

EXECUTIVE SUMMARY

Mid-year budget performance assessment of Musina Local Municipality 2020/2021

Revenue

- The municipality generated (R 329 286 mil) over 50% of its budgeted revenue of R 425 374 million by the 31st of December 2020, this performance is acceptable even though there are revenue items that did not perform as expected.
- The following revenue items will need special attention in the second half of the financial year to ensure that the municipality achieved its targets which are a contribution to it achieving its strategic objectives as set out in its integrated development plan:

Licenses and permits – The municipality only achieved 6% of its budget of about R5.1 million, this performance can be attributed to the poor cash flow position of the municipality due to the pandemic most of our services were not operating optimally therefore exacerbated the low turnover. This revenue item may have to be adjusted in our February adjustment budget because the cash flow position may not improve to an extent that the municipality will be able to have surplus as envisaged.

Proceeds from sale of assets – This revenue item only contributed about 6% of its budget of R5.3 million, this is as a result of the slow pace in the transfer of sold municipal properties majority of which were through auctions, management will have to give special attention to this item in ensuring achievement of set targets.

Fines, penalties and forfeits – The municipality only achieved a fraction what has been anticipated of its budget of about R3.0 million, this performance can be attributed to many factors but of key is the fact that the cash flow position of the municipality has been dealt a blow as is any institution across the Republic due to the pandemic. This revenue item may have to be adjusted in our February adjustment budget because the cash flow position may not improve to an extent that the municipality will be able to have surplus as envisaged.

Expenditure

- The municipality spent about 68% of its operating expenditure, this was achieved during a very difficult period where we have to reduce the Eskom debt which was about R130 million, during this time of reporting last year (2022/2021) also ensuring that the monthly Eskom account is paid by the due date, salaries are also paid when they are due, and other creditors are paid for services rendered.

Bulk purchases – The municipality has paid Eskom about R116 022 679.24 million in the first half of the financial year 2020/2021, the arrear debt is now standing at about R86.9 million. The budget for bulk purchases will be adjusted upward to cater for payments made towards the arrear debt.

Other expenditure – The municipality is also implementing a cash on delivery system to ensure that the municipality is not over committed, this is also contribute towards achieving the 30 days payment period as required by MFMA. Security debt owed to the previous company has been settled in full,

Repairs and Maintenance

- The municipality has through its SDBIP earmarked to repairs road infrastructure 100km and 50% that was made during the time of reporting, furthermore it must note that about 1km of road marking and maintenance of internal local streets were done!

Capital expenditure

The municipality spent 85% of its Budget year to date of R14 101 million on the allocation of R33.8 million. This will have to be addressed to avoid future withholding of funds. The municipality still has an opportunity to expedite spending on this grant in the last half of the financial year.

Cash flow management

- The municipality's cash flow position is still fragile, and proper prioritization of commitments and payments will be vital if the municipality is to reduce the risk of going concern.
- Measures such as cash on delivery will be implemented to mitigate the risk stated above.
- Overtime expenditure has been drastically reduced and the burden on the fiscus is normalized to acceptable norms and standard of max Planned and unplanned hours at 40 hours per month.
- The next 14 months will be difficult for the municipality, once the Eskom arrear debt is fully paid, the municipality will start seeing visible improvement in its cash flow position.