

**KWADUKUZA MUNICIPALITY****DEPT: FINANCE****C 468****COUNCIL: 30/04/2019**

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**SUBJECT:** Third Quarter Budget & Performance Assessment**PURPOSE:**

To table the 2018/19 third quarter operational and capital budget assessment covering the period July 2018 to March 2019.

**DISCUSSION**

S 52(d) of the Municipal Finance Management Act, No 56 of 2003 compels the Accounting Officer to assess the performance of the municipality during the financial year by, amongst others, taking into account the monthly budget statements compiled in terms of S71 of the MFMA. This report must be submitted to the Mayor of the municipality, the National Treasury as well as the relevant Provincial Treasury.

**STRATEGIC & LEGAL IMPLICATIONS:**

It is important for Council to have up to date information on the status of its operating and capital budget in order to enable Council to take necessary decisions and ensure that an effective oversight function is in operation. The quarterly budget assessments or review are intended to facilitate such a function, which is a requirement by the Municipal Finance Management Act.

**CONSULTATIONS****MUNICIPAL MANAGER****CHIEF FINANCIAL OFFICER**



## EXECUTIVE DIRECTORS

## BUDGET &amp; TREASURY OFFICE

RecommendationsRESPONSIBLE OFFICIAL

- THAT the March 2018/19 Section 71(1) Monthly Budget Assessment Statement in the C Schedule (Annexure A) format as per No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009 be noted and approved.
- THAT the report be submitted timeously to National Treasury, Provincial Treasury and other organs of state as per the requirement of No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009.
- THAT the March 2018/19 Section 71(1) Monthly Budget Assessment Statement be tabled before Council.
- THAT the report be tabled in terms of S52(D) of the MFMA, Act No. 56 of 2003
- THAT Council NOTES the withdrawals from bank account, attached under 'Supporting Documents' in the report, in terms of Municipal Finance Management Act, Sec 11 (4).

## Contact Person

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2018/19

**SECTION 52(D) THIRD QUARTER  
BUDGET AND PERFORMANCE  
ASSESSMENT REPORT**



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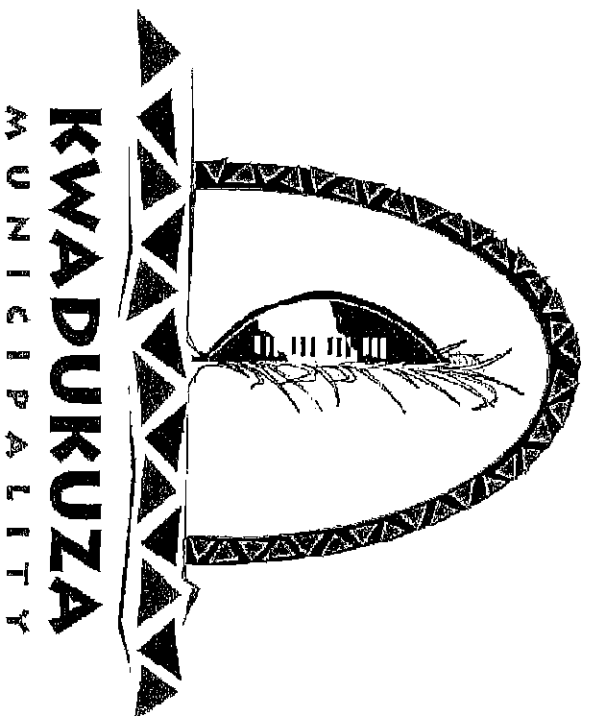


## 1.1 MAYORS REPORT



## MAYORS REPORT TO BE TABLED





## 1.2 RESOLUTIONS



*Third quarter budget and performance assessment resolutions*

Hereunder are the resolutions in terms of the Municipal Budget and Reporting Regulations which are required to be considered by Council.

1. **THAT** the March 2018/19 Section 71(1) Monthly Budget Assessment Statement in the C Schedule (Annexure A) format as per No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009 be noted and approved.
2. **THAT** the report be submitted timeously to National Treasury, Provincial Treasury and other organ of state as per the requirement of No. 32141 GOVERNMENT GAZETTE, 17 APRIL 2009.
3. **THAT** the March 2018/19 Section 71(1) Monthly Budget Assessment Statement be tabled before Council.
4. **THAT** the report be tabled in terms of S52(D) of the MFMA, Act No. 56 of 2003
5. **THAT** Council NOTES the withdrawals from bank account, attached under 'Supporting Documents' in the report, in terms of Municipal Finance Management Act, Sec 11 (4).





## 1.3EXECUTIVE SUMMARY



The below analysis is a high level assessment based on revenue and expenditure recognised on the Municipal Financial System. It is incumbent on the necessary user business units and user departments to ensure the completeness, validity and accuracy of the information provided for purposes of the assessment.

### OPERATING BUDGET

The operating budget as reflected in Table C1 of the Budget Statement Tables can be summarised as follows:

DESCRIPTION	2018/2019 APPROVED BUDGET R'000	2018/2019 ADJUSTED BUDGET R'000	YTD BUDGET 31/03/2019 R'000	ACTUALS AS AT 31/03/2019 R'000
Total Revenue	1,525,513	1,575,946	1,152,593	1,182,063
Total Expenditure	1,524,768	1,575,557	1,086,419	980,450
<b>Operating Surplus</b>	<b>745</b>	<b>389</b>	<b>66,174</b>	<b>201,613</b>
Transfers recognised - capital	63,052	69,260	40,103	26,358
Contributions recognised - capital	8,202	0	0	0
<b>Surplus for the year</b>	<b>71,998</b>	<b>69,649</b>	<b>106,277</b>	<b>227,970</b>

The Third Quarter Budgeted Operating Revenue for the 2018/19 financial year was R1, 153m. As per the Third Quarter assessment the actual revenue billed and/or collected to date is R1, 182m. The positive variance of approximately R29, 5m or 3% is realised at the end of the quarter under review.

The Third Quarter Budgeted Operating Expenditure for the 2018/19 financial year was R1, 086m. As per the Third Quarter assessment the actual expenditure to date is R980m. The negative variance of R106, 0m or 10% has resulted in the Third quarter of 2018/19 financial year.



For the purposes of this report, the operating budget will be discussed under the following broad headings:

• Revenue and Expenditure

**TABLE C4: FINANCIAL PERFORMANCE**

**KZN292 Kwadukuzi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March**

Description	Ref	Budget Year 2018/19							YTD variance	YTD variance %	Full Year Forecast
		2017/18 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget				
<b>Revenue By Source</b>											
Property rates		332 441	430 791	451 291	40 572	332 946	331 652	1 194	0%		451 291
Service charges - electricity revenue		732 877	751 134	770 470	87 071	558 649	548 865	9 784	2%		770 470
Service charges - water revenue		-	-	-	-	-	-	-	-		-
Service charges - sanitation revenue		57 437	53 807	63 607	3 993	44 798	46 834	(2 036)	-4%		63 607
Service charges - refuse revenue		-	-	-	-	-	-	-	-		-
Service charges - other		1 488	1 161	1 630	120	1 101	1 128	(27)	-2%		1 630
Rent of facilities and equipment		31 077	23 005	30 025	9 492	26 049	20 559	5 491	27%		30 025
Interest earned - external investments		5 231	7 200	6 850	661	4 922	4 893	29	1%		6 850
Interest earned - outstanding debts		-	-	-	-	-	-	-	-		-
Dividends received		31 011	47 019	38 319	1 594	14 543	22 224	(7 681)	-35%		38 319
Fines, penalties and forfeits		200	205	205	5	185	184	1	0%		205
Licences and permits		10 935	9 688	10 438	1 023	8 605	8 130	476	6%		10 438
Agency services		151 173	166 667	164 451	35 955	161 608	140 868	20 740	15%		164 451
Transfers and subsidies		63 025	34 836	38 719	8 046	28 757	27 267	1 490	5%		38 719
Other revenue		-	-	-	-	-	-	-	-		-
Gains on disposal of PPE		-	-	-	-	-	-	-	-		-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 476 886</b>	<b>1 525 513</b>	<b>1 575 946</b>	<b>188 531</b>	<b>1 182 063</b>	<b>1 152 593</b>	<b>29 470</b>	<b>3%</b>		<b>1 575 946</b>
<b>Expenditure By Type</b>											
Employee related costs		343 090	376 583	366 928	28 888	251 320	276 675	(15 355)	-6%		366 928
Remuneration of councillors		21 812	23 182	23 182	1 882	19 198	18 532	666	4%		23 182
Debt impairment		23 185	45 523	8 134	-	-	3 254	(3 254)	-100%		8 134
Depreciation & asset impairment		70 332	85 000	86 000	11 043	49 692	57 599	(7 908)	-14%		86 000
Finance charges		23 103	23 786	23 786	804	12 192	16 347	(4 155)	-25%		23 786
Bulk purchases		567 223	633 019	623 652	45 464	425 039	448 081	(23 042)	-5%		623 652
Other materials		125 454	160 760	190 378	(12 541)	7 730	19 322	(11 592)	-60%		19 739
Contracted services		300	300	190 378	4 663	115 367	120 937	(5 571)	-5%		190 378
Transfers and subsidies		146 628	146 170	19 816	4 663	4 963	7 929	(2 946)	-37%		19 816
Other expenditure		-	-	203 930	16 675	84 930	117 761	(32 822)	-28%		203 930
Loss on disposal of PPE		2 847	-	-	-	-	-	-	-		-
<b>Total Expenditure</b>		<b>1 323 674</b>	<b>1 524 768</b>	<b>1 575 557</b>	<b>118 857</b>	<b>980 450</b>	<b>1 086 419</b>	<b>(106 969)</b>	<b>-10%</b>		<b>1 575 557</b>
<b>Surplus/(Deficit)</b>		<b>153 212</b>	<b>745</b>	<b>389</b>	<b>69 674</b>	<b>201 613</b>	<b>66 174</b>	<b>135 439</b>	<b>0</b>		<b>389</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		64 127	63 052	69 260	5 000	26 358	40 103	(13 745)	(10)		69 260
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	8 202	-	-	-	-	-	-		-
Transfers and subsidies - capital (fr-land - all)		-	-	-	-	-	-	-	-		-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>217 349</b>	<b>71 998</b>	<b>69 649</b>	<b>74 674</b>	<b>227 970</b>	<b>106 277</b>	<b>-</b>	<b>-</b>		<b>69 649</b>
<b>Taxation</b>											
Surplus/(Deficit) after taxation		217 349	71 998	69 649	74 674	227 970	106 277	-	-		69 649
Attributable to municipalities		217 349	71 998	69 649	74 674	227 970	106 277	-	-		69 649
Share of surplus/(deficit) of associate		-	-	-	-	-	-	-	-		-
<b>Surplus/ (Deficit) for the year</b>		<b>217 349</b>	<b>71 998</b>	<b>69 649</b>	<b>74 674</b>	<b>227 970</b>	<b>106 277</b>	<b>-</b>	<b>-</b>		<b>69 649</b>



## **DISCUSSION**

### **REVENUE**

The Third Quarter Budgeted Operating Revenue for 2018/19 was R1, 153m. The actual revenue recognised as at 31 March 2019 amounts to R1, 182m which implies that we have realised a positive variance of approximately R29, 5m in revenue. The reasons for the variances will be discussed with reference to Table C4 of the Budget Statement Tables, and is explained as follows:

**Please note that only material variances over R1m and 5 per cent will be discussed.**

*The main contributing factors to the over collection/billing includes the following:*

#### ***Interest earned - external investments***

- Interest earned – external investments reflects a positive variance R5, 5m. The positive variance is due to the poor capital expenditure.

#### ***Transfers and subsidies***

- Transfers and Subsidies show a positive variance of R20, 7m as at 31 March 2019. The transfer recognised - Operational revealed a positive variance due to a grant received in advance. The variance will decrease as the year progresses.

#### ***Other revenue***

- “Other revenue” reflects a R1, 5m positive variance as at 31 March 2019.
- Higher than anticipated Electricity demand contribution receipts remains the only contributing factor creating this variance, however this will need to be monitored to determine if it is due to a once off transaction.

***The main contributing factors to the under collection/billing includes the following:***

#### ***Fines, penalties and forfeits***

- Fines, Penalties and Forfeits reflect a negative variance of R7, 9m as at the end of the Third quarter.



- The unfavourable variance of R7, 9m in this line item is as a result of the fines revenue raised on a cash basis whilst the budget is based on iGRAP 1. GRAP requires us to recognise the total fines issued and not only those collected. This exercise will be conducted prior to year end and it is anticipated that once this exercise is finalised and the journal is captured on the system the variance will reduce significantly.

## **EXPENDITURE**

The Third Quarter Budgeted Operating Expenditure for the 2018/19 financial year was R1, 086m. The actual expenditure recognised as at 31 March 2019 was R980m which implies that the municipality has realised a negative variance of approximately R105, 6m in expenditure.

The reasons for the variances will be discussed with reference to Table C4 of the Budget Statement Tables, and is explained as follows:

**Please note that only material variances over R1m and 5 per cent will be discussed.**

### ***Employee related costs***

- The employee related costs shows a negative variance or savings of almost R15, 4m as at the end of the March 2019. The attrition posts which have existed during the last quarter of 2017/18 was delayed and finalisation of the 2018/19 vacancies was only approved by council in quarter 2 of 2018/19, has contributed to these savings.

### ***Debt Impairment***

- Debt Impairment shows a negative variance of R3, 3m as at the end of March 2019.
- Items included in this category are bad debts written off, contribution to bad debt provision and provisions for fines which at the time of compiling the report, there were no provisions recorded on the financial system resulting in this variance.



- However the council to note that the above non cash provisions are required in terms of GRAP which are normally calculated at the end of the financial year upon the finalisation of AFS; as a result the variance in this line item is anticipated to be eliminated upon the finalisation of the AFS.

#### *Depreciation & asset impairment*

- Depreciation and asset impairment shows a negative variance of R7, 9m as at 31 March 2019.
  - The variance is as a result of lower than expected spending on the capital budget and delays in completing the prior year's projects which has had an effect on the capitalisation and subsequent depreciation of the assets.
  - The other contributing factor to this variance is related to asset impairment which is normally undertaken towards the end of financial year.
- As a result the variance is anticipated to decrease once the annual impairment journal is finalised and captured on the financial system.

#### *Finance charges*

- Finance charges reflect a negative variance of R4, 2m as at the end of March 2019.
- The variance in this line item is as a result of the budgeted loan amount which has not yet been taken up by the municipality. As a result the municipality is not yet obliged to make interest payments as anticipated during the budgeting stage.
- The loan is currently at Tender Specification Stage and awaiting approval, however interest will only be incurred upon drawdown of this loan.

#### *Bulk purchases*

- Bulk purchases reflect a negative variance of R23, 0m as at 31 March 2019.
- The variance here is as a result of March Bulk Eskom bill that amounts to R45, 464m which at the time of compiling the report was not captured on the system as a result this variance has been realised. However, it must be noted that the billing is usually received after month end, whereas the report is based on the figures as at the end of each month resulting in the variance.



- It must also be noted that should this expenditure of R45, 464m be taken into account. The variance is expected to be eliminated during the course of the year as previous years' trends indicate.
- Further, various shortfalls in the votes relating to repairs and maintenance have been funded via viements from Bulk Purchases. This will not be possible going forward as we may run the risk of depleting the Bulk Purchases budget allocation.

#### *Other materials*

- The other material reflects the underspending of R11, 6m as at the end of March 2019.
- The variance is a result of correcting categories of expenditure between Contracted Services and Other materials during the Adjustment Budget process.

#### *Contracted services*

- Contracted services shows an under spending of R5, 6m as at the end of March 2019.
- The variance in this line item is due to the projects that are still in the SCM process. It is anticipated that once those projects are finalised the variance will reduce.
- Other than those projects that are delayed due to SCM processes, there are certain annual projects for which the majority of the expenditure is expected in the last quarter, eg Civil and Electrical Verification Project. This will further assist the reduction of the variance.

#### *Transfers and subsidies*

- Transfers and subsidies shows an underspending of R2, 9m as at the end of March 2019.
- The variance is as a result of the timing of the implementation of various operational community support programmes but will reduce as the year passes.



*Other expenditure*

- The other expenditure category reflects an under spending of R32, 8m as at the end of March 2019.
- The variance in this line item is due to the projects that are still in the SCM processes. It is anticipated that once those projects are finalised the variance will reduce.
- The other reason for this variance relates to those journals that are technically required in terms of GRAP which are normally undertaken upon the finalisation of AFS, as a result the variance is anticipated to be eliminated once those journals are captured on the financial system prior to the finalisation of AFS.



## CAPITAL BUDGET

Reference is made to Part One – (C Schedule Table C5c) for a detailed breakdown of amounts pertaining to the capital budget, per department.

The municipality has the following nine business units for the purposes of budget reporting:

- Office of the Municipal Manager
- Corporate Services
- Finance
- Economic Development and Planning
- Community Services & Public Amenities
- Community Safety
- Civil Engineering & Human Settlements
- Electrical Engineering
- Youth Development

The municipality approved R 344,7m as a capital budget in the current financial year, with the majority of the funding being allocated towards electrical upgrades, road infrastructure projects and community recreational facilities. The budget was since adjusted to R236m during the Adjustments Budget Process.

The capital expenditure report is based on Table C5 which is a format required by National Treasury and it is categorised by municipal vote and standard classification. The Capital Budget includes the following funding sources:

- Government Grants
- Public Contributions
- Borrowings
- Internally generated funds



## CAPITAL BUDGET FUNDING SUMMARY

KZN299 KwaDukuza - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M09

Budget Year 2018/19										
Vote Description	Ref	2017/18	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
		Audited Outcome								
R thousands	1									
Funded by:										
National Government		64,277	63,652	63,710	2,131	29,505	28,130	1,374	5%	63,710
Provincial Government		191		5,550	84	84	1,050	(966)	-92%	5,550
District Municipality		-		-				-		-
Other transfers and grants		8,018	13,041	5,133	295	1,234	1,372	(138)	-10%	5,133
Transfers recognised - capital		72,487	76,693	74,394	2,511	30,822	30,553	270	1%	74,394
Public contributions & donations	5	10,954	-					-		16,852
Borrowing	6	334	77,186	16,852	-	-	-	-		144,999
Internally generated funds		86,080	191,483	144,999	4,595	31,403	39,214	(7,810)	-20%	144,999
Total Capital Funding		169,855	344,762	236,245	7,106	62,226	69,766	(7,541)	-11%	236,245

## Capital Budget Funding

## Utilisation of Grants

- The capital grant allocation for the financial year is R 69,260m. R28m (R29m vat inclusive) of the R48, 7m Capital portion of the MIG allocation has been spent to date, as well as R224k of the R5m Energy Efficiency Demand Side Management Grant and R1, 198m of the R9, 920m INEP allocation. The Municipality has since received R3, 301m additional MIG allocation on the 18<sup>th</sup> March 2019. The amendment to funding on the Capital Budget will be adjusted accordingly in terms of S28 of the MFMA in a second Adjustments Budget.
- R5m Provincial allocation from COGTA was received for the Upgrade of Theunissen Park. R84k has been spent as at the end of March 2019.
- R550k Housing Accreditation funding has been allocated for the purchase of furniture, tools & equipment, and the Renovation to office space. No expenditure is reflected to date.



- R5, 133m has been allocated as Public Contributions to be spent on upgrade to beach and recreational facilities (R3, 633m) as well the Ballito Business Park Upgrade (R1, 5m). R1, 234m has been spent on upgrade to beach and recreational facilities with no expenditure reflected for the Ballito Business Park project.

#### *Council Funding*

- Although there is under-spending of approximately 20 % as at 31 March 2019 in the Council/Internal funding, expenditure on the Capital Budget has significantly dropped from previous financial years. To date the Municipality has only spent 26, 3% of its total Capital Budget.

#### *Borrowings*

- R15m allocation for the purchase of Office Space. The tender for the Loan application was advertised, however there were non-responsive bidders and the project will once again sit at tender specifications. It is therefore unlikely that the loan will be taken up and utilised for the purchase of Office space in the current financial year.
- A R1, 852m ABSA loan has been budgeted for. The loan was taken up in previous financial years, with the loan being utilised to fund the development of a Testing Station. The Community Safety Business Unit is currently in the process of procuring the land for the development.

#### **EXPENDITURE PER STANDARD CLASSIFICATION**

- The table below provides a budget versus expenditure as per the standard classification Table C5 of the in-year reports. Based on this table, council spent R 62, 2million as at the third quarter of the 2018/19 financial year compared to its year to date budget of R 69,7m. The actual expenditure resulted in a negative variance of 11% from its target.



KZN292 KwaDukuza - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M09

Vote Description	Ref	2017/18	Budget Year 2018/19						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
Thousands	1								
<b>Capital Expenditure - Functional Classification</b>									
<b>Governance and administration</b>									
Executive and council		35,488	23,460	25,906	1,020	5,091	5,100	(70)	-1%
Finance and administration		-	-	-	-	-	-	-	-
Internal audit		35,488	23,460	25,906	1,020	5,091	5,100	(70)	-1%
<b>Community and public safety</b>									
Community and social services		41,904	50,394	33,345	1,391	12,376	14,406	(2,119)	-15%
Sport and recreation		29,894	27,323	9,849	320	3,754	3,506	248	7%
Public safety		11,873	17,971	18,496	802	6,472	8,429	(1,957)	-23%
Housing		337	600	450	119	324	184	140	76%
Health		-	4,500	4,550	150	1,827	2,377	(550)	-23%
<b>Economic and environmental services</b>									
Planning and development		66,970	116,465	116,490	3,565	38,876	44,424	(5,548)	-12%
Road transport		-	1,580	1,661	654	854	1,156	(302)	-26%
Environmental protection		66,970	114,905	114,829	2,912	38,022	43,268	(5,246)	-12%
Trading services		-	-	-	-	-	-	-	-
Energy sources		25,494	154,423	60,504	1,130	5,943	5,746	196	3%
Water management		24,907	150,061	57,014	895	5,287	5,326	(39)	-1%
Waste water management		-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-
Other		586	4,342	3,490	235	655	420	235	56%
<b>Total Capital Expenditure - Functional Classification</b>	<b>3</b>	<b>169,855</b>	<b>344,762</b>	<b>286,245</b>	<b>7,106</b>	<b>62,226</b>	<b>69,766</b>	<b>(7,540)</b>	<b>-11%</b>
									<b>286,245</b>



### *Governance and Administration – Finance & Admin*

In terms of Functional classification the R5,031m expenditure reflected is from the following departments within the respective business units:-

- **Corporate Services Business Unit**– Administration and Information Technology – R354,3k with R208,2k being spent on Office Furniture & Equipment and R146,1k on IT Equipment. There have been various delays in the finalization of the SCM processes for both IT equipment and furniture. The bid for furniture which was re-advertised towards the end of Q1, was only finalised at the end of Q2. As all requests have been considered, the budget is estimated to be fully spent this financial year. The tender for the purchase of IT Equipment has been finalised in the current financial year and the business unit is awaiting SCM to submit letters to successful bidders. R 1,650m has been allocated for this multi- year project.
- **Civil Engineering Business Unit** – Civic Buildings – R3, 660m. The expenditure relates to the Laviopierre Building Extension – R 3,615m and R 45,8k for Engineering Equipment. The Laviopierre Building Extension project has been completed.

### *Community & Public Safety*

In terms of Functional classification the R12, 376m expenditure reflected is from the following departments within the respective business units:-

### **Community & Social Services**

- **Community Services & Public Amenities** – R3, 528m expenditure reflected which is in terms of Community Halls – R 896k, Libraries – R 80,7k and Cemeteries – R 2, 551m.
- The expenditure of R2, 551m under Cemeteries is mainly for the development of Vlakspruit Cemetery in Ward 7. This project is a multi-year project spanning over 3 financial years. It is currently in Phase 5 which is the final phase of the project. The expenditure also relates to



Crematorium Development (R 344k), Storm Water Management in Thembeni and Nkobongo Cemeteries (R492k) and Fencing in Thembeni & Old KDM Cemetery (R553k).

### **Sports & Recreation**

- **Community Services & Public Amenities** – R6, 472m expenditure reflected which is in terms of Parks & Gardens R1, 481m and R4, 458m for the Upgrade to Recreational Facilities which relate to the Upgrade to Beach Facility, Construction of Chief Albert Luthuli Sports Complex, Nonoti Beach Node project, Zinkwazi Ablution Facility and the Construction of Shakashead Swimming Pool. R531, 9k relates to the procurement of a 4x4 rescue vehicle and beach safety equipment for the marine safety department.

### **Public Safety**

- R323, 8k has been spent of the R450k budget allocation which relates to the purchase of Emergency Equipment for the Fire & Emergency department under Community Safety Business unit. The department had budgeted to purchase emergency equipment and an industrial washing machine.

### **Housing**

- R1, 827m has been spent of the R4, 5m budget allocation for the Renovations to Office Park and Renovations to Compounds under the Civil Business Unit. The planning phase of the projects was finalised in the first quarter and construction of the projects have begun. During the planning phase it was estimated that the Renovation to Office Park was under budgeted for and the budget was topped up by R1m during the Adjustment Budget process. The Renovation to Compound is a multi-year project with an allocation of R2, 5m being made in the 2019/20 Draft Budget.



### *Economic & Environmental Services*

In terms of Functional classification the R38, 876m expenditure reflected is from the following departments within the respective business units:-

#### **Planning & Development**

- Planning & Development has an adjusted budget of R 1,661m and have budgeted to purchase R250k for Bulk Filers, R30k for Furniture & Equipment, R175k GIS Equipment, R250k for Trading Stalls and R 956k for 4 X LDVs. Two of the vehicles have been purchased for the public participation unit, totaling R653, 6k. In terms of the acquisition of Municipal Fleet, the Municipality had used a S32 to acquire fleet from the National Treasury RT57 contract. The requisitions for the purchase of Municipal Fleet was submitted during the 2<sup>nd</sup> week of January, and processing was finalised at the end of the March. Overall R2, 931m expenditure is reflected for fleet under the various business units.
- The bulk filers are being procured through a transversal contract. The report has been recommended for approval to the TAC by TEC-Non-Technical. The process was to be finalised before end of January 2019, but has been delayed. No expenditure on Bulk Filers is reflected thus far. R151k has been spent on procurement of Trading Stalls.

#### **Road Transport - Civil Engineering Roads**

- Reflects R37, 110m expenditure under the Civil Engineering Business Unit with completion of various 2017/18 roll-over projects. The business unit have since received R3, 301m additional MIG allocation on the 18<sup>th</sup> March 2019. Rehabilitation of Chief Albert Luthuli Road, Rehabilitation of Smithers Road and Mdllebeni Roads & Storm water, have been identified by the Civil Business unit and a 2<sup>nd</sup> Adjustment Budget, accounting for the additional MIG allocation will be passed by the end of April 2019.
- The expenditure of R37m relates to the following projects as listed in the table below:-



ITEM DESCRIPTION	APPROVED BUDGET	ADJUSTED BUDGET	YTD EXP.	AVAILABLE BUDGET
Grootville Internal roads MIG	2,621,236.00	5,530,562.00	5,530,561.06	0.94
Chris Hani Sport field	2,000,000.00	2,000,000.00	932,351.72	1,067,648.28
Mdlebeni Community Hall 170461939	2,000,000.00	2,000,000.00	1,126,495.35	873,504.65
NV Roads Stormwater Grootville Community Hall 170461937	4,200,000.00	4,200,000.00	574,150.00	3,625,850.00
NV Roads Stormwater Driefontein Community Halls 170new	970,364.00	634,011.00	587,157.99	46,853.01
NV Roads Stormwater Khafufuwe Creche 170461934	1,360,894.00	759,828.00	759,827.22	0.78
Roads Stormwater Eteje Internal Roads 170461919	5,010,514.00	3,910,514.00	3,389,043.51	521,470.49
NV Roads Stormwater Chief Albert Luthuli Farm Roads 170new	6,861,636.00	2,595,599.00	2,595,598.81	0.19
NV Roads Stormwater Manor Drive Grey R Imp 170	2,500,000.00	3,000,000.00	535,675.77	2,464,324.23
NV Roads Stormwater Hlalanathi Roads Upgrade 170	3,179,179.00	3,179,179.00	618,698.26	2,560,480.74
Upgrading of Roads and Stormwater in Dube Village	2,000,000.00	2,000,000.00	445,443.93	1,554,556.07
Waterworks Road Upgrade to Blacktop	500,000.00	450,047.00	450,045.80	1.20
Maphithiza Road Upgrade	3,000,000.00	6,388,019.00	6,388,018.33	0.67
Maphithiza Road Upgrade	4,592,181.00	2,204,162.00	1,573,982.03	630,179.97
Rehabilitation of Gledhow roads	2,000,000.00	2,000,000.00	344,263.49	1,658,736.51
Malende Wooden Bridge	250,000.00	250,000.00	156,413.00	93,587.00
Construction of Nyoniyamanzi Access Road	1,800,000.00	1,800,000.00	710,974.99	1,089,025.01
Stanger Heights -Hill view link	500,000.00	500,000.00	31,445.89	468,554.11
R 102- Townview link road	1,200,000.00	1,200,000.00	458,107.80	741,892.20
Intersection at Lloyd	2,500,000.00	2,500,000.00	463,845.18	2,036,154.82
Melville Hall	500,000.00	500,000.00	355,156.23	144,843.77
Ward 4 Internal Roads MIG	5,000,000.00	2,500,000.00	884,210.52	1,615,789.48
Grootville Surface Roads & Stormwater MIG	5,000,000.00	6,143,009.00	6,116,156.91	26,852.09
Grootville Surface Roads & Stormwater CBR	1,389,290.00	238,784.00	118,000.00	120,784.00
Nyathikazi Bridge	2,500,000.00	2,500,000.00	303,670.67	2,196,329.33
Gizenga Street	4,000,000.00	868,244.00	274,612.59	593,631.41
Khafufuwe internal roads MIG	3,000,000.00	3,000,000.00	724,781.70	2,275,218.30
NV Roads Stormwater SW Infra Improve 170461893	1,600,000.00	1,600,000.00	453,385.42	1,146,614.58
Shayamoya Sports Complex	-	206,500.00	178,000.00	28,500.00
Bird Park Bridge Replacement 170461527	-	33,950.00	33,922.33	27.67
	72,035,294.00	64,692,408.00	37,110,996.50	27,581,411.50



**Road Transport – Law Enforcement** – R673,7k with R 634,7k for the procurement of Patrol Vehicles and R38,9k Law Enforcement Equipment expenditure on a budget allocation of R857,9k which relates to the procurement of:-

- ✓ Law Enforcement Equipment
- ✓ Speed Cameras
- ✓ Patrol Vehicles
- ✓ Motor Cycles

**Road Transport – Vehicle Testing** -- reflects R237, 6k with R225, 8k consultation costs for the construction of the new Motor Licencing and Testing Centre and R11k for the procurement of an air conditioner.

### ***Trading Services***

In terms of Functional classification the R5, 943m expenditure reflected is from the following departments within the respective business units:-

**Energy Sources** - The Electrical Engineering Business unit reflects expenditure of R5, 287m from a budgeted third quarter allocation of R5, 326m. The table below reflects expenditure per electrical project as at end March 2019:-



ITEM DESCRIPTION	APPROVED BUDGET	ADJUSTED BUDGET	YTD EXP.	AVAILABLE BUDGET
New Dukuzu 132/33/11kV 80Mva Bulk	675,818.00	1,265,818.00	1,032,692.50	233,125.50
Electricity Admin Housing Projects Electrification	2,500,000.00	5,000,000.00	224,432.22	4,775,567.78
Electricity Admin Housing Projects Electrification	2,500,000.00	4,500,000.00	1,198,933.55	3,301,066.45
Electricity Admin W13212527 400423933	4,802,089.00	4,802,089.00	731,841.22	4,070,247.78
Grootville Priority 2 238 Units	945,634.00	945,634.00	729,986.94	215,647.06
NV Electricity Admin Safety Equip Fas PPE Port 400461472	80,000.00	80,000.00	12,225.84	67,774.16
NV Street Lights Cluster F 50 SL 400452127	721,533.00	1,660,645.00	10,645.34	1,649,999.66
Doesberg/Lindelani Feeder P6	250,000.00	363,656.00	27,655.64	336,000.36
Dendethu Phase 6	260,000.00	363,540.00	27,573.03	335,966.97
Doesburg Lot 11 Phase 3	260,000.00	376,417.00	37,449.27	338,967.73
Grootville Charlottale Phase 2	260,000.00	260,000.00	30,542.88	229,457.12
Grootville Dube Village Phase 2	260,000.00	405,382.00	69,512.43	335,869.57
Malende	260,000.00	260,000.00	45,866.81	214,133.19
Keatsney Hospital Phase 2	260,000.00	366,093.00	28,228.13	337,864.87
Grootville Hangeos Phase 3	260,000.00	410,983.00	73,008.06	337,974.94
Princes Grant Main 4 way Ring Main unit	250,000.00	409,334.00	58,348.59	350,985.41
Blythedale Main 4 way Ring Main unit	250,000.00	398,628.00	44,119.53	354,508.47
NV Rural North Upgrade 11kV Cable from Hyd to Bil 430452147	800,000.00	800,000.00	151,898.93	648,101.07
Lot 14 Switch room Replace 11kV Switchgear [6] (Retrofit)	1,400,000.00	1,400,000.00	208,645.74	1,191,354.26
High Street Oceanview 500 KVA Mini Sub	260,000.00	600,000.00	56,930.54	543,069.46
NV SAPPI Gizenga Substation 440423981	29,367,489.00	1,367,489.00	205,196.72	1,162,292.28
Compensation Phase 7	280,000.00	383,188.00	45,459.16	337,728.84
Compensation Phase 8	280,000.00	407,954.00	71,129.15	336,824.85
Miltons Feeder Underground Cable	600,000.00	600,000.00	66,818.66	533,181.34
Tinley Manor 11kV OHL Phase 6	280,000.00	280,000.00	41,747.38	238,252.62
Glendale Alexa Farm Phase 3	280,000.00	394,372.00	56,603.77	337,768.23
	48,342,563.00	28,101,222.00	5,287,492.03	22,813,729.97



The approved electrical budget allocation for the financial year was R150m with R60 loan funding for the New Dukuza Substation and R 14,9m INEP and Demand Side Management grant allocation. In discussions held with the business unit, the New Dukuza Substation loan funded project was to be rolled over into the 19/20 financial year and only R1, 3m internal funding utilised as consultant's costs this financial year.

During the Adjustment Budget process, the budget was then adjusted to R 57m, however only R5, 2m has been spent as at end of March 2019. Numerous electrical budget clearance certificates have been requested from budget office as various projects are at tender specification and evaluation. Although it is highly unlikely that the Electrical Capital Budget will be fully spent by year-end spending should therefore increase in the next quarter.

**Waste Management** – expenditure of R 655k is for the procurement of Recycling Bins – R 189,7k, Street Litter Bins – R 49,8k and Waste Transfer Station – R 180,8k and Skips – R234k.





## 1.4 IN YEAR BUDGET STATEMENT TABLES



*In year budget statement tables*

Due to the legislated formats required for the Third Quarter Budget and Performance Assessment, these tables have been included on the attached excel spread sheet.

The following tables are included as part of the Third Quarter Budget and Performance Assessment:

- C1 - s71 Monthly Budget Statement Summary
- C2 - Monthly Budget Statement ; Financial Performance (Standard Classification)
- C3 - Monthly Budget Statement ; Financial Performance (Revenue and Expenditure by municipal vote)
- C4 - Monthly Budget Statement ; Financial Performance (Revenue and Expenditure)
- C5 - Monthly Budget Statement ; Capital Expenditure (Municipal vote , Standard classification and Funding)
- C6 - Consolidated Monthly Budget Statement ;Financial Position
- C7 - Consolidated Monthly Budget Statement ; Cash Flow

A detail narrative explanation of the above schedules and other supporting documentation is contained in this document.



KZN292 KwaDukuza - Table C1 Monthly Budget Statement Summary - M09 March

Budget Year 2018/19									
Description	2017/18 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>Financial Performance</b>									
Property rates	392,441	430,791	451,291	40,572	332,846	331,652	1,194	0%	451,291
Service charges	790,314	804,941	834,018	91,064	603,447	595,689	7,758	1%	834,018
Investment revenue	31,077	23,005	30,025	9,492	26,049	20,559	5,491	27%	30,025
Transfers and subsidies	151,173	166,667	164,451	35,955	161,608	140,868	20,740	15%	164,451
Other own revenue	111,891	100,109	96,161	11,448	58,113	63,825	(5,712)	-9%	96,161
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,476,886</b>	<b>1,525,513</b>	<b>1,575,946</b>	<b>188,531</b>	<b>1,182,063</b>	<b>1,152,593</b>	<b>29,470</b>	<b>3%</b>	<b>1,575,946</b>
Employee costs	343,090	376,583	366,928	28,868	291,320	276,575	(15,355)	-6%	366,928
Remuneration of Councillors	21,812	23,182	23,182	1,882	19,198	18,532	666	4%	23,182
Depreciation & asset impairment	70,332	85,000	86,000	11,043	49,692	57,589	(7,896)	-14%	86,000
Finance charges	23,103	23,786	23,786	804	12,192	16,347	(4,155)	-25%	23,786
Materials and bulk purchases	567,223	671,457	643,402	32,923	432,769	467,403	(34,634)	-7%	643,402
Transfers and subsidies	-	300	19,816	4,663	4,983	7,929	(2,946)	-37%	19,816
Other expenditure	298,114	344,459	392,443	38,674	200,296	241,943	(41,647)	-17%	392,443
<b>Total Expenditure</b>	<b>1,323,674</b>	<b>1,524,768</b>	<b>1,575,557</b>	<b>118,857</b>	<b>980,450</b>	<b>1,086,419</b>	<b>(105,969)</b>	<b>-10%</b>	<b>1,575,557</b>
<b>Surplus/(Deficit)</b>	<b>153,212</b>	<b>745</b>	<b>389</b>	<b>69,674</b>	<b>201,613</b>	<b>66,174</b>	<b>135,439</b>	<b>205%</b>	<b>389</b>
Transfers and subsidies - capital (monetary allocations)	64,127	63,052	69,260	5,000	26,358	40,103	(13,745)	-34%	69,260
Contributions & Contributed assets	-	8,202	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>217,349</b>	<b>71,998</b>	<b>69,649</b>	<b>74,674</b>	<b>227,970</b>	<b>106,277</b>	<b>121,694</b>	<b>115%</b>	<b>69,649</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>217,349</b>	<b>71,998</b>	<b>69,649</b>	<b>74,674</b>	<b>227,970</b>	<b>106,277</b>	<b>121,694</b>	<b>115%</b>	<b>69,649</b>
<b>Capital expenditure &amp; funds sources</b>									
Capital expenditure	169,855	344,762	236,245	7,106	62,226	69,766	(7,541)	-11%	236,245
Capital transfers recognised	72,487	76,093	74,394	2,511	30,822	30,553	270	1%	74,394
Public contributions & donations	10,954	-	-	-	-	-	-	-	-
Borrowing	334	77,186	16,852	-	-	-	-	-	16,852
Internally generated funds	86,080	191,483	144,999	4,595	31,403	39,214	(7,810)	-20%	144,999
<b>Total sources of capital funds</b>	<b>169,855</b>	<b>344,762</b>	<b>236,245</b>	<b>7,106</b>	<b>62,226</b>	<b>69,766</b>	<b>(7,541)</b>	<b>-11%</b>	<b>236,245</b>
<b>Financial position</b>									
Total current assets	719,265	530,364	692,482		925,053				692,482
Total non current assets	2,143,993	2,355,716	2,294,184		2,155,894				2,294,184
Total current liabilities	313,826	328,111	329,747		300,246				329,747
Total non current liabilities	370,036	458,585	407,873		359,614				407,873
Community wealth/Equity	2,179,398	2,159,384	2,249,047		2,421,077				2,249,047
<b>Cash flows</b>									
Net cash from (used) operating	317,887	88,511	84,711	79,081	247,573	121,195	(126,378)	-104%	84,711
Net cash from (used) investing	(176,125)	(242,208)	(137,961)	(10,166)	14,630	7,663	(6,967)	-91%	(137,961)
Net cash from (used) financing	(8,064)	65,350	8,529	(866)	(4,137)	(2,733)	1,404	-51%	8,529
Cash/cash equivalents at the month/year end	403,908	191,666	359,187	-	661,974	530,034	(131,941)	-25%	359,187
<b>Debtors &amp; creditors analysis</b>									
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
<b>Debtors Age Analysis</b>									
Total By Income Source	67,160	18,378	12,296	10,670	43,910	8,149	49,303	71,476	281,542
<b>Creditors Age Analysis</b>									
Total Creditors	126,961	1,343	154	377	-	-	-	-	128,835



KZN292 KwaDukuzi - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M09 March

Description		Ref	2017/18		Budget Year 2018/19							
			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands		1										
Revenue - Functional	Governance and administration		565,912	575,659	562,677	47,427	439,715	433,634	6,082	1%	562,677	
	Executive and council		78,001	92,594	46,048	(11,992)	42,394	49,386	(6,992)	-14%	46,048	
	Finance and administration		487,910	483,065	516,032	58,822	396,725	383,899	12,826	3%	516,032	
	Internal audit		-	-	597	597	597	349	248	71%	597	
	Community and public safety		27,284	40,402	70,119	28,372	56,312	48,837	7,475	15%	70,119	
	Community and social services		11,184	15,344	18,350	5,521	14,630	11,530	3,100	27%	18,350	
	Sport and recreation		12,062	18,381	42,928	21,666	37,699	31,820	5,880	18%	42,928	
	Public safety		124	47	127	-	103	71	32	45%	127	
	Housing		3,914	6,629	8,714	1,195	3,879	5,416	(1,536)	-28%	8,714	
	Health		-	-	-	-	-	-	-	-	-	
	Economic and environmental services		113,049	107,751	115,380	25,608	69,953	71,461	(1,509)	-2%	115,380	
	Planning and development		17,689	12,162	19,160	6,782	18,302	13,740	4,562	33%	19,160	
	Road transport		95,390	95,589	95,482	18,078	50,913	57,191	(6,278)	-11%	95,482	
	Environmental protection		-	-	737	737	737	530	207	39%	737	
	Trading services		834,778	872,955	897,030	92,124	642,441	638,764	3,677	1%	897,030	
Energy sources		758,778	801,800	817,876	89,965	582,164	580,087	2,077	0%	817,876		
Water management		-	-	-	-	-	-	-	-	-		
Waste water management		-	-	-	-	-	-	-	-	-		
Waste management		76,000	71,154	79,154	2,159	60,277	58,677	1,600	3%	79,154		
Other		4	-	-	-	-	-	-	-	-		
Total Revenue - Functional		2	1,541,023	1,596,766	1,645,206	193,531	1,208,421	1,192,696	15,725	1%	1,645,206	
Expenditure - Functional	Governance and administration		204,661	250,335	266,869	20,311	158,052	178,259	(20,207)	-11%	266,869	
	Executive and council		69,999	92,948	99,669	4,872	48,981	65,888	(16,907)	-26%	98,569	
	Finance and administration		134,662	152,696	163,764	15,089	106,221	108,206	(2,985)	-3%	163,764	
	Internal audit		-	4,691	4,537	360	2,861	3,165	(315)	-10%	4,537	
	Community and public safety		155,589	182,671	177,190	15,062	117,467	122,470	(4,993)	-4%	177,190	
	Community and social services		32,186	41,257	39,221	2,793	24,691	27,468	(2,778)	-10%	39,221	
	Sport and recreation		81,296	88,587	88,267	8,068	61,312	61,788	(475)	-1%	88,267	
	Public safety		31,424	33,285	32,604	3,940	24,241	21,829	2,412	11%	32,604	
	Housing		10,683	19,542	17,109	261	7,242	11,394	(4,142)	-36%	17,109	
	Health		-	-	-	-	-	-	-	-	-	
	Economic and environmental services		206,149	242,352	243,838	14,345	130,047	163,779	(33,732)	-21%	243,838	
	Planning and development		52,391	59,760	62,420	3,397	36,066	42,626	(6,570)	-15%	62,420	
	Road transport		153,758	179,654	178,786	10,816	92,880	119,368	(26,688)	-22%	178,786	
	Environmental protection		-	2,938	2,632	132	1,311	1,786	(474)	-27%	2,632	
	Trading services		757,276	849,410	887,659	69,139	574,864	621,911	(47,047)	-8%	887,659	
	Energy sources		687,590	775,352	805,985	58,828	518,546	564,109	(45,563)	-8%	805,985	
	Water management		-	-	-	-	-	-	-	-	-	
	Waste water management		-	-	-	-	-	-	-	-	-	
	Waste management		69,686	74,068	81,674	10,310	56,318	57,802	(1,484)	-3%	81,674	
	Other		-	-	-	-	-	-	-	-	-	
	Total Expenditure - Functional		3	1,323,674	1,524,768	1,575,557	118,857	980,450	1,086,419	(105,969)	-10%	1,575,557
	Surplus/ (Deficit) for the year			217,349	71,998	69,649	74,674	227,970	106,277	121,684	115%	69,649