



# CEDERBERG MUNICIPALITY MID-YEAR BUDGET & PERFORMANCE REPORT (2013/2014)



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## **1. INTRODUCTION**

In terms of Section 72 (1) (a) and 52 (d) 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 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.

Once the Mayor has considered the report, it must be submitted to Council by 31 January in terms of Section 54 of the MFMA.

The Mid-year performance report and supporting tables of Cederberg Municipality, is prepared in accordance with MFMA Circular 13 and the Municipal Budget and reporting regulations, to illustrate the performance in graphical and tabular format as per Annexures.

The staff establishment for the first 6 months was projected at 430 permanent posts. The average personnel on strength for this period were 311, which represent 72% of the staff compliment.

Even though the average vacancy rate was 21% it must be kept in mind that the organogram was structured as such that it reflects the human resource needs of the organization, however, budgetary constraints does not allow the Council to fill all positions in a single financial year, and hence, not all of the vacant posts has been or could have been budgeted for. Such positions will be filled in the outer budget years.

## **2. BUDGET PERFORMANCE ANALYSIS**

### **2.1. OPERATIONAL EXPENDITURE AND INCOME PERFORMANCE**

Approximately 49.1% of the original budgeted operating expenditure of R173 097 000 was spent as at the end of December 2013. Furthermore, 49.6% of the original projected revenue of R168 808 000 was collected. The Section report In-year Financial Report for the period ended 31 December 2013 is attached.

Indications are that an adjustment budget will be required as there are numerous variances in expenditure and revenue items that need to be addressed in the final adjustments that must be approved by Council by 28 February 2014.

Items of income and expenditure with major deviations from the budget are as follows:

**(a) Increase in Income**

Revenue source and reason for such increase	Total original budget for 2013/2013 R'000	Actual as at 31 December 2013 R'000	% Variance
Transfer Recognized-Operational	R43 033	R26 960	63%

**(b) Decrease in Income**

Revenue source and reason for such decrease	Total original budget for 2013/2014 R'000	Actual as at 31 December 2013 R'000	% Variance
Service Charges	R81 237	R38 234	47%
Property Rates	R30 199	R13 619	45%
Investment Revenue	R709	R161	23%
Other Income	R10 969	R4 896	45%

**Property rates and charges:** The municipality expects to achieve target as the supplementary valuation roll was finished in December 2013. Higher usage of service charges usually during the summer months.

**Investment income and other income:** Interest rate lower than the previous year to obtain high return on investments as to previous year. Budget of investment income to be addressed in Adjustment Budget. Other income will increase due to higher usage of camping facilities, during the summer season.

**(c) Operational Expenditure**

(i) Increase in Expenditure

Expenditure item and reason for such decrease	Total original budget for 2013/2014 R'000	Actual as at 31 December 2013 R'000	% Variance
Remuneration of Councillors	R3 794	R1 943	51%
Finance Charges	R1 700	R1 026	60%

- The reason for the expenditure in terms of councillor's remuneration is that new upper limits were implemented.
- In terms of the finance charges that was spent more than 50% during the first 6 months, is because the yearly capital and interest repayments are structured on a yearly basis.
- Cederberg Municipality will address any shortfall within the Adjustment budget.

***(d) Decrease in Expenditure***

<b>Expenditure item and reason for such decrease</b>	<b>Total original budget for 2013/2014 R'000</b>	<b>Actual as at 31 December 2013 R'000</b>	<b>% Variance</b>
Employee related cost	R63 237	R30 184	47%
Other Expenditure	R34 366	R17 170	49%

Further vacant positions under Employee Costs to be filled during the following 6 months..

## **2.2. CAPITAL BUDGET**

The Capital expenditure as at the end of December 2013 is R13 499 000 excluding committed costs (orders issued) which is 18% of the adjusted budgeted amount. The total, including committed costs, amounts to R13 842 000 which equals 18% of the adjusted budget amount. The actual progress on capital expenditure is higher than 25% since payment certificates certified in respect of capital works not yet paid in December 2013 has not been taken into account due to the fact that no accruals were made for expenditure incurred (work completed) , but not yet paid.

Attached as Annexure B is a list of the Capital budget and spending which include the original budget, expenditure to date, adjusted budget and source of finance.

From the above it appears that the total capital budget will not be spent by 30 June 2014 and requires that directorates revise their budgets with the adjustments budget.

### **3. SERVICE DELIVERY PERFORMANCE ANALYSIS**

#### **3.1. CREATING A CULTURE OF PERFORMANCE**

##### **(a) PERFORMANCE FRAMEWORK**

In terms of regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the roles of the different role players." The framework reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance. The Council have approved the Performance Management Framework on 04 December 2013.

##### **(b) IMPLEMENTATION OF PERFORMANCE MANAGEMENT**

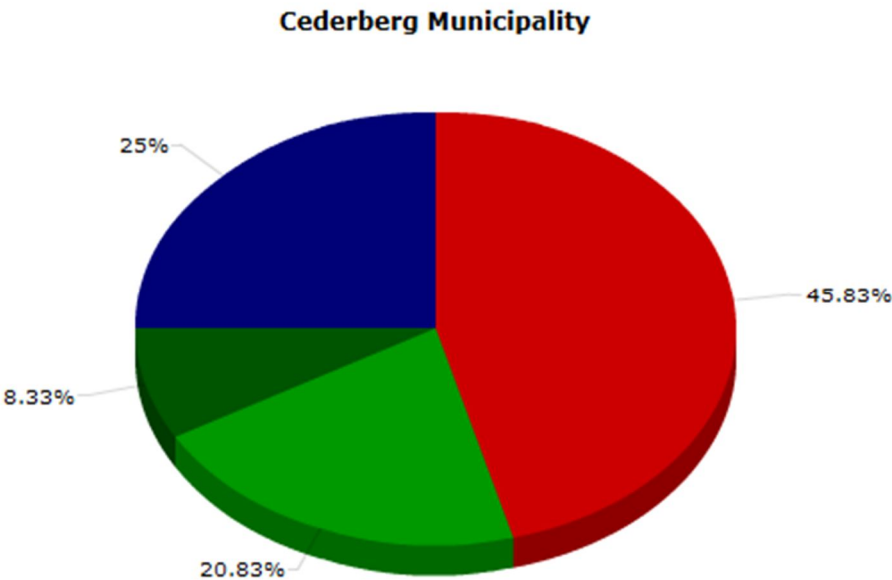
Performance Management is a system that monitors the performance of the organisation and also employee performance, starting from the top level of the organisation and cascading down throughout the organisation to departments, employees, programs, services and service providers. We have received a grant of R200 000 from Provincial Treasury to implement and maintain the performance management system during 2012/2013, the support was expanded to 2013/2014 with an additional funding of R200 000 to increase the culture and practice of performance Management in the Cederberg Municipality.

##### **(c) MONITOR PERFORMANCE**

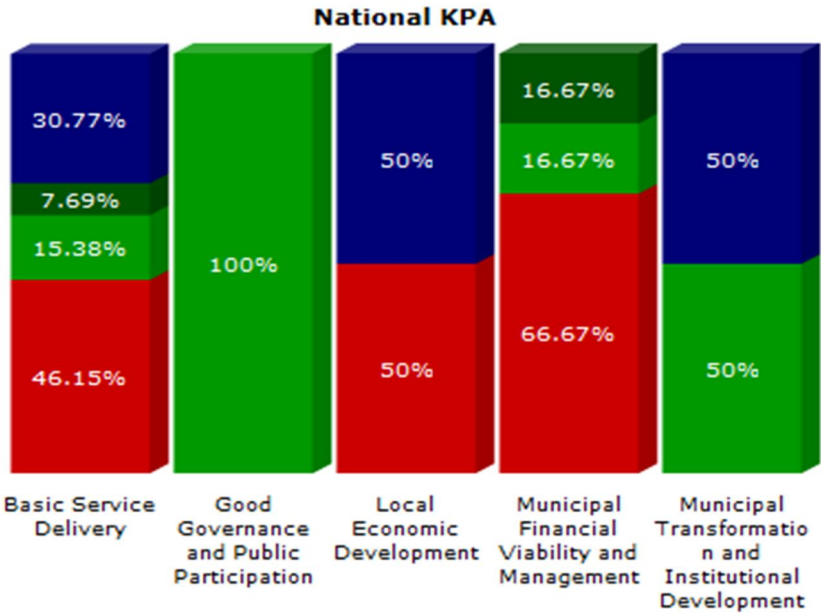
Performance Management are being monitored through a web based performance monitoring system.

- All users are reminded monthly to update the actual performance in terms of their key performance indicators and quarterly reported to Council.
- The Performance Management Officer will ensure that all supporting documents are kept and filed for auditing purposes.
- The Internal Auditor will audit the performance as per in terms of the Performance Management Regulation 796.

(d) OVERALL SERVICE DELIVERY PERFORMANCE



	Cederberg Municipality
KPI Not Met	11 (45.8%)
KPI Almost Met	-
KPI Met	5 (20.8%)
KPI Well Met	2 (8.3%)
KPI Extremely Well Met	6 (25%)
Total:	24



	Cederberg Municipality	National KPA				
		Basic Service Delivery	Good Governance and Public Participation	Local Economic Development	Municipal Financial Viability and Management	Municipal Transformation and Institutional Development
■ KPI Not Met	<u>11 (45.8%)</u>	<u>6 (46.2%)</u>	-	<u>1 (50%)</u>	<u>4 (66.7%)</u>	-
■ KPI Almost Met	-	-	-	-	-	-
■ KPI Met	<u>5 (20.8%)</u>	<u>2 (15.4%)</u>	<u>1 (100%)</u>	-	<u>1 (16.7%)</u>	<u>1 (50%)</u>
■ KPI Well Met	<u>2 (8.3%)</u>	<u>1 (7.7%)</u>	-	-	<u>1 (16.7%)</u>	-
■ KPI Extremely Well Met	<u>6 (25%)</u>	<u>4 (30.8%)</u>	-	<u>1 (50%)</u>	-	<u>1 (50%)</u>
<b>Total:</b>	<b>24</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>2</b>

### 3.2. SUMMARY & CHALLENGES

The performance against the output and goals of the Service Delivery Budget Implementation Plan (SDBIP) are on track. The municipality met 54.1% (13 of the 24 KPIs) which is an indication of the organization's commitment towards service delivery in the community.

Although the report focuses on strategic service delivery of the municipality, Annexure G has been included to reflect the contribution and performance per directorate towards achieving service delivery targets.



We have received the Audit Report of 2012/2013 and the findings are as follows:

					NOT STARTED WORK IN PROGRESS		
					Progress %	Responsibility	Department within the Municipality
1	Material Losses	The municipality suffered a significant water loss of 511 002 kilolitres during the year under review as disclosed in note 46 to the financial statements.	EMPHASIS OF MATTER	30.06.2014		Engineering	Manager Water
2	Measures taken to improve performance not disclosed.	Section 46 of the Municipal Systems Act requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 100% of the planned targets not achieved were not reflected in the annual performance report.	PMS/ KPI'S	30.06.2014		Corporate	Director Corp.
3	Performance Indicators not well defined.	Indicators and significantly important indicators in relation to the overall mandate of the entity were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was not aware of the requirements of the FMPPI.	PMS/ KPI'S	30.06.2014		Corporate	Director Corp.

4	<b>Performance Indicators not verifiable</b>	Indicators and significantly important indicators in relation to the overall mandate of the entity were not verifiable in that valid process and systems that produce the information on actual performance did not exist. This was due to the fact that management was not aware of the requirements of the FMPPI>	PMS/ KPI'S	30.06.2014		Corporate	Director Corp.
5	<b>Reliability of selected development objectives in the annual performance report</b>	<p>The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.</p> <p>The institution could not provide sufficient appropriate evidence in support of the information presented with respect to the Basic Service Delivery.</p>	PMS/ KPI'S	30.06.2014		Corporate	Director Corp.
6	<b>Local Economic Development</b>	<p>The National Treasury Framework for managing programme performance information (FMPPI) requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.</p> <p>The institution could not provide sufficient appropriate evidence in support of the information presented with respect to the Local Economic Development.</p>	PMS/ KPI'S	30.06.2014		Corporate	Director Corp.
7	<b>Annual financial statements, performance and annual reports</b>	The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Finance	Director Fin.

8	Oversight Report	The council's oversight report on the 2012 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Municipal Manager	MM
9	Expenditure Management	Reasonable steps were not taken to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Municipal Manager	MM
10	Budget Management	Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Finance	Director Fin.
11	Procurement and contract management	The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2) (b) of the MFMA.	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Finance	Director Fin.
12	Performance Audit Committee	A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by Municipal planning and performance management regulation 14(2) (a).	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Municipal Manager	MM
13	Internal Audit	The internal audit did not audit the results of performance measurements, as required by section 45(1) (a) of the Municipal Systems Act and Municipal planning and performance management regulation 14(1) (a).	FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS	30.06.2014		Municipal Manager	MM
14	IT Governance	105. The CGICTPF provides the political and executive leadership with a set of principles and practices that must be complied with, together with a phased implementation approach to be followed for corporate governance of information and communication technology (ICT). Each phase extends over a financial year and for each a number of implementation deliverables have been set. For phase 1, which includes the establishment the corporate governance of ICT and the governance of ICT environments, should be completed by 31 March 2014. 106. The implementation deliverables for phase 2, which	IT GOVERNANCE FRAMEWORK	30.06.2014		Corporate	Director Corp.

		have to be completed by March 2015, should also receive attention. This phase is about strategic alignment between business and ICT.					
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## **4. FINANCIAL PERFORMANCE ANALYSIS**

### **4.1. CASH MANAGEMENT**

Attached as Annexure D is the overall assessment of the cash management and bank reconciliation.

### **4.2. OUTSTANDING DEBTORS**

Attached as Annexure C is a summary of outstanding debtors as 31 December 2013, analysing age of debtors by income source and number of days outstanding.

Cederberg Municipality payment ratio for debtors for the first six months is 97.67%. The debt collection department's vacant positions are filled and there are strict debt collection measures in place. The department will also handover clients in the remaining period of the year.

## **5. ADJUSTMENT BUDGET**

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

"An adjustment 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 not later than 28 February of each year. Furthermore, except under certain circumstances only one adjustment budget may be tabled in Council during a financial year."

Accordingly a report on adjustment budget will be submitted for consideration by Council before 28 February 2014.

## **6. ANNUAL REPORT**

The Annual Report of the 2012/2013 financial year will be covered in a separate report. As prescribed in section 72 (1)(a)(iii) of the MFMA the Accounting Officer must assess the performance of the municipality in the first 6 months taking into account the past year's Annual Report, and progress on resolving the problems identified in the Annual Report.

## **7. ANNEXURES**

### **7.1. FINANCIAL AND BUDGET PERFORMANCE**

- (i) Annexure A – In-Year Financial Report for the period ended December 2013
- (ii) Annexure B – Capital Project Report as at 31 December 2013
- (iii) Annexure C - Debtor Age Analysis Report as at 31 December 2013
- (iv) Annexure D – Cash Flow as at 31 December 2013

### **7.2. SERVICE DELIVERY PERFORMANCE**

- (i) Annexure E – Top Layer SDBIP as at 31 December 2013
- (ii) Annexure F – Dashboard of overall performance per National KPA
- (iii) Annexure G - Departmental SDBIP Dashboard