

EXTRACT OF THE MINUTES OF THE 128th ORDINARY COUNCIL MEETING HELD ON 31 MARCH 2021

"A2114 MID-YEAR BUDGET PERFORMANCE ASSESSMENT REPORT FOR THE 2020/2021 FINANCIAL YEAR

(5/1/3 (2020/2021))


**Cluster: Finance
Portfolio: Finance**

RESOLVED

1. THAT this report and the assessment herein be submitted by the Accounting Officer to the Executive Mayor, National Treasury and Provincial Treasury as part of the mid-year organisational review and in accordance with Section 72 MFMA.
2. THAT this report informs the decision-making processes undertaken to determine the necessity for an adjustment budget as well as to inform the revised projections for revenue and expenditure for the remainder of the financial year 2020/2021."

It is hereby certified that this is a true extract from the minutes of a meeting of the Sedibeng District Municipality.

Council held on: 31/03/2021

Signed by: 

Designation: 

Legal And Support Services

A2114 MID-YEAR BUDGET PERFORMANCE ASSESSMENT REPORT FOR THE 2020/2021 FINANCIAL YEAR

(5/1/3 (2020/2021))

**Cluster: Finance
Portfolio: Finance**

1. PURPOSE

This report serves to table to the Committee the mid-year assessment undertaken of the performance of the 2020/2021 budget.

2. LEGISLATIVE BACKGROUND

The Municipal Finance Management Act, 56 of 2003, section 72 prescribes:-

72. (1) *The accounting officer of a 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—*
 - (i) *the monthly statements referred to in section 71 for the first half of the financial year;*
 - (ii) *the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;*
 - (iii) *the past year's annual report, and progress on resolving problems identified in the annual report; and*
 - (iv) *the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and*
 - (b) *submit a report on such assessment to—*
 - (i) *the mayor of the municipality;*
 - (ii) *the National Treasury; and*
 - (iii) *the relevant provincial treasury.*

The MFMA Municipal Budget & Reporting Regulations of 2009 indicate the following prescriptions:-

21. *An adjustments budget and supporting documentation of a municipality must be in the format specified*
22. (1) *An adjustments budget of a municipality must be appropriately funded.*
- (2) *The supporting documentation to accompany an adjustments budget ... must contain an explanation of how the adjustments budget is funded.*
23. (1) *An adjustments budget may be tabled in the municipal council at any time after the mid-year budget and performance assessment ... , but not later than 28 February of the current year.*

3. DISCUSSION

In accordance with the legislative prescripts outlined above, the municipality has undertaken an analytical assessment of the budgetary performance of the municipality at mid-year 31 December 2020, and the findings are detailed in Annexure "A".

Operating Budget

Operating Expenditure

- a. Actual spend on **Employee Related Costs** was at 49.35%;
- b. Actual spend on **Councillor Related Costs** was at 48.77%;
- c. Actual spend on **Contracted Services** was at 16.99%;
- d. Actual spend on **Operational Cost** was at 37.71%;
- e. Actual spend on **Inventory** was at 20.45%;
- f. Actual spend on **Operating Leases** was at 55.02%;
- g. Actual spend on **Transfer and Subsidies** was at 12.53%;
- h. Actual spend on **Total Operating Expenditure** was at 40.61%.

Operating Income

- i. Actual receipts on **Non Exchange Revenue (Government Grants & Subsidies)** were 71.65%;
- j. Actual receipts on **Interest** were 30.8%;
- k. Actual receipts on **Agency Services** were 38.9%;
- l. Actual receipts on **Operational Revenue** were 4.72%;
- m. Actual receipts on **Rental from Fixed Assets** were 0%;
- n. Actual receipts on **Sales and Rendering of Services** were 32.16%;
- o. Actual receipts on **Total Operating Income** totalled 62.96%.

Capital Expenditure (Non-Current Assets)

Total expenditure on **capital** items and programmes was at 12.09%. due to the vehicle not yet procured.

4. FINANCIAL IMPLICATIONS

The mid-year assessment indicates that Council was standing on an operational surplus of R70.880 million. This was primarily due to the receipt of the government unconditional grant equitable share at December 2020. This surplus must carry the Council's operations up until the next (and final) equitable share tranche due in March 2021. Council must take note that our projected operational commitments for January and February will be high based on the implementation of the salary increase backdated to July 2020, leaving a shortfall before the next equitable share can be released.

Operational expenditure is below par with the benchmark of 50%, while operational income is at 62.96% and capital expenditure on Capex at 12.09%. Monthly operations must be tightly monitored and adjusted downwards so as to ensure that the operating surplus contains the commitments and obligations of Council for the next two quarters until the financial year end.

5. LEGISLATIVE IMPLICATIONS

This report is in accordance with section 72 of the MFMA.

6. ALIGNMENT WITH COUNCIL STRATEGIES

In alignment with Council's strategy of good and financially sustainable governance.

7. RECOMMENDATIONS

It is therefore recommended:

- 7.1 THAT this report and the assessment herein be submitted by the Accounting Officer to the Executive Mayor, National Treasury and Provincial Treasury as part of the mid-year organisational review and in accordance with Section 72 MFMA.
- 7.2 THAT this report informs the decision-making processes undertaken to determine the necessity for an adjustment budget as well as to inform the revised projections for revenue and expenditure for the remainder of the financial year 2020/2021.

Annexure “B”

2020/21 MID-TERM MUNICIPAL PERFORMANCE SUMMARY:			
OFFICE /CLUSTER	QUARTER 1	QUARTER 2	PERCENTAGE (%) MID-YEAR ACHIEVEMENTS 2020/21
POLITICAL MANAGEMENT OFFICES			
Office of the Mayor	50%	80%	65%
Office of the Speaker	60%	0%	30%
Office of the Chief Whip	25%	0	13%
Overall PMT Offices Performance	45%	27%	36
ADMINISTRATION			
Office of the Municipal Manager	44%	0%	22%
Finance	100%	100%	100%
Corporate Services	73%	80%	77%
Community Services	50%	33%	42%
Transport, Infrastructure & Environment & Licensing	75%	100%	88%
Strategic Planning & Local Economic Development	100%	88%	94%
Overall Organisational Performance	74%	69%	72%