

CENTRAL KAROO DISTRICT MUNICIPALITY



Mid-year Budget And Performance Report for 2013-14



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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 reports and supporting tables of Central Karoo 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 B to D.

The staff establishment for the first 6 months was **142** posts of which **133** were filled. This represents **94%** of the staff compliment.

We also embarked on the following management processes during this period which includes the following:

- Capacitate the budget Treasury Office with internal employees;
- Appoint 3 additional Interns; and
- Review the Supply Chain Management Policy to address some AG findings.

2. BUDGET PERFORMANCE ANALYSIS

2.1 OPERATIONAL EXPENDITURE AND REVENUE PERFORMANCE

Approximately **52%** of the original budgeted operating expenditure of **R50 648 000** was spent as at the end of December 2013 and **62%** of the original projected revenue of **R53 340 00** was collected. The reasons for deviations are explained in the paragraphs below.

Indications are that an adjustments 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.

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

REVENUE

a) INCREASE IN REVENUE

Revenue source and reason for such increase	Total budget as at 31 December 2013	Actual as at 31 December 2013	Variance
	R		
Interest on Investments (More funds were invest during the year)	57 500	91 250	59%
Other revenue (More funds were received)	835 400	417 700	59%
Grants and Subsidies (FMG & MSIG Grant were received in full)	24 468 134	32 166 755	31%

b) DECREASE IN REVENUE

Revenue source and reason for such decrease	Total budget as at 31 December 2013	Actual as at 31 December 2013	Variance
	R		
Rent of Facilities and Equipment (Annual Rental increase on properties)	52 300	41 400	-21%

The net result of the above listed increases and decreases in revenue is **R6 297 000 (24%)** more than the projected budget of **R26 670 000** up to 31 December 2013 of which the decrease in **Grants and Subsidies** and **Interest on Investments** contributed largely to the variance.

Please refer to **Annexure A** for more detail.

OPERATIONAL EXPENDITURE

a) INCREASE IN EXPENDITURE

Expenditure item and reason for such increase	Total budget as at 31 December 2013	Actual as at 31 December 2013	%Variance
	R		
Contracted services (Consultants were used in compiling of Financial Statements & Monthly Sec 71 Reports))	510 000	719 150	41%
Subsistence and Travel (Increase in employees and council attending training and workshops)	360 930	918 654	155%

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b) DECREASE IN EXPENDITURE

Expenditure item and reason for such decrease	Total budget as at 31 December 2013	Actual as at 31 December 2013	%Variance
	R		
Salaries and Allowances (CFO resigned at 30 June 2012)	4 903 000	4 757 000	-3%
Remuneration of Councillors (Decrease due to no increase in Councillor remuneration)	1 580 000	1 444 000	-9%
Repairs and Maintenance (Less maintenance was done in the first 6 months)	95 750	21 482	-78%

The net result of the above listed increases and decreases in expenditure is **R1 187 000 (5%)** more than the projected budget of **R25 324 000** up to 31 December 2013, of which Subsistence & Travel and Contracted Services contributed largely to the increase. Departments will be requested to re-assess projections for the remainder of the financial year in the adjustment budget submission. Strict expenditure control has to be implemented for the remainder of the financial year to ensure that expenditure is limited to available budget.

Please refer to **Annexure A** for more detail.

2.2 CAPITAL BUDGET PERFORMANCE

The capital expenditure as at the end of December 2013 is **R27 608**, excluding committed costs (orders issued) which is **85% less** than the budgeted amount.

The expenditure in relation to the cash flow is as follows:

- **Furniture and Equipment** - Budget amounts to R50 000 and R27 608 (100%) has been spent
- **Vehicles** – Budget amounts to R280 000 and R0 has been spent

The above requires that directorates revise their budgets with the adjustments budget.

3. SERVICE DELIVERY PERFORMANCE ANALYSIS

3.1 CREATING A CULTURE OF PERFORMANCE

(I) PERFORMANCE FRAMEWORK

Performance management is prescribed by chapter 6 of the Municipal Systems Act, Act 32 of 2000 and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7 (1) of the aforementioned regulation states that “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

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managed, including determining the responsibilities of the different role players.” This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

(II) IMPLEMENTATION OF PERFORMANCE MANAGEMENT

The IDP for 2013/14 was compiled and approved by council with the budget for 2013/14 Council on **27 May 2013**. The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the service delivery budget implementation plan (SDBIP) at directorate levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and budget.

The SDBIP were prepared and the Top Layer SDBIP was approved by the Executive Mayor on **18 June 2013** and the Departmental SDBIP by the Municipal manager on **18 June 2013**.

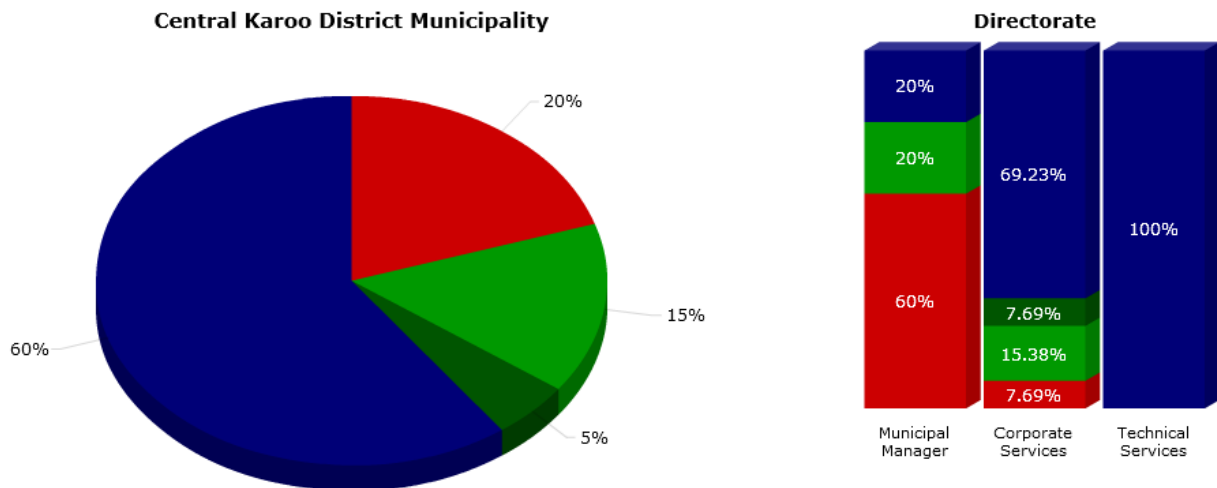
(III) MONITORING PERFORMANCE

The SDBIP was loaded on an electronic web based system after approval. The web based system sent automated e-mails to the users of the system as a reminder to all staff responsible for updating their actual performance against key performance indicator targets for the previous month’s performance. The actual results against monthly targets set, are discussed in the monthly meetings to determine early warning indicators and discuss corrective measures if needed.

(IV) OVERALL SERVICE DELIVERY PERFORMANCE: TOP LAYER SDBIP 12/13

Category	Colour	Explanation
KPI's Not Met	Red	0% >= Actual/Target < 75%
KPI's Almost Met	Orange	75% >= Actual/Target < 100%
KPI's Met	Green	Actual/Target = 100%
KPI's Well Met	Dark Green	100% > Actual/Target < 150%
KPI's Extremely Well Met	Dark Blue	Actual/Target >= 150%

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	Central Karoo District Municipality	Directorate		
		Municipal Manager	Corporate Services	Technical Services
■ KPI Not Met	4 (20%)	3 (60%)	1 (7.7%)	-
■ KPI Almost Met	-	-	-	-
■ KPI Met	3 (15%)	1 (20%)	2 (15.4%)	-
■ KPI Well Met	1 (5%)	-	1 (7.7%)	-
■ KPI Extremely Well Met	12 (60%)	1 (20%)	9 (69.2%)	2 (100%)
Total:	20	5	13	2

3.2 SUMMARY

Early indications are that the performance against the output and goals of the Service Delivery Budget Implementation Plan (SDBIP) are on mostly on track.

The municipality met **80% (16 of 20)** of the applicable **20** KPI's for the period as at 31 December 2013. The remainder of the KPI's (15) on the Top Layer SDBIP out of the total number of 35 KPI's do not have targets for this period and will be reported on in future quarters when they are due. Attached as Annexure B is the unaudited Top Layer SDBIP report for the first half of the financial year ending 31 December 2013 which measures the municipality's overall performance per Directorate. The report, furthermore, includes the performance comments and corrective measures indicated for targets not achieved. Although, this report focuses on strategic service delivery of the municipality, Annexure D has been included to reflect the contribution and performance per directorate on the Departmental SDBIP towards achieving service delivery targets.

A revised Top Layer SDBIP will be submitted to Council, if necessary, with motivation where key performance indicator targets require adjustment as a result of the Adjustments Budget.

3.2 AUDIT OUTCOMES 2012/13

The municipality received an unqualified Audit report for the 2012/13 financial year. The table below indicates the issues raised during the 2012/13 audit conducted by the Auditor-General with regards to finance and performance. It also indicates the corrective measures that will be implemented:

Main Issues Raised	Remedial Actions Taken
Audit Report Status	Unqualified
Emphasis of matter:	
Functioning of Audit Committee exclude PMS	Will assure that PMS form part of Audit Committees future ToR.
Internal Audit did not attend to PMS on a regular basis.	Functional from January 2013 and will now put more emphasis on PMS
Non-compliance with SCM regulations.	Council approve the amendment of its SCM Regulations which should resolve most of the issues.
No Tax clearance and declarations of interest.	Adequate control should be put in place to ensure that this do not happen again in future
Non-compliance for not reporting reasons for deviations.	Although totally impractical we shall again attempt to further add detail to deviations
Key performance indicators are not all measurable.	Targets must also be measurable and preferable not indicated as a percentage as these are mostly subjective with regards to measurability.
27% of targets not met.	Management should attend to this matter on an urgent basis to either address KPI's or capacity constraints.
Various IT environment deficiencies.	Policies, strategies and plans will be put in place as soon as possible.

4. ADJUSTMENTS 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 adjustments to the budget will be submitted for consideration by Council before 28 February 2014.

5. ANNUAL REPORT

The Annual Report of the 2012/13 financial year is covered in a separate report to Council and will be tabled on 22 January 2013.

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.

MUNICIPAL MANAGER

DATE:

7. ANNEXURES

7.1 FINANCIAL AND BUDGET PERFORMANCE

(i) ANNEXURE A — IN-YEAR FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2013

7.2 SERVICE DELIVERY PERFORMANCE

(ii) ANNEXURE B— TOP LAYER SDBIP 2013/14 REPORT PER DIRECTORATE WITH COMMENTS ON TARGETS ACHIEVED/ NOT ACHIEVED FOR THE PERIOD 1 JULY TO 31 DECEMBER 2013.

(iii) ANNEXURE C— TOP LAYER SDBIP 2013/14 DASHBOARD OF OVERALL PERFORMANCE PER STRATEGIC OBJECTIVE FOR THE APPLICABLE KPI'S FOR THE PERIOD 1 JULY TO 31 DECEMBER 2013.

(iv) ANNEXURE D— DEPARTMENTAL SDBIP 2012/13 DASHBOARD OF OVERALL PERFORMANCE PER DEPARTMENT FOR THE APPLICABLE KPI'S FOR THE PERIOD 1 JULY TO 31 DECEMBER 2013.
