



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

21 JANUARY 2016

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REPORT BY THE MAYOR OF UBUHLEBEZWE MUNICIPALITY

Madame Speaker, members of the executive committee, councillors, municipal manager, heads of departments' and the community at large good morning.

We are gathered together today as mandated by the 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. It is also a well-known fact that this is our last financial year as this council and we therefore pride ourselves of the achievements that the municipality has received under our leadership.

The first half of the financial year has not been an easy one, with the bureaucracy embedded in the supply chain management processes resulting in three projects having to be re advertised. This had a negative impact on capital expenditure for the first half of the financial year, albeit corrective measures have been taken. We have also seen a decline in revenue collected from rates and service charges. Management is working on coming up with an effective revenue collection strategy. A huge amount of municipal revenue is tied up in debtors.

The progress on our Electrification projects has been tremendous, with the only limitation being funding. We are grateful to Cogta for additional funding of R15million rand which was received in December 2015. This grant was not included in our original budget and will therefore be included in the adjustment budgets.

The supply chain management processes have also revealed that capital projects will be re-shuffled in order to accommodate available funds. Other projects will therefore be implemented in more than one year.

As indicated above there are also grants that were initially not reflected in the Division of Revenue Act which are now available for the municipality. This also goes for the Provincial gazette which has indicated amounts that were not available during the initial budgeting for the year.

Madame Speaker, from the summary above it is clear that the municipality must adjust the 2015/2016 budget.

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 21 January 2016.

a. That:-

The Mid – year budget and performance assessment for the period 01 July 2015 to December 2015 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 2015 to December 2015,

- Approved Budget for 2015/2016,
- Service Delivery Budget and Implementation Plan
- Council approved Procurement Plan
- Budget versus actual on approved 2015/2016 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 2015
- 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 and the action plan for all matters of emphasis
- Risk Register

During this process it became noticeable that the municipality must adjust its current budget (2015/2016) accordingly. The Accounting Officer will therefore ensure that the adjusted budget document is approved by Council by the 28 February 2016 as prescribed by the MFMA regulations.

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

2015/2016 BUDGET GUIDELINES AND ASSUMPTIONS

The 2014/2015 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.

2015/2016 FINANCIAL YEAR OVER VIEW

- 1.1 The 2015/2016 annual budget, Integrated Development Plan and service delivery and budget implementation plan was adopted on the 28 May 2015.
- 1.2 The municipality submitted its annual financial statements on the 28 August 2015 to AG.
- 1.3 Ubuhlebezwe municipality subsequently received an unqualified audit opinion with no other matters. (Clean Audit)
- 1.4 The budget has been monitored through section 71 reports monthly.
- 1.5 As per the legislation, the first quarter performance assessments for Sec 57 and Sec 56 of the Municipal Systems Act are informal if the organisational performance is satisfactory; hence the process took place in November 2015. For the second quarter performance assessments, the process has already started, our Internal Audit Unit will be auditing the usefulness and adequacy of information submitted, followed by the formal assessments in February 2016, thereafter, the Audit & Performance Audit Committee and the date for the second quarter is still yet to be confirmed.
- 1.6 Capital expenditure is considered as fair, being 40% against the approved budget as compared to the previous year which was 18%. All procurement processes have been finalised except for three MIG funded projects which will be finalised after the objection period has elapsed, which is 25 January 2016. The municipality anticipates capital expenditure to be 100% at the end of June 2015. The municipality has a history of spending 100% of capital grant funding; being MIG and Electrification Projects.
- 1.7 Operating expenditure was sitting at 41% as at 31 December 2015.
- 1.8 Cash and Cash equivalents amounted to R142, 950million as at 31 December 2015. Unspent grants amounted to R33, 715million (Difference between grant funding received and actual expenditure on those grants).

The net cash flow as at 31/12/2015 was as follows:

Cash and investments	Unspent Grants	Net Cash Flow
R 142 950 223	R 33 715 807	R 109 234 416

The municipality can continue to operate for more than 19 months assuming monthly fixed operation costs of R5, 5million.

REVENUE FROM RATES

Revenue collected from rates was 34% of the budget, however the total received compared to the billed assessment rates was 44%.

2015 - 2016 Collection Rate

	M T D						Total
	July	August	September	October	November	December	
Receipts	542 463	378 598	526 695	546 151	715 808	1 661 126	4 370 844
Rates	6 120 902	783 738	741 925	736 278	735 305	735 305	9 853 456
Collection Rate	8,86%	48,31%	70,99%	74,18%	97,35%	225,91%	44,36%

REVENUE FROM SERVICE CHARGES - REFUSE

The budget for waste management was R1 878 026. However the total amount billed for the six months ending 31 December 2015 reflected an amount of R819 880. This therefore meant that there was over budgeting on the refuse revenue and will be adjusted by R238 266.

Cash Collected per month vs billed (Refuse)

	M T D						Y T D
	July	August	September	October	November	December	Total
Receipts	93 861	77 218	144 978	78 563	115 514	96 248	606 385
Refuse	171 412	129 880	129 621	129 621	129 621	129 722	819 880
Collection Rate	54,76%	59,45%	111,85%	60,61%	89,12%	74,20%	73,96%

Reasons and explanation for variance

- From the table above, it can be noted that the collection rate fluctuates and is different for each month the lowest collection rate of 8% and the highest collection rate being 225% in December 2015. This can be attributed to most customers generally receiving bonuses in December from their work institutions and government departments paying mostly in December.
- All debts that are 60 days old and above have been handed over to our debt collectors in January 2015.
- It must also be noted that there is an on-going dispute on rates debtors for the area of Highflats which is also contributing to the low collection rate.
- Bills are sent out monthly to customers.

OTHER REVENUE

Source	Original Budget 2015/2016	Budget YTD	Actual YTD	Variance YTD	% Received To Date
Property Rates	12 979 905,00	6 489 952,50	4 370 844,69	8 609 060,31	34%
Service Charges	1 878 026,38	939 013,19	683 906,59	1 194 119,79	36%
Rent of facilities	474 000,00	237 000,00	247 625,35	226 374,65	52%
Interest earned - Investments	3 000 000,00	1 500 000,00	2 516 938,70	483 061,30	84%
Fines - Traffic	200 000,00	100 000,00	108 700,00	91 300,00	54%
Fines - Library	500,00	250,00	-	500,00	0%
Licensing and Permits		-			
Hawkers Permits	10 000,00	5 000,00	10 000,08	-0,08	100%
Taxi Permits	10 000,00	5 000,00	22 190,15	-12 190,15	222%
Drivers Licences	3 020 000,00	1 510 000,00	1 814 841,00	1 205 159,00	60%
Licence Commission	700 000,00	350 000,00	416 907,05	283 092,95	60%
Unconditional Grant	85 227 000,00	42 613 500,00	83 920 250,00	1 306 750,00	98%
Other Revenue	190 500,00	95 250,00	9 199,09	181 300,91	5%
TOTAL	107 689 931,38	53 844 965,69	94 121 402,70	13 568 528,68	87%

Remarks

The overall total revenue collected was 87% of the budget. The areas of concern on revenue collection were rates and refuse collection with 34% and 36% collection against budget respectively. Revenue collection is still a challenge with many customers being indigent.

The challenge is that many customers who are indigent do not respond to invitations calling them to register with the municipality as indigent. This has a negative impact on both revenue collection and debtors.

Interest Received – Interest received was 84% of the budget. The budget will be adjusted upwards.

Taxi Permits – The budget will be adjusted upwards. The percentage received was 222% against original budget.

Hawkers Permits – Revenue received was 100%. No adjustment will be made as the licensing of hawkers was completed.

Capital Expenditure

<u>Capital Expenditure by Asset Class/Sub-class</u>	<u>Original Budget 2015/2016</u>	<u>DECEMBER ACTUAL</u>	<u>Year To Date 2015.2016</u>	<u>Percentage Spent</u>
Infrastructure				
Infrastructure - Road transport				
Roads, Pavements & Bridges	23 398 953,44	1 342 098,93	4 886 811,79	21%
Infrastructure - Road transport MIG	9 668 630,32	1 291 554,40	2 089 423,39	22%
Community	15 198 950,67	918 723,65	2 314 355,47	15%
Sports Fields & Stadiums	15 198 950,67	-	459 460,80	3%
INTERNAL FUNDING	9 633 735,00	169 597,21	1 151 667,86	12%
Other assets	9 633 735,00	3 020 993,53	1 151 667,86	12%
General vehicles	1 500 000,00			0%
Plant & Equipment	900 000,00			0%
Office & IT Equipment	1 890 735,00	-	118 007,76	6%
Office Furniture	1 085 000,00	13 750,00	94 916,35	9%
Other Buildings	2 658 000,00	155 847,21	938 743,75	35%
Intangible	1 600 000,00	-	-	0%
ELECTRIFICATION PROJECTS	39 956 000,06	2 851 396,32	25 851 990,27	65%
Total Assets	88 187 639,17	5 281 816,11	34 204 825,39	39%
M I G	24 536 072,00	2 124 176,90	5 191 637,91	21%
Internal Funded	14 183 735,00	255 698,36	3 819 262,29	27%
Small Town Rehabilitation - Roll Over	9 511 832,11	50 544,53	388 363,82	4%
Electrification	39 956 000,06	2 851 396,32	25 851 990,27	65%
Total CapEx	88 187 639,17	5 281 816,11	35 251 254,29	40%

The expenditure on MIG was at 21% against the budget and 64% against allocations received, as at 31 December 2015. All projects are anticipated to be completed by end of June 2016. MIG expenditure is expected to be at 100% at 30 June 2016.

Other Capital Expenditure

The overall capital expenditure was 40% against the budget as at 31 December 2015.

The Small Town Rehabilitation grant reflected 4% expenditure as at 31 December 2015. The project awarded and construction has commenced. The grant was specifically for the construction of a Bus Rank.

Electrification projects are KZN Premier's intervention projects and were specifically for, Mahehle, Mkhunya and Ofafa areas. The expenditure against budget was 65% as at 31 December 2015. The project is on-going

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 through equitable share.

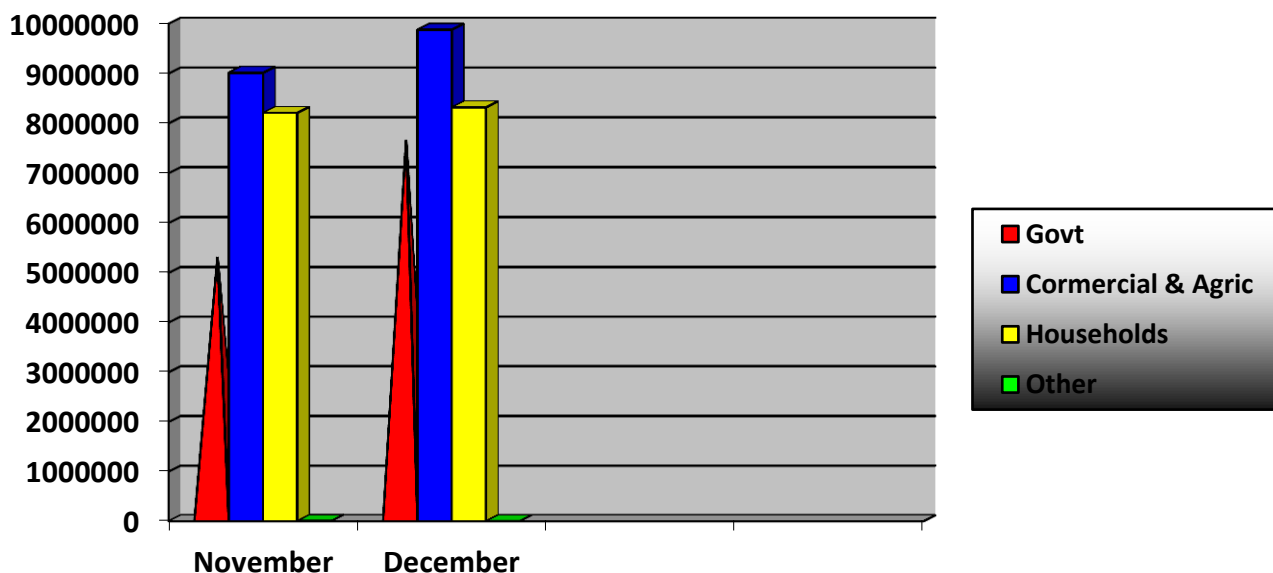
Outstanding Debtors

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 2014/2015 to 2015/2016. This was done in line with the national treasury guidelines.

The total debtor's amount as at 31 December 2015 equalled to R25 819 233 categorised as follows:

Government	R 7 616 824
Business	R 9 877 646
Households	R 8 321 526
Other	R 3 237
Total	<u>R25 819 233</u>

The chart below contains debtors aging for the month of December 2015 compared to the aging as at the end of November 2015.

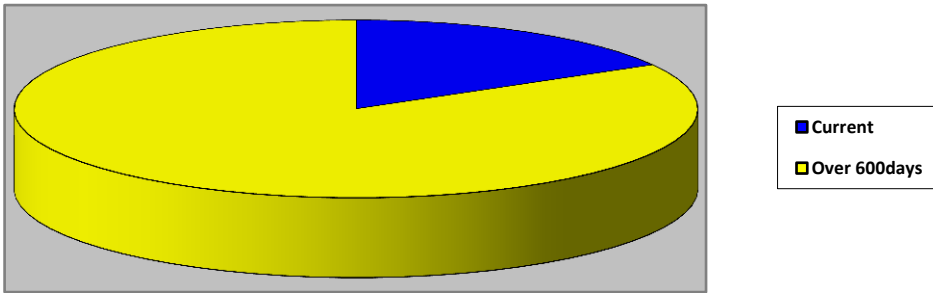


Comparing current debt and debtors which are more than 60 days

The current debt is 16% of the total debt.

Current debt R 4 323 140

60 days plus R21 496 093



The pie chart above indicates that the debtor's book consists of very long outstanding debtors. It has also been noted that in the prior years (past five years) the municipality charged penalties as well as interest which escalated the individual debts.

Debt Collection Strategy

Debt Collectors were appointed in December 2014 and assumed duty on the 12th January 2015. The council is reviewing its debt collection strategy as well as revenue enhancement strategy.

Collection Rate

Based on the current budget the collection rate for **Rates was at 34% as at 31 December 2015 and 36% on Refuse respectively.**

CREDITORS AGE ANALYSIS

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180	181 Days - 1 Year	Over 1 Year	Total
Bulk Electricity	-	-	-	-	-	-	-	-	-
Bulk Water	-	-	-	-	-	-	-	-	-
PAYE deductions	-	-	-	-	-	-	-	-	-
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	312 048,00	484 885	-	-	-	-	-	-	796 933,00
Auditor General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	312 048	484 885,00	-	-	-	-	-	-	796 933

The creditor's age analysis reflected an amount of R796 933 as outstanding.

An amount of R484 885 was more than 30 days; however there were partially paid orders as the jobs were not yet completed. 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 does not have long term investments. The municipality invests available funds not needed in short term investments. Funds are invested using the municipality's investment policy.

The cash and short term investments as at 31 December 2015 amounted R142 950 223. This is made up of fixed deposits up to three months and call accounts. The above amount is made up as follows.

Fixed deposits and call accounts	R 120 411 816
Current account	<u>R 22 538 407</u>
Total	<u>R 142 950 223</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 21% as at 31 December 2015, however this amount is expected to increase to 100% by June 2016.

S 71(1) (f) ALLOCATION RECEIVED AND ACTUAL EXPENDITURE ON THOSE ALLOCATIONS					
Allocations	Original Budget 2015/2016	Actual Received YTD	Expenditure YTD	Unspent Y T D	% Expenditur e Against allocation
Financial Management Grant	1 800 000,00	1 800 000,00	414 539,46	1 385 460,54	23%
Electrification - COGTA	9 956 000,00	9 956 000,00	-	9 956 000,00	0%
Electrification - DOE	30 000 000,00	20 000 000,00	17 075 547,44	12 924 452,56	57%
Electrification - COGTA	-	15 000 000,00	-	-	
Library Grant	553 000,00	553 000,00	372 140,81	180 859,19	67%
Small Town Rehab - COGTA (carry over)	8 791 802,61	-	-	8 791 802,61	0%
MSIG	930 000,00	930 000,00	284 613,22	645 386,78	31%
MIG	24 335 000,00	8 400 000,00	5 191 637,91	19 143 362,09	21%
Ixopo Sportsfield Maintenance Grant	150 000,00	-	48 172,54	101 827,46	32%
Ixopo Sportsfield Maintenance Grant(carry over)	236 495,06	-	-	236 495,06	0%
Library Grant - Cyber	170 000,00	170 000,00	133 663,75	36 336,25	79%
EPWP	1 420 000,00	994 000,00	566 877,69	853 122,31	40%
Ixopo Sportsfield Grant (carry over)	420 000,00	-	-	420 000,00	0%
TOTAL	78 762 297,67	57 803 000,00	24 087 192,82	54 675 104,85	31%
Actual unspent grants from actual received				33 715 807,18	

There is an amount of R15 000 000 that has been received from Cogta as a grant for the electrification projects. This amount was not initially budgeted for by the municipality. These funds were received in December 2015. The budget will then be adjusted

Finance Management Grant – Only 23% of the grant was spent as at 31 December 2015. The budget is set to be utilised during the second half of the financial year. A huge part of the budget will be utilised for mScoa.

Electrification Cogta (R9 956 000) – Funds were only received in December 2015 and therefore could not be utilised. However the funds will be utilised in January 2016

Municipal Systems Improvement Grant – Expenditure was 31% against the allocation. Ward Committees were trained in December 2015 and expenditure is to be reflected in January 2016. The grant has a business plan which guides its use.

Municipal Infrastructure Grant – Expenditure was at 21% against budget and 4% against allocation received. Construction of projects has commenced and three projects that were re-advertised have been through SCM processes. An intention to award has been advertised and the 14 day waiting period elapses on the 25th January 2016. Construction will commence at

the beginning of February 2016 for the three said projects. Expenditure is expected to increase from January 2016 to May 2016.

COUNCILOR ALLOWANCES AND EMPLOYEE BENEFITS

Councillor allowances were at 47% of the budget as at 31 December 2015. Upper limits were not yet implemented as a result councillors were paid using the 2014/2015 upper limits. Subsequently the gazette on councillor upper limit was issued by the Minister of Cogta; the MEC for Cogta further approved 100% of the upper limits to be paid to Ubuhlebezwe councillors. Any shortfalls in implementing the gazette will be considered on adjustments budgets.

The staff salaries were paid as per the recommendation of the collective agreements and were at 45% at 31 December 2015. All staff bonuses were paid out in November 2015 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.

CAPITAL PROGRAMME PERFORMANCE

All funds for capital programmes were committed as at 31 December 2015. Projects that were budgeted for the 2015/2016 have been awarded to service providers and construction has commenced.

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 2015/2016 Mid-Year budget and Performance Assessment report has been finalised and will therefore be tabled at a council meeting of the 21st January 2016.

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

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UBUHLEBEZWE MUNICIPALITY

From the Office of the Municipal Manager

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 2015 to 31 December 2015 and is consistent with the Integrated Development Plan, Budget and SDBIP of the municipality.

This report has been submitted to the Mayor on the 21/01/2016 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 434)

Date

Mayor's Acknowledgement of Submission

Z. D. Nxumalo
Mayor of uBuhlebezwe Municipality (KZN 434)

Date