



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

20 JANUARY 2017

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1. REPORT BY THE MAYOR OF MKHAMBATHINI MUNICIPALITY

Speaker, members of the Executive committee, Councilors, Municipal Manager and Managers. We are gathered here today in our very first council meeting in the year 2017 to discuss amongst other things the midterm budget performance of the municipality. Section 72 of the Municipal Finance Management Act; act 23 of 2003, requires Municipalities to prepare mid – term budget statement by the 25 January each year. The section 72 report will then determine whether the Municipality needs to adjust its budgets for the 2016-2017 financial year. Mkhambathini Municipality decided to plan for all its Infrastructure 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.

The infrastructure projects for the 2015/2016 financial year were not completed on the 30 June 2016 and had to continue in the current financial year. The municipality did not apply for roll over of unspent MIG funds due to it being fully spent at 30 June 2016. The rollover of the Financial Management Grant , EPWP as well as the Electrification grant was approved and will be appropriated in the adjustments budget to tabled at Council meeting in February 2017.

Furthermore the section 71 reports for the past six months reflected some differences in income and expenditure. Budget provision made for the implementation of Mscoa needs to be revisited and adjusted if necessary. The Municipality will therefore need to adjust its operational and capital budgets to accommodate these changes.in terms of the capital budget on new priorities in terms of road rehabilitation within the urban areas of Camperdown will be taken into account. Other adjustments to DORA and revision of expenditure will be done by virement in terms of the virement policy

Speaker, it is therefore imperative that the municipality adjust its budgets for the 2016/2017 financial year and table an Adjustments Budget to Council in February 2017.

2. 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 31 January 2017.

- That the Mid – year budget and performance assessment for the period 1 July 2016 to December 2017 be approved as set out in the tables C1 – C10
- That the municipality adjusts its 2015/2016 annual budget

3. EXECUTIVE SUMMARY

As contained in the Local Government: Municipal Finance Management Act No.56 of 2003, 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 to determine the actual performance of Mkhambathini Municipality for the period of July 2016 to December 2016,

- Approved Budget for 2016/2017,
- Service Delivery Budget and Implementation Plan
- Council approved Procurement Plan

- Budget versus actual on approved 2016/2017 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 2016

- 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 (2016/2017) accordingly. The Accounting Officer will therefore ensure that the adjusted budget document is approved by Council by the 28 February 2017 as prescribed by the MFMA regulations.

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

KZN226 Mkhambathini - Table C1 Monthly Budget Statement Summary - M06 December

Description	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	11,454	12,663	-	2,150	5,968	6,331	(364)	-6%	12,454
Service charges	-	500	-	39	234	250	(16)	-6%	500
Investment revenue	1,526	1,650	-	216	1,234	825	409	50%	1,650
Transfers recognised - operational	60,106	64,525	-	21,189	47,526	32,263	15,263	47%	64,525
Other own revenue	5,273	5,972	-	827	3,311	2,986	325	11%	5,972
Total Revenue (excluding capital transfers and contributions)	78,358	85,310	-	24,422	58,272	42,655	15,617	37%	85,101
Employee costs	25,752	27,056	-	2,514	10,672	13,528	(2,856)	-21%	27,097
Remuneration of Councillors	4,800	5,088	-	390	2,354	2,544	(190)	-7%	5,088
Depreciation & asset impairment	4,700	4,800	-	2,400	2,400	2,400	-	-	4,800
Finance charges	-	184	-	11	60	92	(32)	-35%	184
Materials and bulk purchases	-	-	-	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	38,979	44,376	-	7,667	21,271	22,188	(917)	-4%	44,128
Total Expenditure	74,231	81,504	-	12,981	36,756	40,752	(3,996)	-10%	81,297
Surplus/(Deficit)	4,128	3,807	-	11,440	21,516	1,903	19,613	1030%	3,804
Transfers recognised - capital	16,851	15,626	-	1,231	4,426	7,813	(3,387)	-43%	15,626
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	20,979	19,433	-	12,671	25,942	9,716	16,226	167%	19,430
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	20,979	19,433	-	12,671	25,942	9,716	16,226	167%	19,430
Capital expenditure & funds sources									
Capital expenditure	19,301	19,426	-	2,151	4,899	9,713	(4,814)	-50%	19,426
Capital transfers recognised	-	15,626	-	1,231	3,979	7,813	(3,834)	-49%	-
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	3,800	-	920	920	1,900	(980)	-52%	-
Total sources of capital funds	-	19,426	-	2,151	4,899	9,713	(4,814)	-50%	-
Financial position									
Total current assets	30,878	20,410	-	-	75,371	-	-	-	20,410
Total non current assets	114,339	133,465	-	-	109,864	-	-	-	133,465
Total current liabilities	8,791	7,800	-	-	22,671	-	-	-	7,800
Total non current liabilities	2,400	2,600	-	-	2,816	-	-	-	2,600
Community wealth/Equity	134,026	143,475	-	-	159,748	-	-	-	143,475
Cash flows									
Net cash from (used) operating	41,559	24,722	-	10,729	26,878	12,453	(14,425)	-116%	24,722
Net cash from (used) investing	(18,912)	(19,426)	-	(2,151)	(4,899)	9,713	14,612	150%	(19,426)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the month/year end	37,260	42,556	-	-	59,240	59,426	186	0%	42,556
Debtors & creditors analysis									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	1,705	295	278	482	432	12,243	-	-	15,435
Creditors Age Analysis									
Total Creditors	(0)	0	-	0	-	0	-	-	0

5. 2016/2017 BUDGET GUIDELINES AND ASSUMPTIONS

The 2016/2017 mid-term budget was prepared in accordance with guidelines and assumptions as outlined in Circular 78 and 79, 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 other revenues and affordability of ratepayers.
- 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.

6. 2016/2017 FINANCIAL YEAR OVER VIEW

- a) The 2016/2017 annual budget, Integrated Development Plan and service delivery and budget implementation plan was adopted on the 26 May 2016.
- b) The municipality submitted its annual financial statements on the 31 August 2016 to the Auditor General.
- c) Mkhambathini municipality subsequently received an unqualified audit opinion with other matters.
- d) The budget has been monitored through section 71 reports monthly.
- e) The first and second quarter performance assessments for Sec 57 and Sec 56 of the Municipal Systems Act is still yet to be confirmed.
- f) 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 2017.
- g) Operating expenditure was sitting at 45.09% as at 31 December 2016.
- h) Cash and Cash equivalents amounted to R 59 617 620 million as at 31 December 2016. Unspent grants amounted to R10 986 367 million.

The net cash flow as at 31 December 2016 was as follows:

Cash and investments	Unspent Grants	Net Cash Flow
R 59 617 620	R 10 986 367	R 48 631 2453

REVENUE FROM RATES

Property rates	July	Aug	Sep	Oct	Nov	Dec	Total
Receipts	558,583	972,793	1,359,026	992,673	741,113	707,225	5,331,413
Billed	1,116,117	1,116,117	1,116,117	1,116,117	1,116,117	1,116,117	6,696,704
%	50	87	122	89	66	63	80

Reasons and explanation for variance

- All debts that are 60 days old and above are sent a final demand and ratepayers have responded and arrangement of debt to settle debts have been entered into. This process is slow and in some instances no valid addresses exist to send out accounts. A data cleansing process is currently underway to correct this anomaly.
- The Municipality has appointed a service provider to interrogate all rates billing accounts and will receive a report which provided accurate addresses and contact numbers to contact defaulters and enforce collection.

OTHER REVENUE

Source	Original Budget 2016/2017	Actual YTD	YTD Variance
Rates Clearance certificates	9194	6650	2544
Interest earned Investments	1650000	1233628	416372
Interest outstanding debtors	1176039	630279	545760
Fines – Court	70051	18095	51956
Vehicle Registration	1388201	721338	666863
Learners Licenses	2534755	1553254	981501
Equitable share	50183000	37638000	12545000
Conditional Grants	14342000	9866658	4475342
Building Plan fees	346183	140186	205997
Refuse collection	500000	234313	265687
Other Revenue	446932	267590	179342
TOTAL	72646355	52309991	20336364

Remarks

The other revenue is fairly stable and is targeted to reach the expected budget by the end of the financial year. Interest from investment has been under budgeted and will be adjusted to reflect a realistic budgeted amount in the adjustments budget.

CAPITAL EXPENDITURE

PROJECT NAME	Expenditure to end of December 2016	Status of Project
Projects from 2015/2016 carried over to 2016/2017		
Mtungweni access road	0	Completed
Mthayi access road	0	Completed
Dukes Hall	701164.46	Completed
Bhebuzi Sportsfield	404818.29	Completed
Mphangisa Hall	1020523.82	Completed
Hlukana Hall	745184.14	Completed
Maqongo indoor sports center	200520.00	Work in progress
Projects in 2016/2017 year		
Gcina access road	519894.75	Work in progress
Potsho access road	134736.84	Work in progress
Banqobile access road	130526.32	Work in progress
Gulube creche	112433.49	Work in progress
Totals	3969 802.11	

Other Capital Expenditure

1. The Mayoral vehicle is has been acquired and the old Mayoral vehicle traded in
2. Furniture and equipment is 53% spent as at December 2016
3. Computer hardware and soft ware will spent during the next half of the financial year
4. Construction of the female showers are complete

PART – 2

1. DEBTORS AGE ANALYSIS

The as at 31 December 2016, debtors by customer group were as follows:

Household	R 2 452 667
Organs of State	R 327 932
Business	R 7 685 345
Other	R 4 9687 727
Total	R 15 434 671

The age analysis reflected R15 434 671 debtors, of which 79% of the total debt were more than 150 days. These were provided for in the 2015/2016 annual financial statements at R 6 616 829 as provision for doubtful debts. These are long outstanding debts that the municipality is attempting to recover in house before handing them over for legal action by conducting data cleansing and then attempting to collect these debts.

2. CREDITORS AGE ANALYSIS

The creditor's age analysis reflected an amount of R 162.80 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 payments are sometimes made due to the nature of the work performed.

3. INVESTMENT PORTFOLIO ANALYSIS

The municipality currently does not have any 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 2016 amounted R59 617 620. This is made up of the market link call account and the current account balance.

Call account	R58 721 214
Current account	R 896 406
Total	R 59 617 620

4. 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 25.64% as at 31 December 2016, however this amount is expected to increase to 100% by June 2017.

ALLOCATION RECEIVED AND ACTUAL EXPENDITURE ON THOSE ALLOCATIONS

Unspent Conditional Grants as at 31 December 2016

Unspent Conditional grants : JULY 2016 - JUNE 2017

Account Number	Account Name	Opening Balance	Receipt	Total Expenditure	Closing Balance
1660/02/0201	MIG	0.83	11,000,000.00	4,426,088.74	6,573,912.09
7450/02/0201	LUMS Grant	46,537.00	-	-	46,537.00
7426/02/0201	EPWP GRANT	45,960.58	877,000.00	714,969.26	207,991.32
7425/02/0201	FMG	1,051.35	1,825,000.00	887,765.95	938,285.40
7455/02/0201	MAP	47,028.00	-	-	47,028.00
7495/02/0201	Electrification Grant	1,538,667.11	9,000,000.00	7,876,571.35	2,662,095.76
7435/02/0201	Housing	1,037,274.44	-	593,211.00	444,063.44
7410/02/0201	Community Development	11,225.00	-	-	11,225.00
1645/02/0201	Library Grant	442,854.91	-	387,625.40	55,229.51
TOTAL		3,170,599.22	22,702,000.00	14,886,231.70	10,986,367.52

5. COUNCILOR ALLOWANCES AND EMPLOYEE BENEFITS

The expenditure on the above was at 46.24% as at 31 December 2016. The Councilor's were still paid their allowance on the previous year's upper limits as the municipality was still awaiting approval on Councilor's upper limits. Once approval is received from Cogta, qualifying Councillors will have their allowances adjusted.

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

6. VARIANCES ON THE SDBIP

MUNICIPAL MANAGERS OFFICE

Number of Key Performance Indicators for 2016/2017	Number of Key Performance Indicators for Quarter 1	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved	Number of Key Performance Indicators for Quarter 2	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved
26	12	9	3	13	11	2

FINANANCIAL SERVICES DEPARTMENT

Number of Key Performance Indicators for 2016/2017	Number of Key Performance Indicators for Quarter 1	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved	Number of Key Performance Indicators for Quarter 2	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved
26	24	22	2	20	18	2

COMMUNITY SERVICE DEPARTMENT

Number of Key Performance Indicators for 2016/2017	Number of Key Performance Indicators for Quarter 1	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved	Number of Key Performance Indicators for Quarter 2	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved
45	19	19	0	22	16	6

CORPORATE SERVICES DEPARTMENT

Number of Key Performance Indicators for 2016/2017	Number of Key Performance Indicators for Quarter 1	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved	Number of Key Performance Indicators for Quarter 2	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved
32	10	8	2	12	8	4

TECHNICAL SERVICES DEPARTMENT

Number of Key Performance Indicators for 2016/2017	Number of Key Performance Indicators for Quarter 1	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved	Number of Key Performance Indicators for Quarter 2	Number of Key Performance Indicators Achieved	Number of Key Performance Indicators Not Achieved
25	10	4	6	13	8	5

7. Mid - Year performance information – attached is the C Schedule for December 2016

8. Municipal Managers Quality Certificate

From the Office of the Municipal Manager

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, T C Ndlela, Municipal Manager of Mkhambathini 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 2016 to 31 December 2016 and is consistent with the Integrated Development Plan, Budget and SDBIP of the municipality.

This report has been submitted to the Mayor on the 22/01/2016 as required by the Municipal Finance Management Act, Section 72 and acknowledges receipt as signed below.

Print Name: T C Ndlela

**Municipal manager
Mkhambathini Municipality (KZN 226)**

Signature _____

Date _____