



MKHAMBATHINI MUNICIPALITY

MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT

2017/2018

Compiled in terms of Section 72 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

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INTRODUCTION

In terms of Section 72 of the Local Government Municipal Finance Management Act No. 56 of 2003 (MFMA) the Accounting Officer must by 25 January of each year assess the budget and performance of the municipality during the first half of the financial year. A report on such assessment must in terms of Section 72(1)(b) of the MFMA be submitted to the Mayor, Provincial Treasury and National Treasury.

The accounting officer must, as part of the review-

- (a) Make recommendations as to whether an adjustments budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

The mid-year performance supporting tables were prepared in accordance with the MFMA and Provincial Treasury Circular TC /RM 6 of 2017/2018 and the Municipal Budget policy and Reporting Regulations.

OPERATIONAL INCOME AND EXPENDITURE ANALYSIS

The operating budget as reflected in Table C1 of the Budget Statement Tables can be summarized as follows:-

REVENUE BY SOURCE

Financial Performance					
Description		Approved budget 2017/18	YearTD budget	YearTD actual	YTD variance
Total Revenue		86,903,000	38,968,682	51,288,418	(12,319,736)
Total Expenditure		86,760,565	37,116,459	34,287,903	2,828,556

OPERATING INCOME

The Budgeted revenue for the half year ending 31 December 2017 is R38 986 682 against actual revenue billed to date of R 51 288 418.

Expenditure incurred during this period amounts to R 34 287 903 against the budget of R37 116 459 which resulted in a positive variance of R 2 828 556 due to under spending on general expenses. The municipality has realized a surplus of R 30 391 000 during this period, which is more than the budgeted surplus of R9 995 000.

The reasons for the variances can be more understood with reference to annexure (Table C4) of the Budget Statement Schedules, and is explained as follows:-

- To date we have billed R 6 348 959 for Property Rates, against the budgeted amount of R6 253 564. This indicate reflects an improvement in revenue of about 2% which be due to debtors requesting annual payments.
- To date the revenue from refuse removal shows an amount of R 248130, which is less than the amount that we anticipated of R 265250. This amount to a decrease of 6% which might be due to data cleansing.
- Revenue from interest earned on external investments has increase from an anticipated amount R 1 308 879 as compare to actual amount of R 1 366 100. This reflect a 4% over performance on revenue.
- Revenue from interest earned on outstanding debtors has increase from an anticipated amount R 623 888 as compare to actual amount of R 924 101. This reflect a 48% over performance on revenue.
- Revenue from licenses and permits has increase from an anticipated amount R 2 329 860 as compare to actual amount of R 2 846 371. This reflect a 22% over performance on revenue.

The municipality is showing a good performance on revenue, the municipality only need to improve on collection because might have a negative impact in the near future.

- The municipality is current has an above norm of collect which shows that it more than 190 days for municipality to collect outstanding debtors.

OPERATING EXPENDITURE

EMPLOYEE RELATED COSTS

The total approved budget for employee related costs for 2017/18 budget year amounts to R 32 246 664.55. The budgeted expenditure for the half year ending 31 December 2017 is R 17 088 016. The actual expenditure is R 16 701 201. The variance of R 386 815 relates to vacancies budgeted for but not yet filled, this variance is also attributable to payroll exits due to resignations, retirements and deaths.

As a result of the above an adjustment budget, in terms of section 28(2)(D) of the MFMA is recommended in order to avoid the over-expenditure. It is hereby recommended that measures be put in place on the filling of any further vacancies pending the approval of the adjustments budget by council.

REMUNERATION OF COUNCILLORS

The approved budget for the remuneration of Councilors for the 2017/18 budget is R 5 398 368. The budgeted expenditure to date is R 2 556 415 and actual expenditure is R 2 342 458. Council should note that there has been a positive variance of R213 957 which might be due councilors that have pass away.

REPAIRS AND MAINTENANCE

The repairs and maintenance for municipal building approved budget amounts to R 636 600. The actual expenditure amounted to R 963 428, this give us a negative variance of R 326 828 which need to be taken into account during budget adjustment.

TRANSPORT SERVICES

The approved budget for transport services was R 206 500, while the actual expenditure is R 343 300. This shows over spending of R 136 899, which need to be taken into account during budget adjustment.

CATERING COST

The municipality has incurred the actual catering cost of R 302 419 against the budgeted figure of R 227 750, a negative variance of R 74 669 has incurred which need to be catered during budget adjustment.

As a result of the above, an adjustment budget in terms of section 28(2) (D) of the MFMA is recommended.

OTHER EXPENDITURE

General expenses for Achievement and Awards, Uniforms, IT related cost and License Agency Fees have their approved budgeted overspend as at the end December 2017. This variance will need to be taken into account in terms of section 28(2) (D) of the MFMA

Due to the significant matters outlined above, including the material under collection of revenue, an adjustment budget in terms of section 28(2)(A) is necessitated and departments are advised to cut down on expenditure. Full details will be provided in the adjustment budget which will be tabled in February 2016.

IMPACT OF UNDER-EXPENDITURE

Low capital expenditure may effect the municipality's long-term strategy through revision of the IDP and this would contribute to increased backlogs.

Under-expenditure will affect financial and non-financial performance of the municipality which is aligned to the Performance Management System, and may result in community protests due to non-delivery of services.

It will impose pressure on cash flows in the third and fourth quarters.

CASH MANAGEMENT

Cash flow predictions are as anticipated.

OUTSTANDING DEBTORS

The increase in debtors is due to the current economic climate and unemployment, but the municipality has engage the data cleansing and also we have starting handing over the top ten debtors to Debt Collectors for collection which we anticipate positive improvement in due time.

SERVICE DELIVERY PERFORMANCE ANALYSIS

Early indications are that the non-performance against the output and goals of the Service Delivery & Budget Implementation Plan (SDBIP) are noted.

ADJUSTMENTS BUDGET

Regulation 23 of the Municipal Budget and Reporting Regulations provides, inter alia for the following:-

'An adjustments budget may be tabled in the Municipal Council at any time after the Mid-Year Budget and Performance Assessment has been tabled in the Council, but no later than 28 February of each year. Furthermore, except under certain circumstances only one adjustments budget may be tabled in Council during a financial year.'

Accordingly, a report on adjustments to the budget will be submitted for consideration by Council before 28 February 2018.

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MS TC NDLELA
ACTING MUNICIPAL MANAGER