

# ELIAS MOTSOLEDI LOCAL MUNICIPALITY



## MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT

DECEMBER 2015

## **TABLE OF CONTENTS**

A. INTRODUCTION

B. PURPOSE

C. CHALLENGES AND PROGRESS

1. PERFORMANCE SERVICE DELIVERY

2. **FINANCIAL PERFORMANCE ASSESSMENT**

**CHAPTER 1: INTRODUCTION**

**CHAPTER 2: FINANCIAL HEALTH ASSESSMENT**

2.1 REVENUE MANAGEMENT

2.2 EXPENDITURE MANAGEMENT

2.3 ASSET MANAGEMENT

2.4 LIABILITY (DEBT) MANAGEMENT

**CHAPTER 3: MID-YEAR BUDGET STATEMENT: 31 DECEMBER 2015**

3.1 SUMMARY

3.2 OPERATING EXPENDITURE

3.3 OPERATING REVENUE

3.4 STATEMENT OF FINANCIAL PERFORMANCE

3.5 CASH FLOW ANALYSIS

**CHAPTER 4: OUTCOME OF BUDGET ASSESSMENT**

**CHAPTER 5: RECOMMENDATIONS**

## A. Introduction

Elias Motsoaledi local municipality is hereby reporting on for the institutional performance relating to 2015/16 financial year. This reporting is required through the Local Government: Municipal Systems Act, Act No. 32 of 2000 as amended (referred to herein as MSA) and Local Government: Municipal Financial Management Act, Act No 56 of 2003 (referred to herein as MFMA). In terms of section 72 of the MFMA ***the accounting officer of a municipality must by 25 January of every year assess the performance of the municipality during the first half of the financial year, where after, the Mayor must table the report before 30 January each year.***

## B. Purpose

The purpose of the report is to account to the public on the 2015/2016 mid-year institutional performance of Elias Motsoaledi local municipality.

This report contains information which is based on the Service Delivery and Budget Implementation Plan (SDBIP) formulated for the financial year 2015/16 and focuses on both the **financial** and service delivery performance (**non-financial**) assessment. The report was compiled using first and second quarter performance information.

## C. Challenges and Progress

MFMA section 72(1)(a)(iii) require the accounting officer to assess the performance of a municipality during the first half of the financial year, taking into account the past year's annual report and progress on resolving problems identified in the annual report. Reflected here under, are the challenges identified on the 2014/2015 annual report (AR). The challenges will be tabled per department and also will include progress in resolving such challenges.

## 1. Performance Service delivery

The report is based on analyzed and evaluated information through a process whereby information of the KPA's, objectives, KPI's and programmes/ projects reflected in the IDP objectives of the municipality. The information is based on the institutional IDP scorecard.

<b>KPA 1: BASIC SERVICE DELIVERY</b>						
Key Performance Indicator (KPI)	Annual Target	Q1 Target	Q2 Target	Comments	Remedial Actions	
# of households in informal settlements provided with solid waste removal services	700	n/a	n/a	None		
# of parks / recreational facilities renovated	2	n/a	n/a	None		
# of initiatives held at schools to promote the library facilities	4	1	1	Achieved		
# of environmental awareness campaigns conducted in terms of waste management	6	1	2	Achieved		
# of greening initiatives implemented	4	1	1	Achieved		
# of Emergency / Disaster risk awareness campaigns conducted	8	2	2	Achieved		
% response to reportable incidents based in a 24 hour timeline	100%	100%	100%	Achieved		
Develop a waste recycling strategy		n/a	Draft Recycling	Not achieved No budget	Allocate funds during the Adjustment	

### KPA 1: BASIC SERVICE DELIVERY

Key Performance Indicator (KPI)	Annual Target	Q1 Target	Q2 Target	Comments	Remedial Actions
			strategy		
# of households in formal settlements provided with standard electricity connections by June 2016	450	n/a	n/a	None	
Km of gravel roads graded and bladed by June 2016	60kms	15kms	15kms	Achieved	
% operational expenditure on repairs and maintenance - Roads (potholes)	100%	n/a	n/a	None	
% availability of municipal fleet vehicles	85%	85%	85%	Achieved	
% of new Capital projects started on time in terms of the appointment of consultants / contractors for EMLM funded projects	100%	50%	100%	80% Not achieved Maintenance projects behind time	To fast track appointment
% of new Capital projects completed in terms of agreed schedule for EMLM funded projects	100%	25%	50%	5% Not achieved Service providers are appointed and there is slow progress in projects	To fast track progress on projects
% spending on MIG funding	100%	n/a	50%	44% Not achieved Delays in delivery of	To fast track delivery of materials

**KPA 1: BASIC SERVICE DELIVERY**

Key Performance Indicator (KPI)	Annual Target	Q1 Target	Q2 Target	Comments	Remedial Actions
% spending on INEP funding	100%	n/a	50%	Achieved	
# of reports ito new RDP Housing units provided by the PDoHS submitted to Council	2	n/a	1	Achieved	
				materials in some projects	

**KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
# of formal performance reviews conducted with Section 56 employees	2	N/A	N/A	None	
% attainment in departmental performance (OMM)	90%	N/A	75%	Not achieved	Follow-up audit
# of new / reviewed policies approved by Council (DP- LED)	2	N/A	n/a	Not all Internal audit finding are addressed	
				None	

**KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
% attainment in departmental performance (DP- LED)	90%	N/A	75%	Achieved	
% attainment in departmental performance (ES)	90%	N/A	75%	Achieved	
# of new / reviewed policies approved by Council	2	N/A	n/a	None	
Review and submit organisational structure (aligned to the IDP and Budget) to Council for approval before June 2016	1	N/A	n/a	None	
% of Females awarded learner ships in terms of the Gender Equality programme	50%	N/A	n/a	None	
% of beneficiaries trained as per target of Workplace Skill Plan (WSP) annual	100%	N/A	n/a	None	
% attainment in departmental performance (CS )	90%	N/A	50%	Achieved	
# of new / reviewed policies approved by Council	8	N/A	n/a	None	

**KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
% availability of ICT services per quarter	95%	95%	95%	Achieved	
# of ICT steering committee meetings held in terms of the implementation of the ICT governance strategy and policy	4	1	1	Not achieved Members did not quorate	To ensure that all members do attend this meeting.
# of Local Labour Forum (LLF) meetings held as scheduled	8	2	2	Not achieved Some Councillors did not attend.	To write a report to chief whip for intervention

**KPA 3: FINANCIAL MANAGEMENT AND VIABILITY**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
# of MFMA checklists submitted per quarter as legislated	12	3	3	Achieved	
# of section 71,72 and 52(d) MFMA reports submitted to EXCO within legislative timeframes	17	4	4	Achieved	



### KPA 3: FINANCIAL MANAGEMENT AND VIABILITY

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
Annual submission of the asset verification report to the MM	1	n/a	n/a	None	
% of consumer payment level received as compared to that billed	95%		n/a	None	
% spend of the departmental operational Budget (Finance)	95%	n/a	40%	34.67% Debt impairment and depreciation to be effected at year end	Debt impairment and depreciation to be effected at year end
% of approved (compliant) invoices paid within 30 days	100%	100%	100%	Achieved	
% spend of the FMG funds	100%	100%	100%	Achieved	
Average # of days elapsed on successful bids awarded as per the competitive bidding process for tenders over R200,000	45	45	45	Achieved	
% attendance at scheduled Bid Committee meetings	100%	100%	100%	Achieved	
% spend of the MSIG funds	100%	25%	50%	Achieved	

KPA 4: LOCAL ECONOMIC DEVELOPMENT							
Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions		
# of SMME's and Cooperatives capacity building skill workshops scheduled and held (inclusive of youth)	3	1	n/a	None			
# of events held to promote tourism within the municipality	2	1	1	Achieved			
# of Corporate Social Investment (CSI) and Social Labour Plan (SLP) programmes monitored both Business and Mining organisations	3	1	n/a	None			
% of SMME's and Cooperatives sub- contracted in terms of infrastructure Capital projects	100%	100%	100%	Achieved			

**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
Submission of draft audited consolidated Annual Report to Council by the 28th August 2015	1	1	N/A	None	
Submission of Annual Report Oversight Report to Council by the 30th March 2016	1	N/A	N/A	None	
Adjusted Budget and SDBIP approved by Executive Mayor	1	N/A	N/A	None	
% of Council meetings resolutions resolved within the prescribed timeframe	100%	100%	100%	Achieved	
2016/17 IDP review Framework Plan approved by 30th June 2016	1	N/A	N/A	None	
Draft 2016/17 IDP tabled before Council for adoption by February 2016	1	N/A	N/A	None	
Submission of draft SDBIP by the 30th March 2016	1	N/A	N/A	None	
# of Risk Management reports submitted to the Risk Management Committee per quarter	4	1	1	Achieved	

**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
Number of Risk Management Committee meetings convened by June 2016	4	1	1	Achieved	
% execution of identified risks in line with detailed time schedule (OMM)	90%	30%	50%	Achieved	
# of Internal Audit reports submitted to the Audit Committee per quarter	12	3	3	Achieved	
# of Performance Audit Committee meetings held	4	1	1	Achieved	
# of Audit Committee reports submitted to Council	4	1	1	0 Not achieved Final report for submission to Council not received from the Committee	To report at the next ordinary Council meeting
% of Internal Audit Findings resolved per quarter as per the Audit Plan (total organisation)	100%	100%	100%	37% (14/38) Not achieved 1. Total findings address is <u>14</u> ; 2. Total findings not addressed is <u>12</u> ; 3. Total findings action date not due is <u>12</u> (Total	Follow-up audit

**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
% of AG Management Letter findings resolved by year-end	50%	100%	N/A	number of findings = 38 None	
Action Plan on issues raised by the Auditor General compiled and tabled to Council by January 2016	1	N/A	N/A	None	
Submission of Annual Report Oversight Report to Council by the 30th March 2016	1	n/a	N/A	None	
Number of Council meeting held by June 2016 as per the Legislation	4	1	1	Achieved	
% of Council and Special meetings resolutions resolved within the prescribed timeframe	100%	100%	100%	Achieved	
Number of EXCO meetings held by June 2016	12	3	3	Achieved	
# of Section 79 Committee meetings held	4	1	1	Achieved	
# of Public Participation meetings facilitated	2	1	N/A	None	
% of scheduled ward committee meetings held	100%	100%	100%	0% Not achieved	Office of the Speaker to

**KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions
				Ward councillors not adhere to ward operational plan in those 9 wards	engage with affected councillors
% of Ward operational plans submitted to Council per quarter	4	1	1	Achieved	
# of initiatives implemented to improve communication channels	4	1	1	Achieved	
# of quarterly Customer Complaint reports submitted to Council (inclusive of Presidential Hotline)	100%	100%	100%	Achieved	
% of Service Level Agreements (SLA's) and Employment Contracts processed within the time frame of 30 days	100%	100%	100%	Achieved	
% of Lease Agreements processed within the time frame of 30 days	100%	100%	100%	There was no lease Agreements entered into during the second Quarter.	

**KPA 6: SPATIALE RATIONALE**

<b>Key Performance Indicator (KPI)</b>	<b>Annual Target</b>	<b>Q1</b>	<b>Q2</b>	<b>Comments</b>	<b>Remedial Actions</b>
# of land use applications received and processed within 90 days	100%	100%	100%	Achieved	
# of reports in terms of hectares of suitable land identified for development	1	N/A	n/a	None	
% of buildings inspected that comply with the National Building Regulations and Building Standards Amendments Act No 49 of 1995	100%	100%	100%	Achieved	
% of New Building Plans of less than 500 square meters assessed within 10 days.	100%	100%	100%	Achieved	
% of New Building Plans of more than 500 square meters assessed within 28 days.	100%	100%	100%	Achieved	
# of draft By-laws developed and submitted for approval	2	1	n/a	None	
Review and align LUM's with respect to the new SPLUMA	-	terms of reference (ToR)	draft review LUM's	Not achieved budget constrain to appoint service provider	to allocate funds during budget adjustment

KPA 6: SPATIALE RATIONALE						
Key Performance Indicator (KPI)	Annual Target	Q1	Q2	Comments	Remedial Actions	
# feasibility study Mark Street pedestrian node	-	TOR developed, tender advertised and appoint service provider (SP)	SP submits inception report for comment	Not achieved service provider not yet appointed	to fast track SCM processes	



**CAPITAL PROJECTS**

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Upgrading of driving license testing centre	advertisement and appointment of service provider	Construction process	Achieved	
upgrading of license offices	advertisement and appointment of service provider	Construction process	Achieved	
Landscaping of Hoep - Hoep and Impala Parks	advertisement and appointment of service provider	Upgrading/ landscaping process	Not achieved	the project is been advertised
Development of Transfer Station - Ntwane	advertisement and appointment of service provider	EIA, Licensing of Ntwane Transfer station and designs	Not achieved Budgeted funds were insufficient for the envisaged work	Allocate funds during the Adjustment
Upgrade of office and development of control room	advertisement and appointment of service provider	Construction process	Achieved	
Upgrading of landfill site	advertisement and appointment of service provider	Construction process	Not achieved	insufficient budget

**CAPITAL PROJECTS**

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Development of cemeteries in ward 10	25% Advertisement and appointment of service provider	50% Project hand over and Site Establishment	not achieved	the project will be relocated to community services
Electrification of households in Monsterlos stadium view	25% Detailed designs Complete	50% Project hand over and Site Establishment	Not achieved Project behind time due to delays of approval of designs by Eskom	To fast track progress through close monitoring of progress.
Crane truck	advertisement and appointment of service provider	Facilitation of purchase by SP	Achieved	
Electrification of households in Magagamatala	25% Detailed designs Complete	50% Project hand over and Site Establishment	Not achieved Project behind time due to delays of approval of designs by Eskom	To fast track progress through close monitoring of progress.
Electrification of households in Zenzele	25% Detailed designs Complete	50% Project hand over and Site Establishment	Not achieved Project behind time due to delays of approval of designs by Eskom	To fast track progress through close monitoring of progress.

**CAPITAL PROJECTS**

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Electrification of Makwana village	25% Detailed designs Complete	50% Project hand over and Site Establishment	None	None
Development of public lighting master plan (high mast lights)	25% Advertisement and appointment of service provider	50% Preliminary Investigations report	Not achieved Delays in drafting the specifications(ToR)	To fast track the advert
Mini subs	Advertisement and appointment of service provider	Manufacturing process	Not achieved Delays in drafting the specifications (ToR)	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	Construction of 6 speed humps	Not achieved Delays in advertising	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	Construction of 4 speed humps	Not achieved Delays in advertising	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	11 speed humps constructed	Not achieved Delays in advertising	To fast track the appointment

**CAPITAL PROJECTS**

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Construction of Speed Humps	Advertisement and appointment of service provider	3 speed humps constructed	Not achieved Delays in advertising	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	2 speed humps constructed	Not achieved Delays in advertising	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	3 speed humps constructed	Not achieved Delays in advertising	To fast track the appointment
Construction of Speed Humps	Advertisement and appointment of service provider	2 speed humps constructed	Not achieved Delays in advertising	To fast track the appointment
Makgopheng construction of storm water control channels	25% Advertisement and appointment of service provider	50% site Handover and site establishment	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.
Sephaku construction of storm water control	25% Advertisement and appointment of service	50% site Handover and site establishment	Not achieved Project behind time due to time taken	To fast track progress through close monitoring of progress.

CAPITAL PROJECTS					
Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions	
channels	provider		to establish a panel and appointing on individual projects.		
Kgaphamadi upgrade	25% Advertisement and appointment of service provider	50% progress (Site establishment and subbase completed)	Achieved		
Laersdrift bus route	25% Advertisement and appointment of service provider	50% Feasibility study report	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.	
Mathula road	25% Advertisement and appointment of service provider	50% progress (Site establishment and subbase completed)	Not achieved Delays of scope by consultants	The scope was rectified	
Mogaung upgrade	25% Advertisement and appointment of service provider	50% progress (Site establishment and subbase completed)	Not achieved Delays on progress	To fast track progress through close monitoring of progress.	
Mpheleng construction of bus route	25% Advertisement and appointment of service provider	50% progress (Site establishment and subbase completed)	Not achieved Delays on progress	To fast track progress through close monitoring of progress.	

<b>CAPITAL PROJECTS</b>					
<b>Key Performance Indicator (KPI)</b>	<b>Q1</b>	<b>Q2</b>	<b>Comments</b>	<b>Remedial Actions</b>	
Multipurpose sports fields master plan	25% Advertisement and appointment of service provider	50% Preliminary Investigations report	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.	
Phuchukani construction of road	25% Advertisement and appointment of service provider	50% progress (Site establishment and subbase completed)	Not achieved Delays in pavement material.	Material was delivered after workers holidays	
Plant and machinery	25% Advertisement and appointment of service provider	1 Low bed trailer and 1 Water Tanker and 1 Drum Roller purchased	Not achieved Due to limited budget the Drum roller will not be purchased.	To avail funds during budget adjustment or in 2016/17 financial year	
Maintenance of Marapong bridge	25% Advertisement and appointment of service provider	50% Detailed Design completed	Achieved		
Rehabilitation of Dikgalaopeng road and storm water control	25% Advertisement and appointment of service provider (Turnkey)	50% site handover and site establishment	Achieved		

## CAPITAL PROJECTS

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Road to Magoshi: Matlala	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved Limited budget for project construction	To relocate the funds during budget adjustment to one MIG project
Nyakoroana Road	25% Advertisement and appointment of service provider	50% Detailed Design completed	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.
Monsterlos to Makgopeng	25% Advertisement and appointment of service provider (Turnkey)	50% progress (Site establishment and subcase completed)	Achieved	
Road to Magoshi: Rammupudu	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	
Rehabilitation of Roosenekaal streets	25% Advertisement and appointment of service provider	50% site handover and site establishment	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.


**CAPITAL PROJECTS**

Key Performance Indicator (KPI)	Q1	Q2	Comments	Remedial Actions
Moteti A bus route	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved Project started late due to budget maintenance application required by MIG which is still pending approval	To facilitate approval of maintenance budget from MIG
Development of workshop phase 1	25% Advertisement and appointment of service provider	50% site handover and site establishment	Not achieved Project behind time due to time taken to establish a panel and appointing on individual projects.	To fast track progress through close monitoring of progress.
Furniture	100% furniture purchased	100% furniture purchased	Not achieved	to fast track SCM processes
Hardware and Software Devices	100% hardware and software devices purchased	100% hardware and software devices purchased	Not achieved	to fast track SCM processes
Tools and equipment	100% tools and equipment purchased	100% tools and equipment purchased	Not achieved	to fast track SCM processes



The table below represents the institutional performance for the **Second Quarter**:

KPA	Quarter 2			
	Total No of Targets	Targets Achieved	Targets Not Achieved	Targets Not Applicable
Municipal Transformation and Organizational Development	12	3	2	7
Good Governance & Public Participation	33	16	4	13
Financial Viability and Management	10	7	1	2
Local Economic Development	4	2	0	2
Service Delivery & Infrastructure Development	60	18	37	5
Spatial rationale	8	4	2	2
<b>Overall</b>	<b>127</b>	<b>50</b>	<b>46</b>	<b>31</b>
<b>Municipal</b>				
<b>Performance</b>				<b>52%</b>

  
 Elias Motsoaledi  
 Local Municipality  
 R M MAREDI  
 MUNICIPAL MANAGER  
 Municipal Manager  
 25 JAN 2016

25/1/2016  
 DATE

## 2. Financial performance assessment

### 1. INTRODUCTION

1.1 In terms of section 72 of the MFMA Act no 56 of 2003 the Accounting Officer of the municipality must by the 25<sup>th</sup> January each year-

Assess the performance of the municipality during the first half of the financial year, taking into account-

- a) the monthly budget statement referred to as section 71 for the first half of the financial year
- b) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan,
- c) the past years annual report, and progress on resolving problems identified in the annual report.

*The draft Annual Report 2014/2015 and the Mid-year performance/progress reports of 2014/2015 SDBIPs referred to as part b and c above are respectively submitted under a separate report elsewhere in the agenda.*

Submit a report on such assessment to –

- a) the mayor of the municipality,
- b) the National and the relevant provincial treasury.

1.2 The Accounting Officer must, as part of the review-

- a) make recommendations as to whether an adjustment budget is necessary, and
- b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

## CHAPTER 2: FINANCIAL HEALTH ASSESSMENT

### 2.1 REVENUE ASSESSMENT

#### a) Overall revenue inflow analysis

The municipality's performance in the first half of 15/16 financial period relating has been fairly stable given the challenges in our cash flow activities

Description	Budget Year 2014/15		Percentage
	YearTD actual	YearTD budget	
Total Revenue (excluding transfers and contributions)	217,595,000	165,612,000	31%

Actual income slightly greater than budgeted due to the following:

- Credit control measures been applied more strictly to ensure defaulters on municipal debt are traced and services cut off for non-payment.
- Improved payment turnaround time on Government accounts as a result of debtors forums coordinated by Coghsta although challenges for under collection in this category of debtors was mainly attributed to the department of education which is delaying payments of its municipal accounts.
- Further engagements with the department will be made to ensure timely settlement of its accounts through the government debts reduction forums.
- The Municipality is still dependent on grants and subsidies for its day-to-day operations.

#### b) Debtors Collection Period

Purpose: The purpose of this ratio is to calculate the debtors collection period of the municipality by comparing the year-end balance of certain debtors with the revenue earned from those debtors during the financial year.

Formula:  $\text{Consumer Debtors after provision for Bad Debts} / \text{Total Revenue} * 365$

MONTHS	DEBTORS	REVENUE	NUMBER OF DAYS	COMPUTATION
	R'million	R'million		
Jul-15	48 574	19 714	365	148
Aug-15	52 547	17 432	365	121
Sep-15	47 981	7 399	365	56
Oct-15	46 489	7 088	365	56
Nov-15	48 553	21 309	365	160
Dec-15	50 002	10 961.00	365	80
<b>AVERAGE</b>				<b>104</b>

The norm is between 30 and 60 days and will be used as basis of interpretation.

The debtor's collection period represents the average length of time that the Municipality must wait, after sending out accounts, before receiving the cash. The norm is dependent on the credit policy, which is normally between thirty- and sixty days. If the ratio is more than the norm/credit policy, it will have a negative effect on the cash flow situation. The averaged ratio, based on the outstanding debtors, net of the bad debt provision, is 104 days, impacted by the opening balances relating to old debt and in reality the municipality is doing well in collecting the current billings.

#### Overview of billings against collections for the first half of the year

ACCOUNT TYPE	BILLING	PAYMENTS	RATE
BUSINESS	17 240 936.87	20 214 676.25	117.25%
GOVERNMENT	6 908 867.91	7 695 789.24	111.39%
MUNICIPAL	2 778 960.63	1 976 060.11	71.11%
PUBLIC BENEFIT ORG	213 979.99	141 066.87	65.93%
RESIDENTIAL	19 268 856.13	18 460 611.16	95.81%
<b>TOTAL</b>	<b>46 411 601.53</b>	<b>48 488 203.63</b>	<b>95.72%</b>

The percentage of more than 100% on Business and Government is as a result of collection from the old debt which was collected in the reporting period.

The accelerated collection from billings was impacted by use of debt collectors appointed by the municipality

Overall the municipality collected 96% of the revenue billed during the first half of the year which is fairly reasonable. However considering the debtors collection period it is required the municipality perform the cleansing of the debtors opening balances to ensure that only existing customers are billed and accurate billings are made.

#### c) Basis of assessment

Each category of revenue will be assessed using the actual financial performance for the first half of the financial year against the budget and the over-collection and under-collection of above 5 % is considered material and needs adjustment.

d) The table below depicts the mid-year budgeted financial performance of each category of the municipal revenue line items as at 31<sup>st</sup> December 2015

Description	Ref	2014/15	Budget Year 2015/16					YTD variance	YTD variance %
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget			
<b>R thousands</b>									
<b>Revenue By Source</b>									
Property rates		20 270	26 182	4 237	11 174	13 091	(1 917)	-15%	
Property rates - penalties & collection charges		-	-	-	-	-	-		
Service charges - electricity revenue		54 299	62 973	5 152	33 344	31 486	1 858	6%	
Service charges - water revenue		-	-	-	-	-	-		
Service charges - sanitation revenue		-	-	-	-	-	-		
Service charges - refuse revenue		3 476	4 628	310	1 854	2 314	(460)	-20%	
Service charges - other		1 363	-	-	-	-	-		
Rental of facilities and equipment		1 768	3 290	68	435	1 645	(1 210)	-74%	
Interest earned - external investments		3 250	4 600	329	1 679	2 300	(621)	-27%	
Interest earned - outstanding debtors		5 836	4 500	474	2 740	2 250	490	22%	
Dividends received		-	-	-	-	-	-		
Fines		445	635	45	860	317	542	171%	
Licences and permits		5 247	6 348	326	2 194	3 174	(980)	-31%	
Agency services		-	-	-	-	-	-		
Transfers recognised - operational		170 641	216 652	476	161 920	108 326	53 594	49%	
Other revenue		844	1 415	19	1 395	708	688	97%	
Gains on disposal of PPE		-	-	-	-	-	-		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>267 438</b>	<b>331 224</b>	<b>11 436</b>	<b>217 595</b>	<b>165 612</b>	<b>51 983</b>	<b>31%</b>	

➤ *Property Rates and services charges – Penalties imposed and collection charges*

The variance of -15% was due to reduced collection on property rates and accounts that were identified as unknown and inactive. The municipality will perform the cleansing of consumer debtors book to ensure that billings are made on existing and valid accounts and thus improve on collection in this area of debtors.

Conclusion: Adjustments will be made by assessing the individual category of debtors against the actual revenue recognised and the budgeted revenue in the first half of the financial year.

➤ *Service charges*

Service charges consists of sale of electricity and refuse removal, the rendering of water services is the responsibility of the District municipality. The sale of electricity performed fairly well with the positive variance of 6%. There was an under collection in the area of refuse removal with the negative variance of -20%.

### **Challenges that attributed to the reduced collection in sale of electricity:**

- 1) The municipality had challenges in Roosenekal where the prepaid electricity meters were removed and vandalised. The community then illegally connected from January 2015 until to-date. The municipality is losing approximately R540, 000 monthly of the revenue and approximately R6, 480,000 per annum.
- 2) Difficulty in implementing Credit & Debt Collection Policy in Townships such as Motetema and Hlogotlou.

### **Proposed solution to address challenges in sale of electricity**

- 1) The service provider has already been appointed to restore the electricity infrastructure vandalised.
- 2) Introduction of credit control in the form of preventing access to purchase of prepaid electricity by customers owing the municipality.

Conclusion: Adjustments will be made by assessing the individual category of debtors on sale of electricity against the actual revenue recognised and the budgeted revenue in the first half of the financial year.

#### ➤ *Licences and Permits*

The variance of -31 % was as a result of slightly decreased licences and permits collected and issued during the period. Vehicle registration and licensing income is paid to the municipality in various regions but paid over to subsequent transfer of funds is made to the Department of Roads and transport. The municipality receives an agreed commission per SLA.

Conclusion: Adjustments will be made by slightly reducing the budgeted revenue for the year.

#### ➤ *Rental of facilities and equipments*

The variance of -74 % was as a result of decreased rental of the municipal facilities than anticipated on initial compilation of the budget. This category of revenue is difficult to predict as it is dependent on the external economic factors.

Conclusion: Adjustments will be made by slightly reducing the budgeted revenue for the year.

#### ➤ *Interest earned on external investments*

The variance of -27% was as a result of a reduced investments during the financial year as a result of available cash being committed to day to day operational activities of the municipality. The efficiency in the Investment portfolio and implementation of the cash management policy will still be improved by investing in more fixed term portfolios to earn more interest on grants received but not utilised immediately.

Conclusion: The cash flow analysis will be performed for the whole financial year reflecting the expected revenue and expenditure commitments and that will determine the need for adjustment. The plan is to ensure that available cash is invested to ensure that increased revenue from investments as required by the municipality's investment policy.

➤ *Interest earned on outstanding debtors*

The variance of 22% was as a result of interest charged on defaulting debtors and enforcement of debt collection by the debt collectors during the year. The variance was also affected by the existence of inactive accounts in debtors' book which will be improved by performing debt book cleansing and strict debt collection through the application of credit control policy.

Conclusion: Adjustment will be made accommodated the increased interest charged for non-payments as it was evidenced in the first half of the financial year.

➤ *Fines*

The variance of 171 % was as a result of increased collections from fines issued to public members during the financial year.

Conclusion: Adjustments will be by increasing the budgeted revenue for fines to account for the accelerated collection predicted for the whole financial year.

➤ *Other revenue*

This category of revenue relates to revenue sources that are not explicitly disclosed on the statement of financial performance as per National Treasury reporting templates such as sale of tender documents and other sundry revenue. This category reflects the over-collection of 97% and will be accordingly adjusted during the adjustment budget.

Conclusion: Each line item in this area will be analysed considering the first half of the financial year and necessary adjustment will be accordingly effected.

➤ *Transfers recognised*

Transfers recognised relates to the gazetted operational grants the municipality receive from the National Government. The need for adjustment in of this source of revenue is only when there is changes from Dora allocation for the municipality issued by National Government and also when the municipality received approval for roll-over of the unspent conditional grants allocation.

The municipality applied for roll-over of unspent MIG allocation as at 30 June 2015 to the amount of R 14 million for which an approval has been received from the National Treasury.

Conclusion : An adjustment will be made by increasing the budget for capital transfers recognised by R 14 million and this which be allocated to the identified capital projects in the adjusted capital budget.

### c. Level of reliance on Government Grants

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Formula: Grants & Subsidies/Total Revenue

BUDGETED GOVT GRANTS & SUBSIDIES 14/15	BUDGETED TOTAL REVENUE	Percentage
R 279,754,000	R 394,326,000	70%

Grant Name	Gazetted Amount	Received to date	Still to be received
Financial Management Grant	1 600 000	1 600 000	-
Municipal Systems Improvement Grant	930 000	930 000	-
Expanded Public Works Programme	1 163 000	465 000	698 000
Equitable Share	212 959 000	159 719 000	53 240 000
Municipal Infrastructure Grant	53 102 000	33 654 000	19 448 000
Integrated National Electrification Grant	10 000 000	4 900 000	5 100 000
<b>Grand Total</b>	<b>279 754 000</b>	<b>201 268 000</b>	<b>78 486 000</b>

The best practice for Grants and Subsidies is 20% of Total Revenue.

A percentage of more than 20% implies that the municipality is dependent on Grants and Subsidies. Government Grants amounts to 70 % of total revenue. The municipality is very much reliant on operational grants to maintain its day to day operations.

## 2.2 EXPENDITURE MANAGEMENT

### a) Main ratio analysis

#### 1. Personnel Cost to Total Expenditure

Purpose: The purpose of this ratio is to indicate what percentage of total expenditure is attributable to personnel costs.

Formula: Salaries, wages and allowances/Total Expenditure

14/15 Audited			15/16 Original Budget		
PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%	PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%
R 121,519,000	R 314,317,000	39%	R 133,799,000	R 340,430,000	39%

The acceptable norm for this ratio is between 25% and 40%. The municipality's percentage is within the acceptable Treasury norm.



## 2. Total Operating Actual Expenditure vs. Budgeted Expenditure

Purpose: The purpose of this ratio is to identify deviations between actual and budgeted expenditure and to ascertain reasons for the deviations.

Formula: (Actual expenditure less Budgeted expenditure)/ Budgeted expenditure

Actual expenditure 2014/15	Budgeted expenditure 2014/2015	Variance in R	Variance in %
R 156,221,000	R 340,430,000	184,209,000	54%

The municipality managed to spend 54% of its expenditure budget in the first half of the financial year. The ratio is fairly reasonable, however adjustments will be made based on the inputs received from other departments within the municipality based on their forecasted operational and capital activities for the remaining period of the financial year.

### b) Basis of assessment

Each category of expenditure will be assessed using the actual financial performance for the first half of the financial year against the budget and the over-spending and under-spending of above 5 % is considered material and needs adjustment.

### c) The table below depicts the mid-year financial performance of each category of the municipal expenditure line items:

Description	2014/15	Budget Year 2015/16					
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>							
<b>Expenditure By Type</b>							
Employee related costs	93 553	115 256	12 898	52 339	57 628	(5 289)	-9%
Remuneration of councillors	17 905	18 543	1 516	7 576	9 272	(1 695)	-18%
Debt impairment	–	11 000	–	–	5 500	(5 500)	-100%
Depreciation & asset impairment	–	35 000	–	–	17 500	(17 500)	-100%
Finance charges	–	–	–	–	–	–	
Bulk purchases	51 162	60 000	9 340	32 286	30 000	2 286	8%
Other materials	1 687	5 430	703	3 318	2 715	603	22%
Contracted services	11 357	21 950	2 574	17 403	10 975	6 428	59%
Transfers and grants	1 885	3 300	98	362	1 650	(1 288)	-78%
Other expenditure	79 594	69 551	8 117	42 937	34 775	8 162	23%
Loss on disposal of PPE	–	400	–	–	200	(200)	-100%
<b>Total Expenditure</b>	<b>257 143</b>	<b>340 430</b>	<b>35 246</b>	<b>156 221</b>	<b>170 215</b>	<b>(13 994)</b>	<b>-8%</b>

Actual Expenditure line items that needs adjustments:

➤ *Employee related costs*

The performance in this line item of expenditure has been fairly well in the first half of the financial year with the under spending of only 9% which is above the targeted variance by 4%. This is mainly attributed to the budgeted positions that were not filled during the financial year.

Conclusion: The adjustment will depend on the inputs received from the Human Resources department regarding the plans and timing of filling the positions that were initially budgeted for.

➤ *Remuneration of councillors*

The under spending of 18% is considered material as it is above the accepted norm of 5% and also that the budget in this category needs to be precise based on the fact that the salaries are gazetted and the number councillors in known to the municipality.

Conclusion: The under spending is due to the provision made for the increase of councillor's salaries in terms of the determination of upper limits circular.

➤ *Debt impairment*

No adjustment is anticipated in this category of expenditure as the provision was made on the fact that the municipality is currently experiencing challenges in collecting revenue billed due to the tendencies of non-payment by consumers. This challenge will be addressed by performance of cleansing consumer data and enforcement of revenue collection in affected areas.

The actual expenditure movement is only reflected at year end on preparation of the annual financial statements. No monthly provisions for bad debts are made.

➤ *Depreciation and amortisation*

The variance will be analysed at year end after review of useful life of property, plant and equipment reviewed during the year and any other capital appreciations. The challenge in this category is due to the inability to compute monthly depreciations as a result of lack of capacity in assets management and the municipality is in the process of capacitating assets management and other divisions within finance in terms financial management.

Sufficient budget provision been made based on past experience to ensure that depreciation journals at year end for each category of assets is processed and avoid unauthorised expenditures.

➤ *Finance charges*

The municipality has leased vehicles for its daily operations in the form of operating and finance lease. No budgeted has initially been made for this line item as the existence and accounting classification of this lease was not clear.

Conclusion: The calculations of the expected finance cost on the identified finance lease will be made and the budget will be adjusted accordingly and reallocation of the monthly finance costs will be made to this line item.

➤ *Bulk purchases*

The expenditure performance on purchase of electricity has fairly well with the overspending of 8% which is above the norm of 5% and can be attributed to distribution losses, illegal connections and other Eskom increases not precisely accounted for on compilation of the budget.

Conclusion: Adjustments of the bulk purchases by an increase of roughly 15% must be made to account for the electricity bill received from Eskom.

➤ *Other expenditure line items*

Accelerated expenditure in the first half of the financial year is noted in the following category of expenditures and proper investigation and adjustments must be made in order to avoid unauthorised expenditures at the end of the financial year:

- Other materials 22%
- Contracted services 59%
- Other expenditure 23%

## **2.3 ASSET MANAGEMENT**

### **a. Total Capital Expenditure – Actual vs. Budget**

Purpose: The purpose of this ratio is to identify per class of asset whether a municipality has a variance of more than 5% when actual and budgeted capital expenditure are compared.

Formula:  $(\text{Year to date Capital Expenditure} - \text{Year to date Budget Capital Expenditure}) / \text{Year to date Budgeted Capital Expenditure}$

#### **Summary of capital expenditure per department for the period ending 31 December 2015**

<b>Department</b>	<b>Budget</b>	<b>Ytd Expenditure</b>	<b>Ytd Budget</b>	<b>Variance</b>	<b>%</b>
Community and Social Services	6 500 000	2 120 860	3 250 000	1 129 140	35%
Corporate Services	1 100 000	638 999	550 000	-88 999	-16%
Infrastructure	92 381 215	40 627 485	46 190 608	5 563 122	12%
<b>Grand Total</b>	<b>99 981 215</b>	<b>43 387 344</b>	<b>49 990 608</b>	<b>6 603 264</b>	<b>13%</b>

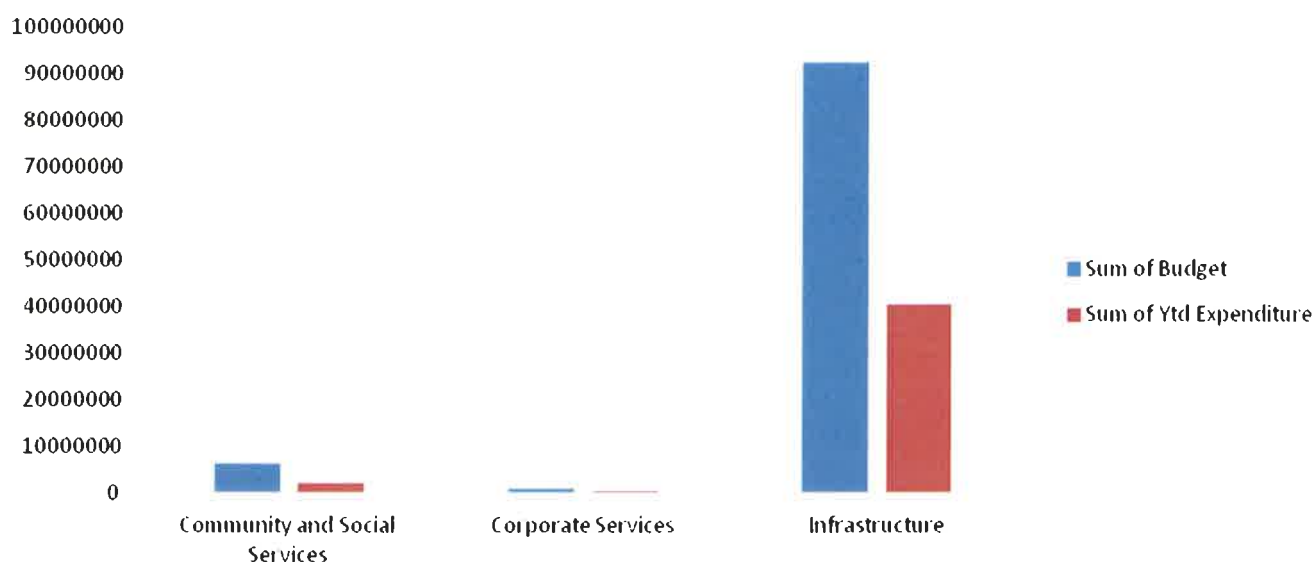
#### *Analysis and interpretation*

The municipality managed to spend only 43% of its capital expenditure as at 31 December 2015.

Half yearly capital expenditure performance reflects the following per department:

- Community services under spend by 35%
- Corporate services performed fairly well by maximising the expenditure with 16 % above.
- Infrastructure underspends by 12% due to the maintenance projects that were not yet spend at the end of December.

The chart below reflects the level budget and spending per department as at 31 December 2015

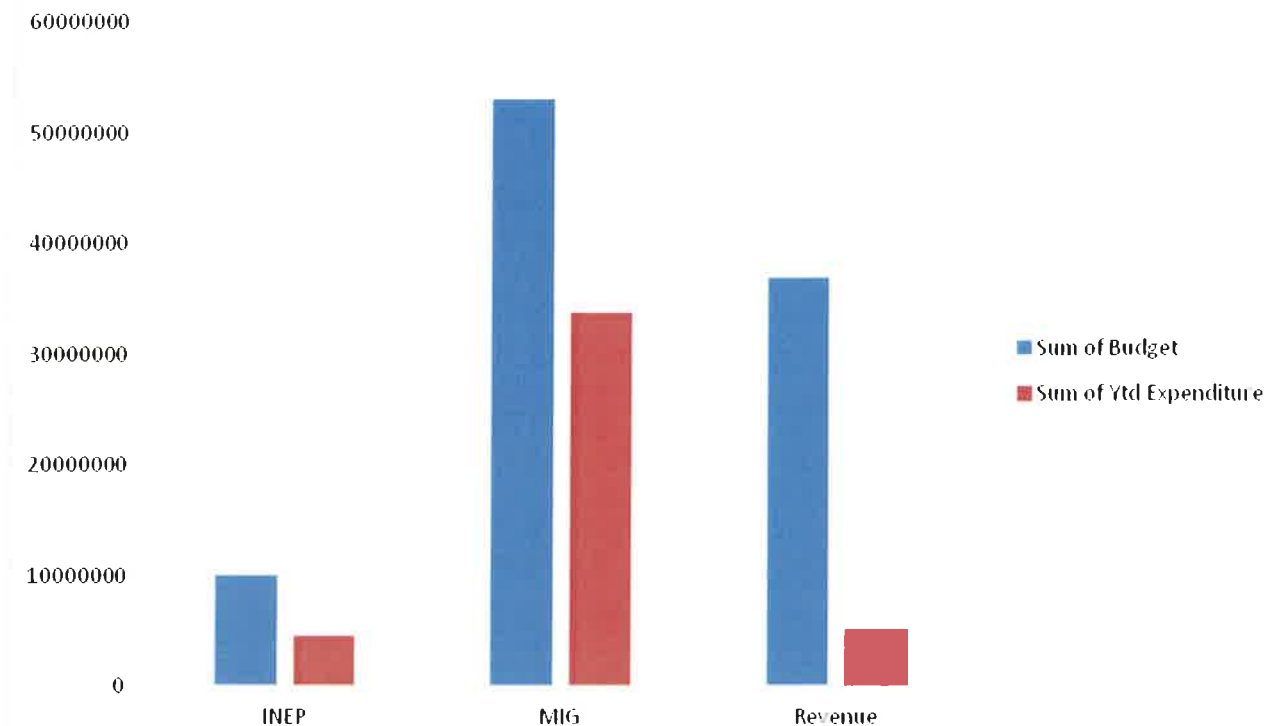


The municipality will strive to ensure that 100% of the allocated capital budget is spent by year end by accelerating supply chain management processes. The adjustments of the capital budget will mainly depend on the department inputs received, Service delivery budget implementation plans (SDBIP) and progress reports for the first half of the financial year.

## The capital expenditure report per project as at 31 December 2015

Project Name	Source of funding	Budget	Decemb	Ytd Expe	% Spet
Development of Cemeteries	Revenue	200 000	-	21 277	11%
Landscape of Hoephoeop and Impala Parks	Revenue	800 000	-	-	0%
Mini Subs	Revenue	800 000	-	-	0%
Electrification of Zenzele	Revenue	1 000 000	264 224	827 830	83%
Development of Public Lighting Master plan	Revenue	500 000	-	152 794	31%
Electrificatio of Monsterlus Stadium View	INEP	7 344 000	-	1 640 893	22%
Electrification of Magagamatala	INEP	600 000	-	988 283	165%
Electrification of Makwana Village	INEP	2 056 000	-	1 830 916	89%
Crane Truck	Revenue	700 000	-	-	0%
Furniture	Revenue	500 000	-	29 300	6%
Tools and Equipment	Revenue	100 000	-	404 122	404%
Computer Equipment	Revenue	500 000	-	205 576	41%
Upgrading of Offices and Development of Control Room	Revenue	1 500 000	-	-	0%
Zaaiplaas Road	MIG	5 000 000	791 356	5 379 319	108%
Makgopheng Stormwater Channesl	Revenue	1 279 215	-	-	0%
Monsterlus to Makgopheng Road	MIG	6 000 000	69 247	1 734 414	29%
Moteti A Phase 1 Storm	Revenue	100 000	-	-	0%
Moteti A Road Construction	MIG	5 000 000	477 289	833 788	17%
Mpheleng Coctruction of Road	MIG	5 000 000	63 429	1 880 205	38%
Dikgalaopeng Stormwater	Revenue	500 000	-	-	0%
Sephaku Storm water control	Revenue	600 000	-	-	0%
Chego To Dikgalaopeng Stormwater	Revenue	500 000	-	418 059	84%
Waalkraal Stormwater Controls	Revenue	400 000	-	-	0%
Hlogotlou Street and Stormwater water control	Revenue	3 000 000	-	119 118	4%
Mogaung Road	MIG	6 000 000	1 490 438	2 834 817	47%
Kgoshi Rammupudi Road Construction	MIG	6 000 000	639 650	4 349 572	72%
Kgoshi Matlala Road Construction	Revenue	1 000 000	-	-	0%
Phucukani Area: Road Construction	MIG	6 602 000	1 044 066	4 812 295	73%
Thambo Road Construction	MIG	-	-	5 693 373	0%
Multi Purpose Sports Field	MIG	1 000 000	-	-	0%
Plant and Machinery	Revenue	3 000 000	-	-	0%
Upgrading of Karnaal Street	Revenue	6 500 000	69 020	837 246	13%
Kgaphamadi Road	MIG	5 000 000	1 066 761	2 429 402	49%
Laersdrift Road	Revenue	1 500 000	-	-	0%
Mathula Road	MIG	6 000 000	739 405	3 239 462	54%
Marapong Bridge	MIG	1 500 000	-	625 701	42%
Development of Workshop	Revenue	2 000 000	-	-	0%
Groblersdal Ladfill Site	Revenue	2 000 000	-	-	0%
Nyakoroane Road	Revenue	1 000 000	-	-	0%
Upgrading of Rossenekal Street	Revenue	2 000 000	-	-	0%
Construction Of speed Humps ward 17	Revenue	100 000	-	-	0%
Construction Of speed Humps ward 06	Revenue	100 000	-	-	0%
Construction Of speed Humps ward 07	Revenue	100 000	-	-	0%
Construction Of speed Humps ward 23	Revenue	150 000	-	-	0%
Construction Of speed Humps ward 25	Revenue	150 000	-	-	0%
Construction Of speed Humps ward 24	Revenue	200 000	-	-	0%
Construction Of speed Humps ward 08	Revenue	100 000	-	-	0%
Development of Transfer Station: Ntwane	Revenue	500 000	-	-	0%
Upgrading of Licence Offices	Revenue	1 500 000	160 083	160 083	11%
Upgrading of Driving License Testing Centre	Revenue	2 000 000	1 472 435	1 939 500	97%
		<b>99 981 215</b>	<b>8 347 403</b>	<b>43 387 344</b>	<b>43%</b>

The chart below reflects the level of spending of budget per funding source



## Summary

The spending on projects funded from Integrated National Electrification Programme (INEP) and Municipal Infrastructure Grants (MIG) is fairly well. The spending on projects funded from the internally generated funds is very low and needs to be reviewed during the adjustment budget.

## 2.4 LIABILITY (DEBT) MANAGEMENT

### Loans

The municipality did not have any external loans obligations with any financial institution as at 31 December 2015 which is a positive position that reflects that the institution is able to sustain its day to day operational activities from its internally generated funds and government grants subsidies.

### Other financial liabilities

The municipality has entered into finance lease contract for the period of three years and is servicing this agreement from the internally generated funds.

## CHAPTER 3: MID-YEAR BUDGET STATEMENT: 31 DECEMBER 2015

### 3.1 SUMMARY

The municipality's total approved budget amounts to R 394,326,000 income and R 340,430,000 on expenditure (Operating Budget), and a capital budget of R 99,981,215 and this resulted in a budgeted surplus of R 53,896,000.

The actual results at 6 months resulted in a surplus of R89, 821,000 as result of non-spending on internally generated funds on capital projects and unavailability of the actual expenditure on depreciation and debt impairment.

### 3.2 OPERATING EXPENDITURE

Total expenditure up to 31<sup>st</sup> December 2015 amounted to R156, 221,000 or 46% of the total operating expenditure budget, which is less than the ideal 50%. This is as result of non-spending on internally generated funds on capital projects and unavailability of the actual expenditure on depreciation and debt impairment.

This although did not have an adverse effect on capital expenditure sitting at 43 % mostly attributed to ring fencing of conditional grants.

### 3.3 OPERATING REVENUE

Total operating revenue up to 31<sup>st</sup> December 2015 amounts to R 246,042,000 or 62 % of the total operating budgeted revenue which is more than the pro-rata 50% registered as a bench mark.

**Service Charges** include revenue related to Consumption Charges such as:

Electricity,

Refuse Removal

### 3.4 STATEMENT OF FINANCIAL PERFORMANCE AS AT 31 DECEMBER 2015

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>Revenue By Source</b>								
Property rates	20 270	26 182	4 237	11 174	13 091	(1 917)	-15%	22 349
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	54 299	62 973	5 152	33 344	31 486	1 858	6%	66 689
Service charges - water revenue	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-
Service charges - refuse revenue	3 476	4 628	310	1 854	2 314	(460)	-20%	3 708
Service charges - other	1 363	-	-	-	-	-	-	-
Rental of facilities and equipment	1 768	3 290	68	435	1 645	(1 210)	-74%	871
Interest earned - external investments	3 250	4 600	329	1 679	2 300	(621)	-27%	3 358
Interest earned - outstanding debtors	5 836	4 500	474	2 740	2 250	490	22%	5 479
Dividends received	-	-	-	-	-	-	-	-
Fines	445	635	45	860	317	542	171%	1 719
Licences and permits	5 247	6 348	326	2 194	3 174	(980)	-31%	4 387
Agency services	-	-	-	-	-	-	-	-
Transfers recognised - operational	170 641	216 652	476	161 920	108 326	53 594	49%	216 652
Other revenue	844	1 415	19	1 395	708	688	97%	2 791
Gains on disposal of PPE	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>267 438</b>	<b>331 224</b>	<b>11 436</b>	<b>217 595</b>	<b>165 612</b>	<b>51 983</b>	<b>31%</b>	<b>328 002</b>
<b>Expenditure By Type</b>								
Employee related costs	93 553	115 256	12 898	52 339	57 628	(5 289)	-9%	104 678
Remuneration of councillors	17 905	18 543	1 516	7 576	9 272	(1 695)	-18%	15 153
Debt impairment	-	11 000	-	-	5 500	(5 500)	-100%	11 000
Depreciation & asset impairment	-	35 000	-	-	17 500	(17 500)	-100%	35 000
Finance charges	-	-	-	-	-	-	-	-
Bulk purchases	51 162	60 000	9 340	32 286	30 000	2 286	8%	64 571
Other materials	1 687	5 430	703	3 318	2 715	603	22%	6 635
Contracted services	11 357	21 950	2 574	17 403	10 975	6 428	59%	34 806
Transfers and grants	1 885	3 300	98	362	1 650	(1 288)	-78%	3 300
Other expenditure	79 594	69 551	8 117	42 937	34 775	8 162	23%	85 874
Loss on disposal of PPE	-	400	-	-	200	(200)	-100%	-
<b>Total Expenditure</b>	<b>257 143</b>	<b>340 430</b>	<b>35 246</b>	<b>156 221</b>	<b>170 215</b>	<b>(13 994)</b>	<b>-8%</b>	<b>361 017</b>
<b>Surplus/(Deficit)</b>	<b>10 295</b>	<b>(9 206)</b>	<b>(23 809)</b>	<b>61 374</b>	<b>(4 603)</b>	<b>65 977</b>	<b>(0)</b>	<b>(33 015)</b>
Transfers recognised - capital	49 441	63 102	8 314	28 447	31 551	(3 104)	(0)	63 102
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>59 736</b>	<b>53 896</b>	<b>(15 495)</b>	<b>89 821</b>	<b>26 948</b>			<b>30 087</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>59 736</b>	<b>53 896</b>	<b>(15 495)</b>	<b>89 821</b>	<b>26 948</b>			<b>30 087</b>
Attributable to minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>59 736</b>	<b>53 896</b>	<b>(15 495)</b>	<b>89 821</b>	<b>26 948</b>			<b>30 087</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>59 736</b>	<b>53 896</b>	<b>(15 495)</b>	<b>89 821</b>	<b>26 948</b>			<b>30 087</b>



### 3.5 CASH FLOW ANALYSIS

The following table reflects that cash flow position of the municipality as at 31<sup>st</sup> December 2015

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	70 625	107 021	7 258	33 188	53 511	(20 323)	-38%	107 021
Government - operating	170 756	170 641	476	161 920	85 321	76 599	90%	170 641
Government - capital	52 968	50 840	8 314	28 447	25 420	3 027	12%	50 840
Interest	3 939	8 105	329	1 679	4 053	(2 374)	-59%	8 105
Dividends	-	-	-	-	-	-		-
<b>Payments</b>								
Suppliers and employees	(255 258)	(254 448)	(35 246)	(220 806)	(127 224)	93 582	-74%	(254 448)
Finance charges	-	-	-	-	-	-		-
Transfers and Grants	(1 885)	(9 600)	(98)	(362)	(4 800)	(4 438)	92%	(9 600)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>41 145</b>	<b>72 559</b>	<b>(18 966)</b>	<b>4 065</b>	<b>36 280</b>	<b>32 214</b>	<b>89%</b>	<b>72 559</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	500	5 000	-	-	2 500	(2 500)	-100%	5 000
Decrease (Increase) in non-current debtors	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables	-	-	-	-	-	-		-
Decrease (increase) in non-current investments	-	-	-	-	-	-		-
<b>Payments</b>								
Capital assets	(71 102)	(99 981)	(23 517)	(38 684)	(49 991)	(11 306)	23%	(77 290)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(70 602)</b>	<b>(94 981)</b>	<b>(23 517)</b>	<b>(38 684)</b>	<b>(47 491)</b>	<b>(8 806)</b>	<b>19%</b>	<b>(72 290)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-		-
Borrowing long term/refinancing	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits	2 361	500	17	924	250	674	269%	500
<b>Payments</b>								
Repayment of borrowing	-	-	-	-	-	-		-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>2 361</b>	<b>500</b>	<b>17</b>	<b>924</b>	<b>250</b>	<b>(674)</b>	<b>-269%</b>	<b>500</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(27 096)</b>	<b>(21 922)</b>	<b>(42 466)</b>	<b>(33 696)</b>	<b>(10 961)</b>			<b>769</b>
Cash/cash equivalents at beginning:	51 663	20 000		120 504	20 000			120 504
Cash/cash equivalents at month/year end:	24 567	(1 922)		86 808	9 039			121 273

The municipality has been fairly financially sustainable and able to discharge its financial commitment when they fall due and expected to operate successfully in future.

#### 3.5.1 Cash balances and investments

The municipality had the following cash balances as at 31 December 2015

##### A) The Cash balances as at 31 December 2015

1) Investment	45 081 313.61
2) Primary bank account	41 726 798.47
	<b>86 808 112.08</b>

### **Summary on sustainability**

- The Municipality is continually enforcing its credit policy to avoid consumer debtors that are outstanding for longer period; currently the averaged collection period is 90 days.
- We received 75 % of our share of the equitable share and 62% on conditional grants on the first six months of the current financial year, further elaborated in the report.
- Strategies in place to enhance the revenue collection of council by enforcing consumers to pay and cut off, blocking of electricity, handing over long outstanding consumers to debt collectors and encouraging consumers to make some arrangements to pay the outstanding balances off.
- A debt collection strategy will be put in place of which the primary focus will be to put strict credit control on debtors that can afford to pay but do not pay their outstanding debt.

## **CHAPTER 4: OUTCOME OF BUDGET ASSESSMENT**

### **4.1 An adjustment budget must be performed based on the following reasons:**

- Unspent Conditional Grants rolled-over amounting to R 14 million and approved by Treasury for 2014/2016 financial year needs to be incorporated into the adjustment budget with its corresponding capital projects.
- Adjustment of operational income and expenditure reports as per the assessment performed in this report based on the first half of the financial year.
- Inputs received from the departments with regard to their day to day operations and changes for special programmes to be executed in the remaining six months of the financial year.
- Inputs received from the departments on changes on capital projects to be executed during the year based on the SDBIP progress reports.

## **CHAPTER 5: RECOMMENDATIONS**

### **RECOMMENDATIONS**

1. That the mid-year budget and performance assessment as tabled be noted by Council.
2. That the 2015/2016 annual budget be adjusted in February 2016 in terms of Section 28 of the MFMA
3. That the mid-year budget and performance assessment report be submitted to the Mayor and the National and Provincial Treasuries as required by Section 72 of MFMA.
4. That the mid-year budget and performance report be placed on the municipal website within five working days after it is approved.
5. Departmental units be instructed to submit a report on the expected changes to be made on operational and capital budget.

## Quality certificate

I, Em>Maredi, the Municipal Manager of **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**, hereby certify that the mid-year budget performance and assessment report and supporting documentation for the period July 2015 to December 2015 has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print name Ramaphahlela Mhah Moredi

Municipal Manager of Elias Motsoledi Local Municipality (LIM 472)

Signature [Handwritten Signature]  
Local Municipality

Date 25/1/2016  
25 JAN 2016


Municipal Manager

RECOMMENDATIONS BY MANAGEMENT: 11 JANUARY 2016

1. That Council notes the Mid-Year Budget and Performance Assessment Report for the 2015/16 Financial Year in terms of Section 72 of the MFMA and the Supporting Documentation attached as Annexures.
2. That Council notes the process for revising the Service Delivery and Budget Implementation Plan and the approval process as stipulated in Circular No.13 of the MFMA
3. That Council considers the financial state of affairs of the Municipality as reflected in this report Annexure "2"
4. That Council considers the tabling of an adjustment budget not later than 28 February 2016, taking into account the following:
  - i) The appropriation of any additional revenue received during the current financial year.
  - ii) Adjusting revenue downward on line items that were projected and did not realise the revenue / income targets
  - iii) Adjusting expenditure votes as cited in the Annexure "2" report
  - iv) Any unforeseeable and unavoidable expenditure that has been incurred in the current financial year and approved by the Mayor.
  - v) Adjustments to the Operating and Capital budget for Virements and transfer of funding.
  - vi) Employee costs budget to be adjusted upwards to make provisions for the payment of the salary adjustment in respect of the appointed Senior Managers in line with the provisions of the second **Notice No. 38946 dated 01 July 2015** on the determinations of the total remuneration packages payable to municipal managers and managers directly accountable to municipal managers to be effected 01 July 2014 retrospectively as Council Resolution **M15/16-04**

**ORDINARY EXECUTIVE COMMITTEE MEETING: 15 JANUARY 2016**  
**RESOLVED TO RECOMMEND:**

1. That Council notes the Mid-Year Budget and Performance Assessment Report for the 2015/16 Financial Year in terms of Section 72 of the MFMA and the Supporting Documentation attached as Annexures.
2. That Council notes the process for revising the Service Delivery and Budget Implementation Plan and the approval process as stipulated in Circular No.13 of the MFMA
3. That Council considers the financial state of affairs of the Municipality as reflected in this report Annexure "2"
4. That Council considers the tabling of an adjustment budget not later than 28 February 2016, taking into account the following:
  - i) The appropriation of any additional revenue received during the current financial year.
  - ii) Adjusting revenue downward on line items that were projected and did not realised the revenue / income targets
  - iii) Adjusting expenditure votes as cited in the Annexure "2" report
  - iv) Any unforeseeable and unavoidable expenditure that has been incurred in the current financial year and approved by the Mayor.
  - v) Adjustments to the Operating and Capital budget for Virements and transfer of funding.
  - vi) Employee costs budget to be adjusted upwards to make provisions for the payment of the salary adjustment in respect of the appointed Senior Managers in line with the provisions of the second **Notice No. 38946 dated 01 July 2015** on the determinations of the total remuneration packages payable to municipal managers and managers directly accountable to municipal managers to be effected 01 July 2014 retrospectively as Council Resolution **M15/16-04**

  
.....  
**CLLR. MATHEBE J L**  
**MAYOR**

19/1/2016  
.....  
**DATE**