



LEPELLE-NKUMPI

LOCAL MUNICIPALITY

Postal Address

Private Bag X07
CHUENESPOORT
0745

www.lepelle-nkumpi.gov.za

Physical Address

170 BA Civic Centre
LEBOWAKGOMO, 0737
Tel : (+27) 15 633 4500
Fax : (+27) 15 633 6896

2021-2022 MID YEAR (SEC 72) REPORT

EXECUTIVE SUMMARY

1. Introduction

In every financial year of a municipality it is expected that a performance assessment (review) with regard to the implementation of the agreed IDP strategic objectives and the service delivery programmes as outlined in our SDBIP must be done after every quarter.

After the quarterly assessment has been done both financial and non – financial report must be compiled as in accordance to section 72 of the Municipal Finance Management Act (MFMA) to assess whether it is necessary for the municipality to adjust or review its budget (Adjustment Budget) or not.

In our case we are assessing our performance on a quarterly basis through an SDBIP and quarterly financial reports. As a result there will be a need to review our approved budget through processes of Adjustment Budget.

The Mid Year report of December 2021 and its SDBIP were used to review whether we have spent and collected accordingly and whether we have implemented the approved programmes.

2. Legislative Provisions

In terms of sec 28 of the Municipal Finance Management Act no 56 of 2003:-

.....28. (1) *A municipality may revise an approved annual budget through an Adjustment Budget.*

(2) An adjustment budget—

- (a) Must adjust the revenue and expenditure estimates downwards if there is Material under-collection of revenue during the current year;*
- (b) May appropriate additional revenues that have become available over and above those anticipated in the annual budget but only to revise or accelerate spending programmes already budgeted for;*
- (c) May within a prescribed framework authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- (d) May authorise the utilisation of projected savings in one vote towards spending under another vote;*
- (e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- (f) May correct any errors in the annual budget; and*
- (g) May provide for any other expenditure within a prescribed framework;*
- (3) An adjustments budget must be in a prescribed form.*
- (4) Only the mayor may table an adjustments budget in the municipal council but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*
- (5) When an adjustments budget is tabled it must be accompanied by—*
 - (a) An explanation how the adjustments budget affects the annual budget;*
 - (b) A motivation of any material changes to the annual budget;*

- (c) An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- (d) Any other supporting documentation that may be prescribed.*
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*
- (7) Sections 22(b) 23(3) and 24(3) apply in respect of an adjustments budget and in such application a reference in those sections to an annual budget must be read as a reference to an adjustment budget.*

3. DISCUSSIONS

LIM355 Lepelle-Nkumpi - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid-Year Assessment

Description	Budget Year 2021/2022					Narrative
	Original Budget	Adjustment Budget	YearTD actual	Balance	% YTD	
Revenue By Source						
Property rates	32,799,503	32,799,503	14,888,182	17,911,321	45	N/A
Service charges - water revenue	-	-	4,698,862	4,698,862	-	Water journals not yet ring-fenced as a result of mSCOA-related challenges.
Service charges - sanitation revenue	-	-	760,706	-	-	Water journals not yet ring-fenced as a result of mSCOA-related challenges.
Service charges - refuse revenue	6,794,475	6,794,475	3,388,886	3,405,589	50	N/A
Rental of facilities and equipment	303,708	303,708	105,323	198,385	35	The actual amount received YTD is 35%. The under performance is due to the reductions of the number of bookings facilities due to COVID 19 regulations restrictions on gatherings.
Interest earned - external investments	7,798,205	7,798,205	4,024,682	3,773,523	52	The actual interest earned YTD is at 52%, actual which includes interest earned on Call account and short term investment which the municipality made with Nedbank, ABSA and Standard Bank. The budget will be adjusted upwards during adjustment budget to cater the current performance.
Interest earned - outstanding debtors	12,502,243	12,502,243	11,999,909	502,334	96	The actual YTD is 96% the over performance is due to continuous culture of non-payment of services, the budget will be adjusted upwards to cater the current performance. The Municipality is in the processes of implementation revenue enhancement strategy, credit

						control policy and by-laws.
Fines, penalties and forfeits	5,508,879	5,508,879	187,080	5,321,799	3	The budget for traffic fines is at R1 444 696.60 and is in line with GRAP standards were fines are disclosed on accrual basis and not on cash basis. The total number of traffic fines tickets issued YTD is 6,173 which amounts to R2,284,400. The total number of camera tickets issued were 5,937 which amounts to R2,173,800 and the number of manual written tickets issued was 236 which amount to R110,600. The actual amount received YTD is R187,080.00 i.e 3%. The budget will be adjusted upwards to cater the current number of fines issued during adjustment budget.
Licences and permits	6,076	6,076	511	5,565	8	The YTD is 8%. The licences and permits were less issued than anticipated. The budget will be adjusted downwards during adjustment budget to cater the current performance.
Agency services	29,755,246	29,755,246	4,686,565	25,068,681	16	The total budget includes budget of R24,000,000.00 for water services which the municipality provide on behalf of CDM and Licensing services budget of R5,755,246.00 which the Municipality provide on behalf of Department of Transport. Water related journals not yet ring-fenced. The budget will be adjusted up-wards to align the projections with the current SLA and previous year end performance. The actual amount received is for licensing services is and YTD is R4,686,565. The budget will be adjusted upwards during adjustment budget to cater the current performance.

Transfers and subsidies	287,594,898	287,594,898	195,115,422	92,479,476	68	The actual amount received YTD IS R195, 115, 422. The actual includes an amount of R1,204,422.12 of FMG conditions met and R1,969,000.00 of EPWP conditions met (100% EPWP conditions met)and R191, 942,000.00 of Equitable Share.
Other revenue	122,919,270	122,919,270	4,555,023	118,364,247	4	Other revenue budget includes accumulated surplus of an amount of R98, 671,333.00 from the savings of the previous financial year and R22, 650,000 of sale of sites at Zone H and Q the actual receipts from other revenue sources excluding grants and subsidies. The actual YTD is R4, 555,023. The budget will be adjusted upwards during adjustment budget to cater the current performance.
Total Revenue (excluding capital transfers and contributions)	505,982,503	505,982,503	244,411,151	261,571,352	48	
<u>Expenditure By Type</u>						
Employee related costs	123,088,180	123,088,180	48,732,533	74,355,647	40	The actual YTD is R48, 732,533 ie 40% The under performance is due to delays in appointment of vacant positions.
Remuneration of councillors	24,561,409	24,561,431	11,144,872	13,416,559	45	N/A
Debt impairment	51,757,718	51,757,718	1,574,943	50,182,775	3	The actual YTD is R1,574,943. Water journals not yet ring-fenced.
Depreciation & asset impairment	33,519,432	33,519,432	14,022,175	19,497,257	42	N/A

Finance charges	146,577	146,577	-	146,577	-	The service provider for the lease is not yet appointed and the expenditure is expensed against the other expenditure vote.
Inventory consumed	4,220,810	4,220,810	1,107,457	3,113,353	26	The actual YTD is R1,107,457 i.e 26%. The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan. The budget includes the D-Roads and Electricity reticulation projects.
Contracted services	135,182,501	135,303,243	26,547,927	108,755,316	20	The actual YTD is R26,547,927 i.e 20%. The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan. The budget includes the D-Roads and Electricity reticulation projects. The actual performance outlined below under Contracted services table:-
Other expenditure	44,925,126	44,807,384	22,688,313	22,119,071	51	The actual YTD is R22,688,313 i.e 51%. The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan.
Total Expenditure	417,401,753	417,404,775	125,818,220	291,586,555	30	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	57,085,000	62,710,000	13,792,297	48,917,703	24	The actual YTD is R13,792,297 i.e 24%. The slow spending is due to the fact that most of the projects are still at various stages of SCM processes and non-adherence of procurement plan
Surplus/ (Deficit) for the year	145,665,750	151,287,728	132,385,228	18,902,500	91	

LIM355 Lepelle-Nkumpi - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Mid-Year Assessment

Description	Original Budget	Adjustment Budget	YearTD actual	% YTD	Narrative
Operating Transfers and Grants					
National Government:	287,594,898	287,594,898	195,115,422	68	
Local Government	275,926,000	275,926,000	191,942,000	70	The total amount of R191,942,000 of Equitable Share was received as per the grant transfer schedule.
EPWP Incentive	1,969,000	1,969,000	1,969,000	100	100% of EPWP was spent YTD.
Integrated National Electrification Programme Grant	7,000,000	7,000,000	-	-	Nothing was spent YTD due to delay in appointment of service providers for Electrification of Household.
Local Government	2,000,000	2,000,000	1,204,422	60	100% i.e R2,000,000.00 of FMG was received as per the grant transfer schedule. The actual amount recognised as revenue for the YTD is R1,204,422.00
Financial Management Grant	699,898	699,898	-	-	No conditions were met for the quarter under review.
CDM : Grants	287,594,898	287,594,898	195,115,422	68	
Total Operating Transfers and Grants	287,594,898	287,594,898	195,115,422	68	
Capital Transfers and Grants					
National Government:					
Municipal Disaster Relief Grant	-	5,625,000	-	-	The R5,625,000 was received during December 2021. Nothing was spent/ recognise as revenue for the YTD due to delay in appointment of service provider. The grant receipt will be recognised as a liability until the condition is met.
MIG	57,085,000	57,085,000	13,792,297	24	24% i.e R20,660,000.00 of MIG was received as per the grant transfer schedule. R13,792,297 was recognised as revenue for the YTD.
TOTAL RECEIPTS OF TRANSFERS & GRANTS	344,679,898	350,304,898	208,907,720	60	





Description	Original Budget	Adjusted Budget	YearTD actual	YTD %	Narrative
EXPENDITURE					
National Government:	290,449,148	290,449,148	105,943,912	36	
Equitable Share	275,926,000	275,926,000	101,549,289	37	The under performance is due to delays in Non-adherence of Procurement Plan and delays in appointment of vacant positions.
Expanded Public Works Programme	1,969,000	1,969,000	1,969,000	100	The EPWP spent 100% YTD.
Integrated Grant					
Integrated National Electrification Programme	7,000,000	7,000,000	0	0	Non-spending due Non-adherence of Procurement Plan and delays in appointment of service providers for Electricity reticulation of Household.
Local Government Financial Management Grant	2,000,000	2,000,000	1,182,009	59	N/A
Municipal Infrastructure Grant (PMU)	2,854,250.00	2,854,250	1,107,514	39	The actual YTD is R1, 107,514. The under performance is due to non-attendance of infrastructure workshops and meetings as a result of Covid-19, most of the meetings are held virtually.
CDM : Grants	699,898.00	699,898	0	0	The Grant is the rollover of the previous financial year for the implementation of CDM projects / public facilities and Programmes i.e Eradication of Alien Plants, Integrated Transport plan, Mamealo Hall and Seleteng Softball Diamond which were unspent in the previous financial years. The under performance is due to delays in appointment of service providers for the repairs and maintenance of public facilities and implementation of the programmes.



Total operating expenditure of Transfers and Grants:	290,449,148	290,449,148	105,943,912	36	
Capital expenditure of Transfers and Grants					
National Government:	54,230,750	59,855,750	12,553,109	21	
Municipal Disaster Relief Grant	0	5,625,000	12,553,109	223	Nothing was spend to date. The non-performance is due to delays in appointment of service providers for the implementation of capital projects.
Municipal Infrastructure Grant	54,230,750	54,230,750	12,553,109	23	The actual YTD is 23%. The under performance is due to delays in appointment of service providers for the implementation of capital projects.
Total capital expenditure of Transfers and Grants	54,230,750	59,855,750	12,553,109	21	
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	344,679,898.00	350,304,898.00	118,497,022	34	

LIM355 Lepelle-Nkumpi - Supporting Table SC5 Monthly Budget Statement - investment Portfolio - Mid-Year														
Investments by maturity	Period of investment	Type of Investment	Capital Guarantee (Yes/No)	Variable or Fixed Interest rate	Interest Rate	Commission Paid (Rands)	Commission Recipient	Commence date of investment	Expiry date of investment	Opening balance	Interest to be realised	Partial / Pre-mature withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID														
Municipality														
INVESTMENT MATURED IN OCTOBER 2021														
Lepelle-Nkumpi Municipality	(02) Mon this	NEDBANK: Short Term Investment	Yes	Fixed	4.27	N/A	N/A	Aug-21	Oct-21	53,185,717.49	391,986.04	-	-	53,577,703.53
Lepelle-Nkumpi Municipality	(02) Mon this	ABSA: Short Term Investment	Yes	Fixed	4.25	N/A	N/A	Aug-21	Oct-21	52,364,551.86	384,126.27	-	-	52,748,678.13
Lepelle-Nkumpi Municipality	(02) Mon this	STD Bank :Short Term Investment	Yes	Fixed	4.375	N/A	N/A	Aug-21	Oct-21	52,683,129.07	404,144.55	-	-	53,087,273.62
										158,233,398.42	1,180,256.85			159,413,655.27
INVESTMENT MADE IN OCTOBER & MATURED IN DECEMBER 2021														
Lepelle-Nkumpi Municipality	(02) Mon this	NEDBANK: Short Term Investment	Yes	Fixed	4.375	N/A	N/A	Oct-21	Dec-21	53,577,703.53	411,007.04	-	-	53,988,710.57
Lepelle-Nkumpi Municipality	(02) Mon this	ABSA: Short Term Investment	Yes	Fixed	4.29	N/A	N/A	Oct-21	Dec-21	52,748,678.13	390,585.90	-	-	53,139,264.02

Lepelle-Nkumpi Municipality	(02) Mon ths	STD Bank :Short Term Investment	Yes	Fixed	4.35	N/A	N/A	Oct-21	Dec-21	53,087,273.62	392,264.05	-	-	53,479,537.67
TOTAL INVESTMENT MATURED IN AUGUST 2021										159,413,655.27	1,193,856.99	-	-	160,607,512.26
INVESTMENT MADE IN DECEMBER 2021														
Lepelle-Nkumpi Municipality	(02) Mon ths	NEDBANK: Short Term Investment	Yes	Fixed	4.61	N/A	N/A	Dec-21	Feb 2022	53,988,710.57	422,768.58	-	-	54,411,479.15
Lepelle-Nkumpi Municipality	(02) Mon ths	ABSA: Short Term Investment	Yes	Fixed	4.36	N/A	N/A	Dec-21	Feb 2022	53,139,264.02	399,898.44	-	-	53,539,162.46
Lepelle-Nkumpi Municipality	(02) Mon ths	STD Bank :Short Term Investment	Yes	Fixed	4.575	N/A	N/A	Dec-21	Feb 2022	53,479,537.67	422,305.20	-	-	53,901,842.86
										160,607,512.26	1,244,972.22	-	-	161,852,484.47
Investments: Sub-total										159,413,655.27	1,193,856.99	-	-	160,607,512.26

- The Municipality made fixed short term investment with the following bank as follows:-

- ✓ NEDBANK of an amount of R53, 185,717.49 for two months. The investment commenced in August 2021 and it has expired in October 2021. The interest earned during that period was R391, 986.04. The investment matured and it was re-invested in October 2021 at an amount of R53, 577,703.53 for two months and it has matured during December 2021 and yielded interest of R411, 007.04. The investment matured and it was re-invested in December 2021 at an amount of R53,988,710.57 for two months and it is going to mature in February 2022 and the interest to be realised is R422,768.58.

- ✓ ABSA Bank of an amount of R52, 364,551.86 for two months. The investment commenced in August 2021 and it has expired in October 2021. The interest earned during that period was R384, 126.27. The investment matured and it was re-invested in October 2021 at an amount of R52, 748,678.13 for two months and it has matured during December 2021 and yielded interest of R390, 585.90. The investment matured and it was re-invested in December 2021 at an amount of R53,139,264.02 for two months and it is going to mature in February 2022 and the interest to be realised is R399,898.44.
- ✓ STANDARD Bank of an amount of R52, 683,129.07 for two months. The investment commenced in August 2021 and it has expired in October 2021. The interest earned during that period was R404, 144.55. The investment matured and it was re-invested in October 2021 at an amount of R53, 087,273.62 for two months and it has matured during December 2021 and yielded interest of R392, 264.05. The investment matured and it was re-invested in December 2021 at an amount of R53,479,537.67 for two months and it is going to mature in February 2022 and the interest to be realised is R422,768.58.
- ✓ The municipality had invested R 150m with VBS Mutual Bank but financial difficulty the bank was liquidated and the position is that there is uncertainty that the municipality will receive the investment back. The municipality decided to impair the R150m invested with VBS bank.

DEBTOR'S AGE ANALYSIS

Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	Budget Year 2021/2022						
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	Total	Total over 90 days
R thousands							
Debtors Age Analysis By Income Source							
Receivables from Non-exchange Transactions	2,462,721	2,239,708	2,194,836	2,144,361	154,986,837	164,028,463	157,131,198
- Property Rates							
Receivables from Exchange Transactions	47,660,256	47,660,256	47,660,256	47,660,256	47,660,256	47,660,256	47,660,256
- Waste Management							
Interest on Arrear Debtor Accounts	1,583,426	1,563,732	1,541,794	1,524,275	72,770,329	78,983,555	74,294,604
Other	0	18,358	22,233	0	859,846	900,436	859,846
Total By Income Source	4,675,275	4,379,957	4,265,829	4,162,934	275,782,970	293,266,965	279,945,904
Debtors Age Analysis By Customer Group							
Organs of State							
Commercial	1,306,131 694,791	1,191,421 521,505	1,156,167 470,127	1,150,904 421,382	60,992,369 34,699,375	65,796,993 36,807,179	62,143,273 35,120,757
Households	2,674,353	2,667,030	2,639,535	2,590,648	180,091,226	190,662,792	182,681,874
Total By Customer Group	4,675,275	4,379,957	4,265,829	4,162,934	275,782,970	293,266,965	279,945,904

- The total debtors age analysis is at R293,266,965 and above 90 days are at R279,945,904

- The highest debt are for household consumers at R190,662,792 followed by government institutions at R65,796,993 and businesses at R36,807,179
- The municipality has developed Revenue Enhancement Strategy to enhance the municipal revenue.
- Continuous engagements are made with COGHSTA and Department of Education through Quarterly Provincial Debt Forums regarding amount owed by schools. Further engagements are also made with the Department of Provincial Public Works regarding their unregistered properties which they are currently not paying property rates. Reports on government debts are also submitted to the Provincial Treasury for the intervention on the recovery of the debts.
- The Municipality has developed a programme of engaging the community on payment of services.

DEBT OWED BY COUNCILLORS AND MUNICIPAL EMPLOYEES

Debts for Councilors' Accounts as at 31 December 2021		
NAMES	ACCOUNT NO	BALANCES
Mollo M.J	9131314	R1,974.63
TOTAL		R1,974.63

Debts for Officials as at 31 December 2021		
NAMES	ACCOUNT NO	BALANCES
Kgarose C.O	9003321	R27,923.39
Mpyana M.J	9001129	R4,128.06
Mphahlele M.J	9033998	R245.52
Kanyane L.I	9022426	R213.98
Somo P.D	9001471	R346.79
Mathekga M.D	9248173	R53.99
Mashilo M.M	9002859	R10,950.88
Makgahlela M.C	9001899	R67.98
Kubjana M.E.J	9259555	R395.98
Chune R.C	9022760	R784.90
Chune R.C	9257196	R7,443.84
Chune R.C	9072758	R2,073.67
Mphelane M.K	9013394	R419.39
Mphelane M.K	9075406	R2,228.00
Mphelane M.K	9274231	R1,690.16
Mphelane M.K	9274242	R1,690.16
Maja M.P	9001591	R237.99
Monaga N.R	9020069	R6,615.61
Monaga N.R	9274854	R2,470.46
Monaga N.R	9274730	R2,302.02
Mohale M	9269355	R217.99
Maredi J.N	9020208	R14,926.98
Mashiane M.J	9003245	R732.99
Mapheto P.M	9274286	R1,419.71
Magama M.P	9274832	R2,302.02
Mabijé M.T	9278979	R1,385.06
Kekana K.M	9279155	R305.27
TOTALS		R93,572.79



LIM355 Lepelle-Nkumpi - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - Mid-Year Assessment

Vote Description	Budget Year 2021/22				
	Original Budget	Adjusted Budget	Year To Day actual	YTD Balance	YTD %
Capital Expenditure - Functional Classification					
<i>Governance and administration</i>	17,820,000	17,820,000	2,575	17,817,425	0.01
Finance and administration	17,820,000	17,820,000	2,575	17,817,425	0.01
<i>Community and public safety</i>	6,787,000	12,412,000	0	12,412,000	-
Community and social services	6,637,000	12,262,000	0	12,262,000	-
Public safety	150,000	150,000	0	150,000	-
<i>Economic and environmental services</i>	115,805,750	115,805,750	18,143,780	97,661,970	15.67
Planning and development	62,230,750	62,230,750	18,143,780	44,086,970	29.16
Road transport	53,225,000	53,225,000	0	53,225,000	-
Environmental protection	350,000	350,000	0	350,000	-
<i>Trading services</i>	5,250,000	5,250,000	0	5,250,000	-
Energy sources	5,250,000	5,250,000	0	5,250,000	-
Total Capital Expenditure - Functional Classification	145,662,750	151,287,750	18,146,354	133,141,396	11.99
Funded by:					
National Government	54,230,750	59,855,750	12,553,109	47,302,641	20.97
Transfers recognised - capital	54,230,750	59,855,750	12,553,109	47,302,641	20.97
Internally generated funds	91,432,000	91,432,000	5,593,245	85,838,755	6.12
Total Capital Funding	145,662,750	151,287,750	18,146,354	133,141,396	11.99

- The overall Capital expenditure performance is at 11.99% and it excludes the electricity expenditure projects as they are reported under operating expenditure.



K G MANKGA
ACTING MUNICIPAL MANAGER

- The slow spending is due to the fact that most of the projects are at various stages of SCM processes.
- The budget statement report is based on the financial information available as at 31 December 2021.