**CHIREDZI TOWN COUNCIL**

**HALF YEAR BUDGET PERFOMANCE REPORT**

1. **EXUCTIVE SUMMARY**

This report covers period 1 January 2021 to 31 June 2021 comparing actual results against the approved budgets and efforts being made to meet targets. The COVID-19 pandemic affected the overall performance of the budget during the half of theyear. Revenue inflow remained suppressed as most business entities were not operating to full capacity due to the pandemic affecting their capacity to meet their dues for services rendered by the Council. The introduction of the auction system by the reserve bank has seen prices stabilising as well as inflation going down from 810.2% in March 2020 to 240.55% in June2021.

The auction rate closed at $84.72590 as the 30 June compared to 116% during the same period in 2021.The 2021 budget was approved in the month of February 2021and the parent ministry noted the following among other things;

(a) the need to come up with cost recovery tariffs

(b) sub economic tariff on service charges especially water

The total operating budget for the year 2021 is ZWL$248 601.753 while the capital budget is $ZWL206 979 300 . 57% of the capital budget is funded by grants (devolution and ZINARA)as depicted by the table below.

|  |  |
| --- | --- |
| **CHIREDZI TOWN COUNCIL** | |
| **SUMMARY OF APPROVED BUDGET 2021** | |
| **DESCRIPTION** | **APPROVED BUDGET(ZW$)** |
| **Operating Revenue** | **336,510,235** |
| **Grants(note)** | **119,839,300** |
| **Total Revenue** | **456,349,535** |
| **Operating Expenditure** | **248,601,753** |
| **Surplus** | **207,747,782** |
| **Capital Budget** | **206,979,300** |
| **Budget Surplus** | **768,482** |
|  | **APPROVED BUDGET(ZW$)** |
| **Grants** |  |
| Zinara | **22,000,000** |
| Devolution | **97,839,300** |
|  | **119,839,300** |

The implementation of this budget is being done under difficult circumstances resulting in poor cash inflows as explained in this report. The Council is focusing on the following financial management areas in an effort to improve inflows and meet targets.

* Expenditure control
* Revenue collection initiatives
* Engagement of creditor to avoid litigation
* Attending to issues highlighted in the budget approval letter

1. **HALF YEAR OPERATING BUDGET PERFOMANCE.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Chiredzi Town council - Budget Performance Summary half year Ending June 2021** | | | | |  |  |
|  |  |  |  |  |  |  |
| **Description** | **Approved Budget** | **Monthly Budget** | **Half year budget** | **Actual half year** | **Variance Quarterly** | **Variance %** |
|  |  |  |  |  |  |  |
| Property Taxes | 154,864,684 | 12,905,390 | 38,716,171 | 4,147,070 | -34,569,101 | -89% |
| Service Charges | 97,037,203 | 8,086,434 | 24,259,301 | 34,200,083 | 9,940,782 | 41% |
| Rental Income | 6,922,991 | 576,916 | 1,730,748 | 3,180,624 | 1,449,876 | 84% |
| Other Income | 77,685,357 | 6,473,780 | 19,421,339 | 12,835,460 | -6,585,879 | -34% |
| Total Operating Revenue | 336,510,235 | 28,042,520 | 84,127,559 | 54,363,237 | -29,764,322 | 2% |
| Grants | 119,839,300 | 9,986,608 | 29,959,825 | 0 | -29,959,825 | - |
| Total Revenue | 456,349,535 | 38,029,128 | 114,087,384 | 54,363,237 | -59,724,147 | -52% |
|  |  |  |  |  |  |  |
| Compensation of Employees (21) | 120,997,571 | 10,083,131 | 30,249,393 | 14,811,910 | 15,437,483 | 51% |
| Use of Goods and Services (22) | 88,460,642 | 7,371,720 | 22,115,161 | 6,910,940 | 15,204,221 | 69% |
| Maintenance | 7,131,600 | 594,300 | 1,782,900 | 1,096,096 | 686,804 | 39% |
| Repairs | 6,233,194 | 519,433 | 1,558,299 | 939,510 | 618,788 | 40% |
| Consumption of fixed capital (23) | - | - | - | - | - | - |
| Interest (24) | - | - | - | - | - | - |
| Grants (26) | - | - | - | - | - | - |
| Social benefits (27) | - | - | - | - | - | - |
| Bulk Water Costs | 25,778,746 | 2,148,229 | 6,444,687 | 5,594,875 | 849,812 | 13% |
| Total Operating Expenses | 248,601,753 | 20,716,813 | 62,150,438 | 29,353,331 | 32,797,107 | 53% |
| Capital Expenditure | 206,979,300 | 17,248,275 | 51,744,825 | 0 | 51,744,825 | 100% |
| TOTALS | **455,581,053** | **37,965,088** | **113,895,263** | **29,353,331** | **84,541,932** | **74%** |
| **Surplus/(Deficit)** | **768,482** | **64,040** | **192,121** | **25,009,906** | **-24,817,786** |  |

2.**1 REVENUE ANALYSIS.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Chiredzi Town council - Budget Performance Summary half year ending June 2021 (Revenue)** | | | | |  |  |
|  |  |  |  |  |  |  |
| **Description** | **Approved Budget** | **Monthly Budget** | **Half year budget** | **Actual Half year** | **Variance Quartely** | **Variance %** |
| **Property Taxes(High Density)** | 85,440,824 | 7,120,069 | 21,360,206 | 3,133,266 | -18,226,940 | -85% |
| **Urban Rates** | 69,423,860 | 5,785,322 | 17,355,965 | 1,013,804 | -16,342,161 | -94% |
| **Water** | 50,695,627 | 4,224,636 | 12,673,907 | 19,287,469 | 12,613,562 | 100% |
| Sewerage/Waste Water | 12,293,976 | 1,024,498 | 3,073,494 | 2,111,216 | -962,278 | -31% |
| **Refuse/solid waste** | 34,047,600 | 2,837,300 | 8,511,900 | 6,801,398 | -1,710,502 | -20% |
| **Property Rentals** | 6,922,991 | 576,916 | 1,730,748 | 3,180,624 | 1,449,876 | 84% |
| **Other Fees** | 66,697,562 | 5,558,130 | 16,674,391 | 3,982,169 | -12,692,222 | -76% |
| **Trading licences & Reg Fees** | 9,946,995 | 828,916 | 2,486,749 | 8,853,291 | 6,366,542 | 256% |
| **Permits** | 1,040,800 | 86,733 | 260,200 | - | -260,200 | -100% |
| **Grants** | 119,839,300 | 9,986,608 | 29,959,825 | - | -29,959,825 | -100% |
| **Total** | **456,349,535** | **38,029,128** | **114,087,384** | **48,363,237** | **-59,724,147** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **BILLABLE INCOME** | |  | |  | |  | | |  | | |  |  |
|  | **ZWL$(BILLED PER** | | **ZWL$(Collected ) Half Year** | | **Collection %age** | | | **Budgeted Amount(ZWL$)** | | | **ZWL$(Collected half year** | | **Actual Collection against Budget%** |
|  |  | |  | |  | | |  | | |  | |  |
| **Property Taxes(High Density)** | 3,133,266 | | 1,194,086.66 | | 38% | | | 21,360,206 | | | 1,194,086.66 | | 6% |
| **Urban Rates** | 1,013,804 | | 297,340.08 | | 29% | | | 17,355,965 | | | 297,340.08 | | 2% |
| **Water** | 25,287,469 | | 5,706,415.26 | | 23% | | | 12,673,907 | | | 5,706,415.26 | | 45% |
| **Sewerage/Waste Water** | 2,111,216 | | 525,970.52 | | 25% | | | 3,073,494 | | | 525,970.52 | | 17% |
| **Refuse/solid waste** | 6,801,398 | | 1,194,086.66 | | 18% | | | 8,511,900 | | | 1,194,086.66 | | 14% |
| **Property Rentals** | 3,180,624 | | 180,707.00 | | 6% | | | 1,730,748 | | | 180,707.00 | | 10% |
| **Total Billed** | 41,527,777 | | 9,098,606.18 | | 22% | | | 64,706,220 | | | 9,098,606.18 | | 14% |
|  |  | |  | |  | | |  | | |  | |  |
| **NON BILLABLE INCOME AGAINST COLLECTION ACTUAL COLLECTIONS** | | | | | | | | | |  | |  |  |
|  | | **Budgeted Amount(ZWL$)** | | **ZWL$(Collected half year)** | | | **Actual Collection against Budget%** | | |  | |  |  |
| **Other Fees** | | 16,674,391 | | 4,513,909.86 | | | 27% | | |  | |  |  |
| **Trading licences &Reg Fees** | | 2,486,749 | | 8,283,415.92 | | | 333% | | |  | |  |  |
| **Permits** | | 260,200 | | 0 | | | 0% | | |  | |  |  |
| **Grants** | | 29,959,825 | | 0 | | | 0% | | |  | |  |  |
| **TOTAL** | | 49,381,164 | | 12,797,325.78 | | | 26% | | |  | |  |  |

Actual revenue recorded on accrual during the first quarter was ZWL$54 363 237.00 against a targeted ZWL$84 127 559.00 excluding capital grants which gives a negative variance of 65% on the budget.

A further analysis of revenue performance per source is outlined below;

1. PROPERTY TAXES

Accrued revenue of ZWL$4 147 070 was realised against a budget of ZWL$38 716 171representing 11% performance against the budget figure. Of note are urban rates where property values are still denominated in US dollar. Financial resources are being mobilised to update the valuation and restate property values in ZWL$ to realise the targeted amount in the budget.

2. WATER

Actual revenue of ZWL$19 287 464 was recorded against a budget of ZWL$12 673 907.00 representing positive performance of 52% on the budget. This was attributed to an exercise undertaken to ensure that all property connected pay a fixed charge on water and new properties which were updated in the system. Actual receipts on water $5 706 415.26 during the first quarter representing a collection rate of 23% against the billed amount.

3. WASTE WATER (SEWERAGE)

Potential revenue of ZWL$2 111 216 was recorded during the first quarter against a budget of ZWL$3 073 494 representing a negative variance of -31% of the billed amount ZWL$525 970.52 was received during the first quarter representing a collection rate of 25% on the billed amount.

4. PROPERTY RENTALS AND MARKETS

Actual receipts of ZWL$180 707 was recorded during the first quarter against a billing of ZWL$3 180 624 representing a collection rate of 10%. Included under this are market stall occupants have resisted in signing lease agreement forms.

5. OTHER FEES

Of the budgeted amount of ZWL$16 674 391, ZWL$4 513 909.86 was received representing a collection rate of 27% the poor collect was as are result of the lockdown during the months January and February.

6. TRADING LICENCES AND FEES

A total of ZWL$8 283 415.92was received against a quarterly budget ZWL$2 486 749 represent ing a collection rate of 333%. Licences are paid annually hence the high percentage. Also efforts were made to ensure that licences are paid up during the first quarter period however others negotiated for quarterly payments and follow up is in progress to ensure that they are update with quarterly payments.

7. GRANTS

During the first quarter no grants were received both Devolution and ZINARA.

**2.2 OPERATING EXPENDITURE PERFOMANCE ANALYSIS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Chiredzi Town council - Budget Performance Summary First Quarter ending March 2021 (Expenditure)** | | | | | |  |
|  |  |  |  |  |  |  |
| **Description** | **Approved Budget** | **Monthly Budget** | **Half year Budget** | **Actual half year** | **Variance Quartely** | **Variance %** |
| **Compensation of Employees (21)** | 120,997,571 | 10,083,131 | 30,249,393 | 14,811,910 | -15,437,483 | -51% |
| **Use of Goods and Services (22)** | 88,460,642 | 7,371,720 | 22,115,161 | 6,910,940 | -15,204,221 | -69% |
| **Maintenance** | 7,131,600 | 594,300 | 1,782,900 | 1,096,096 | -686,804 | -39% |
| **Repairs** | 6,233,194 | 519,433 | 1,558,299 | 939,510 | -618,788 | -40% |
| **Consumption of fixed capital (23)** | - | - | - | - | - | 0% |
| **Interest (24)** | - | - | - | - | - | 0% |
| **Grants (26)** | - | - | - | - | - | 0% |
| **Social benefits (27)** | - | - | - | - | - | 0% |
| **Bulk Water Costs** | 25,778,746 | 2,148,229 | 6,444,687 | 5,594,875 | -849,812 | -13% |
| **Total Operating Expenses** | 248,601,753 | 20,716,813 | 62,150,438 | 29,353,331 | -32,797,107 | -53% |
| **Capital Expenditure** | 206,979,300 | 17,248,275 | 51,744,825 | - | -51,744,825 |  |
| **Total Expenditure** | **455,581,053** | **37,965,088** | **113,895,263** | **29,353,331** | **-84,541,932** | **-1** |

EXPENDITURE

The total operating expenditure for the first quarter was ZWL$29 353 331 against a budget of ZWL$62 150 438 ,representing a performance of 53% against the budget. This was attributed to poor revenue inflow as major service delivery commitment could be undertaken as expenditure was prioritised to critical areas such as public health, repairs of service vehicles and also paying creditors including salary arrears.

1. EMPLOYEE COMPENSATION

A budget of ZWL$30 249 393 was allocated during the first quarter and the Council incurred ZWL$14 811 910 giving a positive variance of 51%.The Council shall ensure that critical posts which were vacant for the past years are filled during the budget year to ensure efficiency in all Council operations.

2. BULK WATER PURCHASES

This includes the cost of raw water, electricity and treatment costs by Hippo Valley. Quarterly budget of ZWL$6 444 687 was allocated. The Council incurred ZWL$5 594 875 representing a positive variance of 13%.

**CAPITAL BUDGET ANALYSIS**

During the period in question, the Council did not incur capital expenditure due to late disbursements of grants as per budget. However the Council is committed to ensure that equipment which is critical to service delivery should be of priority during the remainder of the year as grants are disbursed and revenue inflows improve.

1. **TRADE PAYABLES AND OTHER STATUTORY DEDUCTIONS**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **ACCOUNTS PAYABLE** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **LIST OF MAJOR TRADE CREDITORS** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | **CURRENT** | **30 DAYS** | **60 DAYS** | **90 DAYS+** | **21-Mar** | **21-Feb** | **% CHANGE** |
| **HIPPO VALLEY ESTATES** | **612,509** | **1,288,634** | **547,421** | **0** | **2,448,563** | **3,009,164.24** | **-12%** |
| **MUTIRIKWI SUB-CATCHMENT** | **22,076** | **22,076** | **221,436** |  | **65,544.45** | **44,797.26** | **1%** |
| **ZINWA** | **229,392** | **240,631** | **221,436** | **0** | **691,459.45** | **1,193,276.35** | **-55%** |
| **EMA** | **0** | **391,364** | **0** | **46,174** | **437,558** |  | **0%** |
| **ZEDTC** | **1,071,571** | **1,071,571** | **1,104,464** | **0** | **3,244,606** | **4,684,787.20** | **-15%** |
| **TELONE** | **293,408** | **67,653** | **76,477** |  | **437,558** | **67,652.68** | **334%** |
|  | **2,228,955** | **3,081,928** | **1,968,874** | **46,496** | **7,326,253** | **8,999,677.73** | **-11%** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **ZIMRA** |  |  |  |  |  |  |  |
| **INFORMAL TRADERS TAX** |  |  |  |  | **0** | **156,110.90** | **-100%** |
| **VAT** |  |  |  |  | **909,838.82** | **907,777.94** | **0%** |
|  |  |  |  |  | **909,838.82** | **1,063,888.84** | **-14%** |
|  |  |  |  |  |  |  |  |
| **LIST OF STATUTORY CREDITORS (EMPLOYEE COSTS)** |  |  |  |  |  |  |  |
|  | **CURRENT** | **30 DAYS** | **60 DAYS** | **90 DAYS+** | **MAR'21** | **FEB'21** | **% CHANGE** |
|  |  |  |  |  |  |  |  |
| **NSSA** | **119,452** | **119,070** | **227,405** | **-** | **465,928.14** | **361,947.93** | **29%** |
| **ZIMRA - PAYE** | **327,933** | **316,620** | **-** | **29,054** | **673,606.14** | **644,552.53** | **5%** |
| **LAPF - PENSION** | **76,802** | **76,802** | **259,410** | **1,089,749** | **1,502,762.03** | **1,255,352.48** | **20%** |
| **STANDARD DEVELOPMENT FUND** | **15,773** | **15,773** | **39,420** | **120,440** | **191,406.11** | **151,986.34** | **26%** |
| **ZIMDEF** | **33,794** | **33,794** | **83,428** | **90,263** | **241,280.01** | **157,852.02** | **53%** |
| **UNION** |  |  | **41,600** | **-** | **41,599.86** | **26,347.95** | **58%** |
| **ZUCWU** | **1,471** | **1,471** | **5,374** | **8,820** | **17,135.22** | **11,761.44** | **46%** |
| **ZB LIFE** | **941** | **941** | **941** | **5,099** | **7,922.07** | **6,980.98** | **13%** |
| **STAND FEES** | **4,700** | **4,700** | **4,700** | **16,200** | **30,300.00** | **5,000.00** | **506%** |
| **CIMAS** |  |  |  | **-** |  |  | **0%** |
| **NYARADZO** |  | **162,983** | **162,983** | **162,983** | **488,947.50** | **325,965.00** | **50%** |
|  | **580,866** | **732,154** | **825,261** | **1,522,608** | **3,660,887** | **2,947,747** | **24%** |
|  |  |  |  |  |  |  |  |
| **COUNCILLORS ALLOWANCES** | **-** | **-** | **-** | **-** | **294,887.8** |  | **0%** |
| **NET SALARIES** | **-** | **-** | **-** | **-** | **3,690,704** |  | **0%** |
| **OTHER CREDITORS** | **-** | **-** | **-** | **-** |  |  | **0** |
|  |  |  |  |  | **0.00** |  | **0%** |
| **TOTAL CREDITORS** |  |  |  |  | **15,882,571.94** | **13,011,313.24** | **27%** |
|  |  |  |  |  |  |  | **0%** |
|  |  |  |  |  |  |  | **0%** |
| **P.S.I.P LOAN** |  |  |  |  | **1,408,000.00** | **1,408,000.00** | **0** |
|  |  |  |  |  |  |  |  |

Total creditors closed at ZWL$15,882,571 as at 31 March 2021.The amount of ZWL$7,326,255 relates trade payable which is 46% of the total creditors figure. Council is engaging creditors for payment plans so as to reduce the outstanding figure. The Council is also committed during this financial year clear aged creditors.

**STATUTORY DEDUCTIONS AND SALARY ARREARS**

During the first quarter a total of ZWL$ 3,660,887 was outstanding in respect of statutory deductions these include NSSA, PAYE and LAPF pension contributions. Payments plans are in place to pay up statutory deductions as well as net salaries.

PSIP-LOAN-$1 408 000

During the period under review no payment was made towards the PSIP loan. A commitment was made to clear the balance before the financial year so as to access more loans for capital projects. The first instalment towards repayment shall be made during the second quarter of the year

1. **ACCOUNTS RECIEVABLES(DEBTORS)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **AGE ANALYSES OF DEBTORS** | **CURRENT** | **30DAYS** | **60DAYS** | **90+DAYS** | **TOTAL** |
| **INDUSTRIAL** | 3,299,945.74 | 2,312,785.58 | 841,904.13 | 5,649,581 | 12,104,216.57 |
| **COMMERCIAL** | 3,052,813.43 | 2,591,899.10 | 937,452.00 | 7,075,621 | 13,657,786.08 |
| **HIPPO VALLEY ESTATES** | 582,148.99 |  |  |  | 582,148.99 |
| **RESIDENTIAL** | 9,540,371.16 | 2,905,237.40 | 1,688,008.82 | 16,760,730 | 30,894,348.36 |
| **GOVERNMENT DEPARTMENTS** | 1,245,491.00 | 890,115.51 | 362,704.37 | 2,344,935 | 4,843,246.15 |
| **SMEs** | 1,635,771.98 | 561,944.36 | 550,946.69 | 3,828,501 | 6,577,164.80 |
| **SCHOOLS AND CHURCHES** | 441,251.50 | 312,665.30 | 134,442.96 | 950,355 | 1,838,714.82 |
| **MARKETS** | 1,897,250.55 | 894,642.84 | 892,105.20 | 7,271,303 | 10,955,301.62 |
| **Total** | **21,695,044.35** | **10,469,290.09** | **5,407,564.17** | **43,881,028** | 81,452,927.39 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **CAPITAL DEBTORS( LAND SALES)** |  |  |  |  |  |
| LAND SALES DEBTORS | **-** | **-** | - | **4,281,850.89** | **4,281,850.89** |
|  |  |  |  |  |  |
| **TOTAL DEBTORS** | **21,695,044.35** | **10,469,290.09** | **5,407,564.17** | **-33,290,047.72** | **85,734,778.28** |

The total debtors as at 31 March 2021 was ZWL$81 452 927.39.Collection of revenue was affected by the pandemic as stated above. Of this total, 32% was industrial and commercial debtors, 38% was residential debtors. The remainder 30% were other debtors including government departments (6% of the total figure).

It has been a challenge to liquidate debtors due to COVID 19 restrictions. The Council intends to institutes measures to ensure that inflows improve so as to improve service delivery and meet budget targets. We shall continue to engage debtors for payment plans.

**DEVOLUTION REPORT AS AT 30 June 2021**

As highlighted, no disbursements were made in respect of devolution funds during the period January to March 2021.During the period work was in progress on Lumumba sewer line and completion of the project is expected before the expiry of the second quarter. Stakeholders shall be engaged on critical projects that should be funded by devolution before disbursements of such funds. As we progress during the year updates shall be made on disbursements and intended projects.

**7.0 CONCLUSION**

During the first quarter, the Council did not register meaningful achievements due to the COVID 19 lockdown from January to February 2021 and this has been highlighted in this report. It is anticipated as highlighted in this report that as inflows improve, the Council will prioritise service delivery issues as budgeted to boost confidence in rate payers to meet their obligations. The Council shall ensure that rehabilitation of markets and working bays are prioritised during the remainder of the year and engagements shall continue.

The Council appreciate contributions made by those ratepayers who are honouring their obligations during these difficult times and also those who are finding it a challenge to pay should engage the Council for payment plans. Action shall be taken on those defaulters who ignore efforts by the Council to recover outstanding debts.