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REPORT TO: THE BOARD OF DIRECTORS
THE MUNICIPAL MANAGER (PARENT MUNICIPALITY)

FROM: ACTING CHIEF ACCOUNTING OFFICER

DATE: 19 JANUARY 2022

SUBJECT: MID YEAR BUDGET AND PERFORMANCE ASSESSMENT
FOR THE PERIOD ENDED 31 DECEMBER 2021

Purpose

To present 2021/2022 Mid-Year Budget and Performance Assessment in compliance with Section 88 of the Municipal Finance Management Act (MFMA), Act 56 of 2003 and Municipal Budget and Reporting Regulations (MBRR).

1. Deliberations

- (1) The accounting officer of a municipal entity must by 20 January of each year—
 - (a) assess the performance of the entity during the first half of the financial year. Taking into account-
 - (i) The monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or

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- other agreement with the entity's parent municipality: and
- (ii) the entity's annual report for the past year, and progress on resolving problems identified in the annual report :and
- (b) submit a report on such assessment to-
- (i) the board of directors of the entity: and
- (ii) the parent municipality of the entity.
- (2) A report referred to in subsection (1) must be made public.

1.1 Background

Section 88 of the Municipal Finance Management Act No. 56 of 2003 (MFMA) requires the Accounting Officer of a Municipal Entity must no later than seven working days after the end of each month submit to the Accounting Officer of the Parent Municipality a statement in the prescribed format on the state of the entity's budget reflecting the following particulars for that month and for the financial year up to the end of that month.

The report must highlight the implementation of the budget, touching on the following:

- Actual Revenue, per revenue source
- Actual borrowings
- Actual expenditure
- Actual capital expenditure

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- The Amount of any allocations received
- Actual expenditure on those allocations, excluding expenditure on allocations exempted by the annual DORA from compliance with this paragraph and
- When necessary, an explanation of –
 - (i) Any material variances from the entity's projected revenue by source, and from the entity's expenditure projections;
 - (ii) Any material variances from the service delivery agreement and the business plan; and
 - (iii) Any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the entity's approved budget.

a) Financial Performance

This refers to the revenue and expenditure statement, it provides financial information on operating revenue by source and operating expenditure by type and the net results i.e. surplus or deficit is determined. The year-to-date operating revenue amounted to **R5 million** and the year to date operating expenditure amounted to **R3 007 237.48** The year-to-date operations resulted in an operating surplus of **R2 095 699.79** as disclosed in table F2.

The following Table F2 – Financial Performance reflects the overall financial performance as at 31 December 2021, and below the table are the explanations.

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uMzinyathi Development Agency - Table F2 Monthly Budget Statement - Financial Performance (revenue and expenditure) - 3006 December

Description	Ref	2020/21		Current Year 2021/22						
		Actual Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue										
Revenue By Source	1									
Property rates										
Service charges - electricity revenue										
Service charges - water revenue										
Service charges - sanitation revenue										
Service charges - refuse revenue										
Rental of facilities and equipment										
Interest earned - external investments					5	22		22	ADWO	
Interest earned - outstanding debtors										
Dividends received										
Fines, penalties and forfeits										
Licences and permits										
Agency services										
Transfers and subsidies			10 000			5 000	5 000			
Other revenue						81		81	ADWO	
Quits										
Total Revenue (excluding capital transfers and contributions)			10 000		5	5 102	5 000	102		2.1%
Expenditure										
Expenditure By Type	2									
Employee related costs			4 910		382	1 974	2 456	(481)	19.8%	
Remuneration of Directors										
Debt impairment										
Depreciation & asset impairment										
Finance charges										
Bulk purchases - electricity										
Inventory consumed			94			24	49	(25)	30.8%	
Contracted services			2 676		372	632	1 338	(708)	52.6%	
Transfers and subsidies										
Other expenditure			1 825		111	377	913	(536)	32.7%	
Losses										
Total Expenditure	3		9 510		845	3 007	4 755	(1 748)	-26.8%	
Surplus/(Deficit)			490		(840)	2 096	246	1 881	788.4%	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)										
Transfers and subsidies - capital (in kind) (all)										
Surplus/(Deficit) before taxation			490		(840)	2 096	246	1 881	788.4%	
Taxation										
Surplus/(Deficit) for the year			490		(840)	2 096	246	1 881		
References										
1. Revenue includes sales of fixed description										
2. Bulk purchases - electricity										
3. Bulk purchases - water										
4. Expenditure includes repairs & maintenance of										

Revenue by Source

The operating surplus as at the 31 December 2021 was **R2 095 699.79**. The variances are explained below:

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i) Interest Earned

Interest received in the month of December is **R5 422.55** from call accounts investments and to date it is **R21 534.27**. These monies are kept with FNB.

Below is an investment register table.

Umzinyathi District Development Agency
INVESTMENT SUMMARY AS AT 31 DECEMBER 2021
2021/2022

INSTITUTION	ACCOUNT NUMBER	TYPE OF FUNDS INVESTED	BALANCE	INVESTED	Withdrawal/Transfers	INTEREST FOR THE MONTH	INTEREST ACCUMULATED	BALANCE
			30/12/2021					31/12/2021
FIRST NATIONAL BANK	62020001646	SALARIES	2 007 238.32	-	-	R5 540.52	R7 677.80	2 012 778.84
FIRST NATIONAL BANK	74912220196	SALARIES	R0.00	R	-	R0.00	R	-
FIRST NATIONAL BANK	74912220076	SALARIES	R0.00	R	-	R0.00	R	-
FIRST NATIONAL BANK	74912220000	SALARIES	R0.00	R	-	R0.00	R	-
TOTAL			R 2 007 238.32	R -	R -	R 5 540.52	R 7 677.80	R 2 012 778.84

Summary

Balance as at 01/12/2021

R 2 007 238.32

Invested

-

Withdrawals

-

Interest Received

5 540.52

Interest Accrued

-

Balance as at 31/12/2021-GL

2 012 779

Add interest Accrued

-

Balance as at 31/12/2021-INVESTMENT REG.

2 012 779

Compiled By _____

Checked on _____

Verified By _____

Signature _____

Signature _____

Signature _____

Date _____

Date _____

Date _____

ii) Transfers & Subsidies

We have received 50% of our total allocation by the parent municipality which is R5 000 000.

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iii) Other Revenue

An amount of **R81 394** has been received to date. This is the sales of vegetables to DSD for the District farmers. Out of the sales amount the Agency made a profit of **R4 297**.

REVENUE ANALYSIS

- The Agency has limited revenue streams. It currently relies heavily on the transfer grant from the parent municipality. The management of the organisation has various plans to assist the Agency to create revenue streams.

Challenges and risks in relation to Revenue

- Lack of support for RASET programme – The department of COGTA had initially made a commitment to provide our entity with an amount of R 3 million for RASET programme. However the funds were later re-prioritized by COGTA. The entity was also promised 2 trucks for the RASET programme however to date it has not yet received the allocated trucks.
- Lack of tools of trade for eg: Vehicle for transportation of vegetable, staff operating vehicles, etc.
- Lack of funding to kick start revenue driven projects.

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Measures to be implemented to address these challenges

- Strengthen inter - governmental working relationships with Provincial department.
- Management will adjust the budget to make funds available to purchase a bakkie however it won't be sufficient
- The parent municipality to increase the agency's budget.

Expenditure by Type

i) Employee related costs and Directors Remuneration

The total to date spent on employee related costs as well as directors' remuneration is **R1 974 107**.

ii) Depreciation and asset impairment

In the previous Financial year (2020/2021), the Agency was structured as a department under the parent municipality hence the movable assets which were purchased by the agency are currently under the control of the parent municipality. We are in the process of transferring the movable assets from the parent municipality to the Agency, therefore it should be noted that there is no depreciation as yet.

The council approved transferring of assets to the agency on the 25th of August 2021 and the Parent Municipality administration is currently busy with the process of

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disposing assets from their asset register. This process has not yet been finalized by the parent municipality as they are still busy with audit.

iii) Inventory Consumed

This category refers stock on hand or inventory and the Agency has spent an amount of **R24 406.08** to date and **R3 720.04** is for Cleaning Materials and Stationery is **R20 686.04** to date.

iii) Contracted Services

We have incurred an amount of **R372 215.82** in December and **R631 605.21** to date. This category includes rental of office, security, training etc.

iv) Other Expenditure

This item refers to all other expenditure not mentioned above and the expenditure for the month of December is **R111 428.37** and to date it is **R377 119.19**.

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b) Capital Expenditure and Funding Sources

Biological or Cultivated Assets									
Biological or Cultivated Assets									
Intangible Assets		38				18	18	100.0%	
Services									
Licences and Rights		30				15	15	100.0%	
Water Rights									
Effluent Licences									
Solid Waste Licences									
Computer Software and Applications		30				15	15	100.0%	
Load Settlement Software Applications									
Unspecified									
Computer Equipment		190				96	88	94.2%	
Computer Equipment		190				96	88	94.2%	
Furniture and Office Equipment		270		10	29	136	106	78.2%	
Furniture and Office Equipment		270		10	29	136	106	78.2%	
Machinery and Equipment									
Machinery and Equipment									
Transport Assets									
Transport Assets									
Land									
Land									
Zoo's, Marine and Non-biological Animals									
Zoo's, Marine and Non-biological Animals									
Total Capital Expenditure		498		10	38	245	218	88.7%	
Funded by:									
National Government									
Provincial Government									
Parent Municipality		210		30	204	189	189	82.9%	
District Municipality									
Transfers recognised - capital		498		10	294	189	6		
Borrowing									
Internally generated funds									
Total Capital Funding		498		10	294	189	6		

Expenditure by standard classification

Capital Expenditure to date is **R34 976.36**. We spent **R9 621.36** for the month of December for Blinds.

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Challenges and risks relating to Expenditure

- Lack of staff compliment within the Agency as some of the employees are currently seconded from the parent municipality, while others are contracted until June 2022. The lack of commitment on permanent staff appointment, due to some elements of funding uncertainties has a strong element of undermining and compromising long term sustainability of the organisation.
- The additional staff is seconded by Sabalala consulting as per their contract with the parent municipality.
- Lack of funding to budget for recruitment of staff

Measures to be implemented to address challenges

- More funds required to fill staff compliment
- Parent municipality to increase budget for the agency.

c) Financial Position

The Entity have community wealth of **R2 095 690.79**.

d) Cash Flows

The Entity had a cash balance of **R64 645.84**, **R2 million** in call account investments and an interest of **R5 422,55** as at **31 December 2021**.

The Entity is in a stable position and is currently able to meet its obligations.

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uMzinyathi Development Agency - Table F5 Monthly Budget Statement - Cash Flows - M06 December

Description	Ref	2020/21	Current Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R Rands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates								-		
Service charges								-		
Other revenue					81	6 000	81	#DANE		
Transfers and Subsidies - Operational			10 000		5 000	6 000				
Transfers and Subsidies - Capital										
Interest					5	22	22	#DANE		
Dividends										
Payments										
Suppliers and employees			(6 510)		(645)	(3 018)	(4 765)	1 739	-36.6%	
Finance charges										
Dividends paid										
Transfers and Grants										
NET CASH FROM/USED OPERATING ACTIVITIES			490		(644)	2 984	248	1 841	751.6%	-
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE										
Decrease (increase) in non-current receivables										
Decrease (increase) in non-current investments						(2 000)		(2 000)	#DANE	
Payments										
Capital assets			490		36	248		(2 10)	-85.7%	
NET CASH FROM/USED INVESTING ACTIVITIES			490		(1 964)	248		(2 210)	-442.1%	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term financing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing										
NET CASH FROM/USED FINANCING ACTIVITIES										
NET INCREASE/ (DECREASE) IN CASH HELD			980		(648)	121	490	(209)	-79.2%	-
Cash/cash equivalents at the beginning of year	2				(67)			(67)	#DANE	
Cash/cash equivalents at the end of year	2		980		(140)	68	490	(425)	-46.8%	-

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e) Debtors Age Analysis

Since we do not do the billing we won't have any Debtors Age Analysis, however we have input vat amounting to R74 307.69 as at 31 December 2021.

uMzinyathi Development Agency - Table F4 Monthly Budget Statement - Financial Position - M06 December

Vote Description	Ref	2020/21		Current Year 2021/22		
		Applied Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R 000 000						
ASSETS						
Current assets						
Cash			10		65	
Call investment deposits					2 013	
Consumer debtors						
Other debtors					74	
Current portion of long term receivables						
Inventory						
Total current assets			10		2 152	
Non current assets						
Long term receivables						
Investments						
Investment property						
Investment in Associate						
Property, plant and equipment			700		35	
Biological						
Intangible			30			
Other non current assets						
Total non current assets			730		35	
TOTAL ASSETS			840		2 187	
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing						
Consumer deposits						
Trade and other payables						
Provisions						
Total current liabilities						
Non current liabilities						
Borrowing						
Provisions						
Total non current liabilities						
TOTAL LIABILITIES						
NET ASSETS	1		840		2 187	
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)			800		2 096	
Reserves					91	
TOTAL COMMUNITY WEALTH/EQUITY	1		800		2 187	

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f) Creditors Age Analysis

All our creditors are up to date.

g) All LED Projects 2021/2022

The UDA Board resolved that the Agency will be focusing mainly on Agriculture and subsequently on project planning and packaging for the 2021/22 financial year. To this end, the Agency has successfully completed the Piggery Sector Assessment as well as the Regional Dairy Production Concept. The Agency will further invest in the resuscitation of the Beef industry as well as intensification of fresh produce production as part of implementation of RASET Program.

2. Resolutions/ Recommendations

It is recommended:

- That the Mid-Year budget and performance assessment report for 2021/2022 financial year be noted.
- That this report was submitted to the Parent Municipality as required by section 88 (b) of the MFMA.
- That an adjustment budget be drafted for 2021/2022.

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- **ANNEXURE A – December 2021 Budget Statements (F Schedule)**
- **ANNEXURE B – All LED Projects for the year 2021/2022**

Prepared by:



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PP SITHOLE
ACTING CFO

Reviewed by:



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MR S NTOMBELA
ACTING CEO

Acknowledged by:

.....
MR LH MTHEMBU
MUNICIPAL MANAGER

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