

SECTION 52(d) REPORT

02 JANUARY 2021-31 MARCH 2021



OFFICE OF THE EXECUTIVE MAYOR
SETSOTO LOCAL MUNICIPALITY
FICKSBUR 9730

PART ONE-IN YEAR REPORT TO THE EXECUTIVE MAYOR

1. PURPOSE

The report on the financial results for the month of March 2021 as required by Section 71 of the Municipal Finance Management Act, 56 of 2003, as well as the Third Quarter results as required by Section 52(d) of the Municipal Finance Management Act, 56 of 2003.

2. RECOMMENDATIONS

That the report of the financial results for the month of March 2021 as required by Section 71 as well as the Third Quarter results as required by Section 52 (d) of the Municipal Finance Management Act, 56 of 2003, be noted.

3. REPORT

Section 71 of the Municipal Finance Management Act, 56 of 2003, requires the Accounting Officer of the municipality by no later than 10 working days after the end of each month, submit to the Mayor of the municipality a report on the municipality's budget and implementation thereof. Section 52(d) of the Municipal Finance Management Act, 56 of 2003, requires that the Executive Mayor tables a report on the performance of the municipality to council within 30 days after the end of the quarter.

This report is submitted in terms of the abovementioned legislative requirements with the following annexures:

- Annexure A Prescribed National Treasury In-Year Reporting Templates (Schedule C of the Municipal Budgeting and Reporting Regulation)
- Annexure B Part 1-Financial Performance Report
- Annexure C Part 2-Non-Financial Performance Report

Part 1
Financial Performance Information

FC 1/06-18

FINANCIAL REPORT: 31 March 2021

DATE: 2020

AGENDA: FINCOM MEETING: 2020

REPORT: CHIEF FINANCIAL OFFICER

1. PURPOSE

The purpose of this report is to submit the financial report of the municipality for the period ending 31 March 2021.

2. BACKGROUND

In terms of Section 71 of the MFMA the Accounting Officer must, within 10 working days after the end of each month, submit a statement to the Mayor on the implementation of the budget and the financial affairs of the municipality.

3. DISCUSSION

Attached find the Financial Report for the month ended 31 March 2021. The report explains in detail the financial situation of the municipality for the said period.

Referring to the Cash flow Statement in the attached report, the municipality is still under financial distress which impact the service delivery negatively.

Serious steps and sustainable actions need to be established and implemented over a longer period to mitigate the unhealthy cash flow situation.

4. STAKEHOLDERS CONSULTED

Management

5. LEGAL IMPLICATIONS

Compliance with the Municipal Finance Management Act No 56 of 2003

Compliance with the Municipal System Act No 32 of 2000

6. FINANCIAL IMPLICATIONS

As indicated per discussion and reports attached.

7. STAFF IMPLICATIONS

None

8. SERVICE DELIVERY IMPLICATIONS

Low cash balances affect the service delivery negatively.

9. RISKS

Non-reporting will result in non-compliance with laws and regulations, with the effect that a negative Audit report will be submitted as well as the fact that National treasury might withhold the equitable share as a punitive measure.

10. ANNEXURES

- Annexure A - Financial Report: 31 March 2021
- Annexure B - Schedule C: 31 March 2021

11. RECOMMENDATIONS

1. That the financial status of the municipality for the 3rd quarter of the financial year 202/21 be noted.

(FOR NOTIFICATION /DISCUSSION)



SETSOTO LOCAL MUNICIPALITY

THIRD QUARTER FINANCIAL REPORT

**[Prepared in accordance with Municipal Budget
and Reporting Regulations]**

JULY 2020 – MARCH 2021

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1. Introduction and purpose

The purpose of this report is to comply with Local Government Municipal Finance Management Act No. 56 of 2003 [MFMA]. In terms of Section 71 of MFMA, the Municipal Manager, as Accounting Officer, is required to submit a report in a prescribed format to the Mayor within ten working days after the end of each month. The purpose thereon is to report on the financial state of affairs of the municipality as at the reporting date [March 2021].

The Mayor is then required, in terms of Section 52 (d) of the MFMA, to submit a report to Municipal Council on the implementation of the annual budget and the financial state of affair of the municipality within 30 days after the end of the quarter. The above mentions in-year reports must be in the prescribed format [Schedule C], as determined by Regulation 28 of the Municipal Budget and Reporting Regulations [MBRR] promulgated in 2009. Therefore, the purpose of this report is to comply with the prescripts of the MFMA [Section 52 (d)] and MBRR [Regulation 28]

2. Executive summary

The 2020/21 annual budget of the municipality has been prepared in accordance with the MFMA, MBRR and MFMA Budget Circulars issued by National Treasury from time to time. In this regard, Council has approved a revenue budget of R566.5 million while the expenditure budget is R644.1 million [inclusive of the non-cash items which will be discussed in the later part of the report].

Post adoption of the annual budget by the Municipal Council, budget documents [together with the relevant supporting documentation] were sent to the relevant stakeholders [in both hard and soft copy]. Furthermore, the original and adjustment budgets were published in the municipality's website as required by various legislation.

The municipality further developed a Service Delivery and Budget Implementation Plan [SDBIP]. The SDBIP was subsequently approved by the Executive Mayor in line

with Section 53 (1) (c) (ii). The SDBIP is a tool used by both Administration and Municipal Council to ensure that service delivery and annual budget are implemented.

Therefore, the in-year reporting for 'Month 9' [March 2021] is here by detailed below. The report discusses mainly the operating revenue; operating expenditure and capital expenditure [including funding sources] using the prescribed format [Schedule C tables]. Other pertinent information is also included in the report [and full Schedule C tables].

3. Revenue Analysis

The table below indicates the municipality original budgeted revenue of [R547.9 million] and the adjusted budget of [R566.5 million] for the current year. Major part of the revenue is derived from non-exchange transaction / revenue, mainly, operational grants and property rates revenue.

Operational grants [Equitable Share; Finance Management Grant and Expanded Public Works Program] are budgeted at R243.9 million while Property rates revenue is budgeted at R67.1 million. Note should be taken that Equitable Share has been subsequently increased with R34.1 million [post declaration of the disaster because of Covid-19 pandemic]. Thus, the allocation increases from R205.7 million to R239.8 million.

Accordingly, the Municipal Council has adopted the adjustment budget considering the amended Division of Revenue Act was enacted late [June 2020] while the annual budget process was almost completed. The amount is included in the adjustment budget.

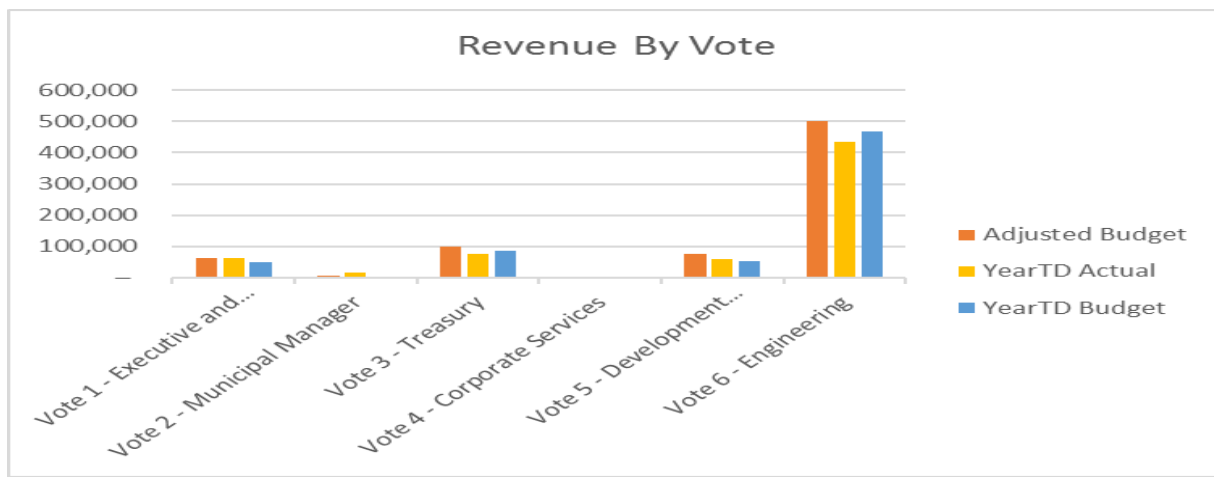
The other major revenue source is from the trading service such as electricity revenue [R83.2 million]; water revenue [R58.8 million]; refuse revenue [R44.7 million] and sanitation revenue [R35.1 million]. Other revenue sources are indicated in the table underneath.

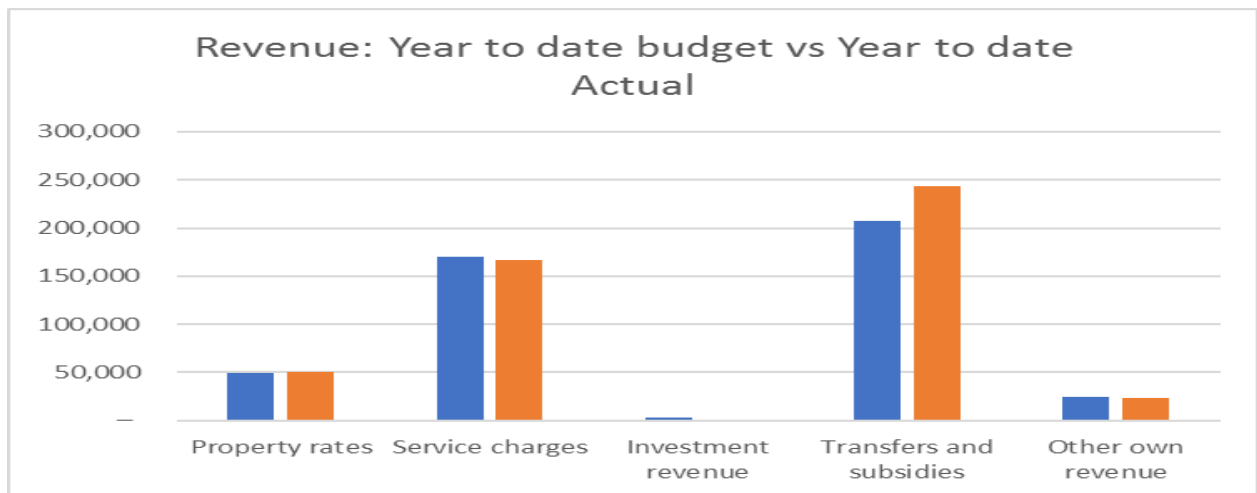
FS191 Setsoto - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March

Description	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue By Source								
Property rates	69,710	67,106	5,063	49,894	50,330	(436)	-1%	67,106
Service charges - electricity revenue	78,791	83,251	7,057	65,701	62,439	3,262	5%	83,251
Service charges - water revenue	61,574	58,800	4,009	44,629	44,100	529	1%	58,800
Service charges - sanitation revenue	35,122	35,066	2,927	26,296	26,299	(4)	0%	35,066
Service charges - refuse revenue	44,709	44,799	3,759	33,631	33,599	31	0%	44,799
Rental of facilities and equipment	498	56	4	43	42	1	3%	56
Interest earned - external investments	4,825	1,884	10	2,991	1,413	1,578	112%	1,884
Interest earned - outstanding debtors	37,450	26,918	2,592	21,047	20,188	859	4%	26,918
Dividends received	88	129	-	47	97	(50)	-52%	129
Fines, penalties and forfeits	846	185	39	142	138	4	3%	185
Licences and permits	46	46	8	63	34	29	85%	46
Agency services	-	-	-	-	-	-	-	-
Transfers and subsidies	210,246	243,949	51,429	207,120	243,612	(36,492)	-15%	243,949
Other revenue	3,967	4,340	284	3,028	3,255	(227)	-7%	4,340
Gains	-	-	40	485	-	485	#DIV/0!	-
Total Revenue (excluding capital transfers and contributions)	547,871	566,530	77,221	455,119	485,548	(30,429)	-6%	566,530

FS191 Setsoto - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M09

Vote Description	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Revenue by Vote								
Vote 1 - Executive and Council	53,470	62,114	13,207	64,511	49,715	14,796	29.8%	62,114
Vote 2 - Municipal Manager	5,115	5,951	1,275	18,146	3,836	14,310	373.1%	5,951
Vote 3 - Treasury	114,942	98,668	7,693	76,399	87,262	(10,863)	-12.4%	98,668
Vote 4 - Corporate Services	493	537	18	232	370	(138)	-37.3%	537
Vote 5 - Development Planning and Social Security	72,305	76,124	10,080	58,684	54,546	4,137	7.6%	76,124
Vote 6 - Engineering	471,462	499,809	134,260	434,244	466,491	(32,247)	-6.9%	499,809
Total Revenue by Vote	717,787	743,203	166,533	652,216	662,221	(10,005)	-1.5%	743,203





Statement of Financial Performance is prepared on similar basis to the prescribed budget format. The statement details revenue by source [excluding capital transfers and contributions] and expenditure by type [to be discussed/shown in the ensuing part of this report]. The statement [table above] shows actual revenue for the reporting month at R77.2 million [bringing the year to date actuals to R455.1 million]. Therefore, a negative variance of 6% [R30.4 million] is realised when comparing the 'year to date actual: R455.1 million' versus 'year to date budget: R485.5 million'. The variance is mainly attributed to the equitable share that was off-set to pay the unspent conditional grant liability as at 30 June 2020.

3.1. Property rates [-1%]

As indicated in the preceding part of the report, Property Rates revenue is budgeted at R67.1 million. For the reporting month, R5 million was realised [thereby resulting into a year-to-date amount of R49.9 million. Accordingly, there is an unfavorable variance of 1% for the period which is immaterial.

3.2. Service charges: electricity [5%]

As indicated in the preceding part of the report that Electricity revenue is budgeted at R83.2 million. The reporting month performance is at R7.1 million resulting into a year-to-date amount of R65.7 million. Thus, service charges electricity has a favorable variance of 5% against the budget to date. It should be noted that electricity charges

are consumption based and that during winter months more electricity is consumed than in summer months.

It should be noted that despite the positive performance, the revenue from electricity service, subsidizes other services within the municipality. Accordingly, this has led to the municipality not in a position to service the Eskom accounts [Bulk purchase account and Free Basic Service account] when they become due.

The Eskom account is being paid when the municipality receives the Equitable Share. This situation leads to the municipality having to pay interest on the overdue accounts. In addition to such interest being declared 'fruitless and wasteful', it also exacerbates the existing cash flow constraints. The prepaid system of the municipality has assisted in a great deal in terms of improving collections of electricity service.

3.3. Service charges: water [1%]

Water services revenue is budgeted at R58.8 million for the current year. The actual performance for the reporting month is R4 million [bringing the year-to-date amount to R44.1 million]. Accordingly, water revenue has a favorable variance of R529 thousand (1%) against the year-to-date target.

The performance could be attributed to several factors such as the flat-rate billing charged in the township and distribution losses [technical and non-technical losses]. According, measures and strategies must be developed and implemented to address these deficiencies.

3.4. Service charges: sanitation [0%]

Service charges for sanitation revenue are budgeted at R35.1 million. The reporting month performance is at R2.9 million, thereby bringing the year-to-date actuals to R26.2 million. Accordingly, there is no variance when compared to the year to date budget [this implies that levies were levied accordingly].

3.5. Service charges: refuse [0%]

Service charges for refuse revenue is budgeted at R44.7 million. The reporting month performance is at R3.7 million, thereby bringing the year-to-date actuals to R33.6 million. Accordingly, there is no variance when compared to the year to date budget [this implies that levies were levied accordingly].

3.6. Rental of facilities and equipment [3%]

The rental of facilities and equipment budget has been revised downwards to R56 thousand from R498 thousand. The reason for this huge reduction of the budget is largely attributed to the Covid-19 pandemic and regulations whereby facilities such as halls and sports ground are not being utilized and that affected the revenue negatively. The rental of facilities performance is at 3% higher than the budget year to date which is not material and does not necessitate investigation.

3.7. Interest: external investments [112%]

Interest expected to be earned from external investment has been budgeted at R1.8 million. The year-to-date performance has a favorable variance of R1.5 million [representing 112% above the budgeted revenue.

To maximize this revenue source, the municipality opened new investments accounts with Standard Bank. A detailed movement on these is shown later in the report.

It should be noted that returns on investment depend on the amount invested [to which there was no substantial cash on hand available for investments] as well as the period invested. Accordingly, during the lockdown period, the South African Reserve Bank reduced interest rates to manage the inflation [to avoid the economy going into recession] and to assist consumers to cope with their financial obligations. This led to interest rates on investment also being reduced in the same proportion.

3.8. Interest earned: outstanding debtors [4%]

Interest earned-outstanding debtors has been budgeted at R26.9 million. The year to date has a favorable variance of R859 thousand [4%] for the period. This performance

could be attributed to the general culture [existing amongst consumers] of non-payment of municipal services.

Furthermore, during the lockdown period, certain consumers lost their employment [thereby not having enough/no money to pay for municipal services]. When the lockdown levels are gradually uplifted, it is expected that payment levels will improve gradually. Furthermore, the municipality will be able to implement debt collection and credit control measures. The revenue enhancement strategy is also expected to contribute positively to the revenue collection [thereby reducing outstanding debtors].

4. Grants and subsidies

The table below depicts the grants and subsidies that are expected to accrue to the municipality. Only those grants that have been gazetted are included in the municipal budget. They are mainly divided into conditional and non-conditional grants [which can either be for capital or operational purposes].

4.1. Non-conditional grants

The only non-conditional grant that is currently gazetted and allocated to the municipality is Equitable Share. The municipality was initially allocated R205.7 million and the amount has been subsequently adjusted with R34.1 million [total allocation is now R239.8 million]. This grant is also meant to assist the municipality with subsidizing the registered Indigent Households.

The table below shows that an amount of R203 million was received, R36.5 million was off set to pay the unspent conditional grant as at 30 June 2020 and no future receipts are expected in the current financial year.

GRANT	DORA ALLOCATION	ADJUSTMENT DORA ALLOCATION	OFFSET TO PAY UNSPENT GRANT	YTD RECEIPTS	FUTURE RECEIPTS	YTD EXPENDITURE	YTD NET BALANCE	% SPENT
UNCONDITIONAL								
Equitable Share	R 205,715,000	R 239,810,000	R 36,583,000	R 203,227,000	R -	R 203,227,000	R -	100%
Sub-Total	R 205,715,000	R 239,810,000	R 36,583,000	R 203,227,000	R -	R 203,227,000	R -	100%

4.2. Conditional grants

GRANT	DORA ALLOCATION	ADJUSTMENT DORA ALLOCATION	YTD RECEIPTS	FUTURE RECEIPTS	YTD EXPENDITURE	YTD NET BALANCE	% SPENT
CONDITIONAL							
EPWP	R 1,802,000	R 1,802,000	R 1,802,000	R -	R 1,603,095	R 198,905	89%
FMG	R 2,000,000	R 2,000,000	R 2,000,000	R -	R 1,865,926	R 134,075	93%
MIG	R 46,899,000	R 46,899,000	R 44,323,000	R 2,576,000	R 29,303,547	R 15,019,453	66%
RBIG	R 132,108,000	R 103,399,000	R 133,399,000	R -30,000,000	R 69,462,599	R 63,936,401	52%
WSIG	R 26,375,000	R 26,375,000	R 19,375,000	R 7,000,000	R 7,206,774	R 12,168,226	37%
Sub-Total	R 209,184,000	R 180,475,000	R 200,899,000	R -20,424,000	R 109,441,939	R 91,457,061	54%

Conditional grants that are gazette and allocated to the municipality amounts to R180.4 million. The details per each grant are indicated in the table above. It needs to be noted that there were unspent conditional grants [MIG, RBIG and WSIG] as of 30 June 2020. Accordingly, an application for roll-over that was submitted to National Treasury was declined and the funds were off-set against the Equitable Share being with the same liability.

Year to date receipts of conditional grants amount to R200.8 million and 54% [R109.4 million] has been spent to date.

5. Outstanding debtors

Description	Budget Year 2020/21									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr	Over 1Yr	Total	Total over 90 days
R thousands										
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	4,541	4,316	4,048	3,945	3,937	4,116	18,824	104,043	147,771	134,866
Trade and Other Receivables from Exchange Transactions - Electricity	4,118	2,972	1,848	1,312	898	1,353	2,660	14,915	30,075	21,137
Receivables from Non-exchange Transactions - Property Rates	3,842	2,864	2,876	2,610	3,108	2,804	10,425	48,357	76,887	67,305
Receivables from Exchange Transactions - Waste Water Management	2,467	2,261	2,178	2,150	2,110	2,099	9,915	55,584	78,763	71,857
Receivables from Exchange Transactions - Waste Management	3,158	2,871	2,776	2,750	2,728	2,713	13,119	75,866	105,981	97,175
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	2,590	2,517	2,444	2,380	2,309	2,245	10,786	67,415	92,686	85,135
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-
Other	18	141	13	20	30	18	66	3,291	3,597	3,425
Total By Income Source	20,734	17,942	16,183	15,168	15,120	15,348	65,795	369,471	535,761	480,901
Debtors Age Analysis By Customer Group										
Organs of State	2,488	2,381	2,166	2,219	1,738	1,951	5,977	16,309	35,230	28,195
Commercial	4,163	2,632	2,313	1,516	1,992	1,961	5,942	43,834	64,354	55,245
Households	14,083	12,929	11,704	11,432	11,389	11,435	53,877	309,328	436,177	397,461
Other	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	20,734	17,942	16,183	15,168	15,120	15,348	65,795	369,471	535,761	480,901

The table above outlines the age analysis of outstanding debtors into two categories which are by income source and customer group. The total outstanding debtors is R535.7 million and the total over 90 days is R480.9 million representing 89% of total outstanding debtors.

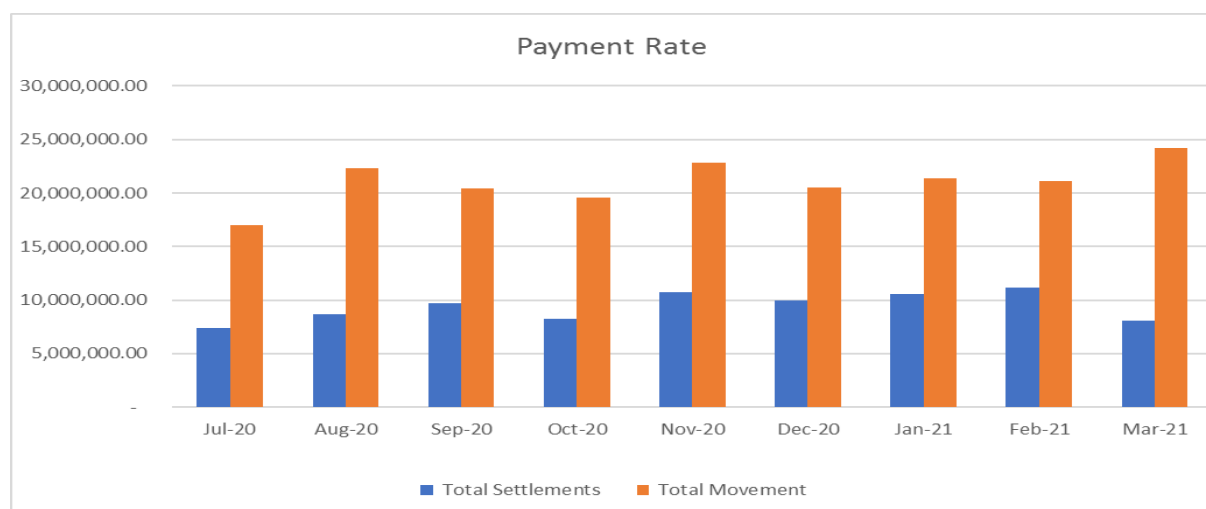
In terms of the income source, the 'water service' has the highest outstanding debt of R147.7 million (27%) followed by waste management debtor accounts with the balance of R105.9 million (19%).

The customer group that holds the highest outstanding debt is households with the balance of R436.1 million (81%) followed by commercial with the balance of R64.3 million (12%).

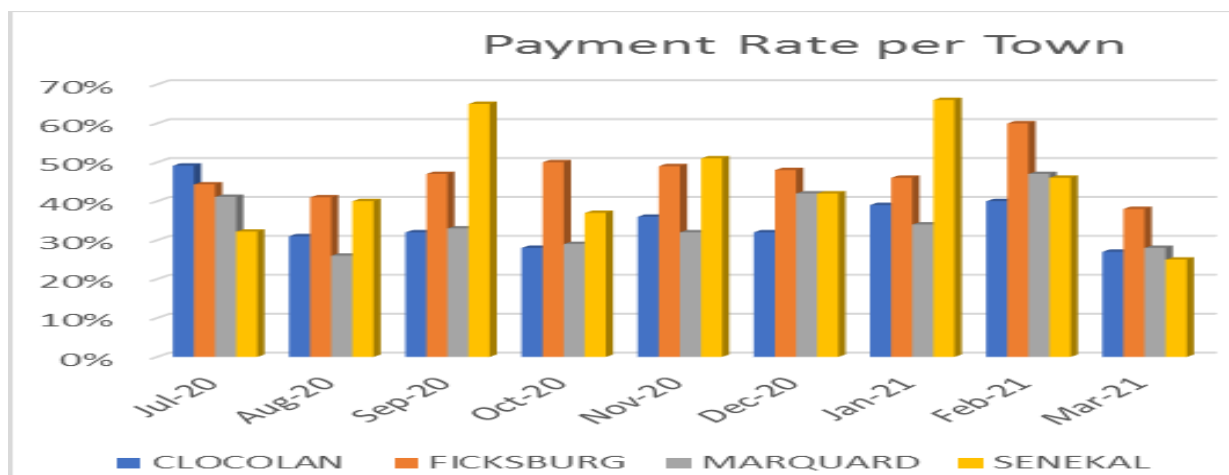
The households are the largest customer group in terms of our debtors hence it is the highest owing and with the current economic situation most household's income sources are not enough to service their municipal accounts. Therefore, they need to come forward so they can be registered as indigents. However, there is also a historical trend of non-payment by households even when they can afford, especially in the townships.

Debtors Collection Rate

Period	Total Settlements	Total Movement	Billing	Credit Notes	Debit Notes	Other Adjustments	Payment Rate
Jul-20	7,385,264.82	17,014,501.71	20,975,334.87	-4,329,686.65	368,853.49	-86,611,328.42	43%
Aug-20	8,701,625.58	22,299,791.01	22,311,602.80	-103,187.29	78,604.25	12,771.25	39%
Sep-20	9,735,595.30	20,428,084.24	22,537,147.30	-1,859,590.48	30,011.36	-279,483.94	48%
Oct-20	8,250,740.88	19,592,669.18	21,281,957.52	-746,584.85	74,958.58	-1,017,662.07	42%
Nov-20	10,729,170.44	22,873,035.01	23,296,882.16	-403,225.44	464,700.75	-485,322.46	47%
Dec-20	10,010,554.55	20,547,707.43	21,861,381.58	-1,302,147.48	564,349.21	-575,875.88	49%
Jan-21	10,552,481.86	21,403,064.73	21,870,375.98	-366,550.36	186,463.27	-287,224.16	49%
Feb-21	11,192,225.90	21,096,594.62	22,456,937.08	-1,680,014.41	367,245.58	-47,573.63	53%
Mar-21	8,108,875.75	24,225,195.00	23,562,239.71	-617,993.34	1,912,791.21	-631,842.58	33%
Total	84,666,535.08	189,480,642.93	200,153,859.00	-11,408,980.30	4,047,977.70	-89,923,541.89	45%



Town	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
CLOCOLAN	49%	31%	32%	28%	36%	32%	39%	40%	27%
FICKSBURG	44%	41%	47%	50%	49%	48%	46%	60%	38%
MARQUARD	41%	26%	33%	29%	32%	42%	34%	47%	28%
SENEKAL	32%	40%	65%	37%	51%	42%	66%	46%	25%



6. Operating expenditure analysis

The municipality budgeted for operating expenditure budget of R654.4 million for the 2020/21 financial year. The expenditure was decreased to R644.1 million during the adjustment budget. Included in this amount is non-cash items [Debt impairment of R71.2 million and Depreciation/asset impairment of R126.1 million]. Accordingly, when the analysis is done [to ascertain any budget deficit / funding], the non-cash items should be considered.

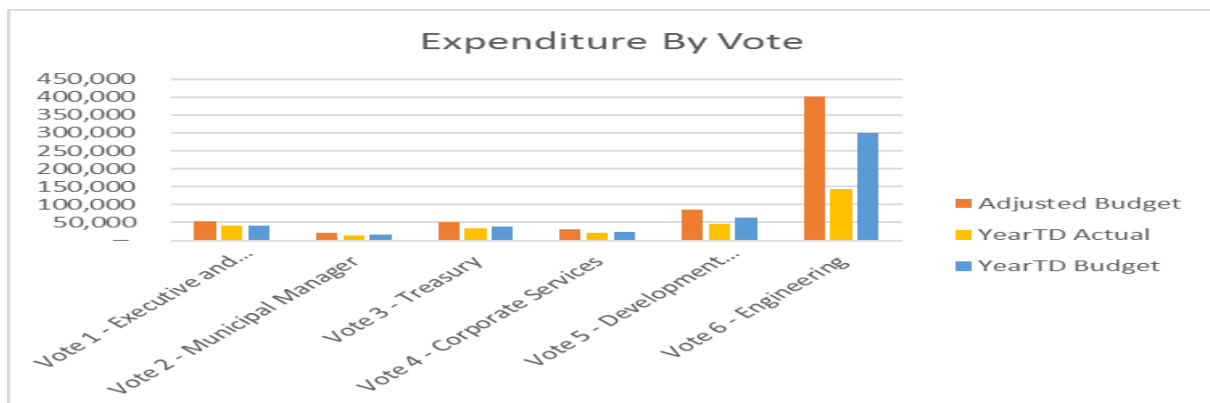
The overall performance on expenditure is below with 39%. As much as the variance is vast, it needs to be noted that, because the municipality is not collecting its revenue adequately, the level of expenditure should be aligned to the prevailing revenue collection rates. The non-transacting of depreciation during the first nine months of the financial year also contributes immensely on the under spending even though it is a non-cash expenditure item.

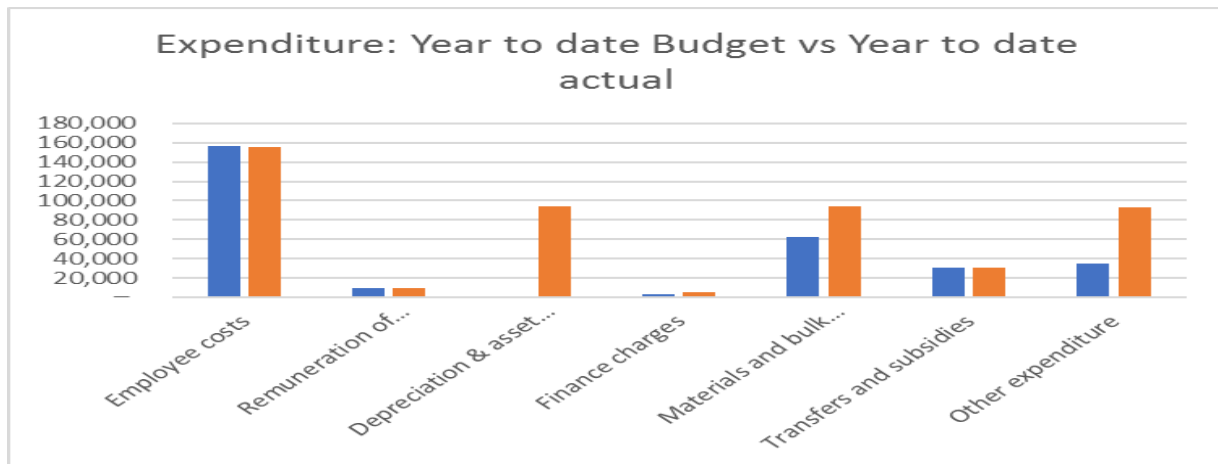
FS191 Setsoto - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March

Description	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
Expenditure By Type								
Employee related costs	211,287	207,761	16,985	156,263	155,821	442	0%	207,761
Remuneration of councillors	14,154	13,011	1,092	9,771	9,759	12	0%	13,011
Debt impairment	71,253	71,253	559	5,249	53,440	(48,191)	-90%	71,253
Depreciation & asset impairment	126,156	126,156	-	-	94,617	(94,617)	-100%	126,156
Finance charges	7,663	7,178	714	3,094	5,384	(2,290)	-43%	7,178
Bulk purchases	84,544	85,084	627	53,254	63,813	(10,559)	-17%	85,084
Other materials	61,501	39,824	1,946	8,902	29,868	(20,966)	-70%	39,824
Contracted services	27,496	27,395	2,542	14,795	20,546	(5,751)	-28%	27,395
Transfers and subsidies	22,050	41,097	3,500	30,940	30,823	117	0%	41,097
Other expenditure	28,314	25,398	1,528	14,757	19,049	(4,292)	-23%	25,398
Losses	-	-	-	-	-	-	-	-
Total Expenditure	654,419	644,159	29,493	297,023	483,119	(186,096)	-39%	644,159

FS191 Setsoto - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M09

Vote Description	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
Expenditure by Vote								
Vote 1 - Executive and Council	40,430	54,299	3,829	40,378	40,724	(346)	-0.8%	54,299
Vote 2 - Municipal Manager	25,847	20,576	2,099	14,701	15,432	(732)	-4.7%	20,576
Vote 3 - Treasury	50,096	51,627	3,675	32,577	38,720	(6,144)	-15.9%	51,627
Vote 4 - Corporate Services	33,514	31,021	2,777	21,831	23,266	(1,434)	-6.2%	31,021
Vote 5 - Development Planning and Social Security	87,474	86,178	5,076	45,390	64,633	(19,243)	-29.8%	86,178
Vote 6 - Engineering	417,058	400,458	12,036	142,147	300,343	(158,197)	-52.7%	400,458
Total Expenditure by Vote	654,419	644,159	29,493	297,023	483,119	(186,096)	-38.5%	644,159
Surplus/ (Deficit) for the year	63,368	99,045	137,040	355,192	179,102	176,091	98.3%	99,045





As it can be seen from the tables above, most of the line items have a 'saving'. This saving does not necessarily mean actual savings in terms of Rands and cents but rather instances where expenditure was streamlined for it to be commensurate with the prevailing revenue levels.

6.1. Employee related costs [0%]

The employee related costs are budgeted at R207.7 million and the year-to-date expenditure is R156.2 million. The spending is average with no variance [which is reasonable]. This could be attributed to vacancies that are currently existing within various departments.

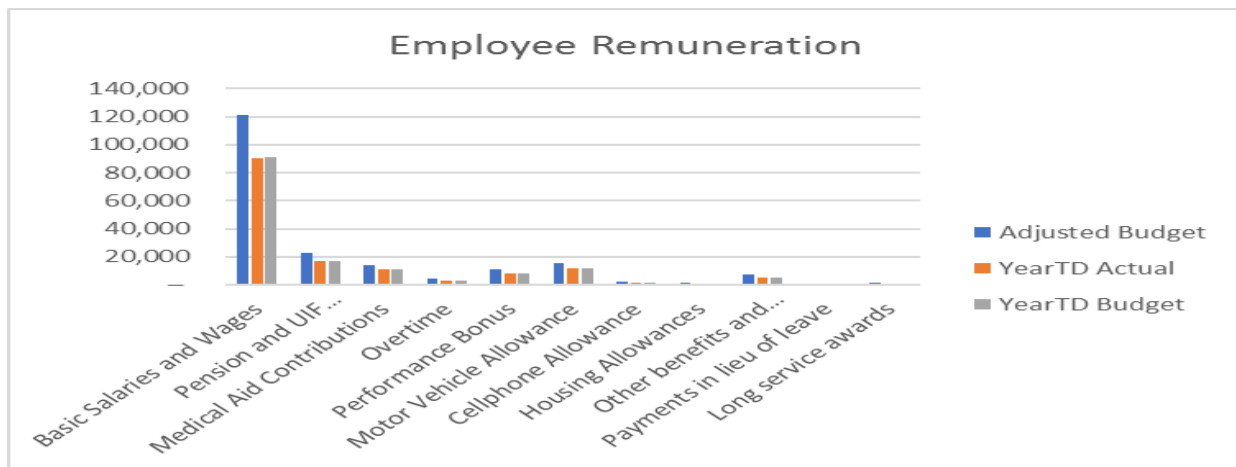
Despite the existing vacancies, due diligence and care must be exercised when such vacant posts are being filled. As far as possible, priority should be given to posts that will improve service delivery, assist the municipality with improving revenue collection, reduce outsourcing [where there is use of consultants] and improve compliance.

At this stage, the municipality is experiencing cash flow constraints. Third party deductions from salaries of employees have been paid late to the relevant authorities for the reporting period. Thus, filling of the vacant posts [and/or creation of new posts] will further put the strain on the finances of the municipality [if they are not aligned with the prevailing revenue collection rates]. Furthermore, cost containment should be implemented on allowances such as overtime and standby.

FS191 Setsoto - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M09 March

Summary of Employee remuneration	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
Other Municipal Staff								
Basic Salaries and Wages	125,865	121,287	9,969	90,399	90,966	(566)	-1%	121,287
Pension and UIF Contributions	23,878	22,703	1,919	17,083	17,028	56	0%	22,703
Medical Aid Contributions	14,709	14,331	1,281	10,997	10,748	249	2%	14,331
Overtime	1,434	4,314	342	3,212	3,236	(23)	-1%	4,314
Performance Bonus	10,604	11,076	662	8,073	8,307	(234)	-3%	11,076
Motor Vehicle Allowance	14,258	15,737	1,342	11,861	11,803	58	0%	15,737
Cellphone Allowance	669	1,927	166	1,461	1,445	16	1%	1,927
Housing Allowances	429	1,503	106	1,070	1,127	(57)	-5%	1,503
Other benefits and allowances	10,414	7,251	546	5,487	5,438	49	1%	7,251
Payments in lieu of leave	7	1,055	41	1,090	791	298	38%	1,055
Long service awards	1,964	1,206	61	831	904	(73)	-8%	1,206
Post-retirement benefit obligations	-	-	-	-	-	-	-	-
Total Employee Remuneration	204,230	202,391	16,435	151,565	151,793	(228)	0%	202,391

NB. The line item 'performance bonus' is because of reporting limitations from prescribed reporting formats. The amount relates to normal bonuses [13th cheque] payable to employees who qualifies for this benefit and other bonus such as long service bonuses.



6.2. Remuneration of Councillors [0%]

Councillors' remuneration and allowances are budgeted at R13.0 million and the year-to-date spending is R9.7 million which is on par when compared to the budget year to date.

6.3. Bulk purchases [-17%]

Bulk purchases on electricity services are budgeted at R85.0 million. The year-to-date performance is at R53.2 million [which translate to 17% or R10.5 million below the average]. There is no detailed analysis performed to determine this variance. However, the following could be the contributing factors:

1. Eskom charges a 'seasonal tariff', which means during the winter months, the tariff is high [resulting in higher bill for the municipality].
2. Eskom also charges a 'time-of-use tariff'. This means if consumption by the municipality/within the municipality is high during peak hours, the municipality pays more.
3. Distribution losses [technical and non-technical] are also contributing negatively.

Therefore, the bill from Eskom is expected to reduce slightly post the winter months. Eskom accounts [Bulk account] has been paid up to date. Should the Municipality remain not settling the account timeously a risk exists that Eskom may initiate PAJA process with the intention of disconnecting electricity.

6.4. Finance charges [-43%]

A provision of R7.1 million has been made for Finance Charges and the year-to-date amount is R3.0 million [thus a saving of R2.2 million when compared to the budget year to date]. This could be attributed to several factors, amongst others:

1. Loan redemption from one year to another [less balance resulting in less interest payable].
2. Eskom account that was not settled on time.

3. Outstanding creditors [mainly 2019/20] which were also partially paid up on receipt of Equitable Share.

It should be noted that finance charges mainly relate to interest paid on external loans and on overdue creditors. However, because of the lower cash available in the bank for daily operations this figure will drop drastically in the coming months [that is, the municipality will start paying more interest as the balances on outstanding creditors will be high and attracting higher interest].

6.5. Other materials (-70%)

A budget allocation of R39.8 million has been made for 'other material'. The actual year to date performance is at R8.9 million [thus a saving of 70% when compared to the budget year to date]. As indicated earlier, expenditure should be aligned to the prevailing revenue collection levels [and this cannot be regarded as a 'saving' while there could be service delivery deficiencies].

7. Capital expenditure and funding analysis

The capital expenditure for the financial year was budgeted at R182.3 million [the budget adjustments are from the additional R15 million on RBIG and R455 thousand of the internal funding for office equipment.

FS191 Setsoto - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional)								
Vote Description	Budget Year 2020/21							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
Capital Expenditure - Functional Classification								
<i>Governance and administration</i>	-	1,177	-	57	883	(826)	-94%	1,177
<i>Community and public safety</i>	2,564	3,317	4	2,381	2,488	(107)	-4%	3,317
<i>Economic and environmental services</i>	31,462	8,212	-	3,386	6,159	(2,774)	-45%	8,212
<i>Trading services</i>	147,889	169,035	10,257	89,976	126,777	(36,800)	-29%	169,035
Total Capital Expenditure - Functional Classification	181,915	181,742	10,261	95,800	136,306	(40,506)	-30%	181,742

The capital expenditure for the financial year was budgeted at R181.7 million and R95.8 million has been spent up to the date of reporting. The roll-over application in

respect of unspent grant funding for the 2019/2020 financial year was not approved and will have a detrimental effect on the capital project progress.

8. Outstanding creditors

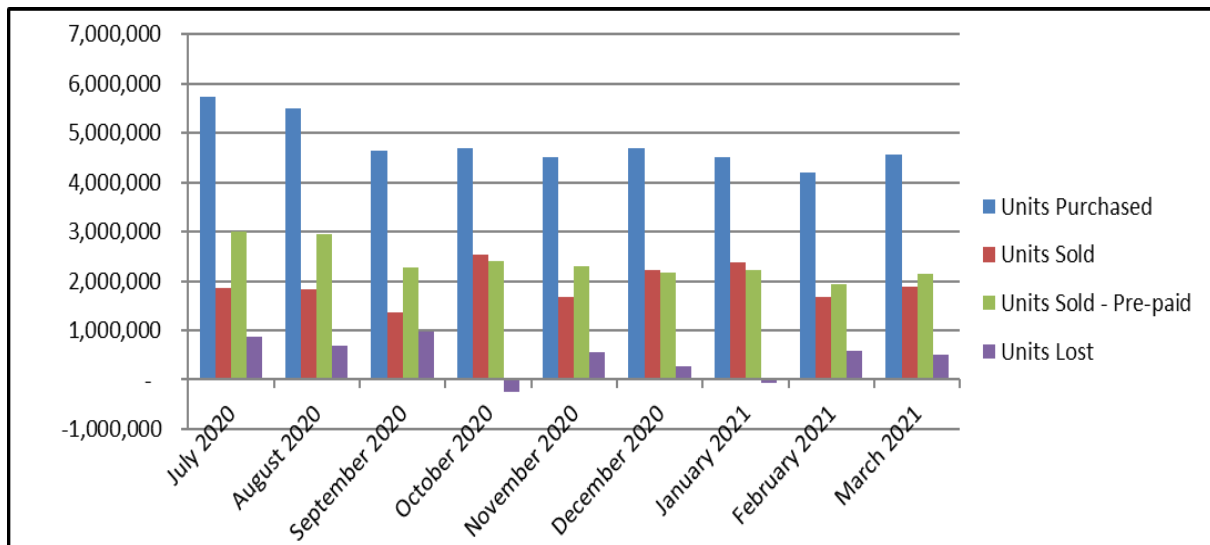
FS191 Setsoto - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March									
Description	Budget Year 2020/21								
	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity	-	-	-	-	-	-	-	-	-
Bulk Water	-	-	-	-	-	-	-	-	-
PAYE deductions	-	-	-	-	-	-	-	-	-
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	3,042	785	1,565	-	1,017	-	-	-	6,408
Auditor General	-	1,316	599	-	-	-	-	-	1,916
Other	-	-	-	-	-	-	-	-	-
Total By Customer Type	3,042	2,101	2,164	-	1,017	-	-	-	8,324

The total outstanding creditors is R8.3 million, R5.2 million [63%] is owed for more than 30 days which is in contravention with section 65 (e) of the MFMA. With the current financial constraints, the municipality cannot pay its' creditors when due.

9. Electricity losses

ELECTRICITY						
Period	Units Purchased	Units Sold	Units Sold - Pre-paid	Units Lost	% Losses	Previous Year
July 2020	5,727,214	1,865,781	2,994,500	866,933	15%	16%
August 2020	5,482,481	1,840,111	2,955,778	686,592	13%	24%
September 2020	4,628,871	1,371,085	2,282,283	975,503	21%	28%
October 2020	4,692,544	2,543,957	2,397,960	-249,373	-5%	2%
November 2020	4,505,377	1,672,397	2,286,972	546,008	12%	14%
December 2020	4,685,489	2,225,345	2,179,548	280,597	6%	3%
January 2021	4,515,495	2,365,664	2,223,580	-73,749	-2%	-16%
February 2021	4,190,902	1,679,173	1,930,931	580,798	14%	7%
March 2021	4,555,078	1,895,240	2,156,002	503,836	11%	18%
Total	42,983,451	17,458,752	21,407,554	4,117,145	10%	10%

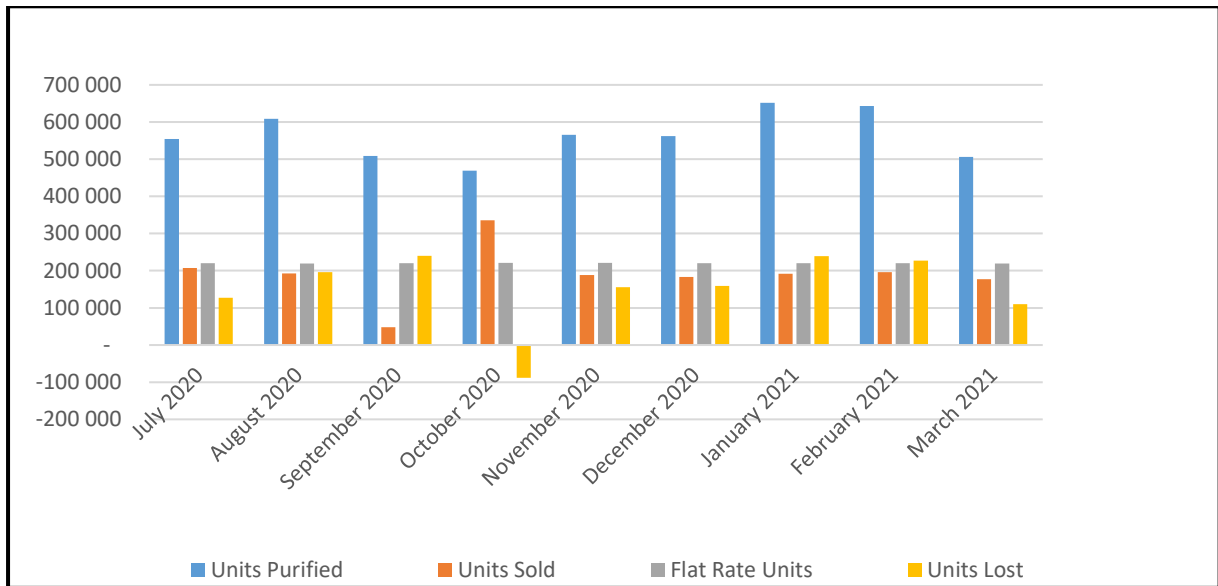
Percentage electricity losses account to an average of 10% for year to date. The prescribed norm from National Treasury for electricity losses is estimated to be between 7% and 10%.



Electricity losses are calculated based on the difference between the total electricity purchases and total electricity sales. The losses are either technical or non-technical. Technical losses are the losses that occur within the distribution network due to the cables, overhead lines, transformers, and other substation equipment that are used to transfer electricity. Non-Technical losses are electricity that are consumed but not billed this is might be because the consumer is not known or is connected illegal and/or the is an error in unmetered supplies.

10. Water losses

WATER						
Period	Units Purified	Units Sold	Flat Rate Units	Units Lost	% Losses	Previous Year
July 2020	554,412	207,118	220,102	127,192	23%	52%
August 2020	608,514	193,066	219,582	195,866	32%	70%
September 2020	508,552	47,958	220,350	240,244	47%	43%
October 2020	468,967	335,975	221,039	-88,047	-19%	36%
November 2020	565,518	188,387	221,101	156,030	28%	32%
December 2020	562,223	183,267	220,081	158,875	28%	23%
January 2021	651,600	191,991	220,464	239,145	37%	34%
February 2021	643,305	195,697	220,595	227,013	35%	35%
March 2021	506,110	177,099	219,172	109,839	22%	28%
Total	5,069,201	1,720,558	1,982,486	1,366,157	27%	41%
Percentage water losses account to an average of 27% for year to date and this include units consumed in township with a flat rate because meters are not read. The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%						



The water losses are calculated obtaining the difference between the volume/quantity of water purified and the volume/quantity of water sold. The municipality is currently reading water meters in towns only and therefore their consumption can be measured realistically, whilst in the townships a flat rate is charged. Losses can result from leakage pipes and joints, overflows and of reservoirs.

11. Borrowings

The municipality has several loans which were raised from financial institutions to fund capital expenditure [mainly service delivery vehicles. Details of the loans are provided underneath.

11.1. DBSA loan

The details of DBSA loans are provided underneath.

Institution	Average Interest rate	Maturity date	Balance 2020-07-01	Capitalised / Received during the period	Interest for the period	Redeemed / written off during the period	Balance 2021-03-31
LONG-TERM LOANS							
DBSA	11.36%	2024-12-31	3,246,165.14	0.00	185,897.65	284,962.68	2,961,202.46
Total Long-term loans			3,246,165.14	0.00	185,897.65	284,962.68	2,961,202.46

The DBSA loan has a balance of R2.9 million and its instalment is paid bi-annual in December and June, the maturity date is 31 December 2024.

11.2. Absa loan

Loan Acc. No.	Institution	Average Interest rate	Maturity date	Balance 2020-07-01	Capitalised / Received during the period	Interest for the period	Redeemed / written off during the period	Balance 2021-03-31
89515381	ABSA	10.00%	2022-06-01	414,691.38	0.00	26,272.53	145,964.34	268,727.04
89514989	ABSA	10.00%	2022-06-01	299,465.22	0.00	18,972.43	105,406.76	194,058.46
89515861	ABSA	10.00%	2022-06-01	231,456.51	0.00	14,663.80	81,468.71	149,987.80
89516256	ABSA	10.00%	2022-06-01	623,236.02	0.00	39,484.74	219,368.58	403,867.44
89516272	ABSA	10.00%	2022-06-01	623,236.02	0.00	39,484.74	219,368.58	403,867.44
89645110	ABSA	10.00%	2022-07-01	1,143,118.32	0.00	72,999.08	384,617.35	758,500.97
89644009	ABSA	10.00%	2022-07-01	518,557.83	0.00	33,114.92	174,475.57	344,082.26
89644076	ABSA	10.00%	2022-07-01	518,557.83	0.00	33,114.92	174,475.57	344,082.26
89516795	ABSA	10.00%	2022-06-01	28,447.79	0.00	1,802.30	10,013.17	18,434.62
89516779	ABSA	10.00%	2022-06-01	28,447.79	0.00	1,802.30	10,013.17	18,434.62
89897519	ABSA	10.00%	2022-09-01	776,557.17	0.00	50,287.63	239,871.47	536,685.70
89882457	ABSA	10.00%	2022-09-01	1,734,647.03	0.00	112,330.75	535,816.67	1,198,830.36
89862260	ABSA	10.00%	2022-09-01	776,978.41	0.00	50,314.90	240,001.52	536,976.89
89645145	ABSA	10.00%	2022-08-01	1,179,742.60	0.00	75,887.79	380,046.81	799,695.79
	TOTAL			8,897,139.92	0.00	570,532.83	2,920,908.27	5,976,231.65

ABSA is paid monthly on the 1st business day of the month, interest paid to date amounted to R571 thousand and redemption is R2.9 million and that brings the closing balance to R5.9 million. The maturity date for ABSA loans account is 1 August 2022.

11.3. Wesbank loan

Loan Acc. No.	Institution	Average Interest rate	Maturity date	Balance 2020-07-01	Capitalised / Received during the period	Interest for the period	Redeemed / written off during the period	Balance 2021-03-31
85265501996	WESBANK	12.25%	2022-08-01	413,293.74	0.00	33,959.70	143,377.56	269,916.18
85265478490	WESBANK	12.25%	2022-09-01	692,627.08	0.00	57,813.49	210,244.04	482,383.04
85264693609	WESBANK	12.25%	2022-08-01	2,325,725.90	0.00	185,251.50	705,837.93	1,619,887.97
85264694308	WESBANK	12.25%	2022-08-01	2,325,725.90	0.00	185,251.50	705,837.93	1,619,887.97
85266334384	WESBANK	12.25%	2022-09-01	870,396.48	0.00	72,651.86	264,205.27	606,191.21
85266283448	WESBANK	12.25%	2022-09-01	870,396.48	0.00	72,651.86	264,205.27	606,191.21
85266284159	WESBANK	12.25%	2022-09-01	438,249.44	0.00	36,580.59	133,028.73	305,220.71
85265374058	WESBANK	12.25%	2022-09-01	692,627.08	0.00	57,813.49	210,244.04	482,383.04
	TOTAL			8,629,042.10	0.00	701,973.99	2,636,980.77	5,992,061.33

WESBANK is paid quarterly, during the quarter under reporting R2.6 million was redeemed and interest on borrowings paid is R459 thousand and the closing balance is R5.9 million.

12. Investments

FS191 Setsoto - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M09 March													
Investments by maturity Name of institution & investment ID	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate %	Commissio n Paid (Rands)	Commissio n Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands	Yrs/Months												
Municipality													
First National Bank		Call Account	No	Variable		0	n/a		29,036	858	(139,740)	111,048	1,201
Absa		Call Account	No	Variable		0	n/a		36				36
Sanlam			No	Variable		0	n/a		2,198				2,198
Ovk			No	Variable		0	n/a		1,264				1,264
Stabdard Bank		Call Account	No	Variable		0	n/a		-	228	(23,939)	40,039	16,328
TOTAL INVESTMENTS AND INTEREST									32,534		(163,679)	151,087	21,027

FIRST NATIONAL BANK

Investment number: 62151783563

Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>July 2020</i>	717,906.23	0.00	1,234.21	0.00	719,140.44
<i>August 2020</i>	719,140.44	0.00	1,123.04	0.00	720,263.48
<i>September 2020</i>	720,263.48	0.00	1,199.78	0.00	721,463.26
<i>October 2020</i>	721,463.26	0.00	1,126.67	0.00	722,589.93
<i>November 2020</i>	722,589.93	0.00	1,166.04	0.00	723,755.97
<i>December 2020</i>	723,755.97	0.00	1,130.25	0.00	724,886.22
<i>January 2021</i>	724,886.22	0.00	1,169.75	0.00	726,055.97
<i>February 2021</i>	726,055.97	0.00	1,058.25	0.00	727,114.22
<i>March 2021</i>	727,114.22	0.00	1,173.34	0.00	728,287.56
TOTAL		0.00	10,381.33	0.00	

FIRST NATIONAL BANK					
Investment number:	62049046205				
Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>July 2020</i>	52,785.07	2,000,000.00	1,447.85	0.00	2,054,232.92
<i>August 2020</i>	2,054,232.92	2,000,000.00	1,855.23	0.00	4,056,088.15
<i>September 2020</i>	4,056,088.15	0.00	5,507.12	3,700,000.00	361,595.27
<i>October 2020</i>	361,595.27	0.00	1,720.30	0.00	363,315.57
<i>November 2020</i>	363,315.57	0.00	586.28	0.00	363,901.85
<i>December 2020</i>	363,901.85	0.00	549.35	0.00	364,451.20
<i>January 2021</i>	364,451.20	0.00	607.08	0.00	365,058.28
<i>February 2021</i>	365,058.28	0.00	589.10	0.00	365,647.38
<i>March 2021</i>	365,647.38	0.00	532.94	0.00	366,180.32
TOTAL		4,000,000.00	13,395.25	3,700,000.00	

FIRST NATIONAL BANK					
Investment number:	62310540465				
Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>July 2020</i>	28,264,965.78	25,948,347.83	78,105.59	11,116,542.80	43,174,876.40
<i>August 2020</i>	43,174,876.40	36,508,000.00	187,061.98	18.50	79,869,919.88
<i>September 2020</i>	79,869,919.88	0.00	151,102.27	20,786,084.79	59,234,937.36
<i>October 2020</i>	59,234,937.36	3,700,000.00	133,436.41	13,104,367.54	49,964,006.23
<i>November 2020</i>	49,964,006.23	40,892,000.00	155,956.95	19,463,783.44	71,548,179.74
<i>December 2020</i>	71,548,179.74	0.0	101,426.22	58,869,546.96	12,780,059.00
<i>January 2021</i>	12,780,059.00	0.0	22,371.08	10,700,018.50	2,102,411.58
<i>February 2021</i>	2,102,411.58	0.0	4,180.86	2,000,018.50	106,573.94
<i>March 2021</i>	106,573.94	0.0	271.51	18.50	106,826.95
TOTAL		107,048,347.83	833,912.87	136,040,399.53	

STANDARD BANK					
Investment number:	48445851001				
Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>December 2020</i>	0.00	10,000,000.00	0.00	0.00	10,000,000.00
<i>January 2021</i>	10,000,000.00	0.00	38,889.20	10,038,889.20	0.00
<i>February 2021</i>	0.00	0.00	0.00	0.00	0.00
<i>March 2021</i>	0.00	0.00	0.00	0.00	0.00
TOTAL		10,000,000.00	38,889.20	10,038,889.20	

STANDARD BANK					
Investment number:	48445851002				
Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>December 2020</i>	0.00	10,000,000.00	0.00	0.00	10,000,000.00
<i>January 2021</i>	10,000,000.00	0.00	0.00	0.00	10,000,000.00
<i>February 2021</i>	10,000,000.00	0.00	72,280.82	0.00	10,072,280.82
<i>March 2021</i>	10,072,280.82	0.00	0.00	0.00	10,072,280.82
TOTAL		10,000,000.00	72,280.82	0.00	

STANDARD BANK					
Investment number:	48445851003				
Month	Balance 2020/21	Investment made	Interest received	Withdrawals / transfers	Balance 2020/21
<i>December 2020</i>	0.00	10,000,000.00	6,712.33	0.00	10,006,712.33
<i>January 2021</i>	10,006,712.33	10,038,889.20	0.00	0.00	20,045,601.53
<i>February 2021</i>	20,045,601.53	0.00	86,948.27	5,900,000.00	14,232,549.80
<i>March 2021</i>	14,232,549.80	0.00	22,960.15	8,000,000.00	6,255,509.95
TOTAL		20,038,889.20	116,620.75	13,900,000.00	

The municipality has invested cash which is not immediately required in terms of section 13 (1) (b) of the MFMA and the municipality's cash management and investment policy.

The institutions where cash is invested is First National Bank (FNB) and Standard Bank and has been split into 6 investments accounts, two being call accounts and one is a money market account and 3 short term with an average interest rate of 3% p.a.

During the period under reporting [quarter 2], interest accumulated from investments amount to R832 thousand, additional investments made amounts to R141 million and withdrawals made amount R127 million. The closing balance of investments is R47.3 million.

13. Cash and cash equivalents

DESCRIPTION	CLOSING BALANCE	INTEREST-TO DATE
MONEY MARKET (Account Number: 62151783563)	R 728,287.56	R 10,381.33
BUSINESS CALL (Account Number: 62049046205)	R 366,180.32	R 13,395.25
MIG-INVESTMENT (Account Number: 62310540465)	R 106,826.95	R 833,912.87
STANDARD BANK (Account Number: 48445851001)	R -	R 38,889.20
STANDARD BANK (Account Number: 48445851002)	R 10,072,280.82	R 72,280.82
STANDARD BANK (Account Number: 48445851003)	R 6,255,509.95	R 116,620.75
PRIMARY BANK (Account Number: 62048092647)	R 112,632,937.64	R 133,011.44
TOTAL	R 130,162,023.24	R 1,218,491.66

The total cash and cash equivalents have a positive balance of R130 million, included in that balance is the primary bank account with a positive balance of R112 million. The primary bank balance includes an amount of R89.3 million that is intended to finance capital projects and that not been invested for the specific purpose.

It should be noted that the application for roll-over on unspent grants was declined by the National Treasury and the liability was then off set against the Equitable Share.

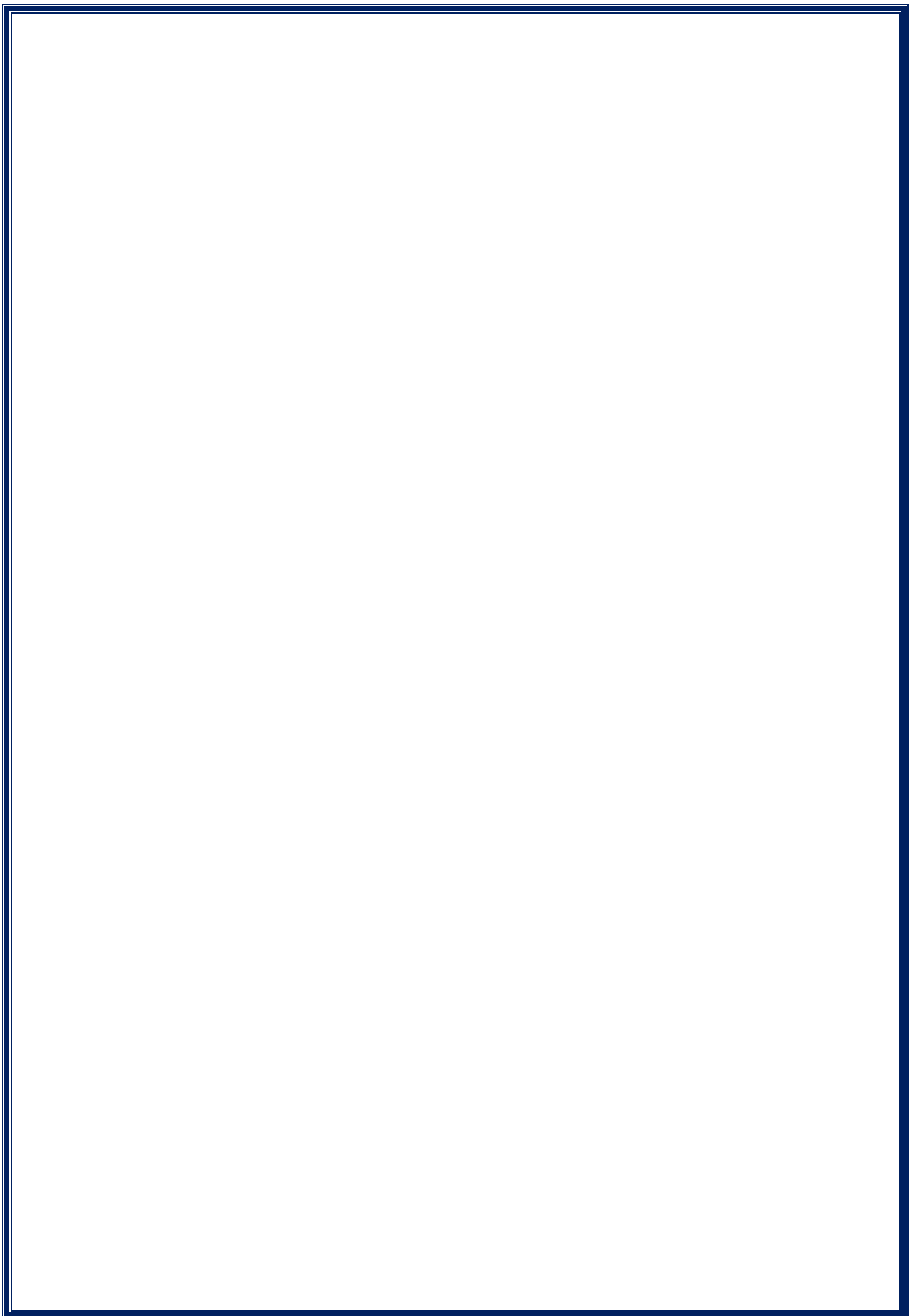
The above suggests that the municipality's cash flow it is still a concern. Creditors are still not being paid when due and should this trend persist, the municipality might find it difficult to pay salaries of employees and Councilors'.

To improve the above the municipality, need to implement strong internal control measures to curb expenditure but not limiting the provision of basic services and maximize the revenue collection.

14. Conclusion

All necessary steps be taken that the progress and execution of capital projects being done according to the planning and that the capital budget being adjusted to accommodate the projects amendments.

That the budget being reviewed to align and accommodate operating projects not originally provided in the budget.



Part 2
Non-Financial Performance Information

NON-FINANCIAL THIRD QUARTER REPORT

02 JANUARY 2020- 31 MARCH 2021



OFFICE OF THE EXECUTIVE MAYOR
SETSOTO LOCAL MUNICIPALITY
FICKSBUR 9730

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1. Purpose

The purpose of this report is to inform council regarding the process made with the implementation of the Key Performance Indicators in the realisation of the development of priorities and objectives as determined in the municipality's Integrated Development Plan Third Quarter 2020/2021 as well as the Top layer Service Delivery and Budget Implementation Plan Third Quarter 2020/2021 for the Third Quarter (02 January 2021 to 31 March 2021) of the 2020/2021 financial year.

2. Legislative Requirements

- (a) The Service Delivery and Budget Implementation Plan is defined in terms of Section 1 of the Local Government: Municipal Finance Management Act, 56 of 2003, and the format is described by the Municipal Finance Management Act, 56 of 2003 Circular 13.
- (b) Section 41(1) (e) of Local Government: Municipal Systems Act, 32 of 2000, prescribes that a process must be established of regular reporting to Council.
- (c) This report is a requirement in terms of Section 52(d) of the Municipal Finance Management Act, 56 of 2003, which provide for:
 - The Executive Mayor, to submit to council within 30 days of the end of each quarter, a report on the implementation of the budget and financial state of affairs of the municipality
 - The accounting officer, while conducting the above, must take into account:
 - Section 71 Reports
 - Performance in line with the Service Delivery and Budget Implementation Plans

3. Background to the format and monitoring of the Service Delivery and Budget Implementation Plan

3.1 Format

- (a) The municipality's Service Delivery and Budget Implementation Plan consist of a Top Layer (Outcomes) as well as a Departmental Plan (Outputs) for each individual department.
- (b) For purpose of reporting, the Top Layer Service Delivery is used to report to council and community on the organisational performance of the municipality.
- (c) The Top Layer Service Delivery measures the achievement of performance indicators with regards to the provision of basic services as prescribed by Section 10 of Local Government: Municipal Planning and Performance Regulations of 2001, National Key Performance Areas and Planning Statement detailed in the Integrated Development Plan Mid-year and the Service Delivery and Budget Implementation Plan Mid-year. The Top Layer Service Delivery and Budget Implementation Plan Mid-year was approved by the Executive Mayor on the 28 July 2020.
- (d) The Departmental Service Delivery and Budget Implementation Plan third quarter measure the achievement of performance indicators that have been determined with regard to operational service delivery within each department and have been aligned with the Top Layer Service Delivery and Budget Implementation Plan through activities and tasks. The Departmental Service Delivery and Budget Implementation Plans have been approved by the Municipal Manager.
- (e) The Quarterly Performance Assessment Report is structured to report on the six (6) Municipal Key Performance areas
- (f) The overall assessment of actual performance against targets set for the key performance indicators as documented in the Service Delivery and Budget Implementation Plan is illustrated in terms of the following assessment methodology:

Colour	Category	Explanation
	Key Performance Indicator Not Yet Measured	KPI's with no targets or actual results for the selected period
	Key Performance Indicator Not Met	Actual vs. target less than 75%
	Key Performance Indicator Almost Met	Actual vs. target between 76% and 99%
	Key Performance Indicator Met	Actual vs. target 100% achieved
	Key Performance Indicator Well Met	Actual vs. target more than 101% and less than 150% achieved
	Key Performance Indicator Extremely Met	Actual vs. target more than 151% achieved
	Key Performance Indicator Not Reported On	Key Performance Indicators planned for but no progress provided

3.2 Monitoring

This is the last time the municipality uses manual system to monitor performance, as it has acquired an electronic web-based system that will:

- quarterly be updated with actual performance
- Close every third month on the 06th for update of the previous quarter month's actual performance as a control measure to ensure that performance is updated and monitored on a quarterly month's actual performance as a control measure to ensure that performance is updated and monitored on a monthly basis.
- Have no access available to a quarter's performance indicators after closure of the system. This is to ensure that the level of performance is consistent for a period in the various levels at which reporting takes place.
- Ensure departments motivate to the Municipal Manager should they require the system to be re-opened once the system is closed.
- Ensure the system provides management information in graphs and indicates actual performance against targets. The graphs provide a good indication of performance progress and where corrective action is required.
- Ensure system requires key performance indicator owners to update performance comment for each actual result captured, which provides a clear indication of how the actual was calculated/ reached and serves as part of the portfolio of evidence (POE) for auditing purposes.
- In terms of Section 46(1)(a)(iii) of the MSA the Municipality reflect annually in the Annual Performance Report on measures taken to improve performance, in other words targets not achieved. The system utilised requires corrective actions to be captured for targets not achieved

4. Overall Performance of the Municipality

Municipality		Key Performance Areas					
		Basic Services	Local Economic Development	Institutional Capacity	Financial Management	Good Governance, Transparency and Accountability	Public Participation
	KPI Not Yet Measured	6	1	1	4	2	2
	KPI Not Met	20	2	5	3	6	4
	KPI Almost Met	10	0	2	2	0	0
	KPI Met	56	10	6	34	29	7
	KPI Well Met	6	2	0	1	0	0
	KPI Extremely Well Me	11	4	0	1	0	0
	KPI Not Reported On	34	0	0	7	19	19
Total		143	19	14	52	56	32

For the period under review, **301** targets were to be achieved, of these targets **34** were not met, **14** targets were almost met, **141** target were met, **9** targets were well met, and **16** targets were extremely met. **79** targets were not reported on as per requirement because the departments did not submit completed and valid progress report on their departmental service delivery and budget implementation plans.

5. Actual Departmental Performance and Corrective Measures that will be Implemented

5.1 Department Of The Office Of The Municipal Manager

5.1.1 Summary of Results: Key Performance Area 5 – Good Governance, Transparency and Accountability

Target Not Yet Measured	10
Target Not Met	3
Target Almost Met	0
Target Met	39
Target Well Met	2
Target Extremely Met	2
Target Not Reported On	0
Total	56

5.1.1 Summary of Results: Key Performance Area 6 – Public Participation

Target Not Yet Measured	2
Target Not Met	4
Target Almost Met	0
Target Met	7
Target Well Met	0
Target Extremely Met	0
Target Not Reported On	19
Total	32

5.1.2 Departmental Overall Performance for the Quarter ending 31 March 2021

Target Not Yet Measured	12
Target Not Met	7
Target Almost Met	0
Target Met	46
Target Well Met	2
Target Extremely Met	2
Target Not Reported On	19
Total	88

5.1.3 Review Comments

For the period under review, **76** targets were to be achieved, of these targets **7** were not met, **46** targets were met, **2** targets were well met, and **2** targets were extremely met. **19** targets were not reported on as per requirement because the divisions did not submit progress report on their divisional implementation of their service delivery and budget implementation plans.

3 of these **19** targets were from the Municipal Manager's scorecard, information of which was supposed to be received from other departments. **7** were from the Office of the Speaker and **9** were from the Office of the Executive Mayor.

Given the above, the percentage performance of the Office of the Municipal Manager is at **66%**, according to the evaluation criteria on **3.1** above, the performance is unsatisfactory as it is below the required minimum of **100%**.

5.2 Department of Corporate Services

5.2.1 Summary of Results: Key Performance Area 3-Institutional Capacity

Target Not Yet Measured	1
Target Not Met	5
Target Almost Met	2
Target Met	6
Target Well Met	0
Target Extremely Met	0
Target Not Reported On	0
Total	14

5.2.2 Summary of Results: KPA 5 – Good Governance, Transparency and Accountability

Target Not Yet Measured	0
Target Not Met	2
Target Almost Met	0
Target Met	17
Target Well Met	0
Target Extremely Met	0
Target Not Reported On	0
Total	19

5.2.3 Departmental Performance

Target Not Yet Measured	1
Target Not Met	7
Target Almost Met	2
Target Met	23
Target Well Met	0
Target Extremely Met	0
Target Not Reported On	0
Total	33

5.2.4 Review Comment

For the period under review, **32** targets were to be achieved, of these targets **7** were not met, 2 targets were almost met, and **23** target were. The percentage performance of the Department of Corporate Services is at **72%**, according to the evaluation criteria on **3.1** above, the performance is unsatisfactory as it is below the required minimum of **100%**.

5.3 Department of Treasury Services

5.3.1 Summary of Results: Key Performance Area 4- Financial Management

Target Not Yet Measured	4
Target Not Met	3
Target Almost Met	2
Target Met	34
Target Well Met	1
Target Extremely Met	1
Target Not Reported On	7
Total	52

5.3.2 Review Comments

For the period under review, **48** targets were to be achieved, of these targets **3** were not met, 2 target was almost met, **34** target were met, **1** target was well met, and **1** target was extremely met. **7** targets were not reported on as per requirement because the divisions did not submit progress report on their divisional implementation of their service delivery and budget implementation plans.

These **7** targets are from the Chief Financial Officer’s scorecard. Given the above, the percentage performance of the Department of Treasury Services is at **75%**, according to the evaluation criteria on **3.1** above, the performance is unsatisfactory as it is below the required minimum of **100%**.

5.4 Department of Development Planning and Social Security

5.4.1 Summary of Results: Key Performance Area 1- Basic Services

Target Not Yet Measured	2
Target Not Met	3
Target Almost Met	8
Target Met	19
Target Well Met	2
Target Extremely Met	2
Target Not Reported On	0
Total	36

5.4.2 Summary of Results: Key Performance Area 2-Local Economic Development

Target Not Yet Measured	1
Target Not Met	2
Target Almost Met	0
Target Met	10
Target Well Met	2
Target Extremely Met	4
Target Not Reported On	0
Total	19

5.4.3 Summary of Results: Key Performance Area 5-Good Governance, Transparency and Accountability

Target Not Yet Measured	0
Target Not Met	0
Target Almost Met	0
Target Met	5
Target Well Met	0
Target Extremely Met	0
Target Not Reported On	0
Total	5

5.4.4 Departmental Performance

Target Not Yet Measured	3
Target Not Met	5
Target Almost Met	8
Target Met	34
Target Well Met	4
Target Extremely Met	6
Target Not Reported On	0
Total	60

5.4.4 Review Comments

For the period under review, **57** targets were to be achieved, of these targets **5** were not met, **8** targets were almost met, and **34** targets were met, **4** targets were well met, and **6** targets were extremely met. The percentage performance of the Department of Development Planning is at **77%**, according to the evaluation criteria on **3.1** above, the performance is unsatisfactory as it is below the required minimum of **100%**.

5.5 Department of Engineering Services

5.5.1 Summary of Results: Key Performance Area 1- Basic Service

Target Not Yet Measured	4
Target Not Met	17
Target Almost Met	2
Target Met	37
Target Well Met	4
Target Extremely Met	9
Target Not Reported On	34
Total	107

5.2 Review Comments

For the period under review, **103** targets were to be achieved, of these targets **17** were not met, **2** target was almost met, **37** targets were met, and **4** targets were well met, and **9** targets were extremely met. **34** targets were not reported on as per requirement because the divisions did not submit progress report on their divisional implementation of their service delivery and budget implementation plans.

15 of these **37** targets were from the Acting Director Engineering Services' scorecard, **18** were from the Planning and Property Management Division as they did not update the progress on the first and second quarters on the revised reporting template, and **4** were from the Project Management Unit. Given the above, the percentage performance of the Department of Engineering Services is at **35%**, according to the evaluation criteria on **3.1** above, the performance is unsatisfactory as it is below the required minimum of **100%**.

6. Performance Information Implications

If the above identified shortcomings are not corrected, this will impact negatively on the processes of the regulatory audit of the current financial year and the budget might not be spent in accordance with service delivery and budget implementation plan.

6.3 Recommendations

The discrepancies and inconsistency identified above should be corrected before the report is submitted to Council for endorsement. Project Management need to look at those reported percentage as well as the adjusted target, if not corrected this issue is going to recur in the next audit report. Development Planning and Property Management Division needs to report on all the quarters not only for the quarter under review.