



**UBUHLEBEZWE MUNICIPALITY**  
**MID-YEAR BUDGET AND PERFORMANCE**  
**ASSESSMENT REPORT**  
**SECTION 72 OF THE MFMA**

**23 JANUARY 2014**

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### REPORT BY THE MAYOR OF UBUHLEBEZWE MUNICIPALITY

Madame Speaker, members of the executive committee, councillors, municipal manager and heads of departments' good afternoon.

We are gathered here today in our very first council meeting in the year 2014 to discuss amongst other things the midterm budget performance of the municipality. It is with gratitude to the Almighty that, after the recess we are all back to work to carry out the mandate that we

have been assigned, being to provide basic service delivery to our community. However it also with great sadness that as this council we have lost one of our employees who passed on, on the 31 December 2013; Mr Maluleka.

Section 72 of the municipal finance management act; act 23 of 2003, charges every municipality to prepare municipal mid – term budgetstatement by the 25 January.

The section 72 report will then determine whether the municipality needs to adjust its budgets for the year.

As the municipality we decided to plan ahead for all our infrastructural projects in order to ensure that service delivery is fast tracked as well as ensuring that the grant funding is spent according to the Division of Revenue Act.

We have also resolved to budget for all our capital projects over a period of three years. The budgeting will be structured as follows:

- First year – Planning
- Second year – Implementation
- Third year – Close out and retentions

The infrastructure projects for the 2012/2013 financial year were not completed on the 30 June 2013 and had to continue in the next financial year. The municipality further requested a roll over from the National treasury which was subsequently approved towards the end of December 2013. The above projects were therefore not included in the 2013/2014 budget and would therefore need to be incorporated in the budgets.

The three phase budget will eradicate such problems as the projects would be in the budget for three years and therefore delays will be eliminated.

Furthermore the section 71 reports for the past six months reflected a massive difference from our refuse collection revenue to the actual monthly bills which could indicate possible over budgeting. The municipality will therefore need to adjust the revenue projections downwards as prescribed by the MFMA after a comprehensive analysis.

The EPWP roll over was also declined by the National Treasury which therefore mandates the municipality to adjust the EPWP expenditure for the year.

Madame Speaker, it is therefore imperative that the municipality adjust its budgets for the 2013/2014 financial year.

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 23 January 2014.

**a. That:-**

The Mid – year budget and performance assessment for the period 01 July 2013 to December 2013 be approved as set out in the tables:

- Table C1 –

**b. That the municipality adjusts its 2013/2014 budgets**

### **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 25<sup>th</sup> 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 2013 to December 2013,

- Approved Budget for 2013/2014,
- Service Delivery Budget and Implementation Plan
- Council approved Procurement Plan
- Budget versus actual on approved 2013/2014 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 2013
- Mid – term performance report, considering targets versus actuals for both the first and the second quarter

- Auditor General’s audit report for the previous year and the action plan for all matters of emphasis
- Risk Register

During this process it became apparent that the municipality must adjust its current budget (2013/2014) accordingly. The Accounting Officer will therefore ensure that the adjusted budget document is approved by Council by the 28 February 2014 as prescribed by the MFMA regulations.

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

## **2013/2014 BUDGET GUIDELINES AND ASSUMPTIONS**

The 2013/2014 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.

## **2013/2014 FINANCIAL YEAR OVER VIEW**

- 1.1 The 2013/2014 annual budget, Integrated Development Plan and service delivery and budget implementation plan was adopted on the 30 May 2013.
- 1.2 The municipality submitted its annual financial statements on the 31 August 2013 to AG.
- 1.3 Ubuhlebezwe municipality subsequently received an unqualified audit opinion with no other matters.
- 1.4 The budget has been monitored through section 71 reports monthly.

- 1.5 The first and second quarter performance assessments for Sec 57 and Sec 56 of the Municipal Systems Act were held on the 14 November 2013 and the date for the second quarter is still yet to be confirmed.
- 1.6 There has been under expenditure on capital projects, on both MIG and internally funded projects. However, expenditure is expected to increase to at least 95% by the end of May 2013. Almost all current year projects were still at evaluation and adjudication stage as at 31 December 2012.
- 1.7 Operating expenditure was sitting at 43% as at 31 December 2013.
- 1.8 Cash and Cash equivalents amounted to R88, 830million as at 31 December 2013. Unspent grants amounted to R32 845million.

The net cash flow as at 31/12/2013 was as follows:

Cash and investments	Unspent Grants	Net Cash Flow
R 88 830 810	R 33 036 780	R 55 794 030

### REVENUE FROM RATES

	July	August	September	October	November	December	Total
<b>Receipts</b>	508 005	726 742	703 255	2 572 616	767 903	654 480	5 933 004
<b>Rates Billed</b>	4 968 799	1 553 330	730 469	672 107	691 009	665 864	9 281 580
<b>Percentage</b>	<b>10.22%</b>	<b>46.79%</b>	<b>96.27%</b>	<b>382.77%</b>	<b>111.13%</b>	<b>98.29%</b>	63.92%

### REVENUE FROM REFUSE

The budget for waste management was R2 145 779. However the total amount billed for the six months ending 31 December 2013 reflected an amount of R725 217. This therefore meant that there was over budgeting on the refuse revenue and will be adjusted by R659 949. A technical exercise was conducted to come up with the correct revenue projections for rates.

#### Cash Collected per month vs billed (Refuse)

	July	August	September	October	November	December	Total
<b>Receipts</b>	174 332	90 988	172 691	134 685	110 002	82 059	764 760
<b>Refuse Billed</b>	111 924	111 924	113 433	144 465	121 822	121 646	725 217
<b>Percentage</b>	<b>155.76%</b>	<b>81.29%</b>	<b>152.24%</b>	<b>93.23%</b>	<b>90.30%</b>	<b>67.46%</b>	105.45%

### Reasons and explanation for variance

- In the previous year the municipality had appointed debt collectors and it is only in the current financial year that the effects of the vigorous debt collection processes are showing results.
- All debts that are 60 days old and above have been handed over to our debt collectors
- Bills are sent out monthly to customers however here are still customers who have incorrect postal addresses. These customers are being tracked by the debt collectors.

## OTHER REVENUE

Source	Original Budget 2013/2014	Actual YTD	Variance	% Received
Rent of facilities	70 000	119 480	-49 480	171%
Interest earned - Investments	2 400 000	1 307 999	1 092 001	54%
Fines - Traffic	250 000	63 802	186 198	26%
Fines - Library	2 120	361	1 759	17%
Hawkers Permits	5 000	0	5 000	0%
Taxi Permits	30 000	12 611	17 389	42%
Drivers Licences	3 000 000	1 491 540	1 508 460	50%
Licence Commission	650 000	314 390	335 610	48%
Unconditional Grant	57 039 000	41 644 000	15 395 000	73%
Income from sale of Land	2 000 000	0	2 000 000	0%
Other Revenue	1 234 156	1 927 731	-693 575	156%
<b>TOTAL</b>	<b>66 680 276</b>	<b>46 881 914</b>	<b>19 798 362</b>	<b>6</b>

### Remarks

Revenue received from sale of land was at zero percent, (0%) as at 31 December 2013. The reason is that the construction of houses is delayed by the unavailability of water on the site. The municipality is partnering with a service provider to sell houses off site; the municipality will then be paid for each and every sale of each property.

In light of the above the municipality will have to adjust its budgeted revenue downwards.

## CAPITAL EXPENDITURE

Capital Vote	Capital Expenditure by Asset Class/Sub-class	Funding Sources	Final Budget: 2013/2014	M.T.D Actual	Year To Date	Variance	Percentage Available
31-Dec-13	<b>Infrastructure</b>		<b>24 344 094</b>	<b>1 281 902</b>	<b>5 613 194</b>	<b>18 730 900</b>	<b>23</b>
	<b>Infrastructure - Road transport</b>						
	<b>Roads, Pavements &amp; Bridges</b>		<b>24 344 094</b>	<b>1 281 902</b>	<b>5 613 194</b>	<b>18 730 900</b>	<b>23</b>
5 750 0008 1	Morningview / iTHUBAL	MIG	7 386 231	86 138	315 840	7 070 391	4
5 750 0009 1	Luswazi Road	MIG	927 680	236 245	419 615	508 064	45
5 750 0010 1	KoKhoza Road	MIG	1 404 622	660 848	745 250	659 372	53
5 750 0011 1	Sidwadweni Road	MIG	1 153 048	222 445	284 656	868 392	25
5 750 0026 1	Sgedleni Road	MIG	180 504	-	-	180 504	0
5 750 0028 1	Mariathal Road	MIG	62 956	-	-	62 956	0
5 750 0029 1	Phambuka Road	MIG	66 919	-	-	66 919	0
5 750 0031 1	Mthembu-Mtungwa Road	MIG	70 441	-	-	70 441	0
5 750 0032 1	Masukwaneni Road	MIG	88 048	-	-	88 048	0
5 750 0102 1	Mpizo Road	MIG	43 145	-	-	43 145	0
5 750 0107 1	Dawa Road	MIG	92 453	-	-	92 453	0
5 750 0108 1	Mgodi/Skeyi Phase 2 Road	MIG	28 238	-	-	28 238	0
5 750 0109 1	2000 Road	MIG	53 271	-	-	53 271	0
5 750 0110 1	Morningview / iTHUBAL	MIG	1 588 506	76 225	207 398	1 381 108	13
5 750 0111 1	Mthamu Road	MIG	55 032	-	-	55 032	0
	<b>Budget 2013 - 2015</b>	<b>MIG</b>					
5 750 6500 1	Ixopo Taxi and Bus Rank	SMALLT	6 743 000	-	130 223	6 612 777	2
5 750 5000 1	Centenary Road and Grade	SMALLT	4 400 000	-	3 510 211	889 789	80
	<b>Community</b>		<b>9 536 905</b>	<b>1 202 937</b>	<b>1 033 967</b>	<b>8 502 938</b>	<b>11</b>
	<b>Sports Fields &amp; Stadiums</b>		<b>1 972 139</b>	<b>621 852</b>	<b>294 403</b>	<b>1 677 736</b>	<b>15</b>
5 750 0114 1	Ziqhingini Sportfield	MIG	1 972 139	621 852	294 403	1 677 736	15
	<b>Budget 2013 - 2015</b>	<b>MIG</b>		-	-	-	
	<b>Community halls</b>		<b>6 864 767</b>	<b>581 085</b>	<b>739 564</b>	<b>6 125 202</b>	<b>11</b>
5 750 0115 1	Peace Initiative Hall - R	MIG	3 534 000	-	56 840	3 477 160	2
5 750 0118 1	Webbstown Community	MIG	97 574	-	-	97 574	0
5 750 0119 1	Upgrading of Highflat Ha	MIG	1 410 000	-	-	1 410 000	0
5 750 2000 1	Mahehle Hall	MIG	1 823 193	581 085	682 725	1 140 468	37
	<b>Budget 2013 - 2015</b>	<b>MIG</b>			-	-	



The expenditure on MIG was at 27% as at 31 December 2013. All projects were in progress and further progress is anticipated which shall then increase expenditure levels to 100% by the end of May 2014.

### Roll – over projects

	Rollover Projects		5 800 000	504 210	3 800 363	2 368 264	66
	Fairview Road	MIG		484 100	1 336 051	(941 028)	
	Mapulazini Road	MIG			-	274 456	
	Carisbrooke Road	MIG			685 999	323 422	
	Bhekizizwe Access Road	MIG			-	308 677	
	Thuleshe Community Hall	MIG		8 750	316 698	542 846	
	Ntapha Community Hall	MIG		6 655	277 158	558 709	
	Gudwini Community Hall	MIG		4 705	328 417	502 506	
	ST Michael Sports field	MIG			167 183	170 368	
	Nokweja Sportsfield	MIG		-	356 283	322 294	
	Mgodi/Skeyi Sportsfield	MIG		-	332 574	306 014	
	<b>Total Assets</b>		<b>44 408 000</b>	<b>3 481 054</b>	<b>11 650 183</b>	<b>33 126 444</b>	

The above projects were completed, however retention moneys were not yet paid out as at 31 December 2013.

### Other Capital Expenditure

The following internally funded acquisitions were delayed due to the fact that the municipality had to re-advertise the tender as no suitable supplier tendered:

1. Padfoot roller
2. Fire Vehicle
3. Cherry Picker
4. CAD programme

## **PART – 2**

### **DEBTORS AGE ANALYSIS**

The debtors as at 31 December 2013 characterised by customer group were as follows:

Government	R3 857 085
Business	R5 103 548
Households	R7 159 038
Other	<u>R 116 278</u>
Total	<u>R16 235 949</u>

The age analysis reflected that, R10 762 921 of the debtors, which is 66% of the total debt were more than 150 days. These were provided for in the 2012/2013 annual financial statements at R9 200 416. These are long outstanding debts that the municipality is wrestling to recover through debt collectors.

### **CREDITORS AGE ANALYSIS**

The creditors age analysis reflected an amount of R1 888 315. The municipality pays its creditors twice in a month in order to comply with the MFMA, and to ensure that SMME's are catered for.

### **INVESTMENT PORTFOLIO ANALYSIS**

The municipality currently does not own long term investments. However the municipality invests all its funds based on the requirements and conditions of the grant or time frames of when the money will be required for its indented use.

The cash and short term investments as at 31 December 2013 amounted R67 500 087. This is made up of fixed deposits up to three months and call accounts. However the municipality's cash and cash equivalents as at 31 December 2013 amounted to R88 830 810 which is made up as follows:

Fixed deposits and call accounts	R67 500 087
Current account	<u>R21 330 723</u>
Total	<u>R88 830 810</u>

## ALLOCATIONS AND GRANT RECEIPTS AND EXPENDITURE

All grant liabilities are cash backed. All grant funds are spent according to conditions as stipulated in the Division of Revenue Act. The following table reflects the allocations received as well as expenditure on such allocations.

The MIG grant expenditure was at 27% as at 31 December 2013, however this amount is expected to increase to 95% in March.

### ALLOCATION RECEIVED AND ACTUAL EXPENDITURE ON THOSE ALLOCATIONS

Allocations	Original Budget 2013/2014	Actual Received YTD	Expenditure YTD	Unspent Y T D	% Exp
Small Town Rehab - COGTA	11 143 000	11 143 000	3 640 435	7 502 565	33%
Financial Management Grant	1 650 000	1 650 000	630 829	1 019 171	38%
MIG	22 038 000	10 000 000	3 627 998	18 410 002	16%
MIG Roll over	5 800 000	5 800 000	3 800 364	1 999 636	66%
MSIG	890 000	890 000	133 400	756 600	15%
EPWP	1 000 000	400 000	753 659	246 340	75%
Library Grant	704 000	365 000	415 031	288 968	59%
LED Programme	3 200 000	1 500 000	386 502	2 813 497	12%
Thousong Service Centre	400 000	400 000	191 462	208 537	48%
<b>TOTAL</b>	<b>46 825 000</b>	<b>32 148 000</b>	<b>13 579 681.42</b>	<b>33 245 318.58</b>	<b>29%</b>

<b>Total MIG (current and previous projects)</b>	<b>27 838 000</b>	<b>15 800 049</b>	<b>7 428 361</b>	<b>20 409 638</b>	<b>27%</b>
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## COUNCILOR ALLOWANCES AND EMPLOYEE BENEFITS

The expenditure on the above was at 47% as at 31 December 2013. The councillors were still paid their allowance on the previous year's upper limits as the municipality was still awaiting the gazette on councillor upper limits.

The staff salaries were paid as per the recommendation of the collective agreements.

## MATERIAL VARIANCES ON THE SDBIP

## CAPITAL PROGRAMME PERFORMANCE

All funds for capital programmes were committed as at 31 December 2013. The municipality had awarded all tenders and construction has resumed in January 2014. All budgeted projects are in construction and it is anticipated that the projects will be completed by 30 May 2014

## **MID YEAR PERFORMANCE REVIEW**

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**Tel: 039 8347 7700**



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**UBUHLEBEZWE MUNICIPALITY**

**From the Office of the Municipal Manager**

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**MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

I, G.M. Sineke, Municipal Manager of Ubuhlebezwe Municipality, hereby certify that the Mid-term Performance Assessment report and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Performance Assessment has been done properly to ensure that is a true reflection of what has taken place with effect from 01 July 2012 to 31 December 2012 and is consistent with the Integrated Development Plan, Budget and SDBIP of the municipality.

This report has been submitted to the Mayor on the 23/01/2014 as required by the Municipal Finance Management Act, Section 72 and acknowledges receipt as signed below.

Print Name: G.M. Sineke

**Municipal manager**

**Ubuhlebezwe Municipality (KZN 435)**

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Mayor's Acknowledgement of Submission**

Print Name \_\_\_\_\_

Mayor of uBuhlebezwe Municipality (KZN 435)

Signature \_\_\_\_\_

Date \_\_\_\_\_