addition, departments within the municipality have also reviewed their SDBIPs and will be adopted by council.

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 strong cash flow position. The year to date net cash from operating activities for the six months was a positive R62 million while the net cash from investing activities was a negative R14 million resulting in a net increase in cash of R48 million.

7. CAPITAL PROGRAMME PERFORMANCE

Table C5 measures the capital expenditure by vote. Capital expenditure for the six months ending 31 December 2018 amounts to R14 million against the year to date budget of R35 million reflecting a 40% spent on capital and infrastructure projects to date. The municipality has plans in place to accelerate capital expenditure and anticipates that the remaining capital expenditure will be spent accordingly.

With specific reference to the MIG, the municipality was allocated an amount of R33 million for the 2018/2019 financial year. To date an amount of R20 million of the MIG was received while expenditure incurred amounted to R14 million, representing 70% spending of the total allocation to date. The municipality's spending in this regard is reasonable. However the municipality has plans in place to accelerate capital expenditure. The municipality's projections are that 100% of the capital budget will be spent by 30 June 2019. 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 to ensure 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, Z Mngadi, Acting 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 2018 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name Ms. Z. Mngadi

Acting Municipal Manager of Umzumbe Municipality (KZN213)

Signature _____

Date _____