Mid-Year Budget Statement

December 2014

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Volhoubare Ontwikkeling  **VISION** | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
| A SUSTAINABLE, AFFORDABLE and DEVELOPMENTAL QUALITY SERVICE for ALL | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
| **MISSION** | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
| WE WILL ACHIEVE OUR VISION BY ENSURING THAT WE: | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
| Provide a continuous and constant service | | | | | | | | | | |
| Provide a better level of service for our basket of services | | | | | | | | | | |
| Provide value for money that will be maintained by the municipality | | | | | | | | | | |
| Improve existing infrastructure and create new opportunities for all | | | | | | | | | | |
| Copies of this document can be viewed: | | | | | | | | | | |
| At the municipal offices  or | | | | | | | | | | |
| at www.kareeberg.co.za  **INDEX** | | | | | | | | | | |
| PART 1 – IN-YEAR REPORT  INTRODUCTION ------------ 2   |  |  |  |  | | --- | --- | --- | --- | | 1.1 | Mayor’s report | ------------ | 3 | | 1.2 | Council resolutions | ------------ | 4 | | 1.3 | Executive summary | ------------ | 5 | |  | Supporting Table SC1 Material variance explanations - Mid Year | ------------ | 10 | | 1.4 | In-year budget statement tables | ------------ | 11 | |  | Table C1 Monthly Budget Statement - Summary - Mid Year | ------------ | 11 | |  | Table C2 Monthly Budget Statement - Financial Performance (standard classification) - Mid Year | ------------ | 12 | |  | Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - Mid Year | ------------ | 13 | |  | Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid Year | ------------ | 15 | |  | Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - Mid Year | ------------ | 17 | |  | Table C6 Monthly Budget Statement - Financial Position - Mid Year | ------------ | 18 | |  | Table C7 Monthly Budget Statement - Cash Flow - Mid Year | ------------ | 19 | | | | | | | | | | | |
| PART 2 – SUPPORTING DOCUMENTATION   |  |  |  |  | | --- | --- | --- | --- | | 2.1 | In-year supporting documentation tables | ------------ | 20 | |  | Supporting Table SC2 Monthly Budget Statement - performance indicators - Mid Year | ------------ | 20 | |  | Supporting Table SC3 Monthly Budget Statement - aged debtors - Mid Year | ------------ | 21 | |  | Supporting Table SC4 Monthly Budget Statement - aged creditors - Mid Year | ------------ | 23 | |  | Supporting Table SC5 Monthly Budget Statement - investment portfolio - Mid Year | ------------ | 23 | |  | Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Mid Year | ------------ | 24 | |  | Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Mid Year | ------------ | 25 | |  | Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Mid Year | ------------ | 26 | |  | Supporting Table SC9 Monthly Budget Statement - actuals and revised targets for cash receipts - Mid Year | ------------ | 28 | |  | Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - Mid Year | ------------ | 29 | |  | Supporting Table SC13a Monthly Budget Statement - capital expenditure on new assets by asset class - Mid Year | ------------ | 30 | |  | Supporting Table SC13b Monthly Budget Statement - capital expenditure on renewal of existing assets by asset class - Mid Year | ------------ | 31 | |  | Supporting Table SC13c Monthly Budget Statement - expenditure on repairs and maintenance by asset class - Mid Year | ------------ | 33 | |  | Supporting Table SC13d Monthly Budget Statement - depreciation by asset class - Mid Year | ------------ | 34 | | 2.2 | Municipal Manager’s quality certification | ------------ | 35 |   Introduction  Kareeberg Municipality is situated in the western side of Pixley ka Seme District Municipality in the Northern Cape Province. The district consists of nine municipalities of which Kareeberg is the smallest.  The municipality was established through the amalgamation of Carnarvon, Vanwyksvlei and Vosburg, as well as a large area of rural farms. The administrative centre is located in Carnarvon with Vanwyksvlei and Vosburg being rural service centres.  The landscape is typical Karoo with an annual average rainfall of 260mm and an annual evaporation of 230mm. There are no constant rivers running through the municipal area and all towns are dependent on ground water.  Local economic opportunities are sadly lacking in the municipal area with the declining economy being largely based on sheep farming. With an unemployment rate of approximately 25%, most of the residents rely heavily on the provision of free basic services.  Population growth has been positive by ±2.07% over the last ten years. The migration of economically active residents to greater urban areas has a huge impact on the population growth. The total population of the municipality is 11 673, which constitutes 3 222 households. 797 households (population 2 710), are residents in the rural areas whilst 2 425(population 8 963) resides in the urban areas. | | | | | | | | | | |
|  | | |
|  | | |
|  | | |
| ` | | |
|  | | |
|  | | |
|  | | |

1. **PART 1 – IN-YEAR REPORT**

**1.1** **Mayor’s report**

**Submitted at end of year**

**1.2** **Council resolutions**

**This report will not be tabled in council**

* 1. **Executive summary**
     1. Introduction

There is not sufficient water in Vanwyksvlei! Water is being transported to Vanwyksvlei from Saaipoort, Carnarvon. Funding for the transport of water has not been found yet and the municipality will not be able to afford the cost.

Working capital has increased to R 2.5million. This is due to receipt of the equitable share. The remainder of MIG will be used for upgrading of roads and upgrading of cemeteries in Vanwyksvlei and Vosburg. Credit control must be applied rigorously to ensure constant cash flow. The payment of salaries previously funded from MSIG also has an influence on the cash flow.

Over spending on votes and type of expenditure will result in irregular expenditure which will result in a qualification. Attention is drawn to Table C4 as well as the breakdown of “other expenditure”.

The PMS Framework for 2014-2015 has not yet been approved.

The IDP process has come to a halt and will also cause findings in the audit.

No budget steering committee meeting was held up to date.

Consolidated performance

Revenue by source

Revenue is under received by 14% (R 4.1million) for the year. This is due to the fact that conditional grants expended, are only recognised as revenue in June 2015.

The following graph indicates the generated revenue to date:

**Revenue**

Operating expenditure by type

Expenditure is overspent by 5% (R 1.1million). This is due to equitable share being recorded as expenditure when received. The situation will normalize as the year progresses. Annual audit costs to the amount of R 1.7million has been paid as well. Salaries previously allocated to MSIG will also have a negative impact on spending. Travel and subsistence is overspent by R 129 000 already. Other expenditure items overspent is audit costs and personnel costs. Fuel cost will also be taxed heavily for the duration of the budget period.

The following graph indicates the expenditure incurred to date.

**Expenditure**

Capital expenditure

The upgrading of roads in Carnarvon and Vanwyksvlei have been registered with MIG. The progress on capital projects will be highlighted in table SC 1.

Cash flows

The municipality has a positive cash flow for the year to date of R 9million. This is due to receipt of the equitable share payment. Salaries previously funded from MSIG also has an influence on the cash flow.

The following table indicates the funds available for working capital requirements:



* + 1. Material variances from SDBIP

The service delivery and budget implementation plan has been reviewed and the following defects in service delivery are highlighted.

1. Approval of the budget for 2015-2016.
2. Approval of the Annual Report for 2013-2014.
3. Comply with section 72 of the MFMA.
4. Implement a performance management system.
5. Publication of monthly newsletters
6. Public meetings not held regularly.
7. Insertion of amendment pages in Statute Books.
8. Up to date policies systems, procedures, bylaws, contracts and agreements and clear office instructions in place and reviewed annually. Delegation manual in place.
9. Administration of Human Resource recruitment and selection.
10. Oversee that training in terms of the Skills Development Plan is being implemented.
11. Draw up 2015/ 2016 budget within time frame - Budget time frame by 31 August 14 - Draft budget by 31 March 2015 to Council and final budget submitted to Council by 31 May 2015.
12. Ensure that the recommendations in the external audit report is successfully implemented.
13. Internal audit queries must be finalised.
14. To facilitate active and structured public participation during the drafting of the IDP Process.
15. To record the priority needs of all sectors of the community in the amended IDP document.
16. To ensure the alignment of the IDP objectives be reflected in the municipal budget.
17. 4 Ward Committee meetings per annum
18. Facilitate community meetings for Mayor per town.
19. Compilation of Annual Report and submit to Council.
20. Managing maintenance of cemeteries.
21. Completion of capital projects.
22. The dumping of all waste at the waste sites and administering the maintenance of the dumping site.
23. Administering the operations of the oxidation ponds in such a way that permit conditions are satisfied.
24. Managing total water supply system to ensure sufficient water provision.
25. Application of relevant legislation – on-going.
26. Manage maintenance all electrical distribution machinery and mechanical equipment. (excl. Eskom)
27. Manage maintenance of assets.
28. Managing of personnel - training in capacity building and legislation.
29. Manage the maintenance of the municipal vehicle fleet and equipment.
    * 1. Remedial steps
30. The Mayor should hold budget steering committee meetings.
31. The administration must complete the compilation of the annual report for submission to council.
32. The municipal manager must supply council with the report.
33. The municipal manager must develop and implement a performance management system.
34. The newsletter must be published regularly.
35. Council must convene community meetings.
36. Insertion of pages must be done regularly.
37. All documentation must be reviewed and updated regularly.
38. The municipal manager should allow the appointment committee to operate.
39. Lobby for more funding from LGSETA.
40. Time frame must be adhered to.
41. The recommendations in the external audit report must be applied.
42. Internal audit queries must be finalised.
43. The IDP process plan must be followed.
44. The IDP process plan must be followed.
45. The IDP must be aligned to the budget.
46. Ward councillors must convene ward committee meetings as stipulated.
47. The Mayor must convene community meetings as stipulated.
48. The administration must complete the compilation of the annual report for submission to council.
49. Cemeteries must be maintained.
50. Capital projects must be completed timeously.
51. Waste sites must be maintained continuously.
52. Construction of an additional pond is important to curb the overflow.
53. Vanwyksvlei bulk water supply must be completed as soon as possible.
54. Legislation must be adhered to.
55. Continuous maintenance of electrical assets is a challenge due to the lack of cash.
56. Continuous maintenance of assets is a challenge due to the lack of cash.
57. Cash restraints hamper training.
58. Continuous maintenance of vehicles is a challenge due to the lack of cash.
    * 1. Conclusion

Council as well as management will have to support strict budget control and rigorous application of the credit control by-law for the municipality to survive.

* + 1. Material variance explanations

The following is an explanation of material variances in the municipality’s performance:

**Supporting Table SC1 Material variance explanations - Mid Year**

* 1. **In-year budget statement tables**

Monthly Budget Statements

**Table C1 Monthly Budget Statement - Summary - Mid Year**



Monthly Budget Statements (cont.)

**Table C2 Monthly Budget Statement - Financial Performance (standard classification) - Mid Year**



Monthly Budget Statements (cont.)

**Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - Mid Year**



Variances in year to date revenue

Vote 1. Conditional grants will only be recognised as revenue in June 2015.

Vote 2. Property rates have been levied.

Vote 6. Grave fees are much more than budgeted for.

Vote 8. Pound moneys depend on animals impounded.

Vote 9. Camping fees are less than estimated.

Vote 11.Revenue is higher than budgeted for.

Vote 12.Effluent from waste water is more due to higher usage.

Vote 13.Rental of testing ground is utilised more than budgeted for.

Vote 14.Usage has increased.

Vote 15.Usage has increased.

Monthly Budget Statements (cont.)

Variances in year to date expenditure

Vote 1. Equitable share has been expended.

Vote 2. Audit fees have been expended.

Vote 3. Contributions to employee benefits still to be made.

Vote 5. Contributions to employee benefits still to be made.

Vote 6. Expenditure for repairs and maintenance is hampered by lack of available cash.

Vote 8. Expenditure for repairs and maintenance is hampered by lack of available cash.

Vote 9. Expenditure for repairs and maintenance is hampered by lack of available cash.

Vote 11.Salaries and wages will be allocated from vote 12 in June 2015.

Vote 12.Salaries and wages will be allocated to vote 11 in June 2015.

Vote 14.Expenditure for repairs and maintenance is hampered by lack of available cash.

Monthly Budget Statements (cont.)

**Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid Year**



Monthly Budget Statements (cont.)

**Other expenditure**

The following table is a further breakdown of other expenditure. Council needs to take note of the expenditure listed under other expenditure.

**Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Mid Year**



Monthly Budget Statements (cont.)

**Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding) - Mid Year**



The upgrading of roads in Carnarvon and Vanwyksvlei have been approved by MIG. This, together with upgrading of cemeteries in Vanwyksvlei and Vosburg, will make out the rest of the MIG allocation.

Monthly Budget Statements (cont.)

**Table C6 Monthly Budget Statement - Financial Position - Mid Year**



Monthly Budget Statements (cont.)

**Table C7 Monthly Budget Statement - Cash Flow - Mid Year**



The positive cash flow for the month is due to receipt of equitable share. Salaries not budgeted for will also impact negatively on cash flow for the year as well as overspending on subsistence and travel and audit costs.

A positive cash flow for the year is due to the receipt of conditional grants as well as the equitable share.

1. **PART 2 – SUPPORTING DOCUMENTATION**

**2.1** **In-year supporting documentation tables**

**Supporting Table SC2 Monthly Budget Statement - performance indicators - Mid Year**



Supporting Documentation (cont.)

Debtor’s analysis

**Supporting Table SC3 Monthly Budget Statement - aged debtors - Mid Year**



Supporting Documentation (cont.)

Education is still the biggest debtor of all Organs of State.

The following graph indicates Organ of State debt by department.

**Organs of State - Debt**

Supporting Documentation (cont.)

Creditor’s analysis

**Supporting Table SC4 Monthly Budget Statement - aged creditors - Mid Year**



The municipality has no trade creditors. The only creditors are payments received in advance and retention held by the municipality.

Investment Portfolio Analysis

**Supporting Table SC5 Monthly Budget Statement - investment portfolio - Mid Year**



Supporting Documentation (cont.)

Allocation of grant receipts and expenditure

**Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - Mid Year**



Supporting Documentation (cont.)

**Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Mid Year**



Grant receipts and expenditure will be recorded in tables SC 6 and SC 7, but not in tables C 2, 3 or 4, except for the equitable share. All grants are expended in a suspense account and are only recorded in the performance statement during the last month of the financial year. Table SC 7(2) is not utilised as there are no roll overs.

Actual expenditure will be recorded in tables SC 6 and 7, as well as in the reports of the Division of Revenue Act format.

Supporting Documentation (cont.)

Councillor and employee benefits

**Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Mid Year**



Supporting Documentation (cont.)

Section 66 of the MFMA requires that the Accounting Officer of the municipality must report to council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits in a manner that discloses such expenditure per type of expenditure. Supporting table SC8 above provides a breakdown of such expenditure for the period 1 July 2014 to 31 December 2014 with the following additional information:

1. Comprehensive breakdown of Other Benefits and allowances are as follows:



1. Excluded from the total amount of R 7 739 979 for the period 1 July 2014 to 31 December 2014 is travel and subsistence paid to councillors, senior management and other staff for the attendance of various meetings, training sessions and workshops. The total allowances paid is broken down as follows:



Supporting Documentation (cont.)

Material variances to the service delivery and budget implementation plan

**Supporting Table SC9 Monthly Budget Statement - actuals and revised targets for cash receipts - Mid Year**



Supporting Documentation (cont.)

Capital programme performance

**Supporting Table SC12 Monthly Budget Statement - capital expenditure trend - Mid Year**



Supporting Documentation (cont.)

**Supporting Table SC13a Monthly Budget Statement - capital expenditure on new assets by asset class - Mid Year**



Supporting Documentation (cont.)

**Supporting Table SC13b Monthly Budget Statement – capital expenditure on renewal of existing assets by asset class – Mid Year**

Supporting Documentation (cont.)

Supporting Documentation (cont.)

**Supporting Table SC13c Monthly Budget Statement - expenditure on repairs and maintenance by asset class - Mid Year**



Supporting Documentation (cont.)

**Supporting Table SC13d Monthly Budget Statement - depreciation by asset class - Mid Year**



* 1. **Municipal Manager’s Quality Certification**

