**2021/2022 MID-YEAR BUDGET AND PERFORMANCE REPORT: SECTION 72 REPORT FOR THE HALF YEAR ENDED ON 31 DECEMBER 2021 FILE NUMBER 136/12:**

**1. CONSIDER:**

(a) A report from the Executive Committee:

**2. PURPOSE:**

(a) To present the service delivery performance report against council approved targets as Set out in Service Delivery Budget Implementation Plan (SDBIP) for the period 01 July 2021 to 31 December 2021.
(b) To present to the council the financial performance of the municipality against its approved budget for the first half of the financial year.
(c) To seek council approval of the actual performance of the municipality as set out in the 2021/2022 Mid-Year Performance Report against the Top Layer Service Delivery Budget Implementation Plan (SDBIP) for the period ended 31 December 2021
(d) To determine a need for a budget adjustment and recommend revision of revenue and expenditure projections.

**2. BACKGROUND:**

(a) Sec 72 of the Municipal Finance Management Act (MFMA) requires that the accounting officer of the municipality must by no later than the 25th January each year assess the performance of the municipality during the first half of the financial year taking into account the financial performance against the approved budget and Service Delivery Budget Implementation Plan reports for the first half of the financial year.
(b) The council must consider and approve a mid-year budget performance report.

**3. DISCUSSION**:

(a) Section 72(1) of the Municipal Finance Management Act (MFMA), Act 56 of 2003, states that 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 (of the MFMA) 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 as set in the service delivery and budget implementation plan, (iii) the past year's annual report and progress on resolving the problems identified in the annual report (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account the report in terms of section 88 from any entities. (b) submit a report on such assessments to (i) the mayor of the municipality (ii) the National

Treasury; and (iii) the relevant Provincial Treasury Section 72(3) further stipulates that as part of the assessment, recommendation must be made whether an adjustment budget is necessary, taking into consideration the revised projections for revenue and expenditure's extent.

(b) The mid-term budget and performance must be consistent with the monthly budget statements on the implementation of the annual budget in accordance with the Service Delivery Budget and Implementation Plan (SDBIP) for the first half of the financial year and be submitted to the Executive Mayor, National Treasury and relevant Provincial Treasury The report is in line with the Municipal Budget and Reporting Regulation under schedule C and includes all the required tables, charts, and explanatory information.

(c) The Regulation further prescribes the report must be made public by placing it on the municipal website within 5 working days. In terms of section 71 of the MFMA, the following must be reported in the monthly statements: • Actual revenue per source • Actual borrowings • Actual expenditure per vote • Actual capital expenditure per vote • The amount of any allocations • Actual expenditure on those allocations In addition to the above an explanation should be given if necessary on the following: • Material variances in projected revenue and expenditure • Material variances in SDBIP • Remedial and corrective steps to ensure the projected revenue and expenditure remain within the approved budget.

(d) The statement must also include revenue and expenditure projections and the results of the municipal entity should be included.

(e) The accounting officer must also, in terms of section 72 (3) of the MFMA, make recommendations as to whether an adjustments budget is necessary and recommend revised projections for revenue and expenditure to the extent that it might be necessary.

(f) The mid-year performance report reflects on-budget performance as well as service delivery performance over the first half of the financial year that is 01 July 2021 up to 31 December 2021.

(g) The predetermined objectives portion of the report is as per the council approved Service Delivery Implementation Plan (SDBIP) for the 2021/22 financial year.

(h) The Service Delivery Implementation Plan (SDBIP) Mid-Year Performance Report assesses the actual performance of the municipality against Key Performance Indicators and Targets drawn from council objectives set out in the approved 2021/22 Integrated Development Plan and Budget.

(i) A determination on the need to adjust or not adjust the approved budget will be made and submitted to the council before the end of February 2022.

(j) The mid-year performance report has been submitted to the internal audit and audit committee for review and recommendation to the council.

(k) The report will form subject to internal audit and audit committee review forms the basis for performance reviews of the Municipal Manager and Managers Directly Accountable to the Municipal Manager.

(l) Attached find **Annexure "E"** (Mid-Term Budget Performance Report and Top Layer of SDBIP Mid-Term Performance Report).

## 4. CONCLUSION:

(a) Council consideration of the report is necessary to ensure compliance with legislation, determine the performance level of the municipality, in-form decisions to make necessary adjustments for the financial year.

(b) The approved report must be made public within prescribed timelines.

## 5. RECOMMENDATION(S) TO COUNCIL:

1. The 2021/22 Mid-Year Performance Report for the period ended 31 December 2021 be approved by the municipal council.
2. The 2021/22 Mid-Year Performance Report be referred to the audit committee for review and advice.
3. That should a need arise the 2021/22 Mid-Year Performance Report forms the basis for a decision to adjust / not adjust 2021/22 approved Budget and Service Delivery Budget Implementation Plan adjustments should a need arise.
4. That the Performance Audit Committee reviewed report forms the basis for performance assessment of the Municipal Manager and Managers Directly Accountable to the Municipal Manager.
5. The 2021/22 Mid-Year Performance Report be made public and submitted to the National and Provincial treasury within the prescribed timelines.