

**A2023 MID-YEAR BUDGET PERFORMANCE ASSESSMENT REPORT: 2019/2020 FINANCIAL YEAR**

(5/1/3 (2019/2020))

**Cluster : Finance**  
**Portfolio: Finance**

1. PURPOSE

This report serves to table to Council the mid-year assessment undertaken of the performance of the 2019/2020 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 2019, and the findings are detailed in Annexure "A".

Operating Budget

1. Operating Expenditure

- a. Actual spend on **Employee Related Costs** was at 49.50%;
- b. Actual spend on **Councillor Related Costs** was at 47.24%;
- c. Actual spend on **Contracted Services** was at 34.34%;
- d. Actual spend on **Operational Cost** was at 57.75%;
- e. Actual spend on **Inventory** was at 60.96%;
- f. Actual spend on **Operating Leases** was at 56.75%;
- g. Actual spend on **Transfer and Subsidies** was at 16.78%;
- h. Actual spend on **Total Operating Expenditure** was at 46.09%.

2. Operating Income

- i. Actual receipts on **Non Exchange Revenue (Government Grants & Subsidies)** were 69.54%;
- j. Actual receipts on **Interest** were 55.47%;
- k. Actual receipts on **Agency Services** were 37.64%;
- l. Actual receipts on **Operational Revenue** were 4.72%;
- m. Actual receipts on **Rental from Fixed Assets** were 28.82%;
- n. Actual receipts on **Sales and Rendering of Services** were 41.93%;
- o. Actual receipts on **Total Operating Income** totalled 61.04%.

Capital Expenditure (Non-Current Assets)

Total expenditure on **capital** items and programmes was at 62.88%.

4. FINANCIAL IMPLICATIONS

The mid-year assessment indicates that Council was standing on an operational surplus of R56,290 million. This was primarily due to the receipt of the government unconditional grant equitable share at December 2019. This surplus must carry the Council's operations up until the next (and final) equitable share tranche due in March 2020. Council must take note that our projected operational commitments for January and February are approximately R33 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 61.04% and capital expenditure on Capex at 62.88%. 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 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; and
- 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 2019/2020.

8. ANNEXURE

- \* Annexure "A" - Mid-year budget 2019/2020 Financial Year