

ITEM NUMBER: _____

FILE REF NUMBER: _____

REPORT DATED JANUARY 2013 FROM THE MUNICIPAL MANAGER TO THE SPECIAL COUNCIL MEETING OF 25 JANUARY 2013

TABLING OF THE MID YEAR BUDGET AND PERFORMANCE ASSESSMENT AND BUDGET ADJUSTMENT REPORT IN COMPLIANCE WITH SECTION 72 OF THE MUNICIPAL FINANCE MANAGEMENT ACT NUMBER 56 OF 2003

PURPOSE:

1. To **SUBMIT** the mid-year budget and performance assessment report as at 31 December 2012 (half-year report) for **CONSIDERATION** and **APPROVAL** in terms of Section 72 read together with Section 54 (1) (f) of the Municipal Finance Management Act Number 56 of 2003.

LEGAL COMPLIANCE:

Section 72 of the Municipal Finance Management Act Number 56 of 2003 state inter-alia the following: -

- (1) The Accounting Officer of a municipality must by 25 January of each year-
 - a. Assess the performance of the municipality during the first half of the financial year, taking into account
 - i. The monthly statements i.t.o. section 71 of the MFMA 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 SDBIP;
 - 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 ownership or shared control of the municipality, taking into account reports in terms of section 88 from such entities and
 - b. Submit a report on such assessment to –
 - i. The Mayor of the Municipality;
 - ii. The National Treasury; and
 - iii. The relevant Provincial Treasury

In terms of Section 54 (1) (f) of the MFMA, as soon as the Mayor receives the mid-year performance report, after considering the report, the Mayor must (i) In case of the Section 72 report, submit the report to the Council by **31st January** of each year.

The purpose of the attached report is to comply with the above sections of the MFMA. After Council considering the mid-year report the Accounting Officer will then recommend whether there will be a necessity for the amendment of the budget (based on financial projections).

BACKGROUND:

As this report consists of two legs (namely financial and performance or non-financial) the discussion will be split into two parts (**under discussion**), commencing with the financial report as at end December 2012 as follows: -

1. MID YEAR BUDGET REPORT; AND
2. MID YEAR PERFORMANCE REPORT (IN TERMS OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN OR SDBIP)
3. RESOLUTION ON THE PROBLEMS RAISED IN THE PREVIOUS ANNUAL REPORT

DISCUSSION:

1. MID YEAR PERFORMANCE BUDGET REPORT(IN TERMS OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN)

The non-financial Mid-Year Performance is reported in accordance with the five Key Performance Areas in the SDBIP.

- An Analysis of KPAs achieved, recommendations/remedial action where KPI is not achieved in the item and actual percentage achieved.
- A detailed performance report per each KPA and reasons for variance and what remedial action has or will be taken as Annexure A.

Analysis Performance Report

1. OVERALL PERFORMANCE OF THE MUNICIPALITY

The table below illustrates the summary of overall performance of the Municipality for the Mid-In-year 2012/13

KPA	Nr of Targets as per SDBIP	Targets achieved	Targets not achieved	Achieved in terms of %
KPA 1 Municipal Transformation and Institutional Development	18	12	5	72%
KPA Local Economic Development	33	22	11	66%
KPA 3 Basic Service Delivery and Infrastructure Development	51	34	17	57%
Good Governance and PP	23	11	13	56%
KPA 5 Financial Viability	12	8	4	66%
TOTAL	137	87	50	64%

Overall performance

The overall performance of the institution is based on all directorates that have submitted their performance

Reports and the information have not been validated.

2. DIRECTORATES ACTUAL OVERALL PERFORMANCE

The table below illustrates the summary of overall performance of the Directorate for the Mid-In year 2012/13

Directorate	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved	Achieved in terms of %
Office of the Municipal Manager	23	15	8	65%
Corporate Services	18	11	7	61%
Financial Services	12	8	4	66%
Technical and Infrastructure	27	19	8	70%
Local Economic Development	33	22	11	66%
Community and Social Services	24	15	9	62%
TOTAL	137	90	47	66%

2.1 Executive Mayor and Municipal Manager Office

Key Performance Areas	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved
Internal Audit	4	3	1
Risk Management	1	0	1
International Relationship	1	0	1
Annual Report	1	1	0
Monitoring and Evaluation	1	1	0
Communication and Media	1	0	1
IDP and PMS	4	3	10
Public Participation	1	1	0
SPU	10	6	4
Total	24	15	9

2.2 Corporate and Financial Services

Key Performance Areas	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved
Administration	5	4	1
Human Resources	8	4	4
Legal Services	3	3	0
Financial Management	12	8	4
TOTAL	28	19	9

2.3 Local Economic Development

Key Performance Areas	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved
Agricultural Development	7	7	0
Agriculture promotion	2	1	1
Tourism Development	6	5	1
SMME Development	9	6	3
Invest Attraction	9	3	6
TOTAL	33	22	11

2.4 Community and Social Services

Key Performance Areas	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved
Environmental Health	2	1	1
Traffic Services	2	0	2
Environmental Management	3	3	0
Fire and Rescue	2	0	2
Library Services	4	1	3
Parks and Recreation	11	10	1
TOTAL	24	15	9

2.5 Technical and Infrastructure Services

Key Performance Areas	Nr of Targets set	Nr of Targets achieved	Nr of Targets not achieved
Road and Storm water	4	1	3
Town Planning	3	3	0
Property and land Estate	3	2	1
Water and Sanitation	11	7	4
Electricity	6	6	0
TOTAL	27	19	8

3. CHALLENGES IN THE MANAGEMENT OF PERFORMANCE INFORMATION

3.1 Submissions of performance reports

- Directorates do not submit their performance reports within the prescribed time to allow enough time for PMS Unit to analyse performance information.
- The review revealed that the reporting timelines (cut-off dates) for the directorates are not as strict as they should be, and this causes inaccuracy, incompleteness and discrepancies in the reporting.

3.2 Submission of performance information (POE)

The POE's are being submitted in PMS office for pre-audit and will be sent to Internal Audit for performance to validate the information.

3.3 Setting of Indicators / Directorate Activities / Quarterly Targets and Annual Targets

- This is still a challenge some of performance targets are not clearly defined on the Municipality's SDBIP to ensure that performance is easily verifiable.

4. Conclusion

- The KPIs reported by the directorates should be extracted from the approved SDBIP to ensure completeness and accuracy of performance reporting.
- Performance targets should be clearly defined/ indicated for all KPIs on the Municipality's performance SDBIP to ensure that performance is easily verifiable, as this influences the overall performance of the Municipality.
- Directorates should submit performance reports and evidence to PMS Unit by the stipulated deadlines in order to minimize delays in finalising the performance reports. This will also allow comprehensive review and good quality report from PMS Unit.
- Directorates should report on all the KPA and KPI's in order to make it possible to measure the performance and to put in place the necessary corrective actions where the targets are not met and indicate reasons for the deviation.
- Directorates should put regular monitoring and reporting system in place to enable them to manage performance; targets against Municipality SDBIP for proper decision making and taking corrective actions to keep service delivery on track.

The report has been issued and signed off as follows:

Prepared by: Mr. M. Pasiya
IDP/PMS Manager

Date _____

Reviewed by: Mr. ET Myalato
Acting Municipal Manager

Date _____

1. RESOLUTION RAISED IN THE PREVIOUS ANNUAL REPORT

The Council adopted the report with Reservations.

2. FINANCIAL VIABILITY OF THE MUNICIPALITY

2.1 Credibility of the Annual Budget for 2012/13 Financial year

The Annual Budget has been prepared in terms of the Municipal Budget and Reporting Regulations and takes cognisance of the National Treasury Reforms. These reforms are indicative of the unified approach that Municipalities are required to adopt in preparing their respective Budgets. The Budget conforms in all respects to the principles as outlined below:

- a. Funded
- b. Sustainable during the financial year
- c. Relevance - to the Strategic Priorities of the municipality – Service Delivery
- d. Compliance to the Municipal Budget Regulations
- e. Compliance to section 17 of the MFMA
- f. The Capital Infrastructure Plan is funded by Guaranteed & Secured Funding with absolute implementation.
- g. Community Ownership & Public Participation
- h. Accountability by the Political Sphere – decision making
- i. Placement of the Municipal Budget documentation on the Municipal Website and submission to the National Treasury and relevant Provincial Treasury.

COMMENTS FROM OTHER DIRECTORATES:

CHIEF FINANCIAL OFFICER:

3. MID YEAR OPERATING INCOME AND EXPENDITURE REPORT

The review of the Mid Term Expenditure Framework has provided the Municipality with the necessary benchmarks and has exposed the need to provide proper estimates of planned activity of an Operating nature. The review also highlighted the efficacy with which the Municipality operates and hence the considered review. S (28) (2) (e) of the Municipal Finance Management Act provides guidance in terms of “checking the Roadmap”; it is a time to revisit the effectiveness of the budget in delivering on its mandate.

Having undertaken this review and with the concurrence of the Directorates, this report indicates that the Operating Budget, as much as there are areas where projected over expenditure has been highlighted, will be adjusted internally from savings identified within other Operating Votes.

Category	Original Budget	Adjusted Budget	Remarks
Projected Income:			
Own Revenue	260 742 870	260 742 870	
Grant Income	68 272 910	68 272 910	
All Projected Income	329 015 780	329 015 780	
Projected Expenditure:			
Salaries	106 156 740	106 156 740	
General Expenses	186 076 610	186 076 610	
Repairs and Maintenance	21 442 320	21 442 320	
Contributions to funds	7 524 770	7 524 770	
Capital charges	3 000 000	3 000 000	
All Projected Expenditure	324 200 440	324 200 440	

MID YEAR CAPITAL BUDGET SPENDING REPORT

Please refer to Annexure B

CONDITIONAL GRANT REPORT

The following table is an illustration of the Conditional Grant spending vs. Amounts received during the 2012/2013 financial year (i.e. from the 1st July 2012 to 31 December 2012):-

TYPE OF GRANT	2012 / 2013 ALLOCATION (As per Municipal Financial Year)	Payment Dates	Amount Received	Notes
Equitable Share	R67 002 000	5 July 2012 30 November 2012 22 March 2012	R247 918 R22 334 R16 750	To be received
Financial Management Grant	R1 500 000	20 July 2012	R1 500 000	
Municipal Systems Improvement Grant	R800 000	27 August 2012	R800 000	
Municipal Infrastructure Grant	R29 467 500	July 2012 26 November 2012 25 Mar2013	R14 077 000 R11 058 R4 355	Did not receive due to under-expenditure To be received
Neighbourhood	R20 000 000	27 July 2012	R11 300	

Development Partnership Grant		26 November 201	R8 700	Did not receive due to adjustment budget by Treasury and the approved roll over from previous financial year
Electricity Demand Side Management	6 000 000	4 Sept 2012 4 Dec 2012 12 February 2013	2 000 000 2 000 000 2 000 000	To be received
EPWP	1 000 000	15 Aug 2012 15 Nov 2012 15 Feb 2013	400 000 400 000 300 000	To be received
Grant Name	Amount Receivable	Amount Received	Amount Spent	% Spent vs. Actual Receipt

ARREAR DEBT AS AT END DECEMBER 2012

Please refer to Annexure C.

IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE HALF YEAR PERIOD ENDING 31ST DECEMBER 2012

The Policy has been work shopped with Directors. This Policy needs to be cascaded down to the Line Managers.

REVIEW OF CAPITAL AND OPERATING EXPENDITURE ITEMS THAT REQUIRE ADJUSTMENT

OPERATING BUDGET

Department	Original Budget	Adjustment
LED	Roll- over Projects	1 009 663
Special Projects Units – Freedom Festival	R500 000	500 000
HR - Legal Charges	R400 000	1 750 000

The reason for the reporting is that these requests are above the delegation on Virement and are in excess of One Hundred Thousand Rand only (R 100 000.00). Savings have been identified from within the Operating Budget of Directorates and these will be utilised to contain the expenditure within the Approved Budget for the 2012/2013 Financial Year.

CAPITAL BUDGET

Department/Section	Description of Project	Budgeted 2012/2013	Adjusted Amount	From revised priority
Traffic Control	2x Sedan Vehicles	Roll-over Projects	244 427.76	None
Technical	Construction of Reibeeck East Toilet top Structure		1 920 000	From roll-over project: Vukani street (R5.022m)
	Infill Areas construction of Internal Reticulation		2 025 132	From roll-over project: Vukani street (R5.022m)
	Eluxolweni (completion of housing project)		750 000	From roll-over project construct Mechanical screens, conveyor belt-press, construction of Grid trap and Upgrade of Lingelihle Sewer Pump = R1.2m
	Transit Camp Internal reticulation		450 000	
	Upgrade of surfaced road: SANI STREET		2 500 000	From roll-over project: Alicedale Storm water Improvement)
	Access road Improvement - KwaNomzamo: Riebeeck East		1 624 868	

Department/Section	Description of Project	Budgeted 2012/2013	Adjusted Amount	From revised priority
PMU SECTION	Office furniture		50 000.00	From Operating (MIG: Administration - PMU)
	Computers & Printers incl accessories		70 000.00	From Operating (MIG: Administration - PMU)
Mayfield	Razor fence line around chlorination room and ponds		50 000.00	Reduce to R50 000
PROPERTIES AND ESTATES	Deeds Search (Server) - provide for on operating link to d/office???		150 000.00	Upgrading of offices

RECOMMENDATIONS:

It is recommended that:

- a) Council Adopt the Annual Performance report as required by s (72) of the MFMA.
- b) The Adjustments Budget be approved;
- c) The adjustments are in terms of s(28)(2) of the Municipal Finance Management Act;
- d) Approval of the use of Invested funds as already maintained in a separate bank account in terms of s(12);
- e) That the Mayor approve the revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, to correspond with the approval of the adjustments budget;
- f) The approval of any adjustments to budget-related policies necessitated by the adjustments budget;
- g) The projects be complete within the Financial Year;
- h) There be no Roll-Over of any of the Revised Projects for 2013/2014 Financial Year;
- i) The funding of the Capital projects, so revised, be utilised from the Investments of the Makana Municipality and that this withdrawal be in the amount of R 20 876 278.00 only;
- j) The National Treasury be informed of the withdrawal in terms of s(11) of the Municipal Finance Management Act;

SUBMITTED BY:

Mr. ET Myalato
ACTING MUNICIPAL MANAGER