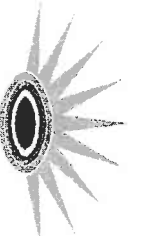


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**MUNICIPAL FINANCE MANAGEMENT ACT: MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR 2014/2015 FINANCIAL YEAR**

16 January 2015

**KOUGA**  
local municipality  
Prosperity through vision



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**ATTACHMENTS**

- Attachment 1 - Schedule C Monthly Budget Statements
- Attachment 2 - Grants & Subsidies Reconciliation



16 January 2015

MAYOR

NATIONAL TREASURY

PROVINCIAL TREASURY

**MUNICIPAL FINANCE MANAGEMENT ACT: MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT IN TERMS OF SECTION 72 OF THE MFMA**

**1. PURPOSE**

The purpose of this report is to inform the Executive Mayor on the municipality's performance during the first half of the financial year in terms of section 72 of the Municipal Finance Management Act, Nr. 56 of 2003 and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009.

**2. STRATEGIC OBJECTIVES**

The strategic objective of this report is to ensure good governance, financial viability and to comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations as promulgated in the Government Gazette Nr. 32141 of 17 April 2009.

**3. BACKGROUND**

MFMA section 72 and section 33 of MBRR

"MFMA section 72

- 1) the accounting officer of a municipality must by 25 January of each year- financial year, taking into account-
  - i. The monthly statements referred to in section 71 for the first half of the financial year;
  - ii. 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;
  - iii. The past year's annual report, and progress on resolving problems identified in the annual report; and
  - iv. The performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- b) Submit a report on such assessment to-

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- i. The mayor of the municipality;
  - ii. The National Treasury; and
  - iii. The relevant provincial treasury.
- 2) The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection 1(b) of this section.
- 3) The accounting officer must, as part of the review-
- i. Make recommendations as to whether an adjustments budget is necessary; and
  - ii. Recommend revised projections for revenue and expenditure to the extent that this may be necessary."

"MBRR section 33 states that a mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the minister in terms of section 168(1) of the Act."

#### 4. REPORT SUMMARY FOR THE MID-YEAR ENDED 31 DECEMBER 2014

Attached as annexure **Schedule C for December 2014 and Conditional Grants Reconciliation**, the approach of this report is as follows:

- Capital expenditure versus approved budget;
- Total revenue and Operational expenditure versus approved budget;
- Grants and subsidies received versus approved budget;
- Debtor Age analysis; and
- Creditor Age analysis.

The following information for the mid-year ended 31 December 2014 should be noted:

#### Capital Expenditure

The approved capital budget amounts to R 36,231 million and year-to-date expenditure as at 31 December 2014 amounts to R 19,850 million, which is 54.79% of the approved capital budget.

National treasury has approved the rollover for the unspent Municipal Infrastructure Grant for an amount R 10,245 million, and Integrated National Electrification Programme for an amount of R 991 thousand and the two conditional grants were unspent as at 30 June 2014.

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The municipality has budgeted R 87,847 million for operating grants and subsidies, and an amount of R 54,510 million (62.05%) has been recognized to the statement of financial performance.

**Grants and subsidies received**

It should be noted that the municipality has made a surplus of R 60,983 million for the period ended 31 December 2014.

The municipality is underspending on repairs and maintenance budget and on general operating budget. This shows that cash flow is still a problem.

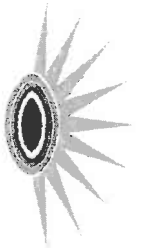
- Property rates income recognized is R 87,709 million, 62.13% of property rates budget
  - Service charges income recognized is R 151,469 million, 42.6% of service charges budget
  - Employee related costs is R 105,352 million, 52% of employee related costs budget
  - Remuneration of Councilors amounts to R 4,561 million, 41.8% of remuneration of councilors' budget
  - Bulk purchases amount to R 90,179 million, 47.29% of bulk purchases budget
  - Grants and Subsidies paid to indigent households amounts to R 15,331 million, 75% of indigent households budget
  - General expenses (including repairs and maintenance) amount to R 37,269 million, 25% of general expenses budget.
- The Statement of financial performance as at 31 December 2014 can be summarized as follow:

The operating revenue budget amounts to R 619,064 million, operating revenue recognized as at 31 December 2014 amounts to R 315,353 million and this amount is equivalent to 50.94% of the total revenue.

The operating budget amounts to R 696,535 million and year-to-date expenditure as at 31 December 2014 amount to R 254,369 million, which is 36.52% of the operating budget.

**Total Revenue and Operating expenditure**

It is very critical that a 100% spending on MIG and INEP is achieved before the end of this financial year to avoid funds withheld by National Treasury for underspending.





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It should be noted that the conditional grants are recognized to the statement of financial performance as revenue only when all the conditions of that specific grant are met.

An amount of R 74,769 million has been spent as at 31 December 2014, which is 62% of total grants & subsidies budget.

Please refer to the Grants & subsidies recon for more details.

### Debtor Age Analysis

The outstanding consumer debtors as at 31 December 2014, amounts to R 120,187 million and an amount of R 92,105 million (76.63%) have been outstanding for over 90 days.

Debtors' breakdown by consumer group

- Organs of state R 2,669 million 2.22% of debtors
- Businesses R 12,583 million 10.47% of debtors
- Households R 104,421 million 86.88% of debtors

The municipality still experience difficulties in terms of collecting the outstanding debt, especially from a large number of households. A non-payment of municipal services by large number households, create cash flow problems for this council.

### Creditor Age Analysis

The outstanding creditors as at 31 December 2014 amounts to R 47,695 million and amount of R 32,736 million (68.64%) has been outstanding for more than 30 days and this is contrary to section 65(2)(e) of the MFMA.

Creditors' breakdown

- Eskom R 13,078 million (27.42% of creditors)
- Nelson Mandela Municipality R 2,910 million (6.1% of creditors)
- Office of Auditor-General R 1,922 million (4.03% of creditors)
- Department of Transport R 17,483 million (36.66% of creditors)
- Other Creditors R 12,342 million (25.88% of creditors)

It should be noted that the Eskom account of R 13,078 million was settled on the 16 January 2015.



**6. RECOMMENDATIONS**

- i. That the Mayor notes the report on the mid-year budget and performance assessment of the municipality, as stipulated in section 72 of the MFMA;
- ii. The Mayor must allow a revised budget for capital and operating budget in line with a realistic revenue;
- iii. That the Mayor must table the revised budget in Council before 31 January 2015; and
- iv. That the report accordingly submitted to the National Treasury and Provincial Treasury as determined by section 72(1) (b) of the Municipal Finance Management Act.

Report submitted by

Municipal Manager: Mr. S.S Fadi

**Acknowledgement of Mid-Year Budget and Performance Assessment Report for the 2014/2015 Financial Year**

I hereby acknowledge the receipt of Mid-Year Budget and Performance Assessment Report in terms of Section 72 of the Municipal Finance Management Act No. 56 of 2003.

Executive Mayor

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