

# **RUSTENBURG LOCAL MUNICIPALITY**



## **MID-YEAR PERFORMANCE REPORT FOR THE FINANCIAL YEAR 2016-2017**

## 1. INTRODUCTION

Section 52 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) 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.

The Municipal Finance Management Act, 2003 further prescribes through section 72 (1) (a) (i) that the accounting officer of a municipality must, by 25 January of each year – assess the performance of the municipality during the first half of the financial year, taking into account the monthly statements referred to in section 71 (of the MFMA) for the first half of the financial year.

The accounting officer conducted performance assessment sessions of all directorates to review their performance in line with commitments contained in the service delivery and budget implementation plan (SDBIP). The performance reports of these directorates were subjected to the internal audit process in terms of section 45 (a) of the Municipal Systems Act, 2000 (Act No 32 of 2000). The audit report was submitted to each directorate wherefrom the findings were discussed and remedial actions agreed upon with directors. The performance of the Acting Municipal was also assessed by the Executive Mayor.

Based on the mid-term assessment conducted, it became evident that the adjustment budget was necessary. The accounting officer shall therefore advice Council in line with MFMA section 72 (3)(a) of the recommended adjustments on the 2016/2017 budget and necessary amendment on the SDBIP, in a separate report. Amendments to the Key Performance Indicators (KPIs) will mainly be around their revision and rephrasing to ensure that they are in line with the requirements of the National Treasury's Framework for Managing Programme Performance Information (FMPPI). This amendment is aimed at ensuring that the KPIs are more comprehensive and specific, measurable, actionable, reliable and time bound (SMART). The motivation for the adjustment of targets is contained in the adjustment budget.

  
MR T LEFUTSWE  
ACTING MUNICIPAL MANAGER

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## 2. SERVICE DELIVERY PERFORMANCE REPORT

### 2.1 BASIC SERVICE DELIVERY

**Objective :** Accelerated delivery and maintenance of quality basic and essential services to all Communities

KPI 1 (a)	Percentage increase in bulk water augmentation	Annual Target	2nd Quarter Target	Actual	Variance
		15% Design & Procurement	Preliminary Design Report	Preliminary Design Report	-
		Budget R 5 500 000	R853 333.00	R600 000.00	
<b>Comment on the achievement of the KPI and remedial measures</b>					
<p><b>General Statement: Achieved</b></p> <p><b>Progress to Date</b></p> <ul style="list-style-type: none"> <li>✓ MIG funded at R 134, 035, 123 087.72</li> <li>✓ The budget allocation for the current financial year is R5 500 000.00</li> <li>✓ Expenditure to date R 600 000.00</li> </ul> <p>The KPI to be reassigned to the scorecard of the Rustenburg Water Services Trust (RWST) performance agreement.</p> <p><b>Ref: RWST</b></p>					

KPI 1 (b)	Percentage upgrading and extension of Bospoort Water Treatment Plant	Annual Target	2nd Quarter Target	Actual	Variance
		15% Design & Procurement	Detailed Design and Tender Advertisement	Preliminary Design and Tender Advertisement	-
		Budget R109 649 123	R13 217 636	4 395 395.42	
Comment on the achievement of the KPI and remedial measures					
General Statement : Not Achieved					
The KPI to be reassigned to the scorecard of the Rustenburg Water Services Trust (RWST) performance agreement.					
Progress to date					
<div>✓ MIG funded at R 109, 649, 123</div> <div>✓ Preliminary designs for civil tender were completed in Sept. 2016</div> <div>✓ Tender advertised and briefing was held on 10 November 2016</div> <div>✓ Civil Tender closed on 9 December 2017</div> <div>✓ Detail design and documentation(M&amp;E) by February 2017</div> <div>✓ Tender evaluation &amp; award (M&amp;E) by August 2017</div> <div>✓ Commencement of civil works by from May 2017 to October 2018</div> <div>✓ Design, equipment procurement and installation (M&amp;E) Sept. to April 2019.</div> <div>✓ Expenditure to date R 4 395 395.42</div>					
Ref : RWST					

KPI 2	Percentage completion of water reticulation projects	Annual Target	2nd Quarter Target	Actual	Variance
		100%	50%	Adjudication Phase	(50%)
		Completion of water projects at Mathopestad, Maumong and Syferbult by June 2017			
		Budget R30m			

#### Comment on the achievement of the KPI and remedial measures

##### General statement

##### Not Achieved

Three MWIG funded projects to the value R 30 000 000 which includes professional fees are the following:

1. Maumong Water Supply Phase 2 – Reticulation of 5300km of internal network and 1 Ml steel storage tanks;
2. Upgrading and refurbishment of Mathopestad Rural Water Supply Scheme
3. Lekgalong Water Supply Project Phase 3.

##### Reasons for Non-Achievement

The project was still at adjudication phase; it has served before the bid adjudication committee on 23 December 2016 and awaiting approval.

##### Remedial Measures

Compilation of a project recovery plan.

Ref: DTIS 2

KPI 3	Number of high mast lights installed	Annual target	2 <sup>nd</sup> Quarter Target	Actual	Variance
		86 High mast lights installed by June 2017	86 foundations	63 high mast lights	23 high mast lights
		R21 800 000	R8 357 542	R11 123,220	

#### Comment on the achievement of the KPI and remedial measures

General statement:

**Achieved**

High mast lights were installed at the following areas:

Area	Number
Mosenthal	10
Maumong	10
Thabaneng	10
Kanana	20
Robega	10
Rasimone	3
<b>Total</b>	<b>63</b>

Ref: DTIS 3



KPI 4 Percentage increase in bulk sewer augmentation	Annual Target	2nd Quarter Target	Actual	Variance
	58% Design & Procurement	19% Design	Preliminary Design Report	-
	R86 972 716			

#### Comment on the achievement of the KPI and remedial measures

##### General Statement: Not Achieved

The bulk sewer augmentation function is performed by the Rustenburg Water Services trust. The key performance indicator to be reassigned to the RWST scorecard.

Ref: RWST

KPI 5 Percentage increase in the number of billed households with access to basic solid waste removal	Annual Target	2nd Quarter Target	Actual	Variance
	2% of hh with access to basic solid waste removal	Not Applicable	Not Applicable	-
	Budget R29 211 639	R14 681 801		

#### Comment on the achievement of the KPI and remedial measures

##### General statement

Not Applicable for the quarter under review.

The total number of households that are billed for solid waste removal was 62 420 as per a memo received from BTO. Information is extracted from the valuation roll. This number may increase due to developments taking place in the municipality.

Ref: DCD1



KPI 6 Percentage increase in households earning less than R3 500 per month with access to free basic services	Annual Target	2nd Quarter Target	Actual	Variance
	20% (10 427hh) of registered households earning less than R3 500 per month with access to basic services By end of June 2017	10% of registered households earning less than R3 500 per month with access to basic services By end of Sept 2017	8.4	(1.6)

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

##### **Not Achieved**

The total number of households is 232 219. The total number of indigent households based on the poverty rate of 28.6% is equivalent to 66 414 households. The base line of registered indigents as at the end of 2015/2016 financial year was 14 279 households which leaves a total of 52135 households without access to free basic services.

The number of registered indigents as at the end of the 2nd quarter was 541 which when added to the 1<sup>st</sup> quarter registrations gives a total 4 409 households, which is 8.4% increase. The 11.6% will be registered at ward level.

Ref: BTO7

KPI 7	Development of sports facilities by end September 2016	Annual target	2nd Quarter Target	Actual	Variance
		Development of Boitekong sports facility by end Sep 2016	Perimeter wall, caretaker house, grand stand	Ablution block, combi courts	
		Budget	R7 858 907	R7 491 691,94	

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

##### **Not Achieved**

All the buildings on site were done the only outstanding major item is the soccer field that still needs to be completed.

##### **Reasons for Non-performance**

Due to financial constrains that the contractor has experienced of none payments, they were not able to

complete the project on the extended completion date which was the 14<sup>th</sup> of December 2016.

#### Remedial Measures

Payments should be effected within 30 days as per council policy.

Ref: DCD/PMU

KPI 8	Percentage completion of the business plan of the Neighborhood Development Plan	Annual Target	2nd Quarter Target	Actual	Variance
		100% Completing on of the business plan of the neighborhood development plan	Not Applicable	Not Applicable	-
		Budget R7 465 000			

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

Not Applicable for the quarter

##### Progress to date :

The business plan was developed and the final draft was supposed to have been presented in October 2016. However National Treasury and Inter site were having some contractual challenges with the service provider. Spending on the budget was dependent on the approval of the project from the project list in the business plan. A conflict resolution meeting between Treasury, Glad Africa and Intersite was scheduled for Thursday 17th November 2016. As at the quarter in review the matter was not resolved and thus no progress registered.

Ref: OMM1

KPI 9 Percentage reduction of water losses	Annual Target	2nd Quarter Target	Actual	Variance
	10% of water losses reduced by June 2017	4% of water losses reduced by December 2016	4.8%	0.8%
	Budget R3 000 000	R750 000		

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

Water losses reduced by 4.8% when comparing the 1<sup>st</sup> and 2<sup>nd</sup> Quarter Section 71 reports.

##### Achieved

Description of financial indicator	Basis of Calculation	2015/16 Unaudited Outcome	Budget Year 2016/2017		
			Original Target	YTD Actual	Variance
Water Distribution Losses	% volume (units purchased and own source less units sold)/Total units purchased and own source	43.40%	42.00%	1 <sup>st</sup> Quarter	16.8% (increase)
				58.8%	
				2 <sup>nd</sup> Quarter	4.8% (decrease)
				54%	

Ref: DTIS

KPI 10 Percentage completion of projects for RRT road network system	Annual Target	2nd Quarter Target	Actual	Variance
	100%	66%	30%	(36%)
	Budget R205 245 590	38 264 401	R 61 650 470	

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

##### Not Achieved

Construction of the Rustenburg Rapid Transport Stations Superstructure Contract A Intelligent Transport Systems (ITS) contracts namely Information and Communications Technology (ICT) and Automated Fare Collection (AFC) & Vehicle Technology (VT) (RLM/MM/0212/2013/14), which had a combined budget of R 100 million for the financial year 2016/17, had not started at the end of the 2<sup>nd</sup> quarter.

Public Transport National Grant (PTNG) capital expenditure was R61 650 470, which is 30% of the capital expenditure.

### Reasons for Non-Achievement

- The National Departments (Treasury & Transport) have advised that all procurement t relating to these contracts be halted, until more cost effective alternatives are found.
- Late appointment of feeder routes contractor.

### Remedial Measures

- Stations-Contractor on Notice for underperformance.
- General-Expenditure on other committed contracts was expedited.
- Instruction to proceed to be granted on the CBD construction.

Ref : RRT

KPI 11 Kilometers of roads constructed	Annual Target	2nd Quarter Target	Actual	Variance
	15.6 km	6km	6.73km	0.37 km
	Budget R99 541 219	R46 842 926	R38 778 162	-R8 064 764

### Comment on the achievement of the KPI and remedial measures

#### General Statement

#### Achieved

No. of KM	Budget	Expenditure	%
6.73km	R99 541 219	R38 778 162	39%

Ref : PMU

KPI 12 Number of hectares of state land acquired for informal settlement upgrading	Annual Target	2nd Quarter Target	Actual	Variance
	100	Progress report on identified land submitted to HDA	0	Progress Report
	Budget HAD			
<b>Comment on the achievement of the KPI and remedial measures</b>				
<p><b>General Statement</b></p> <p><b>Not Applicable</b></p> <p>There was no budget allocation by the Housing Development Agency.</p> <p>It is recommended that the KPI to be removed from the scorecard.</p> <p>Ref: DPHS</p>				

## 2.2 MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

- 2.2.1 Develop and implement internal capability model (institutional core and critical competencies, scarce skills, maintenance skills) that enhance institutional and external stakeholders' development communities and institutional capability

KPI 13 Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	Annual Target	2nd Quarter Target	Actual	Variance
	3	Not Applicable	Not Applicable	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<p><b>General Statement</b></p> <p>Not Applicable for the quarter under review.</p> <p><b>Progress to date</b></p> <p>Posts were advertised and still awaiting on quarterly interview results in order to determine if there were any disabled person was appointed or not.</p> <p>Disabled = RLM to employ at least 45 disabled employees to reach a target of 2% Female in 3 Highest level of Management to employ 10 more females</p> <p>Ref: DCS</p>				



KPI 14 Percentage of the municipality's budget actually spent on implementing the workplace skills plan	Annual Target	2nd Quarter Target	Actual	Variance
	95%	50%	16%	(34%)
	Budget R2 538 432	R1 750 m	R 415,038.15	R1 334 961.85

#### Comment on the achievement of the KPI and remedial measures

##### General Statement:

##### Not Achieved

16% from the budget was spent on adverts, accommodation and travelling for course attendants.

Budget	Expenditure	Percentage
R 2,538,432.00	R 415,038.15	16 %

##### Reasons for Non-Achievement

Delay in supply chain processes were experienced :

- The tender was advertised on the 80:20 evaluation and was referred back by the bid adjudication committee and advised that the it should be 90:10.
- The second tender was advertised on the 90:10 but all service providers who submitted were non-responsive.

##### Remedial measures

Acceleration of procurement process to ensure the budget is spent as planned.

Ref: DCS 9

## 2.3 LOCAL ECONOMIC DEVELOPMENT

Objective: Revive and expedite development of alternative high value adding economic growth sectors - agriculture, manufacturing, transportation services and products

KPI 15 Number of jobs created through local economic development initiatives including capital projects	Annual Target	2nd Quarter Target	Actual	Variance
	1000	500	540	40
Comment on the achievement of the KPI and remedial measures				
General statement : Achieved				
Directorate	Project Type		Number of Jobs Created	
Local Economic Development	Meter Readers		14	
	Hawkers Stalls		178	
	Show Grounds		43	
	Agricultural Projects		53	
Project Management Unit	• Development of Sports Facilities		35	
	• Construction of roads		99	
	• Maintenance of parks		36	
			6	
	• Maintenance of visitors information centre		60	
	• Maintenance of the taxi rank, ablution blocks		16	
TOTAL	α		540	

Ref: PMU 1

KPI 16 Number of milestones achieved towards Industrialization of RLM through SEZ (Special Economic Zone)	Annual Target	2nd Quarter Target	Actual	Variance
	4	2	0	-
	Approved Bankable Business Plan of SEZ, Expression of Interest from Investors / Tenant	Investment Promotion Leveraging of Resources Provincially & Nationally Design and Layout Plan for SEZ		
	Budget	R0.00		
	-			
<b>Comment on the achievement of the KPI and remedial measures</b>				
General statement:				
Not achieved				
The Business Plan that has been developed is earmarked for Moses Kotane, with plans for extension to				



Rustenburg. We are continuing to engage with the DTI as well as the Province for the SEZ status of the Rustenburg Local Municipality.

Once Proclaimed, the NWDC as an implementing agent will be working with the Municipality to extend the SEZ business plan into a Regional Special Economic Zone covering the whole of the Bojanala District, in particular Rustenburg and Moses Kotane.

Ref: LED 1

KPI 17 Number of Milestones towards implementation of Masterplan	Annual Target	2nd Quarter Target	Actual	Variance
	4 Establishment of Development Agency, Operational Master plan; Approved land for Game Changers	Business Plan for Dev Agency Marketing and promotion of the master plan	0	
<b>Comment on the achievement of the KPI and remedial measures</b>				
<b>General Statement:</b>				
<b>Not Achieved</b>				
<b>Reasons for Non-Achievement</b>				
There was no funding allocated for the development of the business plan, funding will be sought during budget adjustment.				
<b>Remedial Action</b>				
To be budgeted for in the new financial year if we are not allocated a budget during the budget adjustment process. Funding will for both the appointment of service provider for establishment of Development Agency, who will then develop a business plan for the Agency				
Additional budget will be sought for printing of at least 3 000 Quarterly Master Plan Magazine to be distributed through DTI offices, Investment Facilitators, Foreign Embassies in South Africa and South African Embassies in Foreign Countries.				
Ref: LED 2				

## 2.4 MUNICIPAL FINANCIAL VIABILITY

**Objective :** Develop and implement integrated financial management systems to support municipal programmes and ensure internal financial sustainability

KPI 18 Percentage of the municipality's capital budget spent on capital projects identified for a particular financial year in terms of the municipality'	Annual Target	2nd Quarter Target	Actual	Variance
	100%	50%	40%	(10%)
	Budget R486 874 000	R243 437 000	R218 121 000	(R25 316 000)

### Comment on the achievement of the KPI and remedial measures

**General Statement:**

**Not Achieved**

Year to date spending was 40% when compared to the pro rata of 50%.

Directorate	Original Budget	Expenditure	Percentage
Technical and Infrastructure Services	390 018 263	160 871 526	41
Corporate Support Services	11 000 000	2 121 951	19
Community Development	9 389 827	8 531 806	91
Office Of The Municipal Manager	7 465 000	-	-
Rustenburg Water Services Trust	69 000 000	46 595 949	68
<b>Total</b>	<b>486 873 090</b>	<b>218 121 232</b>	<b>40</b>

Ref: BTO 2

KPI 19 Percentage expenditure on the approved operational budget not exceeding budget amount	Annual Target	2nd Quarter Target	Actual	Variance
	0% expenditure on the approved operational budget not exceeding budgeted amount	0% expenditure on the approved operational budget not exceeding budgeted amount	0%	-
	Budget R3 886 035 000	R972 508 750	R1 932 412 000	
Comment on the achievement of the KPI and remedial measures				
General Statement: Achieved				

The expenditure for the period ending December 2016 was at 45% when compared to the pro rata of 50%.

Directorate	Original Budget	Expenditure	Percentage
Office of the Executive Mayor	167 771 367	99 996 047	60
Office of the Municipal Manager	83 603 718	37 108 623	44
Corporate Support Services	361 024	249 297	69
Budget & Treasury Office	336 705 554	158 840 925	47
Public Safety	40 223 246	14 591 210	36
Planning & Human Settlement	11 760 449	5 291 591	45
Local Economic Development	235 447	58 569	25
Community Development	191 180 902	78 946 578	41
Technical and Infrastructure	3 623 934 109	1 537 329 224	42
<b>TOTAL</b>	<b>4 455 775 816</b>	<b>1 932 412 064</b>	<b>45</b>

Ref: BTO 2

KPI 20 Percentage achievement of financial ratios and targets	Annual Target	2nd Quarter Target	Actual	Variance
	100%	100%	100%	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<b>General Statement</b>				
<b>Achieved</b>				
Financial Indicator	Annual Target	2 <sup>ND</sup> Quarter Target	Actual	Variance
Current Ratio	1:1	1:1	1:0.90	.10
Debt Coverage	43%	43%	44%	(1%)
Monthly Collection Rate	R3 480 000 000	R2 000 000 000	R227 512 417	R27 512 417
Cost Coverage	1 month	1 month	-1 month	-1 month
Ref: BTO4				

## 2.5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

**Objective:** Drive good governance and legislative compliance in all municipal processes

KPI 21 5-year Integrated Development Plan (IDP) approved by Council by May 2017	Annual Target	2nd Quarter Target	Actual	Variance
	5-year Integrated Development Plan (IDP) approved by Council by May 2017	Not Applicable	Not Applicable	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<p><b>General Statement</b></p> <p>KPI is not applicable for the quarter under review.</p> <p><b>Progress to Date</b></p> <p>The IDP and Budget Steering Committee was established. A progress report on implementation of the Process Plan was presented in the meeting held on 28 December 2016.</p> <p><b>Ref:</b> IDP1</p>				

KPI 22 Top Layer Service Delivery and Budget Implementation Plan (SDBIP) 2017/2018 approved by June 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Approved Top SDBIP approved by June 2017	Not Applicable	Not Applicable	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<p><b>General Statement</b></p> <p>The KPI is not applicable for the quarter under review</p> <p><b>Progress to Date</b></p> <p>Directorates will submit their technical SDBIPs on the 06 June 2017. The Top Layer SDBIP will be compiled for approval by the Executive Mayor within 28 days after approval of the budget.</p> <p><b>Ref:</b> PMS 1</p>				



KPI 23 Reviewed Performance Management Systems Framework approved by June 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Reviewed PMS Framework approved by June 2017	Not Applicable	Not Applicable	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<b>General Statement</b>  The KPI is not applicable for the quarter under review.				
<b>Progress to Date</b>  The framework will be reviewed in May 2017 for tabling at the end of June 2017.				
Ref: PMS 2				

KPI 24 Tabling of Annual Report 2015/2016 to Council by January 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Annual Report 2015/2016 to Council by January 2017	January 2017	Not Applicable	-
<b>Comment on the achievement of the KPI and remedial measures</b>				
<b>General Statement :</b>				
<b>Progress to Date</b>  The draft 2015/2016 Annual Report was submitted to the Auditor General at the end of August 2016. The final report will be tabled to Council at the end of January 2017.				
Ref: PMS 3				

KPI 25 Tabling of Budget Adjustment 2016/2017 to Council by February 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Budget Adjustment 2016/2017 tabled to Council by February 2017	Not Applicable	Not Applicable	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
The KPI is not applicable for the quarter under review.				
The budget adjustment will be tabled by the end of February 2017.				
Ref: BTO				

KPI 26 Tabling of Mid Term Report 2016/2017 to Council by January 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Mid Term Report tabled to Council by January 2017	January 2017	Draft Mid-Term Report	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
Progress to Date				
Directorates submitted their quarterly reports on the 5 <sup>th</sup> January 2017. The reports were audited by Internal Audit from the 09 – 11 January 2017. Performance Assessments were conducted from the 11 <sup>th</sup> – 12 January 2017. The final report will serve before the Mayoral Committee on the 24 <sup>th</sup> January 2017 and before a special Council meeting in February 2017.				
Ref: PMS 4				

KPI 27 Signing of Senior Manager's draft performance agreements 2017/2018 by June 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Signing of Senior Manager's draft performance agreement 2017/2018 by June 2017	Not Applicable	Not Applicable	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
The KPI is not applicable for the quarter under review.				
Progress to Date				
The agreements will be signed after the IDP and Budget have been approved by Council at the end of May 2017. Draft agreements will be sent to the Executive Mayor within 14 days after approval of the budget.				
Ref: PMS 5				

KPI 28 Community Satisfaction Survey Report tabled to Council by May 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Community Satisfaction Survey Report table to Council by May 2017	Not Applicable	Not Applicable	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
The KPI is not applicable for the quarter under review.				
Progress to Date				
No funds were allocated for the task. Application for funding will be done during budget adjustment period.				
Ref: IDP2				



KPI 29 Tabling of the approved budget 2017/2018 to Council by May 2017	Annual Target	2nd Quarter Target	Actual	Variance
	Budget 2017/2018 tabled to Council by May 2017	Not Applicable	Not Applicable	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
The KPI is not applicable for the quarter under review.				
Ref: BTO2				

KPI 30 Number of Individual performance assessments for Senior Managers conducted	Annual Target	2nd Quarter Target	Actual	Variance
	4 Individual performance assessment for Senior Management by end August 2017	2 Individual performance assessment for Senior Management by end of October 2016	2 individual performance assessment sessions	-
Comment on the achievement of the KPI and remedial measures				
General Statement				
Achieved				
Performance assessment sessions for the 1st Quarter were conducted from the 25 – 27 October 2016. Performance assessment sessions for the 2nd Quarter were conducted from the 11 – 13 January 2017.				
Ref: AMM1				

KPI 31 Improved overall organizational risk rating from level 5 to 3	Annual Target	2nd Quarter Target	Actual	Variance
	Level 3 rating by June 2017	Quarterly Risk Assessment by Dec 2016	0	
Comment on the achievement of the KPI and remedial measures				
General Statement				
Not Achieved				
Fraud Risk assessments were held in the 2 <sup>nd</sup> quarter but not completed with all directorates, completion will be done in February 2017.				
SCHEDULE FOR FRAUD RISK ASSESSMENT SESSIONS: 2017				
NO.	DATE	DIRECTORATE	TIME	FEEDBACK
1		Planning		Not done
2		Human Settlement		Not done
3	27-Sep	Corporate Support	09:00	Not done
4		Budget & Treasury	14h00	Not completed
5	21-Sep	Local Economic Development	11:00	Not completed
6		Community Development		Completed
7	26 October	Infrastructure		Not done
8	01 November	Public Safety	10h00	Completed
9	27 June	Office of the MM	09h00	Completed
Reasons for Non-Achievement				
<ul style="list-style-type: none"><li>None commitment of senior managers in implementation of mitigations.</li><li>Not responding to request for progress made on mitigations and keeping to time lines</li><li>None attendance of risk assessments, the risk management unit have to keep on postponing.</li></ul>				
Remedial Measures				
Seeking the intervention to ensure directorates attend risk assessment sessions.				
Ref: CRO 1				

KPI 32 Percentage of audit queries responded to	Annual Target	2nd Quarter Target	Actual	Variance
	100% of audit queries responded to	50% of audit queries responded to	98%	48%
Comment on the achievement of the KPI and remedial measures				
General Statement				
Achieved				
Number of queries received = 269				
Number of responded to = 265				
Percentage response = 98%				
Ref : BTO				

### 3. SUMMARY

#### 3.1 ACTING MUNICIPAL MANAGER'S SCORE CARD: 2016/17 FY

KEY PERFORMANCE AREA	TOTAL NO OF INDICATORS	MID-TERM INDICATORS	INDICATORS NOT APPLICABLE	ACHIEVED	%
Basic Service Delivery	12	10	2	4	40%
Institutional Development and Transformation	2	1	1	0	0%
Local Economic Development	3	3	0	1	33%
Financial Management & Viability	3	3	0	2	66%
Good Governance, Public Part & Ward Committee System	12	2	9	2	100%
<b>Overall Performance</b>	<b>32</b>	<b>19</b>	<b>12</b>	<b>9</b>	<b>48 %</b>

### 3.2 DIRECTORATES' SCORECARDS

Directorate	Total KPI's	Not Applicable	Measured period under review	Achieved KPI's	Not Achieved*	% Achieved
BTO	15	5	10	1	9	10%
DCD	15	5	10	5	5	50%
DCS	20	6	14	2	12	14%
DLED	11	2	9	3	6	33%
DPHS	18	6	12	5	7	42%
DPS	14	3	11	5	6	45%
DTIS	14	2	12	4	8	33%
DRRT	21	10	11	2	8	18%
TOTAL	128	39	89	27	61	30%

\* includes those Internal audit classified as:

Not Concluded
Not Measurable
Limitation of Scope

### 3.3 ACCOUNTING OFFICER'S REMEDIAL MEASURES

#### 3.3.1 Submission of Performance Improvement Plans:

No.	Directorate	Submission Date	Review Date
1	Budget and Treasury Office	17 February 2017	03 March 2017
2	Community Development	17 February 2017	03 March 2017
3	Corporate Support Services	17 February 2017	03 March 2017
4	Local Economic Development	17 February 2017	02 March 2017
5	Planning and Human Settlement	17 February 2017	02 March 2017
6	Public Safety	17 February 2017	24 February 2017
7	Rustenburg Rapid Transport	17 February 2017	03 March 2017
8	Technical and Infrastructure Services	17 February 2017	27 February 2017

## 4. MID-YEAR BUDGET ASSESSMENT

### 4.1 Legal Requirements

Section 72 (1) (a) (i) 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 – assess

the performance of the municipality during the first half of the financial year taking into account the monthly statements referred to in section 71 (of the MFMA) for the first half of the financial year.

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 extent.

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. The Regulation further prescribes the report must be 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.

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

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.

#### **4.2 Discussion**

The operating result for the first six months ending 31 December 2016 including the Water Services trust is R1, 835 million. The revenue realised for half yearly results is at **47%** and is below the projected revenue by **3 %**. The year to date variance for revenue is **6%**. (Monetary value is **R110 million**). The operating expenditure is at **42%** (monetary value is **R 1, 567 million**) and is below the projected spending by **8%**. Year to date variance is **16%** (monetary value is **R305,7 million**) Although there are a number of over and under

recoveries of revenue and expenditures, it is positive to report that the results for the first six months are within the total approved budget of the municipality. **Annexure "A" (Table C4)** to the report is a monthly budget statement (Financial Performance – Revenue and Expenditure).

**Annexure 'B' and 'B1' (Table C3)** to the report is a monthly budget statement (Financial Performance – Revenue and expenditure per vote), for the first six months. The actual results are compared to the budget and contain the percentage for year to date budget revenue and revenue received (billed) as at 31 December 2016. The annexure also have the projected figures for the full year forecast.

**Annexure 'C' and (Table SC8)** contains monthly budget statement (Councillor and Staff benefits). It is important to note that the pro rata expenditure should not exceed 50% of the budget as at 31 December 2016.

**Annexure 'E' (Table C5)** contains the list of capital budget per standard classification and trend.

### **4.3 Operating Budget Results**

#### **4.3.1 Operational Revenue**

The actual revenue received or billed is standing at 45% of the budget and indicates a major decrease in revenue as anticipated. It is critical that performance of all revenue streams be revisited as their performance will impact on the spending patterns for the remaining six months.

The following matters should be taken into account before an assessment is done:

The assessment rates did not perform very well by 1%. This might be caused by a decline in the purchase of developed properties or constant monthly adjustments. The revenue is below by R1, 6million.

#### **Revenue on Service charges**

- **Electricity** revenue is above the anticipated 50% and collection is above by R82,6million or 8%
- **Water and Sanitation** have performed below the expected collection rate by 32% respectively. The major corrections on previous billings through adjustment have the major impact on tracking accurate billing for each month. An estimate is also a major concern that impacts on actual revenue to be collected for water and sanitation.
- There is definitely a need to adjust water and sanitation revenue as projected in relation to the debt impairment through the adjustment budget.

**Waste Management** performance is below by 4% or R2, 3million of the anticipated revenue.

- The revenue earned on **Rental of facilities** and equipment is mainly on the following facilities: Rental of Sports Facilities, Kloof Holiday Resort, Community Halls and Housing Provision for Municipal Houses and Flats. The performance of these services is at 58% when compared to the expected collection rate of 50% by the end of December 2016.

- **Fines** service is at 10% by the end of 31<sup>st</sup> December 2016 when compared to the anticipated collection rate of 50%. The performance of fines is below projected budget by R3, 6million.
- **Licences and Permits** refer to revenue earned on Issuing of various Licenses and Permits by License Department and the testing fees for vehicles, Flammable Liquids for Emergency and Disaster Management and trading licenses for Community Development. Current performance by the end of December 2016 is at 46%.
- The **income for Agency Services** is for Vehicle Testing and Licenses which is a function done by the municipal on behalf of the Provincial Government. It is important to note that a portion of this revenue is payable to Provincial Government under the 80/20 agreement and the municipality retains 20% before vat inclusive of the revenue on vehicle testing and licenses. The performance at the end of 31<sup>st</sup> December 2016 is at 41%.
- The revenue earned on **transfers recognised** refers to the recognition of operational grant spending in accordance with financial reporting standards. This is based on the National and Provincial Government's Division of Revenue Act allocation as approved by Parliament.
- **Other Revenue** is at 32% when compared to the pro rata of 50%. This includes services such as (Tender fees, Legal fees recovered, Amendment schemes fees, Reconnection fees, Connections, Advertising fees, etc.)
- There is an overall reduction in the performance of municipality in revenue collection except for the electricity billing whilst the expenditure patterns are not aligned to the revenue as collected.

#### **Grants and subsidies**

According to the Division of Revenue Act (DORA) the major grants as expected were received except for equitable share. Equitable share allocation to be received to date as per DORA is R338 985 000, however only R140 372 000 was received. The R194 116 000 was offset against our grant liability emanating from the 2014/15 financial year. A further R4 497 000 was offset against equitable share for the INEP grant of the 2015/16 financial year that was not spent.

Neighborhood Development Partnership Grant of R7 865 000 was allocated per DORA. According to the payment schedule R2.4million was to be received in August 2016 but to date no payment was made.

EPWP allocation per DORA is R4 219 000 and expenditure to date is R4 215141.90. It should be noted that only R3 858.10 of the initial allocation is remaining and that no spending should exceed this amount.

Capital grant spending is at 43% of the allocated R398, 9million

Municipality must utilise the grants received timeously to avoid making an application for the roll over's. All unspent conditional grants will revert back to National Revenue Fund if not utilised within the allocated period.



#### 4.3.2 Operational Expenditure

The expenditure ending in December 2016 is at 41% when compared to the pro rata of 50%.

**Wages and salaries** item spending is at 47% or R281, 2 million as per attached **Annexure "C"** (Table SC8 Monthly Budget Statement- Councilor and staff benefits)

- **Employee-Related Costs** refers to salaries and benefits of all the municipal staff. The expenditure is stable as in line with the expected rate of 50%. There will be a need to increase the salaries budget by 11% to accommodate the increase in medical aid from January 2017.
- **Remuneration of Councillors** refers to salaries and benefits of all the Councillors. The expenditure is also stable under the expected rate of 50%.
- **Debt Impairment and Depreciation** performances are at 0% and 2% respectively. The debt impairment movement usually happens at the end of the financial year and also the depreciation figures are estimates and the final calculated figures are done at the end of the financial year when the assets verification and condition assessment is completed.
- The debt impairment and depreciation has to be revised through the adjustment budget in order to align it with the 2016/17 provisions in order to avoid the trend of unauthorised expenditure as reported in the Annual Financial Statements
- The expenditure for **bulk purchases** reflects a provision made for month based on the prior month's actual expenditure. This provision is made because at the time billing the invoices of the bulk-purchase suppliers are not yet received. The actual expenditure is thus reported the following month. The use of estimates/provisions is line with the accrual basis of accounting.
- The spending for electricity bulk purchases has to be increased through budget adjustment as spending is already at 72% (year to date). An additional R 257million will be required for the remaining six months.
- The expenditure for **Contracted Services** for the month of December 2016 is at 31% and is based on the following services: Legal and Valuations, Financial Services, Security Services, Refuse Removal (all areas) and on Rustenburg Rapid Transport. Due to municipal financial constraint, not all invoices are paid monthly, hence the low spending on this item.
- **Other Materials** refers to the repairs and maintenance of various municipal assets and systems. By the end of December 2016, expenditure on this service is at 30% when compared to the 50% pro rata.

**Annexure "D" (Table SC13CMonthly Budget Statement – Expenditure on repairs and maintenance by assets class**

**Finance Charges** refers to interest paid on external loans and excess facilities from financial institutions. This month the finance charges were incurred by the Rustenburg Water Services Trust on an Absa excess facility.

- **Other Expenditure** is at 32%. This services are mainly on (Advertising, Travelling, Stationery, Rentals, Copy Charges, Financial Management activities, Materials and Stock, Departmental Charges, Transport, etc.)

#### **4.4 Capital Budget Results**

Detailed results per unit are contained in **Annexure 'E' (Table C5)**. The expenditure of Capital budget is at 44.8% (R218, 1 million). A capital budget to the amount of R486, 9 million was approved by Council on the 28 May 2016 per item 225 as documented in the MTREF.

The total spending on the capital budget is standing at R218, 1million giving us a variance of 10% or R25, 3million calculated on the original budget.

#### **4.5 Debtors Age Analysis**

Debtor's age analysis indicates the extent to which income accrued is not received in cash, the success or effectiveness of the credit control, rating, and tariffs policy, the possibility of viability problem being encountered when analyzing the imbalance between actual revenue received and actual expenditure. **Annexure "F" (Table SC3 Monthly Budget Statement – aged debtors)** is debtor's age analysis as at the end of December 2016. The outstanding consumer debtors as at 31 December 2016 are at R 3, 2 billion.

The highest outstanding amount of debtors is rates at R924, 5million, followed by housing rentals at R796, 4million, electricity at R656, 7million. The Electricity is third and has an outstanding amount of R345, 9 million.

The individual households outstanding amount for the municipality is standing at R1,476 billion, followed by business at R295,7million, Government departments at R62.2 million and other consumers at R96,4 million.

#### **4.6 Creditors Age Analysis**

**Annexure "G" (Table SC4 Monthly Budget Statement –Aged creditors)** is a creditor's age analysis for December 2016. The amount that the municipality owes the suppliers on 30 days is at R27, 1million and the total amount outstanding as at 31<sup>st</sup> December is R126.7million including stores commitments.

The detailed financial performance report for the six months that depicts the overall performance of the Rustenburg Water Services trust is attached as **Annexure "H"**.

## 5. PROGRESS ON REPORT OF THE AUDITOR GENERAL

A Continuous Improvement Plan was developed to indicate the measures that are taken by the Municipality to address the Auditor General's findings on the 2014/15 financial year. The current plan will be revised once the 2015/16 audit has been finalized. Refer to **Annexure J**.

## 6. RISK MANAGEMENT

In the Municipality's risk assessment exercise, it is essential that risks are not only identified, but also rated and ranked (prioritized) to determine their impact. This is done by rating inherent risks based on the likelihood (probability) of occurrence and the impact should the risk materialise.

The residual risk is the remaining exposure, measured after the mitigating effects of deliberate management interventions to control such exposure (i.e. the remaining risk after management has put in place measures to control the inherent risk). The residual risk can only be determined once risk responses have been developed and evaluated.

The essential part of risk management is to implement counter actions in an attempt to minimise the impact of residual risk. Depending on the seriousness of the residual risk, the options are: avoiding, transferring, accepting, and mitigating risk.

The only option for serious risks is to develop mitigation plans which progress needs to be monitored at least monthly and documented three-monthly.

The following is a table indicating the mitigating plans of the Top Five risks:

RESIDUAL RISK	RATING	MITIGATING PLAN
1. Non-payment of services by community	25	1. To ensure Intervention by Councilors at Ward Level to encourage community members to pay for services. 2. To ensure that tariffs are cost reflective and affordable 3. Continuous awareness campaigns relating to culture of payment 4. To roll out pre-paid systems to other areas in the jurisdiction of the Rustenburg Local Municipality
2. Non-compliance with SCM regulations and prescripts	25	1. To develop and implement Policy and Procedure manual on Irregular Expenditure 2. To procure a Financial system that has an SCM model 3. Centralisation of SCM
3. Loss of movable assets (IT equipment, vehicles, furniture)	25	1. Directors to have monthly meetings with staff on asset control (loss and damage of assets) 2. BTO to engage with Public Safety with

RESIDUAL RISK	RATING	MITIGATING PLAN
		regard to level of security rendered 3. To enforce proper contract management with the appointed security service provider
4. Material Misstatements	25	<ol style="list-style-type: none"> <li>1. Clean-up of the billing data to ensure that customers are billed consistently for 12 months</li> <li>2. To verify that all tariffs are linked correctly to customers' accounts</li> <li>3. To assess the useful life of PPE</li> </ol>

## 7. CONCLUSION.

In light of the above financial assessment and forecasting figures on the annual budget on the first six months of the financial year, it is recommended that an adjustment budget for the 2016/17 be made to cater for the shift of funds between votes. The adjusted budget will be submitted to Council at the end of February 2017.