

Council: 2023-01-31

A6 MIDYEAR PERFORMANCE INFORMATION REPORT FOR THE QUARTER ENDED 31<sup>ST</sup> DECEMBER 2022 (6/15/2/1; 14/1/2/24)

Report: Executive Mayor: 2023-01-18

**1. PURPOSE**

1.1 To submit the 2<sup>nd</sup> quarter and midyear performance information report for the period ended 31<sup>st</sup> December 2022, in line with the approved 2022/2023 Service Delivery and Budget Implementation Plan (SDBIP).

**2. SUMMARY**

2.1 To provide an analysis of departmental and institutional performance against the approved 2022/2023 SDBIP as at midyear for the period 1<sup>st</sup> July – 31<sup>st</sup> December 2022;

**3. DISCUSSION**

**3.1 Background**

3.1.1 The 2022/2023 SDBIP was approved by the Executive Mayor on 2022-06-28 and a memorandum was issued informing departments of the approval of the SDBIP as well as dates by which quarterly reports will be due for submission.

3.1.2 This SDBIP report is done in line with the National Key Performance Areas (KPA) for Local Government which are:

- (a) Basic service delivery
- (b) Municipal transformation and organisational development
- (c) Local economic development
- (d) Municipal financial management and viability
- (e) Good governance and public participation
- (f) Spatial rational

**3.2 Formulation of the problem**

3.2.1 It had been noted that with the delay in timely submission of quarterly reports, which was due on 2023-01-09 as per the approved schedule, it does have a negative impact on the turnaround time to allow for sufficient review and verification of submitted performance information prior to submission to Internal Audit;

3.2.2 The following is a summary in respect of when submissions were received:

| <b>DEPARTMENT</b>                          | <b>SUBMISSION DATE</b> | <b>RFI ISSUED AND DATE OF SUBMISSION TO INTERNAL AUDIT</b> |
|--------------------------------------------|------------------------|------------------------------------------------------------|
| <b>Office of the Municipal Manager</b>     | <b>2023-01-10</b>      | <b>2023-01-12</b>                                          |
| <b>Technical Services</b>                  | <b>2023-01-07</b>      | <b>2023-01-11</b>                                          |
| <b>Community Services &amp; Safety</b>     | <b>2023-01-10</b>      | <b>2023-01-11</b>                                          |
| <b>Budget &amp; Treasury</b>               | <b>2023-01-10</b>      | <b>2023-01-10</b>                                          |
| <b>Planning &amp; Economic Development</b> | <b>2023-01-09</b>      | <b>2023-01-11</b>                                          |
| <b>Corporate Services</b>                  | <b>2023-01-11</b>      | <b>2023-01-12</b>                                          |

3.2.3 It must be noted that as and when submissions are received, the information is checked against the supporting portfolio of evidence (PoE) to check if the report and supporting PoE corresponds.

Communication has been ongoing to ensure submissions are made as required. As and when reports and supporting PoE were received, the information was reviewed for Departments to update as required.

- 3.2.4 A general observation in respect of submissions was that delays in the timely submission to Internal Audit was due to the incorrect template being used in some instances, instead of the template that was circulated. The review of submissions to Internal Audit was thus slightly delayed. All submissions were however made and the information audited accordingly.
- 3.2.5 A Request for Information (RFI) was issued on 2023-01-04 by Internal Audit for submissions to be made by 2023-01-11, noting that the non-submission of information by Departments would result in a limitation of scope for the audit of the midyear performance report. Once submission deadlines are not adhered to, it negatively impacts on the turnaround time to identify any issues and do a review before submission to Internal Audit.

### 3.3 **Discussion of alternatives**

- 3.3.1 In the absence of an automated performance management system, there are currently no alternative means for these quarterly reports to be prepared for consideration.

### 3.4 **Motivation**

- 3.4.1 The Performance Report is submitted in compliance with the legislative requirements of section 52(d) of the Municipal Finance Management Act, Act 56 of 2003 which requires the Mayor to within 30 days of the end of each quarter submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.
- 3.4.2 Regulation 28 of the Municipal Budget and Reporting Regulations, 2009 (GN 393) which prescribes the format of the Section 52(d) Report and requires that the report be submitted to National Treasury within 5 days of it being tabled.
- 3.4.3 Regulation 30 of the Municipal Budget and Reporting Regulations, 2009 (GN 393) which require that the Section 52(d) report be publicised by placing it on the Municipal Website in accordance with Section 75(1)(k) of the MFMA.
- 3.4.4 Regulation 14 of the Municipal Planning and Performance Regulations, 2001 (GN R796) which requires the Internal Auditor to audit the Municipality's performance and submit quarterly reports thereon to the Municipal Manager and the Audit Committee.
- 3.4.5 MFMA Circular 13 which requires the Municipality to report quarterly on its Service Delivery and Budget Implementation Plan (SDBIP), of which the Municipal Finance Management Act, Act 56 of 2003 (MFMA) defines the SDBIP as;  
“a detailed plan approved by the mayor of a municipality in terms of section 53 (1) (c)(ii) for implementing the municipality's delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:  
(a) projections for each month of;  
    (i) revenue to be collected, by source; and  
    (ii) operational and capital expenditure, by vote;  
(b) service delivery targets and performance indicators for each quarter”.

- 3.4.6 Over and above the above, the mid-year budget and performance assessment report (section 72 report) must also be compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

**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 deliver 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*
- (b) submit a report on such assessment to-*
  - (i) the mayor of the municipality;*
  - (ii) the National Treasury; and*
  - (iii) the relevant provincial treasury.*

**(2) The statement referred to in section 71(1) for the sixth month of a financial year**

**(3) The accounting officer must, as part of the review:**

- (a) make recommendations as to whether an adjustments budget is necessary: and*
- (b) recommend revised projections for revenue and expenditure to the extent that this may be necessary*

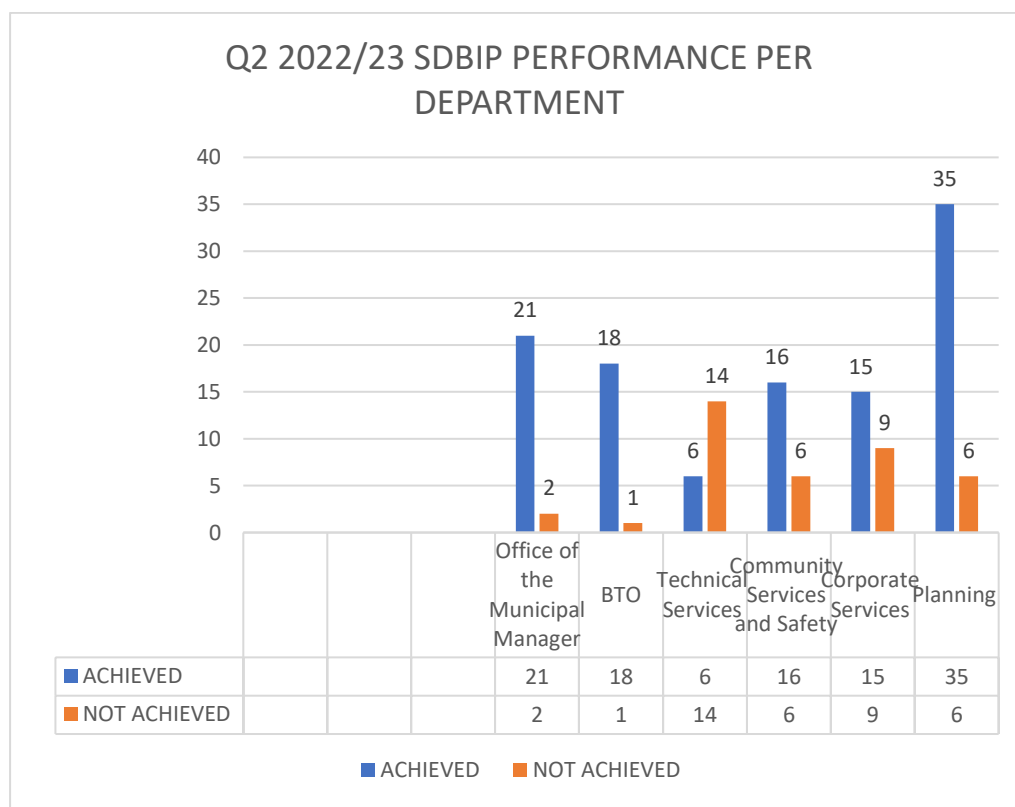
### 3.5 Organisational and Personnel Implications

3.5.1 The report intends to outline progress achieved against predetermined objectives;

3.5.2 The table below is a summary of performance per Department for the 2<sup>nd</sup> quarter for the period ended 31<sup>st</sup> December 2022:

| DEPARTMENT                        | KPIs ACHIEVED | % KPIs ACHIEVED | KPIs NOT ACHIEVED | % KPIs NOT ACHIEVED | KPIs FOR REPORTING IN Q2 |
|-----------------------------------|---------------|-----------------|-------------------|---------------------|--------------------------|
| Office of the Municipal Manager   | 21            | 91%             | 2                 | 9%                  | 24                       |
| Budget and Treasury Office        | 18            | 95%             | 5                 | 5%                  | 19                       |
| Technical Services                | 6             | 30%             | 14                | 70%                 | 20                       |
| Community Services and Safety     | 16            | 73%             | 6                 | 27%                 | 22                       |
| Corporate Services                | 15            | 63%             | 9                 | 37%                 | 24                       |
| Planning and Economic Development | 35            | 85%             | 6                 | 15%                 | 41                       |

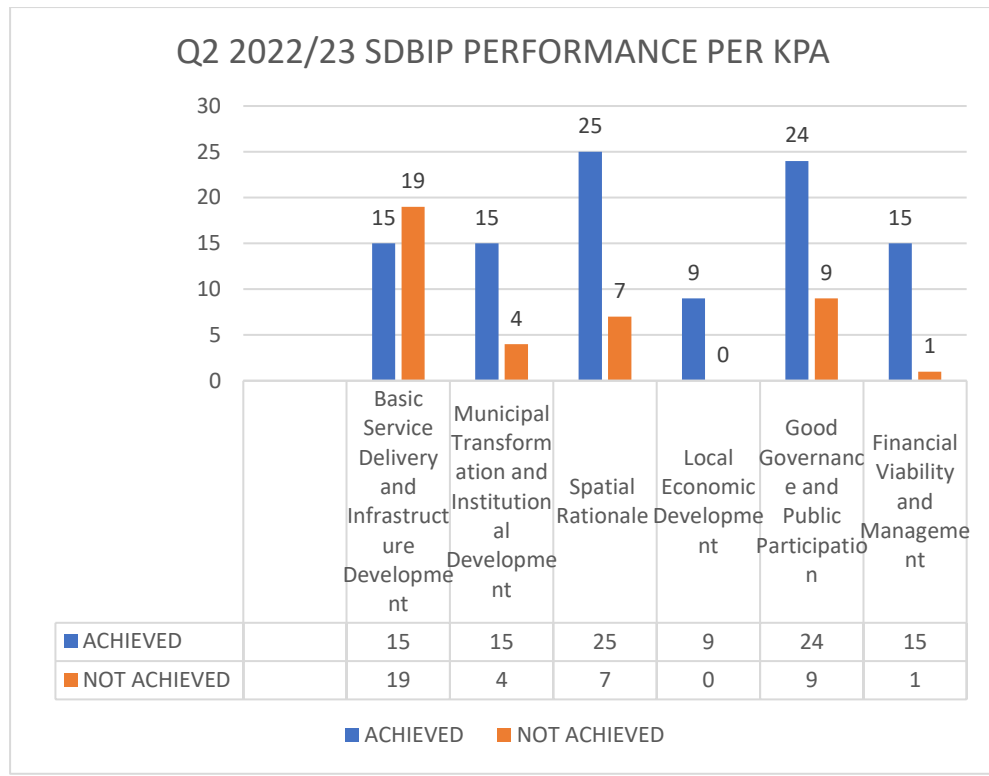
3.5.3 The following is a graphic representation of performance per Department as at the 2<sup>nd</sup> quarter ended 31<sup>st</sup> December 2022:



3.5.4 The 2<sup>nd</sup> quarter performance is based on the audited performance reports and herewith is a summary of the audited performance information per Key Performance Area (KPA):

| <b>DEPARTMENT</b>                                             | <b>KPIs ACHIEVED</b> | <b>% KPIs ACHIEVED</b> | <b>KPIs NOT ACHIEVED</b> | <b>% KPIs NOT ACHIEVED</b> | <b>KPIs FOR REPORTING IN Q2</b> |
|---------------------------------------------------------------|----------------------|------------------------|--------------------------|----------------------------|---------------------------------|
| <b>Basic Service Delivery and Infrastructure Development</b>  | 15                   | 44%                    | 19                       | 56%                        | 34                              |
| <b>Municipal Transformation and Institutional Development</b> | 15                   | 79%                    | 4                        | 21%                        | 19                              |
| <b>Spatial Rationale</b>                                      | 25                   | 78%                    | 7                        | 22%                        | 32                              |
| <b>Local Economic Development</b>                             | 9                    | 100%                   | 0                        | 0                          | 9                               |
| <b>Good Governance and Public Participation</b>               | 24                   | 73%                    | 9                        | 27%                        | 33                              |
| <b>Financial Viability and Management</b>                     | 15                   | 94%                    | 1                        | 6%                         | 16                              |
| <b>TOTALS</b>                                                 | <b>103</b>           | <b>72%</b>             | <b>40</b>                | <b>28%</b>                 | <b>143</b>                      |

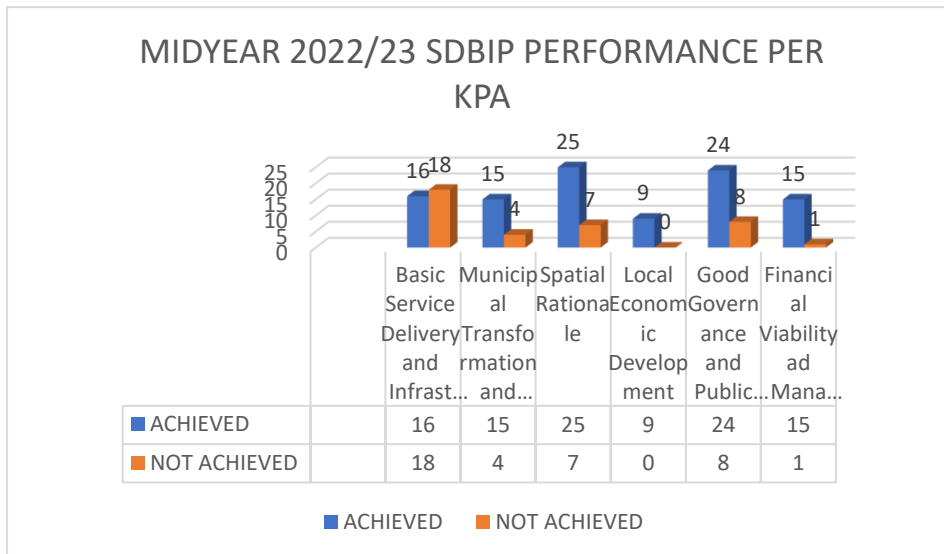
3.5.5 The following is a graphic representation of performance per KPA as at the 2<sup>nd</sup> quarter of the 2022/2023 financial year:



3.5.6 Noting that section 72 of the MFMA requires that an assessment of municipal performance for the first six months of the financial year be done. The 2022/2023 midyear performance assessment is based on the audited 1<sup>st</sup> and 2<sup>nd</sup> quarter performance reports and herewith is a summary of the audited performance information per Key Performance Area (KPA) for the said midyear period:

| DEPARTMENT                                                    | KPIs ACHIEVED | % KPIs ACHIEVED | KPIs NOT ACHIEVED | % KPIs NOT ACHIEVED | KPIs FOR REPORTING AT MIDYEAR |
|---------------------------------------------------------------|---------------|-----------------|-------------------|---------------------|-------------------------------|
| <b>Basic Service Delivery and Infrastructure Development</b>  | 16            | 47%             | 18                | 53%                 | 34                            |
| <b>Municipal Transformation and Institutional Development</b> | 15            | 79%             | 4                 | 21%                 | 19                            |
| <b>Spatial Rationale</b>                                      | 25            | 78%             | 7                 | 22%                 | 32                            |
| <b>Local Economic Development</b>                             | 9             | 100%            | 0                 | 0                   | 9                             |
| <b>Good Governance and Public Participation</b>               | 24            | 75%             | 8                 | 25%                 | 32                            |
| <b>Financial Viability and Management</b>                     | 15            | 94%             | 1                 | 6%                  | 16                            |
| <b>TOTALS</b>                                                 | <b>104</b>    | <b>73%</b>      | <b>38</b>         | <b>27%</b>          | <b>142</b>                    |

3.5.7 The following is a graphic representation of performance per KPA as at midyear for the 2022/2023 financial year:



3.5.8 The 2022/2023 SDBIP midyear performance report is attached to the report as **Annexure “A”**;

3.5.9 The following are matters that to be noted in respect of the overall midyear performance and achievement against predetermined objectives for the period under review:

- (a) The overall midyear performance of 73%, which is an improvement in performance when compared to the midyear performance for the 2021/2022 financial year which was 65%;
- (b) Adherence to submission deadlines continues to hamper sufficient time for the review and subsequent auditing of performance information;
- (c) There a number of cross-cutting indicators that each Department must also report against, and it has been noted that not all Departments are reporting against these targets, which has a direct impact on the achievement against their performance plans, signed as part of their performance agreements;
- (d) The blockages/challenges to achieving targets and corrective measures are still not adequately substantiated, or not included at all, which can be further improved on, making sure that targets that are not achieved in a specific quarter is carried over to the next quarter which will ensure overall achievement by the end of the financial year;
- (e) Budget expenditures, commensurate to the approved budgets is not reported on which still remains a concern as there must be a direct link between financial and non-financial performance reporting.

3.5.10 Failure by departments to adequately achieve and report against these quarterly targets may have a negative impact on the overall achievement against organizational objectives and results;

### **3.6 Financial Implications**

- 3.6.1 The indirect financial implication of this report is that spending must be commensurate and in line with the approved budget;
- 3.6.2 There must also be a direct correlation between financial and non-financial performance.

### **3.7 Communication Implications**

- 3.7.1 In terms of paragraph 3.4.3 above, it is required by the Regulations that the Section 52(d) report be publicised by placing it on the municipal website in accordance with section 75(1)(k) of the MFMA.

### **3.8 Legal Implications**

- 3.8.1 This matter being a legislated matter may have legal implications if the report is not tabled as required which may also eventually adversely affect the audit opinion of the Municipality if legislative compliance is not adhered to.

## **4. Strategic Focus**

- 4.1 As head of administration, the municipal manager is, subject to the policy directions of the municipal council, responsible and accountable for, among others, the formation and development of an economical, effective, efficient and accountable administration equipped to carry out the task of implementing the municipality's strategic plan, i.e the Integrated Development Plan ((IDP) through the approved 2022/2023 SDBIP;

## **5. Implementation Plan**

- 5.1 Noting that the report is to be tabled on a quarterly basis, the schedule of submission deadlines informs the implementation plan for the remainder of the financial year.

## **6. Other Departments/Bodies Consulted**

- 6.1 The content of the report was consulted upon with Departments through the Internal Audit unit as each Department is required to sign off on the audited performance report.

## **RECOMMENDATION BY MUNICIPAL MANAGER**

- (1) That the report of the Municipal Manager regarding the midyear performance information report for the period 1<sup>st</sup> July to 31<sup>st</sup> December 2022, as submitted in line with the approved 2022/2023 SDBIP **BE NOTED** including the following matters in respect of the overall midyear performance and achievement against predetermined objectives for the period under review:
  - (a) The overall midyear performance of 73%, which is an improvement in performance when compared to the midyear performance for the 2021/2022 financial year which was 65%;
  - (b) Adherence to submission deadlines continues to hamper sufficient time for the review and subsequent auditing of performance information;
  - (c) There a number of cross-cutting indicators that each Department must also report against, and it has been noted that not all Departments are reporting against these targets, which has a direct impact on the achievement against their performance plans, signed as part of their performance agreements;



- (d) The blockages/challenges to achieving targets and corrective measures are still not adequately substantiated, or not included at all, which can be further improved on, making sure that targets that are not achieved in a specific quarter is carried over to the next quarter which will ensure overall achievement by the end of the financial year;
- (e) Budget expenditures, commensurate to the approved budgets is not reported on which still remains a concern as there must be a direct link between financial and non-financial performance reporting.