

Elias Motsoaledi Local Municipality



**2017/2018 MID-YEAR BUDGET AND PERFORMANCE
ASSESSMENT REPORT IN TERMS OF SECTION 72 OF
MFMA**

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A. INTRODUCTION

Elias Motsoaledi Local Municipality is hereby reporting on for the institutional performance relating to 2017/2018 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 2017/2018 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 2016/2017 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) requires 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.

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 1: SPATIAL DEVELOPMENT ANALYSIS AND RATIONALE					
Number of informal settlements targeted for upgrading (Zuma Park)	1	Draft layout plan	Specialised reports	Achieved	
% Development of a Spatial Development Framework	100% Development of a Spatial Development Framework	25% Inception report	n/a	None	
% of Site demarcation projects completed (Ba-Kopa, Ntwane, Ga-Matlala Lehwelere)	100% site demarcation completed	50% General Plan	100% site demarcation completed	achieved	
% projects implemented based on SPLUMA	100% projects implemented based on SPLUMA	n/a	n/a	None	
% of new building plans of less than 500 square metres assessed within 10 days of receipt of plans	100%	100%	100%	achieved	
% of new building plans of more than 500 square meters assessed within 28 days of receipt of plans	100%	100%	100%	achieved	
% of inspections conducted on building construction with an approved plan to ensure compliance with National Building Regulations and Building Standards	100%	100%	100%	achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 2: INSTITUTIONAL DEVELOPMENT AND MUNICIPAL TRANSFORMATION					
Number of people from employment equity target groups employed in the three highest level of management in compliance with a municipality's approved employment equity plan (GKPI)	100%	n/a	n/a	None	
% of budget spent implementing the Workplace Skills Plan by the 30 Jun 2018 (GKPI)	1%	n/a	n/a	None	
Submission of Review ICT master plan to council by 30 June 2018	1	n/a	n/a	None	
Review organizational structure and align to the IDP and Budget by 30 June 2018	1	n/a	n/a	None	
% Purchase of furniture	100% Purchase of furniture	100% Purchase of furniture	0%	Not Achieved	To be reported in the next quarter
% Purchase of computer equipment	100% Purchase of computer equipment	100% Purchase of computer equipment	100% Purchase of computer equipment	Achieved	
% of KPIs and projects attaining organisational targets (total organisation) by 30 June 2018	95%	25%	50%	Achieved	
Final SDBIP approved by Mayor within 28 days after approval of Budget	1	N/A	N/A	None	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 3: LOCAL ECONOMIC DEVELOPMENT					
Number of job opportunities provided through EPWP grant by 30 June 2018 (GKPI)	69	n/a	69	achieved	
Number of networking events held by 30 June 2018	2	n/a	1	achieved	
Number of SMME's and Co-operatives capacity building workshops held by 30 June 2018	4	1	2	achieved	
Review of LED Strategy	1	n/a	n/a	None	
Grant agreement signed between EMLM and dept. of public works stipulating the EPWP targets	1	1	n/a	None	
Number of additional jobs to be created using the Expanded Public Works Programme guidelines and other municipal programmes	500	50	100	achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 4 - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT					
% of households with access to basic levels of electricity by the 30 June 2018 (GKPI)	100%	N/A	N/A	None	
Number of additional households living in formal areas provided with electricity connections	1000	N/A	N/A	None	
KMs of new paved roads to be built	8.4kms	n/a	n/a	None	
KMs of roads resurfaced/ rehabilitated/ resealed	2kms	n/a	n/a	None	
% electrification of households in Makaepa	100% of households reticulated for electrification at Makaepa by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	
% electrification of households in Tambo village (extension)	100% of households reticulated for electrification at Tambo village by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
% electrification of households in Masakaneng	100% of households reticulated for electrification at Masakaneng by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Not achieved	Project on hold since Masakaneng trustees were not informed about its implementation and contractor is incurring standing time costs. The municipality to engage land commission about the issue
% electrification of households in Jabulani D3	100% of households reticulated for electrification at Jabulani D3 by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	
% electrification of households in Jerusalema	100% of households reticulated for electrification at Jerusalema by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	
% development of electrification designs	100% detailed designs completed	25% appointment of service provider	50% draft designs develop	Not achieved	the design to be done in 2018/19 financial year for implementation in 2019/20 FY
% electrification of households at Waalkraal A	100% of households reticulated for	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
	electrification at waalkraal by 30 June 2018				
% electrification of households at Elandsdoorn A	100% of households reticulated for electrification at Elandsdoorn by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	
% electrification of households in Matsitsi	100% of households reticulated for electrification at Matsitsi by 30 June 2018	25% Detailed designs Complete	50% Project hand over and Site Establishment	Achieved	
% construction of Hlogotlou street and storm water control	100% Completion of street and storm water control by 30 June 2018	25% Advertisement and appointment of service provider	50% Project hand over and Site Establishment	Not achieved	The Municipality has allocated the sufficient budget to complete the whole scope for current phase of the project
% construction of Kgaphamadi bus road, bridge and Stormwater control PH 1C (1km)	100% construction of Kgaphamadi Bus road and Stormwater control by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	
% construction of Kgoshi Rammupudu road	100% construction of Kgoshi Rammupudu road by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
% construction of Kgoshi Matsepe road	100% construction of Kgoshi Matsepe road by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved	project to be registered and implemented in 2018/19 financial year
% construction of Mathebe road	100% construction of Kgoshi Mathebe road by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved	project to be registered and implemented in 2018/19 financial year
% rehabilitation of Dikgalaopeng road and storm water control	100% rehabilitation of Dikgalaopeng road and storm water control by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved	the contractor to be appointed in January 2018
% Rehabilitation of Ramogwerane to Nkadimeng road and storm water	100% Rehabilitation of Ramogwerane to Nkadimeng road and storm water by June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved	the project to be re-advertised through RFQ to consider learner contractors
% maintenance of Groblersdal roads and streets	100% maintenance of Groblersdal roads and streets	25% Advertisement and appointment of service provider	50% maintenance of Groblersdal roads and streets	Not achieved	the contractor to be appointed in January 2018
% construction of Mathula road and storm water control	100% construction of Mathula road and storm water by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
% construction of Naganeng road and storm water control	100% construction of Naganeng road and storm water control by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	
% construction of JJ road and storm water control	100% construction of JJ road and storm water control by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	
% construction of Tambo road	100% construction of Tambo road by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Achieved	
% upgrading of Motetema street	100% construction of Motetema road by 30 June 2018	25% Advertisement and appointment of service provider	50% progress (Site establishment and subcase completed)	Not achieved	the project to be re-advertised through RFQ to consider learner contractors
% purchase of machinery and equipment	100% purchase of machinery and equipment	n/a	n/a	None	
number of vehicles to be purchased	1 vehicle purchased by 30 September 2017	1 vehicle purchased	n/a	None	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
% development of workshop	100% development of workshop	25% Advertisement and appointment of service provider	50% site handover and site establishment	Not achieved	The allocated amount was transferred to Hlogotlou streets to cover the shortfall. To allocate the budget in 2018/19 financial year
% of households with access to a minimum level of basic waste removal by 30 June 2018 (once per week) (GKPI)	16,50%	N/A	N/A	None	
Number of initiatives held to promote library facilities by 30 June 2018	4	1	2	Achieved	
Number of waste minimization projects initiated by 30 June 2018 (Environmental awareness programmes)	4	1	2	Achieved	
Number of disaster awareness campaigns conducted by 30 June 2018	4	1	2	Achieved	
Number of community safety forum meeting held	4	1	2	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
number of grass cutting industrial machine purchased	purchased 7 grass cutting and industrial material by 31 December 2017	advertisement and appointment of service provider	7 grass cutting industrial material purchased	Not achieved	Awaiting appointment of successful bidder
% upgrading of driving licence testing centre	100% upgrading of driving license testing centre by 30 June 2018	50% advertisement and appointment of service provider	n/a	None	
% of (indigents) households with access to free basic electricity services by 30 Jun 2018 (GKPI)	1500 (2.5%)	N/A	N/A	n/a	
Number of additional households provided with access to Free Basic Electricity	200	50	100	Not achieved	Engage with Eskom to unlock the issue around configuration of meters for FBE

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT					
% spend of the Total Operational Budget excluding non-cash items by the 30 June 2018	95%	25%	50%	Achieved	
Remuneration (Employee Related Costs and Councillors Remuneration) as % of Total Operating Expenditure per quarter	<39%	<39%	<39%	Not Achieved	
% development of capital project implementation plan and submit to MM for approval by 30 June 2018	100%	n/a	n/a	None	
% spending on MIG funding by the 30 June 2018	100%	25%	50%	Achieved	
% development of roads and lighting master plan	100% Development of master plan	15% Advertisement and appointment of the service provider	50% Introduction of the service provider to the municipality and data collection	Not Achieved	the ToR developed and serve at specification committee during the third quarter period
Cost coverage ratio by the 30 June 2018 (GKPI)	4:01	N/A	N/A	None	
% outstanding service debtors to revenue by the 30 June 2018 (GKPI)	5%	N/A	N/A	None	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
% Debt coverage ratio by the 30 June 2018 (GKPI)	200%	N/A	N/A	None	
Submission of MTRE Budget to Council 30 days before the start of the new FY	1	N/A	N/A	None	
Audited Annual Financial Statements (AFS) and Audit report submitted to EXCO by December 2017	1	N/A	1	Not achieved	The financial statements will only be submitted to EXCO as part of the annual report in January 2018.
number of monthly SCM deviation reports submitted to the MM	12	3	6	Achieved	
% Payment of creditors within 30 days	100%	100%	100%	Achieved	
Number of assets verification reports submitted to MM by 30 June 2018	2	n/a	1	Not achieved	Verification will be performed in May 2018
number of Transversal programmes implemented in terms of mainstreaming with respect to HIV/AIDS, Gender, Disabled, Woman and Children Rights by the 30 Jun 2018	4	1	2	Achieved	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
KPA 6: GOOD GOVERNANCE AND PUBLIC PARTICIPATION					
Obtain an Unqualified Auditor General opinion for the 2016/17 financial year	Unqualified Opinion	N/A	1	Not achieved	Implementation of audit action plan with remedial actions.
% of Auditor General matters resolved as per the approved audit action plan by 30 June 2018	100%	N/A	N/A	None	
% execution of identified risk management plan within prescribed timeframes per quarter	100%	25%	59%	Achieved	
Submission of Final audited consolidated Annual Report to Council on or before end of January 2018	1	N/A	N/A	None	
% of Council meetings resolutions resolved within the prescribed timeframe (3 months)	100%	100%	100%	Achieved	
Final IDP tabled and approved by Council by the 31 May 2018	1	N/A	N/A	None	
% of Auditor General matters resolved as per the approved audit action plan by 30 June 2018 (Total organisation)	100%	N/A	N/A	None	

Key Performance Indicator (KPI)	Annual Target	Quarter 1	Quarter 2	Comments	Remedial Action
number of quarterly reports submitted to Council in terms of items raised during public participation; within the mandate of Council, that are processed and resolved within (3) months	4	1	2		
number of Community Satisfaction Surveys conducted by the 30 Jun 2018	1	N/A	N/A	None	
number of MPAC quarterly reports submitted to council	4	1	2	Not achieved	A hearing be conducted on 16th January 2018, to compile a list of companies and individuals who are conflicted.
number of Mayoral outreach projects initiated by 30 Jun 2018	2	1	N/A	None	
number of Speaker's outreach projects initiated by 30 Jun 2018	2	N/A	N/A	None	
number of MPAC outreach projects initiated by 30 Jun 2018	1	N/A	N/A	None	

The table below represents the institutional performance for the 2nd Quarter per Key Performance Area:

Key Performance Area Number	Key Performance Area	Total No. of Set Targets	Total No. of Achieved targets	No. of Targets Not Achieved	% Achieved Targets
1	Spatial Rationale	5	5	0	100%
2	Institutional Development & Transformation	3	1	2	33%
3	Local Economic Development	4	4	0	100%
4	Basic Service Delivery	30	18	12	60%
5	Financial Management & Viability	8	4	4	50%
6	Good Governance & Public Participation	5	3	2	60%
	Overall municipal performance	55	35	20	63%

CHAPTER 1: INTRODUCTION

FINANCES : MID-YEAR BUDGET ASSESSMENT

REPORT OF THE MUNICIPAL MANAGER

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 25th 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 2016/2017 and the Mid-year performance/progress reports of 2016/2017 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 2017/18 financial period has been fairly stable given the challenges in our cash flow activities

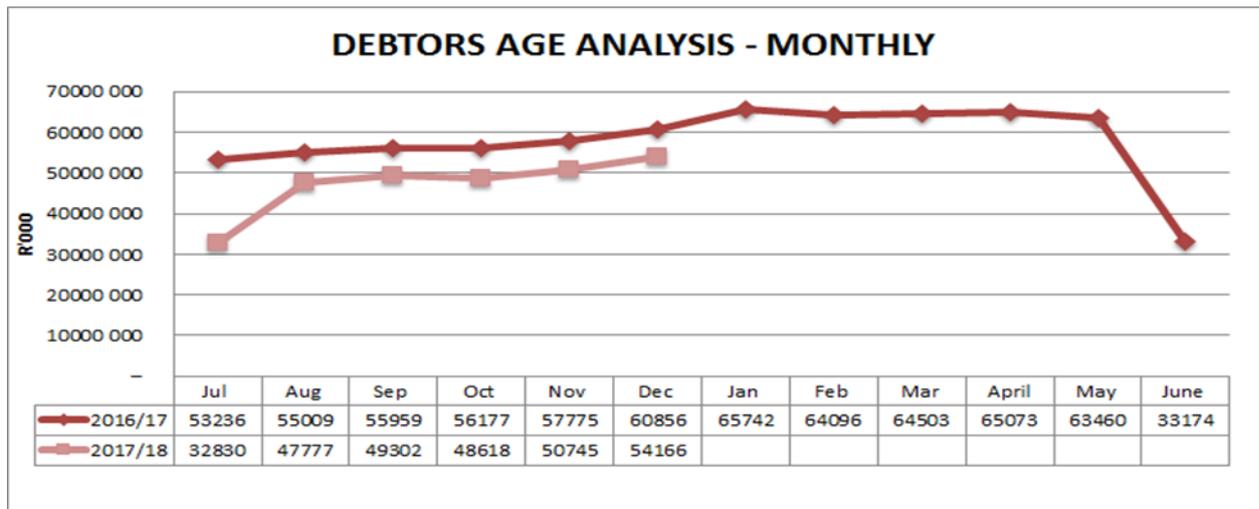
Description	2016/17	Budget Year 2017/18					
	Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Financial Performance							
Property rates	25,815	26,472	18,507	13,236	5,271	40%	26,472
Service charges	77,251	89,822	42,719	36,813	5,906	16%	89,822
Investment revenue	1,319	3,701	1,001	1,912	(911)	-48%	3,701
Transfers and subsidies	-	226,163	154,514	168,969	(14,455)	-9%	226,163
Other own revenue	286,701	45,865	21,290	22,988	(1,697)	-7%	45,865
Total Revenue (excluding capital transfers)	391,085	392,023	238,031	243,917	(5,886)	-2%	392,023

Actual income slightly lower than budgeted income due to the following:

- The transfer schedule of grants by National Treasury allocating the R 14 million in the second half of the financial year.

b) Overview of debtors as at 31 December 2017

Description	Budget Year 2017/18											
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days	Bad Debts Written Off	Impairment-Bad Debts
Debtors Age Analysis By Income Source												
Trade and Other Receivables from Exchange Transactions - Water									-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	5 272 738	3 080 444	696 573	295 211	176 033	96 516	1 129 921	2 169 662	12 917 097	3 867 342		
Receivables from Non-exchange Transactions - Property Rates	2 471 605	1 510 390	918 982	893 144	1 199 367	550 531	2 562 154	13 462 684	23 568 859	18 667 881		
Receivables from Exchange Transactions - Waste Water Management	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Waste Management	627 265	464 083	366 632	338 961	762 406	199 734	463 330	1 588 763	4 811 174	3 353 194		
Receivables from Exchange Transactions - Property Rental Debtors	51 947	49 723	7 221	1 451	2 194	56 038	218 981	830 564	1 218 120	1 109 229		
Interest on Arrear Debtor Accounts	575 914	521 315	495 128	466 487	933 310	403 645	2 119 996	8 169 016	13 684 811	12 092 454		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-		
Other	249 754	98 721	122 292	13 000	265 404	30 343	719 693	1 761 829	2 033 280	2 259 462		
Total By Income Source	9 249 222	5 724 676	2 362 244	1 982 254	3 338 715	1 276 120	5 774 689	24 458 860	54 166 780	36 830 638	-	-
2016/17 - totals only	- 580 250	3 536 778	1 477 259	1 325 741	1 199 730	1 034 393	5 336 599	19 844 003	33 174 251	28 740 464		
Debtors Age Analysis By Customer Group												
Organs of State	482 576	394 287	69 872	108 349	82 210	49 462	449 090	1 608 581	3 244 427	2 297 692		
Commercial	4 863 690	3 102 194	847 952	498 532	468 087	246 659	882 797	3 976 407	14 886 317	6 072 481		
Households	2 896 915	1 777 853	855 712	813 811	2 168 025	429 096	1 316 186	6 868 341	17 125 941	11 595 460		
Other	1 006 041	450 342	588 708	561 562	620 393	550 902	3 126 615	12 005 532	18 910 095	16 865 004		
Total By Customer Group	9 249 222	5 724 676	2 362 244	1 982 254	3 338 715	1 276 120	5 774 689	24 458 860	54 166 780	36 830 638	-	-



The initial graph compares debtors' age analysis for 2016/17 financial year and 2017/18 (as at end of December 2017) whilst the latter shows monthly movement of debtors for both the current financial year and the 2016/17 financial year.

The debtors book is materially less than the 2016/17 monthly figures and this is attributed to debtors write off done at end of 2016/17 financial year. The debtor's amount increased significantly for the first quarter and slight downhill for October and increased for December.

c) Basis of budget 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.

The table below depicts the mid-year financial performance of each category of the municipal revenue line items:

Budgeted Financial Performance (revenue and expenditure) for the period ending 31 December 2018

Description	2016/17	Budget Year 2017/18					
	Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Revenue By Source							
Property rates	25,815	26,472	18,507	13,236	5,271	40%	26,472
Service charges - electricity revenue		81,206	37,271	32,505	4,766	15%	81,206
Service charges - water revenue	70,745	-	-	-	-		-
Service charges - sanitation revenue		-	-	-	-		-
Service charges - refuse revenue		8,616	5,448	4,308	1,140	26%	8,616
Service charges - other	6,506	-	-	-	-		-
Rental of facilities and equipment		1,935	451	968	(516)	-53%	1,935
Interest earned - external investments	1,319	3,701	1,001	1,912	(911)	-48%	3,701
Interest earned - outstanding debtors	2,889	6,260	6,172	3,506	2,666	76%	6,260
Dividends received	6,469	-	-	-	-		-
Fines, penalties and forfeits		30,000	3,740	14,700	(10,960)	-75%	30,000
Licences and permits	50,885	5,171	2,008	2,585	(578)	-22%	5,171
Agency services	5,255	-	-	-	-		-
Transfers and subsidies		226,163	154,514	168,969	(14,455)	-9%	226,163
Other revenue	213,105	2,499	8,919	1,229	7,690	626%	2,499
Gains on disposal of PPE	8,098	-	-	-	-		-
Total Revenue (excluding capital transfers)	391,085	392,023	238,031	243,917	(5,886)	-2%	392,023

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

The over performance variance of 40% is due to certain properties that were shown as unknown and data cleansing has been performed to trace the owners of those accounts and this resulted in increased billing on property rates.

The increase revenue on property rates is also attributable to the new Groblersdal Mall which became operational in September 2017.

Supplementary valuation roll to make corrections of the property values also contributed to the increased revenue on property rates.

Conclusion: Upwards 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 service charges on sale of electricity and refuse removal performed fairly well with the positive variance of 15% and 26% respectively. The increase revenue on sale of electricity is attributable to the new Groblersdal Mall which became operational in September 2017.

Challenges that have negative impact on sale of electricity revenue:

- 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 and this results in high distribution losses of R 6 million per annum on electricity.
- 2) Difficulty in implementing Credit and Debt Collection Policy in Townships such as Motetema and Elandsdoorn.

Proposed solution to address challenges in sale of electricity

- 1) The Budget and Treasury portfolio committee resolved in its meeting to consider the transfer of electricity licence in Roosenekal to Eskom in order to avoid the continued loss of revenue in the form of illegal connections.

Conclusion: Upward adjustments will be made on service charge electricity and service charge refuse removal to accommodate the perceived over performance of the line items in the second half of the financial year.

➤ *Licences and Permits*

The negative variance of 22 % 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 and municipality subsequently pays 80% of the collected revenue to Department of Roads and transport. The municipality receives an agreed commission of 20% as per the SLA thereof.

Conclusion: Downward adjustment will be made on the budgeted licences and permits revenue for the year.

➤ *Rental of facilities and equipment*

The negative variance of 53% 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 decreasing the budgeted revenue after expected rental of the municipal facilities in the second half of the financial year.

➤ *Interest earned on external investments*

The negative variance of 48% was as a result of a reduced investments during the financial year due to 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 be used to 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 positive variance of 76% was as a result of interest charged on defaulting debtors.

Conclusion: Adjustment will be made to accommodate the increased interest charged for non-payments as it was evidenced in the first half of the financial year, however revenue collection needs to be intensified since this will subsequently result in reduced interest on overdue accounts.

➤ *Fines, penalties and forfeits*

The negative variance of 75% is as a result of applying cash basis of accounting as opposed to accrual basis of accounting and this might be adjusted upwards since the municipality has rolled out a system of speed cameras that has drastically increased this revenue base in 2017/2018 financial year.

The accrued revenue on fines issued will only be accounted for at the end of the financial year and will then reflect the actual revenue accrued on fines, penalties and forfeits in 2017/2018 financial year.

Conclusion: Thorough scrutiny of the impact of the rolling out of speed cameras will be performed and this will inform the adjustment of this revenue line item and in addition, the municipality is working on linking the traffic system with its core financial system so as to facilitate the implementation of accrual basis.

➤ *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 over performance variance of 626 % and will be accordingly be adjusted during the adjustment budget.

Conclusion: Each line item in this area will be analysed considering the performance of 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 receives from the National Government. The need for adjustment of this source of revenue is only when there is changes in DoRA allocations for the municipality issued by National Government and also when the municipality received approval for roll-over of the unspent conditional grants allocation.

Conclusion: The municipality received an approval from Treasury to roll-over the unspent conditional grants as at 30 June 2017 based on the letter of application submitted in August 2017 and therefore adjustment must be made on the affected capital projects.

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

ACTUAL GOVT GRANTS & SUBSIDIES 2017/18	ACTUAL TOTAL REVENUE	PERCENTAGE
R 154,514,000.00	R 238,031,000	65%

Grants and subsidies cash flow as at 31 December 2017

Grant	Budget	Received to Date	Spent to Date	Still to be received
Equitable Share	223,019,000	167,265,000	111,509,500	55,754,000
FMG	1,700,000	1,700,000	746,211	-
EPWP	1,444,000	1,010,000	760,728	434,000
MIG	55,860,000	39,263,000	41,060,768	16,597,000
INEP (Municipality)	15,000,000	15,000,000	9,214,521	-
Monthly Total	297,023,000	224,238,000	163,291,728	72,785,000

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 65% 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

2016/17 Audited			2017/18 Original Budget		
PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%	PERSONNEL COSTS	TOTAL OPERATING EXPENDITURE	%
R 138,079,000	R 496,076,000	28%	R 145,573,000	R 386,388,000	38%

The best practice is that the ratio on personnel cost and remuneration of councillors relative to total operational expenditure must not exceed 40%. The municipality's percentage is slightly below the norm by 2% and as a result, the municipality needs to guard against this ratio so that the threshold is never exceeded.

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 2017/18	Ytd Budget	Variance in R	Variance in %
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R 183,418,670	R 156,240,000 excluding depreciation	27,178,670	17%
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When comparing the year to date actuals and year to date budget, the results reflect that the municipality had a variance of R27 million that translates to 17% 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 periods 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% will be considered material and indicative of adjustment.

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

Description	2016/17	Budget Year 2017/18						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Expenditure By Type								
Employee related costs	117,781	123,460	15,354	71,377	64,792	6,585	10%	123,460
Remuneration of councillors	20,298	22,113	1,695	10,167	11,056	(890)	-8%	22,113
Debt impairment	21,128	26,372	–	–	–	–		26,372
Depreciation & asset impairment	47,998	51,200	–	–	23,706	(23,706)	-100%	51,200
Finance charges	1,426	3,124	–	291	1,183	(892)	-75%	3,124
Bulk purchases	65,729	69,165	5,654	30,486	29,553	933	3%	69,165
Other materials	12,873	13,497	1,226	6,624	7,993	(1,368)	-17%	13,497
Contracted services	43,080	25,350	3,429	32,364	13,658	18,706	137%	25,350
Transfers and subsidies	708	3,724	846	5,749	1,862	3,887	209%	3,724
Other expenditure	161,695	48,384	2,674	26,847	26,143	703	3%	48,384
Loss on disposal of PPE	3,360	–	–	–	–	–		–

Total Expenditure	496,076	386,388	30,876	183,904	179,946	3,958	2%	386,388
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Expenditure line items that need to be adjusted:

➤ *Employee related costs*

The performance of this line item of expenditure is slightly above the projected expenditure for the first half of the financial year and this resulted in over spending variance of 10%.

Conclusion: The upwards adjustment is imperative taking into account the actual expenditure for 2016/17 financial year that includes actuarial gains and losses and these items were not incorporated in the budget.

Initiatives reduce the level of spending on overtime per department must be implemented in order to avoid overspending on this line item at the end of the financial year.

➤ *Remuneration of councillors*

The underspending of 8% occurred in the first half of the financial year and is attributable to the provisions made for the upwards adjustments of the councillors salaries in terms of Determination of upper limits of salaries, allowances and benefits of different members.

Conclusion: The adjustment will be made based on the recent Notice No.842 as published in the Government Gazette No 41211 of 27 October 2017 on salaries increases for councillors. The adjustment will be made with considering the financial capability of the municipality and is limited to 6% in terms of the Gazette.

➤ *Debt impairment*

Conclusion: Downward adjustment is expected on this line item due to the fact that the actual expenditures as per the audited financial statements for the year ended 30 June 2017 is less than the provision made for the 2017/2018 financial year by 19%.

➤ *Depreciation and amortisation*

Conclusion: No adjustment is required on this line item due to the fact that the actual expenditures as per the audited financial statements for the year ended 30 June 2017 is less than the provision made for the 2017/2018 financial year by 6%.

➤ *Finance charges*

The municipality has leased vehicles for its daily operations in the form of operating and finance lease. The amortisation schedules that were presented at the time of finalizing the budget did not

have accurate figures for this expenditure item and as a result, the budget thereof was materially understated.

Conclusion: The municipality needs to adjust the budget in line with the amortisation schedules considering that the lease is due to expire in March 2018 and provisions for finance charges and lease instalments must also be made for the new finance lease contract that is expected to commence with effect from April 2018.

➤ *Bulk purchases*

The expenditure performance on purchase of electricity has a negative variance of 3% which is below the norm of 5%.

Conclusion: No adjustment will be made on this line item.

➤ *Other expenditure line items*

Over and underspending that is above 5% acceptable norm is also noted in the first half of the financial year on other materials and contracted services and adjustments must be made on this items in order to avoid unauthorised expenditures at the end of the financial year:

- Other materials 17% underspending
- Contracted services 137% overspending
- Other expenditure 3% overspending

Conclusion:

- Adjustment must be made on other materials by reducing the budget and allocate to the overspend items.
- Contracted services budget must be revised based on the use of consultants' needs analysis that must be contacted prior to finalisation of the adjustment budget in order to avoid unauthorised expenditure at the end of the financial year.

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: (Year to date Capital Expenditure – Year to date Budget Capital Expenditure)/ Year to date Budgeted Capital Expenditure

Summary of capital expenditure per department for the period ending 31 December 2017

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Multi-Year expenditure appropriation									
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	-	500	-	-	378	250	128	51%	500
Vote 5 - Community Services	28	500	-	-	-	250	(250)	-100%	500
Vote 6 - Technical Services	50,994	52,539	-	12,245	40,295	30,118	10,177	34%	52,539
Vote 7 - Developmental Planning	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	51,021	53,539	-	12,245	40,673	30,618	10,056	33%	53,539
Single Year expenditure appropriation									
Vote 1 - Executive & Council	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury	-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services	1,508	-	-	-	-	-	-	-	-
Vote 5 - Community Services	153	700	-	-	-	550	(550)	-100%	700
Vote 6 - Technical Services	27,399	23,063	-	2,671	10,342	10,863	(521)	-5%	23,063
Vote 7 - Developmental Planning	-	-	-	-	-	-	-	-	-
Vote 8 - Executive Support	583	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	29,643	23,763	-	2,671	10,342	11,413	(1,071)	-9%	23,763
Total Capital Expenditure	80,665	77,302	-	14,916	51,015	42,030	8,984	21%	77,302

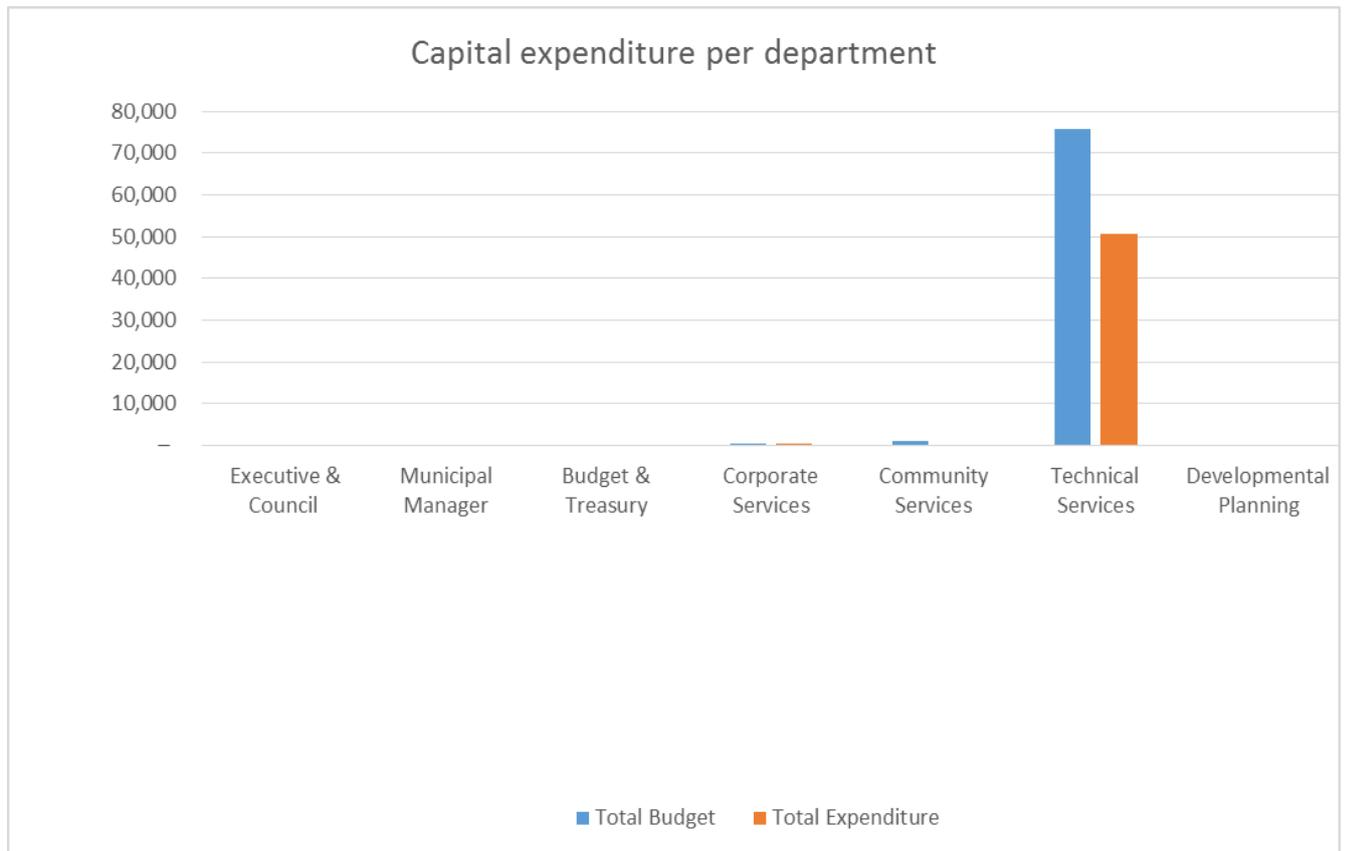
Analysis and interpretation

The year to date actual capital expenditure as at end of December amounts to R51, 015 million and the year to date budget amounts to R42, 030 million and this gives rise to R8, 984 Million over performance variance.

Half yearly capital expenditure performance reflects the following per department:

- Community services underperformed by 100%
- Corporate services over performed by 51 %
- Infrastructure over performed by 29%

The chart below reflects the level of budget and spending on capital budget per department as at 31 December 2018



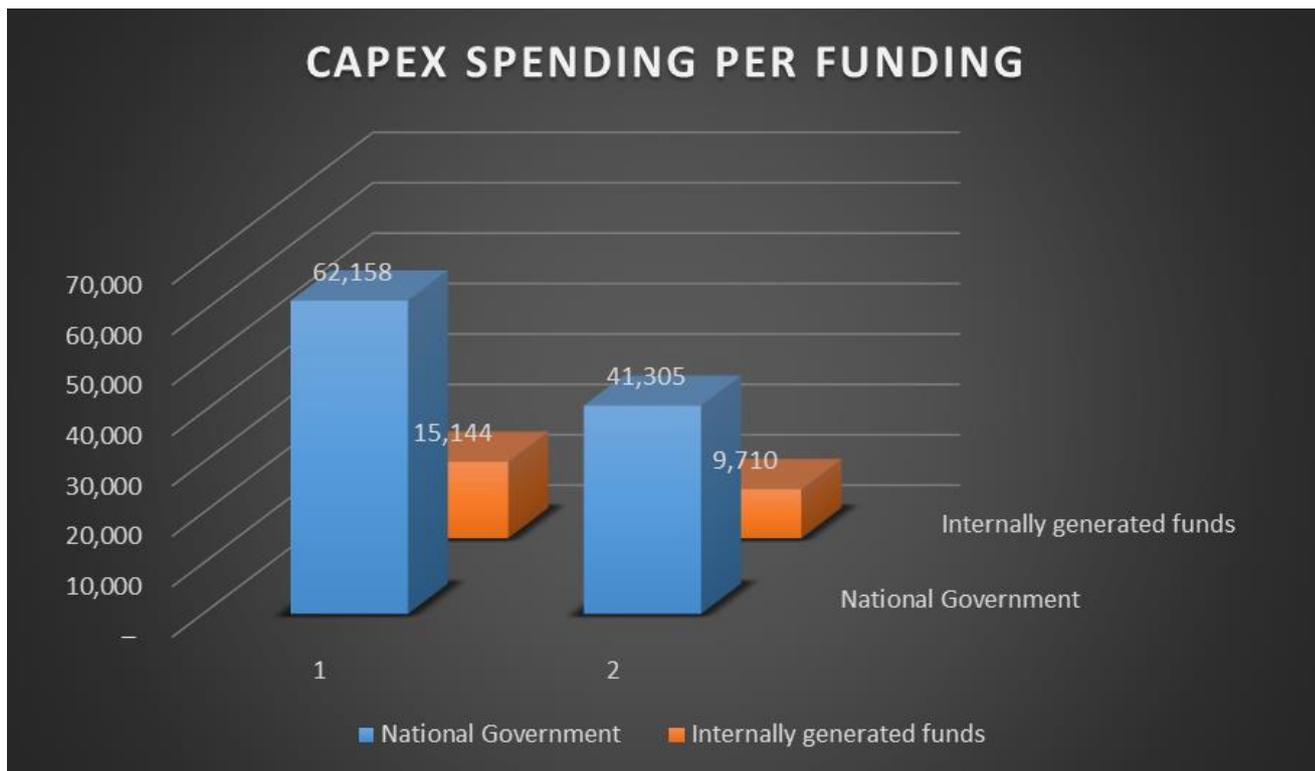
Comments

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 departmental inputs received, Service delivery budget implementation plans (SDBIP) and progress reports for the first half of the financial year taking into account, the funding capability of the municipality.

The capital expenditure report per project as at 31 December 2018

ITEM / PROJECT NAME	BUDGET	EXPENDITURE	%
Computer Equipment	300,000	218,200	73%
Development of workshop	3,947,368	115,482	3%
Electrification of Elandsdoorn	328,947	293,476	89%
Electrification of Jabulani	1,010,526	586,722	58%
Electrification of Jerusalema	963,158	118	0%
Electrification of Makaepa	710,526	667,688	94%
Electrification of Masakaneng	4,122,807	568,386	14%
Electrification of Matsitsi	1,444,737	2,317,316	160%
Electrification of Tambo Village	1,515,789	157,280	10%
Electrification of Waalkraal	2,184,211	1,865,145	85%
Furniture and Office Equipment	200,000	160,000	80%
Hlogotlou Stadium		6,132,101	0%
Motetema Streets upgrade	877,193	0	0%
Rehabilitation of Dikgalaopeng road and storm water control	877,193	0	0%
Rehabilitation of Ramogwerane to Nkadimeng road & Stormwater	877,193	0	0%
Grobbersdal - Roads & Street	2,631,579	0	0%
Hlogotlou street and Stormwater	3,333,333	1,895,607	57%
JJ Zaaiplaas Road	4,385,965	4,580,465	104%
Designs for electrification of villages	877,193	0	0%
Kgapamadi road	5,263,158	4,855,236	92%
Kgoshi Mathebe Road	3,333,333	0	0%
Kgoshi Rammupudu Road	8,924,272	7,652,044	86%
Roads to Magoshi – Matsepe	2,710,526	0	0%
Machinery and Equipment	500,000	142,276	28%
Vehicles	700,000	0	0%
Grass Cutting Industrial Machine	400,000	0	0%
Upgrading of driving license testing centre	500,000	0	0%
MARAPONG BRIDGE	0	793,310	0%
Mathula Road	8,410,581	4,919,574	58%
MOGAUNG ROAD	0	132,161	0%
Naganeng Bus Route	10,526,316	9,022,254	86%
Tambo Road Construction	5,445,849	3,939,956	72%
Grand Total	77,301,754	51,014,798	66%

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



Summary

The spending of grants allocations on capital projects as per budget is at 66% and is considered as high performance in the first half of the financial year.

The spending on internally generated on capital project is at 64% in the first half of the financial year and is also fairly well.

The total spending of capital budget in the first half of the financial year is at 66%.

2.1.4 LIABILITY (DEBT) MANAGEMENT

Loans:

The municipality did not have any external loans obligations with any financial institution as at 31 December 2017 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 fleet management for the period of three years and is servicing this agreement from the internally generated funds.

The lease is expected to mature in March 2018 from which the replacement must occur as there are no sufficient funds available to by the vehicles cash.

CHAPTER 3: MID-YEAR BUDGET STATEMENT: 31 December 2017

3.1 SUMMARY

The municipality's total approved budget amounts to R 463 million on income and R 386 million on expenditure (Operating Budget), and a capital budget of R 77 million and this resulted in a budgeted surplus of R 76 million.

The actual results at 6 months resulted in a surplus of R 104 million as a result of disbursement of second tranche of equitable share and unavailability of the actual expenditure on depreciation and debt impairment.

3.2 OPERATING EXPENDITURE

Total expenditure up to 31 December 2017 amounted to R 184 million or 48% of the total operating expenditure budget, which is slightly less than the norm of 50%. This is as a result of unavailability of the actual expenditure on depreciation and debt impairment.

3.3 OPERATING REVENUE

Total operating revenue up to 31 December 2017 amounts to R238 million or 61 % of the total operating budgeted revenue which is more than the pro-rata of 50% registered as a benchmark and the over performance is once again attributed to disbursement of second tranche of equitable share that the municipality mainly relies on as source of funding.

Service Charges include revenue related to Consumption Charges such as:

- Electricity, and
- Refuse Removal

Financial performance (revenue and expenditure) as at 31 December 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Revenue By Source									
Property rates	25 815	26 472		2 509	18 507	13 236	5 271	40%	26 472
Service charges - electricity revenue		81 206		5 876	37 271	32 505	4 766	15%	81 206
Service charges - water revenue	70 745	-		-	-	-	-		-
Service charges - sanitation revenue		-		-	-	-	-		-
Service charges - refuse revenue		8 616		628	5 448	4 308	1 140	26%	8 616
Service charges - other	6 506	-		-	-	-	-		-
Rental of facilities and equipment		1 935		16	451	968	(516)	-53%	1 935
Interest earned - external investments	1 319	3 701		127	1 001	1 912	(911)	-48%	3 701
Interest earned - outstanding debtors	2 889	6 260		576	6 172	3 506	2 666	76%	6 260
Dividends received	6 469	-		-	-	-	-		-
Fines, penalties and forfeits		30 000		344	3 740	14 700	(10 960)	-75%	30 000
Licences and permits	50 885	5 171		-	2 008	2 585	(578)	-22%	5 171
Agency services	5 255	-		-	-	-	-		-
Transfers and subsidies		226 163		62 172	154 514	168 969	(14 455)	-9%	226 163
Other revenue	213 105	2 499		5 487	8 919	1 229	7 690	626%	2 499
Gains on disposal of PPE	8 098	-		-	-	-	-		-
Total Revenue (excluding capital transfers)	391 085	392 023	-	77 734	238 031	243 917	(5 886)	-2%	392 023
Expenditure By Type									
Employee related costs	117 781	123 460		15 354	71 377	64 792	6 585	10%	123 460
Remuneration of councillors	20 298	22 113		1 695	10 167	11 056	(890)	-8%	22 113
Debt impairment	21 128	26 372		-	-	-	-		26 372
Depreciation & asset impairment	47 998	51 200		-	-	23 706	(23 706)	-100%	51 200
Finance charges	1 426	3 124		-	291	1 183	(892)	-75%	3 124
Bulk purchases	65 729	69 165		5 654	30 486	29 553	933	3%	69 165
Other materials	12 873	13 497		1 226	6 624	7 993	(1 368)	-17%	13 497
Contracted services	43 080	25 350		3 429	32 364	13 658	18 706	137%	25 350
Transfers and subsidies	708	3 724		846	5 749	1 862	3 887	209%	3 724
Other expenditure	161 695	48 384		2 674	26 847	26 143	703	3%	48 384
Loss on disposal of PPE	3 360	-		-	-	-	-		-
Total Expenditure	496 076	386 388	-	30 876	183 904	179 946	3 958	2%	386 388
Surplus/(Deficit)	(104 990)	5 635	-	46 858	54 127	63 972	(9 844)	-15%	5 635
Transfers and subsidies - capital	68 930	70 860		5 732	50 275	37 792	12 483	33%	70 860
Transfers and subsidies - capital		-					-		-
Transfers and subsidies - capital (in-kind - all)		-					-		-
Surplus/(Deficit) after capital transfers	(36 060)	76 495	-	52 590	104 403	101 764			76 495
Taxation		-							-
Surplus/(Deficit) after taxation	(36 060)	76 495	-	52 590	104 403	101 764			76 495
Attributable to minorities		-							-
Surplus/(Deficit) attributable to municipality	(36 060)	76 495	-	52 590	104 403	101 764			76 495
Share of surplus/ (deficit) of associate		-							-
Surplus/ (Deficit) for the year	(36 060)	76 495	-	52 590	104 403	101 764			76 495

3.4 CASH FLOW ANALYSIS

The following table reflects that cash flow position of the municipality as at 31st December 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates	20 966	21 177		1 193	9 138	10 589	(1 578)	-15%	21 177
Service charges	69 070	83 078		3 855	31 692	41 539	(9 846)	-24%	83 078
Other revenue	10 066	13 516		4 114	12 516	6 758	5 758	85%	13 516
Government - operating	214 632	226 163		74 339	169 975	113 082	56 893	50%	226 163
Government - capital	83 703	70 860		20 933	54 263	35 430	18 833	53%	70 860
Interest	10 410	5 579		176	967	2 790	(1 823)	-65%	5 579
Dividends	-	-					-		-
Payments									
Suppliers and employees	(308 578)	(320 424)	-	(43 159)	(199 566)	(160 212)	39 354	-25%	(320 424)
Finance charges	(1 426)	(3 124)		-	(291)	(1 562)	(1 271)	81%	(3 124)
Transfers and Grants	(521)	(3 724)		(846)	(5 810)	(1 862)	3 948	-212%	(3 724)
NET CASH FROM/(USED) OPERATING ACTIVITIES	98 321	93 102	-	60 605	72 884	46 551	(26 207)	-56%	93 102
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE		-					-		-
Decrease (Increase) in non-current debtors		-					-		-
Decrease (increase) other non-current receivables	(529)	-					-		-
Decrease (increase) in non-current investments		-				-	-		-
Payments									
Capital assets	(80 665)	(77 302)		(14 916)	(51 015)	(42 030)	8 984	-21%	(77 302)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(81 193)	(77 302)	-	(14 916)	(51 015)	(42 030)	8 984	-21%	(77 302)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans		-					-		-
Borrowing long term/refinancing		-					-		-
Increase (decrease) in consumer deposits	21	111		233	765	56	709	1278%	111
Payments									
Repayment of borrowing	(8 170)	(8 608)		-	(2 702)	(4 304)	(1 601)	37%	(8 608)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(8 149)	(8 497)	-	233	(1 937)	(4 248)	(2 311)	54%	(8 497)
NET INCREASE/ (DECREASE) IN CASH HELD	8 979	7 304	-	45 922	19 932	272			7 304
Cash/cash equivalents at beginning:	11 965	25 664			20 944	25 664			20 944
Cash/cash equivalents at month/year end:	20 944	32 968	-		40 876	25 936			28 248

The municipality has been fairly financially sustainable and able to discharge its financial commitment when they fall due and is also expected to be financially stable in future.

3.4.1 Cash balances and investments

The municipality had the following cash balances as at 31 December 2017

Investments by ID	Period	Type of Investment	Expiry date	Accrued interest	Percentage Interest	MV - Opening	Change in MV	MV - Closing
Municipality								
VBS	2017/12/18	Short term	2018/02/18	94	7.5%	–	30 000	30 094
VBS	2017/12/15	Short term	2018/01/15	33	6.9%	–	10 000	10 033
TOTAL INVESTMENTS AND INTEREST				127		–	40 000	40 127

The municipality had R40, 127 million short term investment at end of December 2017. Municipality had no investment at the beginning of the month, and an amount of R40, 000 million was invested in the reporting period. Accrued interest for the month amounted to R127 thousand.

Summary on financial sustainability

- The municipality is continuously experiencing tied cash flow positions as a result of committed contractual obligations resulting with accelerated operational expenditures and therefore there is a critical need to cut on operational expenditures in order to sustain the municipality financially.
- The Municipality is continually enforcing its credit control policy to avoid consumer debtors that are outstanding for longer period; currently the averaged collection period is 58 days and this still needs to be intensified.
- We received 75 % of our share of the equitable share and 77% on conditional grants on the first six months of the current financial year, further elaborated in the report.
- Strategies are in place to enhance the revenue collection of council by encouraging consumers to pay and this is achieved through implementation of electricity cut off on consumers that are arrears.
- A debt collection strategy will be put in place of which the primary focus will be to put strict credit control measures 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 for the following reasons in line with Section 28 of the Municipal Finance Management Act:

- 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.
- Reallocation of votes to ensure that each funding source is correctly aligned to the relevant expenditure line item especially on capital budget.

CHAPTER 5: RECOMMENDATIONS

1. That the mid-year budget and performance assessment as tabled be noted by Council.
2. That the 2017/18 annual budget be adjusted in February 2018 in terms of Section 28 of the MFMA.
3. That the mid-year budget and performance assessment report be submitted to Coghsta and both 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.

Recommendations by the Management

1. That the Council note that the adjustment budget for the income and expenditure projections for the financial year ending 30 June 2018 will be made in terms of the section 28 of the Municipal Finance Management Act no 56 of 2003.

Quality certificate

I, **RAMAKGAHLELA MINAH MAREDI**, the Municipal Manager of **ELIAS MOTSOLEDI LOCAL MUNICIPALITY**, hereby certify that Mid-year budget and performance assessment and supporting documentations for 2017/18 financial year has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Municipal Manager of Elias Motsoaledi Local Municipality (LIM 472)

Signature 

Date 25.01.2018

**Elias Motsoaledi Local
Municipality**

25 JAN 2018

Municipal Manager

ELIAS MOTSOLEDI LOCAL MUNICIPALITY



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EXECUTIVE SUPPORT

BT17/18-40

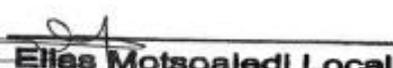
CERTIFIED EXTRACT OF A RESOLUTION BY THE MUNICIPAL COUNCIL IN A SPECIAL COUNCIL MEETING HELD 30 JANUARY 2018 IN THE COUNCIL CHAMBER, MUNICIPAL OFFICES GROBLERSDAL.

BT17/18-40 BUDGET ASSESSMENT REPORT IN TERMS OF SECTION 72 OF MFMA

RESOLVED:-

1. That the mid-year budget and performance assessment as tabled is noted by Council.
2. That the 2017/18 annual budget be adjusted in February 2018 in terms of Section 28 of the MFMA.
3. That the mid-year budget and performance assessment report be submitted to Coghsta and both 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. That the departmental units be instructed to submit a report on the expected changes to be made on operational and capital budget.
6. That Council notes that the adjustment budget for the income and expenditure projections for the financial year ending 30 June 2018 will be made in terms of the section 28 of the Municipal Finance Management Act no 56 of 2003.


R.M. MAREDI
MUNICIPAL MANAGER


Elias Motsoaledi Local
Municipality
09 FEB 2018

Municipal Manager