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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 Mid-Year performance supporting tables were prepared in accordance with MFMA Section 72 and the Municipal Budget and Reporting Regulations and was submitted to the Council of OKhahlamba Municipality on 22 January 2015.

MAYOR'S REPORT

MAYORAL 2015/2016 MID- YEAR BUDGET AND PERFORMANCE ASSESSMENT SPEECH

Honourable Speaker, Cllr G Ndaba ;
 Deputy Mayor of Okhahlamba Municipality Cllr SZ Khumalo;
 Members of the Council of Okhahlamba;
 Amakhosi present;
 Officials ; and all protocol observed

Greetings to all

I thank you Madam Speaker, I would like to greet you and all members of the council and officials, and I present this Mid -Year Budget and Performance Assessment for 2015/2016 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section72 of MFMA in relation to the tabling of mid -year Budget and performance assessment budget, I would like to highlight the following items:

Description	Budget	Actual	%
Operating Expenditure	R133 370 000	R 66 685 000	50%
Capital Expenditure	R 81 062 000	R 39 175 000	48%
Operating Revenue	R 140 177 000	R70 088 000	50%

Honourable Speaker the overall performance of the Municipality proves to be acceptable according to the trends reflected in the above table. There is however a slight improvement that needs to be made in relation to the capital expenditure. The capital expenditure is mostly drawn back by the slow expenditure on gravel roads which is something that needs to be looked into during the adjustment budget processes. This is also evidenced in the Municipality's Service Delivery and Budget Implementation Plan.

The Municipality's should continue to strive in maintaining clean administration as shown by the Municipality's performance. The Auditor General's clean audit opinion for the 2014/2015 financial year is a confirmation of this and has been included as such in the Municipality's annual report. The improved audit opinion an in indication that the Municipality has resolved previous issues raided by the Auditor General and is indeed moving in the right direction and must continue doing so in this current financial year as it continues to unfold.

Honourable Speaker, I would also like to extend my appreciation to the National and Provincial departments for their continued support to our Municipality in its endeavour to achieve the objectives as set out in our Budget, Integrated Development Plan and most importantly the Constitution of the Republic.

On the basis of the performance of the first half of the financial year it will be necessary to do and adjustment to the budget of the Municipal Finance Management Act. The adjusted allocations in terms of the Division of Revenue Amendment Bill and also the Provincial Adjustments Estimates have been noted and will be taken into account in the preparation of the Municipality's adjustment budget. I would like to request Council members to look into the content of this reports as more details are contained in the attached documentation.

As I conclude I would like Council members to have in mind the need to provide quality services to our community not only when considering this Mid –Year Budget and Performance Assessment, but in all that they do especially as the Council term is nearer to its end. I thank you for this wonderful opportunity granted to me to present this report to the Council of Okhahlamba.

I thank you.

COUNCIL RESOLUTION

On the 22nd January 2016 the Council of Okhahlamba Local Municipality met in its Council Chambers to consider the Mid-Year Budget and Performance Assessment Report of the Municipality for the financial year 2015/16.

1. The Council of Okhahlamba Local Municipality resolved that :

- 1.1. The Mid-year Budget and Performance Assessment for the 2015/2016 financial year in terms of Section 72 of the Municipal Finance Management Act be approved.
- 1.2. The Mid-year Service Delivery and Budget Implementation Plan for 2015/2016 financial year be approved.

EXECUTIVE SUMMARY

PURPOSE

The purpose of this report is for Council to note the mid-year budget and performance assessment for the 2015/16 financial year and service delivery actual performance against the set targets.

The purpose of this report is also to comply with 72 (1) (a) (b), (2) and (3) (a) (b) of the Municipal Finance Management Act (MFMA) and the requirements of the Municipal Budget and Reporting Regulations which requires that specific financial particulars be reported on and in the formats prescribed.

BACKGROUND

Sec 72 (1) (a) of the Municipal Finance Management Act (MFMA) No.56 of 2003 states:

The Accounting Officer of the 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– the monthly statements referred to in section 71 for the first half of the year.
- (b) Submit the report on such assessments to - the mayor of the municipality; national treasury and relevant provincial treasury

The accounting officer must as part of the review make recommendation as to whether an adjustment budget is necessary and recommended revised projections for revenue and expenditure to the extent that this may be necessary.

In considering the performance of the Municipality for the first half of the financial year various reports were taken into account; interalia the Section 71 monthly reports, the Service Delivery and Budget Implementation Plan, Grant Reconciliations etc. The overall performance of the Municipality within this first half is acceptable according to the trends reflected in the table below. There is however a slight improvement that needs to be made in relation to the capital

expenditure. The capital expenditure is mostly drawn back by the slow expenditure on gravel roads which is something that needs to be looked into during the adjustment budget processes. This is also evidenced in the Municipality's Service Delivery and Budget Implementation Plan where targets have not been for the projects on gravel roads. The Municipality will also emphasise on cost cutting measure to ensure that it remains within its budget.

Description	Budget	Actual	%
Operating Expenditure	R133 370 000	R 66 685 000	50%
Capital Expenditure	R 81 062 000	R 39 175 000	48%
Operating Revenue	R 140 177 000	R70 088 000	50%

After careful analysis of the mid-year revenue and expenditure results of the Municipality the accounting officer is recommending the adjustments budget since line items that require such adjustments as a result of new grants allocation from provincial government, over collection of revenue and over/ under expenditure identified.

The mid-year report and supporting tables of Okhahlamba Municipality prepared in accordance with the Municipal Budget and Reporting Regulations are attached as Schedule C.

In compliance with Section 72 of the Municipal Finance Management Act, the following has been attached to this report:

IN-YEAR BUDGET STATEMENT TABLES

Refer to Annexure A (Page 6 -26)

PART 2- SUPPORTING DOCUMENTATION

DEBTORS' ANALYSIS

The municipality has noted that debtors are increasing and implemented corrective measures to maintain and collect all moneys owed to the municipality by appointing panel of legal advisers and has started to hand over long overdue debtors. Please refer to Annexure A (Page 29).

CREDITORS' ANALYSIS

The municipality is making sure that all creditors are paid within 30 days as required by section 65 of MFMA. No creditors are paid after 30 days unless there is are valid and supported reasons. Please refer to Annexure A (Page 30).

INVESTMENTS PORTFOLIO ANALYSIS

The municipality invested with the following banks;
FNB, ABSA,INVESTEC and earning interest on these investments on a monthly basis, only if there is a financial need money is transferred to municipal Primary bank account for spending. Please refer to Annexure A (Page 31).

ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Please refer to Annexure A (Page 32-33).

COUNCILLORS ALLOWANCES AND STAFF BENEFITS

Please refer to Annexure A (Page 35).

MATERIAL VARIANCES

The following were noted as material variances;

- Service charges, this is a result of Khethani billing, before it was not billed and they are 100% discounted on refuse removal.
- Interest earned from investments, over collection, it is impossible for the municipality to predict the daily interest rate as it changes on a daily basis, however this will be corrected on adjustment budget.
- Depreciation and impairment, underspending this is caused by depreciation and impairment for Mid-year Financial Statements has not yet included in the Fixed Assets register for mid-year.
- Materials, over expenditure, a need of additional materials to be bought was identified after the original budget was approved and this will be considered in adjustment budget.
- Transfers and subsidies, underspending this consists of FBE and solar expenses and it depends on consumption of electrification spent on the indigent community.
- Other expenditure, this is a result of Grant Expenditure that is included in this item for reporting purposes, e.g. Electrification of Thintwa Village and Grant Electrification of various projects being expensed for its nature.
- Electrification grant from Cogta received but not budgeted, this will be considered on adjustment budget.

Capital Expenditure Variances

- Disaster Centre – Variation order for project was approved and this will be catered to adjustment.
- Bergville Tarred Road – Consultant is currently busy with designs before construction can commence.
- Computer & Equipment – Once off furniture for Director Corporate and Waste Management Officer is already bought.
- Computerized Learner System – Testing Centre is not yet completed and the system will be implemented once it has been completed.
- Okhombe Vehicle Bridge – Delays from Environmental Affairs to grant approval of environmental impact assessment. Currently awaiting.
- Khethani Cemetery Fencing – In the SCM tender processes.
- Ogade Pedestrian Bridge – The municipality just received the EIA from Environmental Affairs and this was a cause of delay.

- Khethani Market Stalls – SCM processes in progress.
- Ward Base Project – This covers Early Childhood Development Centre's and appointment have already been issued, construction in progress.
- Fresh Produce – There was roll over grant from Small Town Grant of R2.6ml and counter funded from internal funds.
- Sport Complex – Appointment of service provider just issued and project just started.
- Nkwazini Gravel Road – Appointment done and construction in progress.
- Emaphophomaneni – Project delayed and causes construction to fall to the next financial year.

Please refer to Annexure A (Page 27).

CAPITAL PROGRAMME PERFORMANCE

Please refer to Annexure A (Page 32- 33).

SERVICE DELIVERY PERFORMANCE ANALYSIS

The overall performance of the Municipality within this first half is acceptable according to the trends reflected in the executive summary. There is however a slight improvement that needs to be made in relation to the capital expenditure. The capital expenditure is mostly drawn back by the slow expenditure on gravel roads which is something that needs to be looked into during the adjustment budget processes. This is also evidenced in the Municipality's Service Delivery and Budget Implementation Plan where targets have not been for the projects on gravel roads. Please also refer to Annexure B.

DEPARTMENTAL SDBIP AND OVERALL PERFORMANCE

Please also refer to Annexure B.