

A2450 MID-YEAR BUDGET PERFORMANCE ASSESSMENT REPORT FOR THE 2023/2024 FINANCIAL YEAR**(5/1/3 (2023/2024))****Cluster: Municipal Manager
Portfolio: Municipal Manager****1. PURPOSE**

This report serves to table to the Council the mid-year assessment undertaken of the performance of the 2023/2024 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 2023, and the findings are detailed in Annexure “A” and “B” respectively. Annexure “A” is a high-level summary and annexure “B” a summary per class of expense and revenue.

Operating Budget

Operating Expenditure

- a. Actual spend on **Employee Related Costs** was at 49.61%;
- b. Actual spend on **Councillor Related Costs** was at 48.33%;
- c. Actual spend on **Contracted Services** was at 33.81%;
- d. Actual spend on **Operational Cost** was at 60.39%;
- e. Actual spend on **Inventory** was at 46.26%;
- f. Actual spend on **Operating Leases** was at 44.18%;
- g. Actual spend on **Transfer and Subsidiaries** was at 40.76%;
- h. Actual spend on **Depreciation and Amortisation** was at 47.08%;
- i. Actual spend on **Total Operating Expenditure** was at 48.40%

Operating Income

- j. Actual receipts on **Non-Exchange Revenue (Government Grants & Subsidiaries)** were 72.05%;
- k. Actual receipts on **Interest** were 108.62%;
- l. Actual receipts on **Agency Services** were 46.51%;
- m. Actual receipts on **Operational Revenue** were 45.84%;
- n. Actual receipts on **Rental from Fixed Assets** were 64.52%;
- o. Actual receipts on **Sales and Rendering of Services** were 41.97%;
- p. Actual receipts on **Total Operating Income** totalled 67.10%

Capital Expenditure (Non-Current Assets)

Total expenditure on **capital** items and programmes was at 17.96%

4. FINANCIAL IMPLICATIONS

The mid-year assessment indicates that Council was standing on an operational surplus of R69,493 million. This was primarily due to the receipt of the government unconditional grant equitable share at December 2023. This surplus must carry the Council’s operations up until the next (and final) equitable share tranche due in March 2024. Council must take note that our projected operational commitments for January and February are approximately R36 million per month leaving a shortfall before the next equitable share can be released. Operational expenditure is on par with the benchmark of 50%, while operational income is at 67.10% and capital expenditure on Capex at 17.96%. 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.

KEY AREAS TO BE CONSIDERED DURING THE ADJUSTMENT BUDGET PROCESS:

a. Institutional arrangements

- i. The continuous vacancy rate on section 56 employees will continue to hamper service delivery
- ii. The functionality without the CFO, Executive Directors for both Community services and Transport Infrastructure and Environment will hinder the good progress which the municipality is envisage to realize.
- iii. A letter to the MEC was written and acting CFO was seconded and in the two executives' positions no one were seconded.
- iv. Due to the challenges facing the municipality is a failure to attract skilled personnel due to the poor offer during advertisement.

b. Financial Health

The funding plan presented to Council in May 2023 indicated that the powers and functions of the district need to be resolved by CoGTA in order to get the district back to a sustainable entity. The licensing function rendered on behalf of the Gauteng Department of Transport is underfunded and negotiations to increase the percentage retained by the agent need to increase from an 80/20 scenario to 60/40. These discussions are currently being discussed by all municipalities within Gauteng.

Turnaround strategies at the Fresh Produce Market is in an advance stage in order to attract more market agents which will assist in getting the market profitable.

Section 71 reports are submitted monthly to Province and National Treasury whereby expenditure patterns and revenue generation are discussed in detail. Grant spending on all the grants is also discussed. Currently the grants are being used for the intended purpose and reported monthly.

c. Governance

The municipality are submitting the monthly financial reports in the MSCOA format to the National Treasury portal on a monthly basis. The report is being generated directly from the core financial system and therefore accurate figures as per the MSCOA structure are submitted.

The Financial Misconduct and Disciplinary Board was established by Council and its terms of references were presented to Council 31-03-2021, Council Resolution A2111, Council 128. The Former Municipal Manager referred three cases to the DC board, as per Mokhari Report, and the three officials whom were implicated were as follows; Miss Dipontseng Evelyn, Mrs. R. Mhlwathika and Miss Sindiswa Mpetha.

The DC board members were constituted as follows:

- Mr Sidwell Mofokeng as the Chairperson of the board
- Mr Malebo Ngake as the ordinary member from legal department
- Mrs Rachel Cuna our Chief Audit Executives from Sedibeng and
- Mrs Laura Mabunda as Chief Audit Executive from Emfuleni Municipality.

The DC Board was revived and met on numerous occasions to attend to the alleged officials. A full report will be tabled to Council and be shared with MPAC, as the close-up meeting to present a final report will be tabled in the next meeting to be held on the 19h of January 2024.

The following meetings were convened to deliberate on this case and all affected officials were given a fair opportunity to make their representations before the ruling was made on whether they committed financial misconduct or not:

- 12 August 2021
- 7 July 2022

- 1 June 2023
- 7 June 2023
- 27 September 2023
- 24 November 2023

d. Service delivery

A separate report on performance indicators is being presented in order to provide details on all KPI's as per the service delivery and budget implementation plan.

Overall performance Comparison between 2022/23 and 2023/24 Mid-year performance. The overall performance for Political Management Team (PMT) for 2023/24 was 74% as compared to 2022/23 which was 73%. The overall performance for Administration (ADMIN) for 2023/24 was 94% as compared to 2022/23 which was 82%.

The improvement in the performance year-on-year was as a results of the appointment of the Municipal Manager (MM) and the appointment of the two executive directors from Corporate Services and Special Planning & Economic Development (SPED) Clusters.

There is continuous improvement in the performance of the municipality and with the appointment of the three Section 56 i.e. Executive director for Transport Infrastructure and Environment (TIE), Community Services (Com Serv), and Chief Financial Officer, this will enable the municipality to deliver on its constitutional mandate.

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 recommended that:

- 7.1 THAT the 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 the 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 2023/24.