

MIDYEAR BUDGET AND PERFORMANCE ASSESSMENT: JULY 2020 TO DECEMBER 2020

PURPOSE

To submit to Council the mid-year report for the period ending December 2020 of the municipality for cognizance as required in terms of Section 28, 71, 72 and section 54(1) of the Municipal Finance Management Act 2003 (Act No 56 of 2003).

BACKGROUND

In accordance with Section 72 of the Municipal Finance Act, (MFMA) Act 56 of 2002, the accounting officer of a municipality must by 25 January of each year –

- (a) Assess the performance of the municipality during the first half of the financial year, taking into account –
 - (i) The monthly statements referred to in Section 71 for the first half of the financial year
 - (ii) The municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - (iii) The past year's annual report, and progress on resolving problems identified in the annual report; and
- (b) Submit a report on such an assessment to –
 - (i) The mayor of the municipality;
 - (ii) The National treasury; and
 - (iii) The relevant provincial treasury.

Furthermore, the accounting officer must –

- 3(a) make recommendation as to whether an adjustment budget is necessary; and
- (c) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

As per the above requirements of the MFMA, 2003, it is important to note that subsection (a) (iii) will not be tabled to Council upon conclusion of the 2019/20 audit by the Auditor General which is expected to be finalized by 28th February 2021.

DISCUSSION

1. CONSOLIDATED OVERVIEW OF THE 2020/2021 MTREF – MID YEAR ENDING DECEMBER 2020

GT484 MERAFFONG CITY - Table C1 Monthly Budget Statement Summary - M06 December

Description	2019/20	Budget Year 2020/21							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	509 752	569 240	569 240	44 601	276 981	315 309	(38 328)	-12%	553 962
Service charges	710 852	747 660	738 665	57 385	390 175	430 132	(39 957)	-9%	780 350
Investment revenue	8 409	9 368	9 368	544	3 080	5 518	(2 437)	-44%	6 160
Transfers and subsidies	227 033	278 743	278 743	32 439	132 121	188 635	(56 514)	-30%	264 241
Other own revenue	188 579	213 159	216 741	21 824	107 142	185 561	(78 419)	-42%	214 284
Total Revenue (excluding capital transfers and contributions)	1 644 625	1 818 169	1 812 755	156 794	909 499	1 125 154	(215 655)	-19%	1 818 999
Employee costs	316 032	367 438	367 438	30 742	168 406	183 719	(15 313)	-8%	336 813
Remuneration of Councillors	22 855	27 731	27 731	1 905	11 255	13 943	(2 688)	-19%	22 509
Depreciation & asset impairment	166 483	106 226	106 226	53 113	-	53 325	(53 325)	-100%	-
Finance charges	52 667	50 602	56 874	3 977	17 549	31 109	(13 560)	-44%	35 098
Materials and bulk purchases	538 591	485 826	508 648	34 394	346 660	209 725	136 935	65%	693 320
Transfers and subsidies	301	2 860	1 180	-	1 075	764	312	41%	2 150
Other expenditure	660 907	730 763	723 739	24 328	94 726	421 725	(326 999)	-78%	189 452
Total Expenditure	1 757 836	1 771 447	1 791 836	148 458	639 671	914 310	(274 639)	-30%	1 279 341
Surplus/(Deficit)	(113 211)	46 722	20 919	8 336	269 829	210 845	58 984	28%	539 658
Transfers and subsidies - capital (monetary alloc	155 920	156 065	172 146	15 176	27 704	84 777	(57 073)	-67%	55 408
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	42 708	202 788	193 065	23 512	297 533	295 622	1 911	1%	595 066
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	42 708	202 788	193 065	23 512	297 533	295 622	1 911	1%	595 066
Capital expenditure & funds sources									
Capital expenditure	5 902	176 606	18 081	3 629	8 013	176 606	(168 593)	-95%	194 687
Capital transfers recognised	49 719	172 146	16 081	18 030	28 725	88 474	(59 749)	-68%	188 227
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	262	2 000	2 000	-	2 161	2 000	161	8%	4 000
Total sources of capital funds	49 980	174 146	18 081	18 030	30 886	90 474	(59 588)	-66%	192 227
Financial position									
Total current assets	2 641 483	2 626 483	2 641 483	-	2 657 071	-	-	-	3 434 712
Total non current assets	3 236 393	3 288 692	3 254 474	-	3 209 829	-	-	-	3 334 356
Total current liabilities	1 961 936	1 969 837	1 961 936	-	1 928 640	-	-	-	2 263 769
Total non current liabilities	-	-	-	-	-	-	-	-	-
Community wealth/Equity	1 927 322	2 001 326	1 945 402	-	1 949 641	-	-	-	2 516 676
Cash flows									
Net cash from (used) operating	747 626	1 313 217	1 363 779	82 199	334 097	1 313 217	979 119	75%	1 363 779
Net cash from (used) investing	119 057	158 525	18 081	26 549	47 075	158 525	111 451	70%	176 606
Net cash from (used) financing	2 464	7 655	-	66	3 723	7 655	3 933	51%	7 655
Cash/cash equivalents at the month/year end	906 795	1 479 397	1 381 859	110 609	386 690	1 479 397	1 092 707	74%	1 548 040
Debtors & creditors analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	131 136	109 672	89 372	86 212	81 039	83 563	621 164	1 913 529	3 115 687
Creditors Age Analysis									
Total Creditors	148 540	93 356	102 497	64 458	204 607	57 262	253 450	25 225	949 395

Executive Summary

The revenue for the six months under review was **R909 499** million compared to a budget of **R1 812 755** billion for period ending 30 June 2021. This is **50.18%** of the total projected budget. The above represents billing revenue, the billed revenue is collected at an average percentage of 50%. The realistically expected revenue to be collected from the billing revenue is **R915 260** Million. The expenditure should therefore be projected at the amount of **R915 260** million for the period ending 30 June 2021.

The Municipality has adopted a revised Financial Turnaround Strategy to improve the working capital of the Municipality.

It should also be noted that only a portion of the equitable share was received during December 2020. Instead of **R64 million**, only **R32.4** million was received due to the previous year's roll overs which were not approved.

Expenditure for the six months under review was **R639 671 million** comparing to a budget of **R1 791 836 billion** for period ending 30 June 2021. This is **35.70%** of the total budget. The expenditure levels as projected has resulted in service delivery targets are being attainable because of the negative working capital of the municipality. The Turnaround Strategy will assist in addressing the service delivery challenges that manifest in the Municipality due to poor revenue collection.

It should be noted that depreciation as well as other non-cash flow items are not included in the expenditure for the six months ended 31 December 2020 as they are calculated annually. In order to address this, Asset Management staff are currently being capacitated.

The total capital expenditure for the six months under review was **R49 149** million comparing to the total budget of **R174 606** million. This is **28.15%** of the total budget. Due to the delay in the filling of the position of the MM and CFO and poor performance on capex projects for the previous financial year Treasury withheld R94 664 million of the Roll overs of the capital projects. The expenditure on capex is a standing item of the Exco meetings. The objective is to address the deficiencies of the past financial.

Current Assets increased from **R2 641 483** Billion at year end to **R2 657 071** billion at mid-year. The main contributory factor is the increase in debtors which are a challenge to collect and convert into cash.

Current Liabilities have decreased from **R1 961 936** billion at the end of the past financial to **R1 928 640** billion at mid-year. No new commitments were made because of the financial situation.

Council had a positive cash flow balance of **R110 609** million. The reason for a positive cash flow balance is unspent conditional grants which are committed in terms of the conditions set by the funding sphere of government.

Debtor balances as at mid-term were **R3 115 687** billion, the balance of debtors at 30 June 2020 was R 2 684 026 billion. This is an increase of **R431 660** million for the six months under review. The increase in debtors will also be addressed by the turnaround strategy.

Creditors increased from **R850 350** million to **R859 780** million at mid-year. This is an

increase of **R9 430** or **1.09%** due to the inability to pay bulk suppliers in the months of August and September 2020.

The impact of **Covid 19** on Merafong was detrimental. The payment levels for the mid-term period ended 31 December 2019 were **58%**. The payment levels for the mid-term period ended 31 December 2020 were **50 49%**. This is a drop in percentage of 8% for the similar period in the past financial year. The municipality was supposed to receive a Covid 19 allowance, but this amount was set off against the amount that was withheld by Treasury for the unspent government grants that were not spent.

2. FINANCIAL MONTHLY BUDGET STATEMENT SUMMARY FOR MID-YEAR ENDING DECEMBER 2020

GT484 MERAFFONG CITY - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		509 752	569 240	569 240	44 601	276 981	315 309	(38 328)	-12%	553 962
Service charges - electricity revenue		245 426	239 110	230 115	18 473	138 064	158 321	(20 257)	-13%	276 127
Service charges - water revenue		338 024	361 231	361 231	26 965	180 006	198 298	(18 292)	-9%	360 011
Service charges - sanitation revenue		56 510	66 488	66 488	5 581	33 329	33 889	(559)	-2%	66 659
Service charges - refuse revenue		70 892	80 830	80 830	6 366	38 776	39 625	(849)	-2%	77 553
Rental of facilities and equipment		2 247	2 378	1 747	124	781	1 945	(1 164)	-60%	1 561
Interest earned - external investments		8 409	9 368	9 368	544	3 080	5 518	(2 437)	-44%	6 160
Interest earned - outstanding debtors		148 640	150 071	163 064	17 440	99 659	155 268	(55 609)	-36%	199 318
Dividends received										
Fines, penalties and forfeits		24 270	31 660	22 878	252	1 679	13 767	(12 088)	-88%	3 358
Licences and permits		9 167	-	-	0	0	-		#DIV/0!	1
Agency services										
Transfers and subsidies		227 033	278 743	278 743	32 439	132 121	188 635	(56 514)	-30%	264 241
Other revenue		4 274	29 051	29 051	4 007	5 023	14 580	(9 557)	-66%	10 047
Gains on disposal of PPE		(17)	-	-	-	-	-			-
Total Revenue (excluding capital transfers and contributions)		1 644 625	1 818 169	1 812 755	156 794	909 499	1 125 154	(215 655)	-19%	1 818 999
Expenditure By Type										
Employee related costs		316 032	367 438	367 438	30 742	168 406	183 719	(15 313)	-8%	336 813
Remuneration of councillors		22 855	27 731	27 731	1 905	11 255	13 943	(2 688)	-19%	22 509
Debt impairment		538 417	460 921	460 921	-	8 002	285 137	(277 135)	-97%	16 004
Depreciation & asset impairment		166 483	106 226	106 226	53 113	-	53 325	(53 325)	-100%	-
Finance charges		52 667	50 602	56 874	3 977	17 549	31 109	(13 560)	-44%	35 098
Bulk purchases		537 666	286 273	324 205	19 592	250 812	115 058	135 754	118%	501 623
Other materials		924	199 553	184 443	14 801	95 848	94 668	1 180	1%	191 697
Contracted services		60 694	100 032	92 988	7 137	20 383	35 236	(14 853)	-42%	40 766
Transfers and subsidies		301	2 860	1 180	-	1 075	764	312	41%	2 150
Other expenditure		61 796	96 450	96 471	11 617	37 778	46 332	(8 554)	-18%	75 556
Loss on disposal of PPE		-	73 360	73 360	5 574	28 563	55 020	(26 457)	-48%	57 125
Total Expenditure		1 757 836	1 771 447	1 791 836	148 458	639 671	914 310	(274 639)	-30%	1 279 341
Surplus/(Deficit)		(113 211)	46 722	20 919	8 336	269 829	210 845	58 984	0	539 658
Transfers and subsidies - Capital (monetary allocations) (National / Provincial and District)		155 920	156 065	172 146	15 176	27 704	84 777	(57 073)	(0)	55 408
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)										
Transfers and subsidies - capital (in-kind - all)										
Surplus/(Deficit) after capital transfers & contributions		42 708	202 788	193 065	23 512	297 533	295 622			595 066
Taxation										
Surplus/(Deficit) after taxation		42 708	202 788	193 065	23 512	297 533	295 622			595 066
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		42 708	202 788	193 065	23 512	297 533	295 622			595 066
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		42 708	202 788	193 065	23 512	297 533	295 622			595 066

Council billed revenue is **50.18%** of total budget amounted to **R1 812 755** Billion for the six months under review. This is a result of various votes that had over and under performed for the six months under review as discussed below.

The expenditure for the period under review is **35.70%** of the total budget amounted to **R1 791 836 billion**, this is less than anticipated as discussed separately hereunder.

Merafong is experiencing serious financial difficulties as it is not in a position to pay creditors within the specified 30 days period. Due to the following reasons:

- Low payment levels in Township areas.
- Tampering of meters.
- Illegal connections and informal settlements not billed
- Liquidation of Blyvooruitzicht mine.
- Outcome of the Valuation Appeal board, mine properties and other.
- Covid-19 impact.

Detailed below are explanations per vote.

1) Revenue

Property Rates

Merafong billed **R276 981** Million at mid-year comparing to a budget of **R569 240**. This is **48.66%** of the total budget. Council implemented a new valuation roll with effect of **July 2019**.

Three main reasons for underperformed:

- Negative outcome of mine valuation resulted in a revenue loss of **R144** Million p. A since 2015
- Outstanding mine valuation appeals on Supplementary Valuation 6(SV6)
- Appeal board appointed in October 2019 but hearings have not resumed yet. Finalization of process will contribute to stabilized revenue base. Mines agreed to pay interim rates based on VAB process – agreed **R36 198 234p.a** from 1 July 2019, 50% to be held in trust.

A new valuation appeal board appointed in **October 2019**.

It was agreed that the new valuations will only be effective after the completion of the appeal process and is anticipated that the process will be completed by **June 2021**.

The following processes will continue in 2020/2021.

- Council is applying for a review of the outcome of the valuation Appeal Board for the 2012 valuation roll SV6.
- The new valuation appeal board must deal with supplementary roll 6 of the mines.
- The new valuation appeal board must deal with the appeals received on the 2019 valuation roll as well as the reviews on the outcomes of the objections not appealed more than 10% up or down.
- This will be split in two. They will first deal with the objections received from consumers excluding the mines. Then they will deal with the mines objections in terms of the 2019 valuation roll.

Anglo Gold Ashanti and Harmony mines had agreed to pay council an interim amount on the new valuation roll. It was agreed that **50%** will be paid into a trust account pending the outcome of the VAB process, and **50%** to the municipal accounts.

Sibanye Gold undertook to pay the Assessment rates on the residential properties. The following amounts was agreed on.

- Anglo Gold **R1 693 475 per month.**
- Harmony **R 956 232 per month.**

The valuation Appeal board sat on appeals received and reviews to be done for the period 23 to 25 November 2020, for the General Valuation Roll 2019 to 2024

There were a total number of 37 appeals received of which 15 was for a sectional title scheme.

The VAB ruled on 15 of the appeals and could not make a decision on 25 of the appeals, and therefore it was earmarked for review. The outcome of these 25 appeals will be on or before **25 January 2021**

- Total value for the 15 properties completed in the roll R 83 180 000.00
- Total value for the 15 properties VAB ruling R 71 546 000.00
- Difference in value **R 11 634 000.00 (Less)**

There were a total number of 84 reviews to be done by the VAB on Objection outcomes exceeding 10% up or down in value where no appeals was done. By closing of the sittings on **25 November 2020** there were 18 reviews on commercial properties not done due to time constraints. These 18 reviews will be heard on **02 February 2021**.

- Total value for the 66 reviews completed in the roll R 48 667 000.00
- Total value for the 66 reviews VAB ruling R 23 930 000.00
- Difference in value **R 24 737 000.00 (Less)**

Service Charges: Electricity

Merafong billed **R138 064** Million at mid-year comparing to a budget of **R230 115**. This is **57.74%** of the total budget.

The total billing for the first six months of the financial year 2019/20 was **R142, 019** Million and in the financial year 2018/19 was **R131 101** Million.

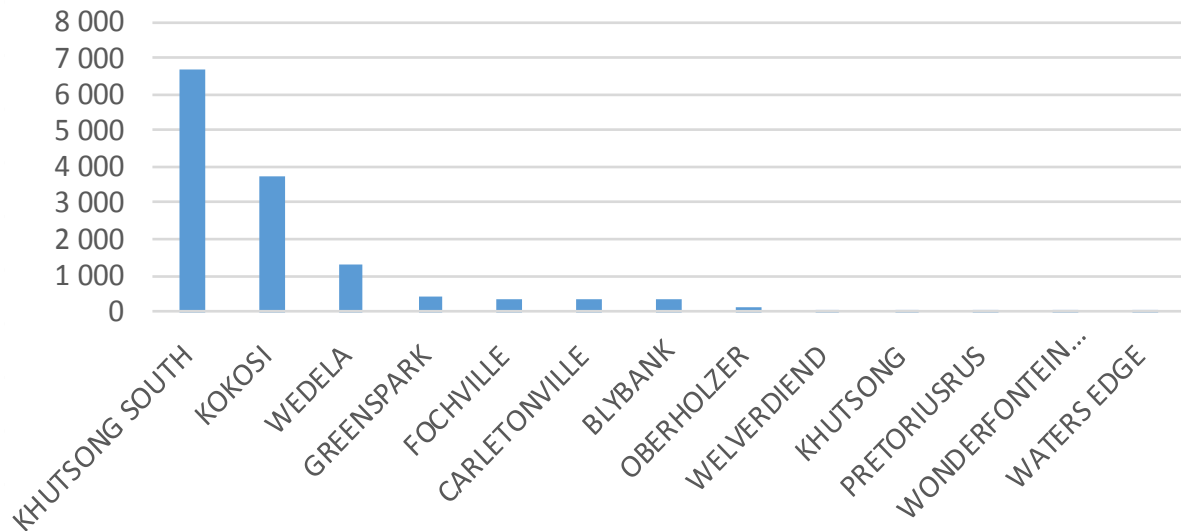
	2019/2020	2020/2021	Increase / (Decrease)	Percentage
Electricity Purchased (Units)	124,830,613	152 840 905	28 010 292	18.32%
Electricity Sold (Units)	67,000,304	65 580 085	1 420 219	2.17%

Council purchased **18.32%** more electricity for the six months under review and sold **2.17%** less units.

This is as a result of by-passed pre-paid meters that are currently in excess of **16507** meters comparing to **13 488** in December 2019.

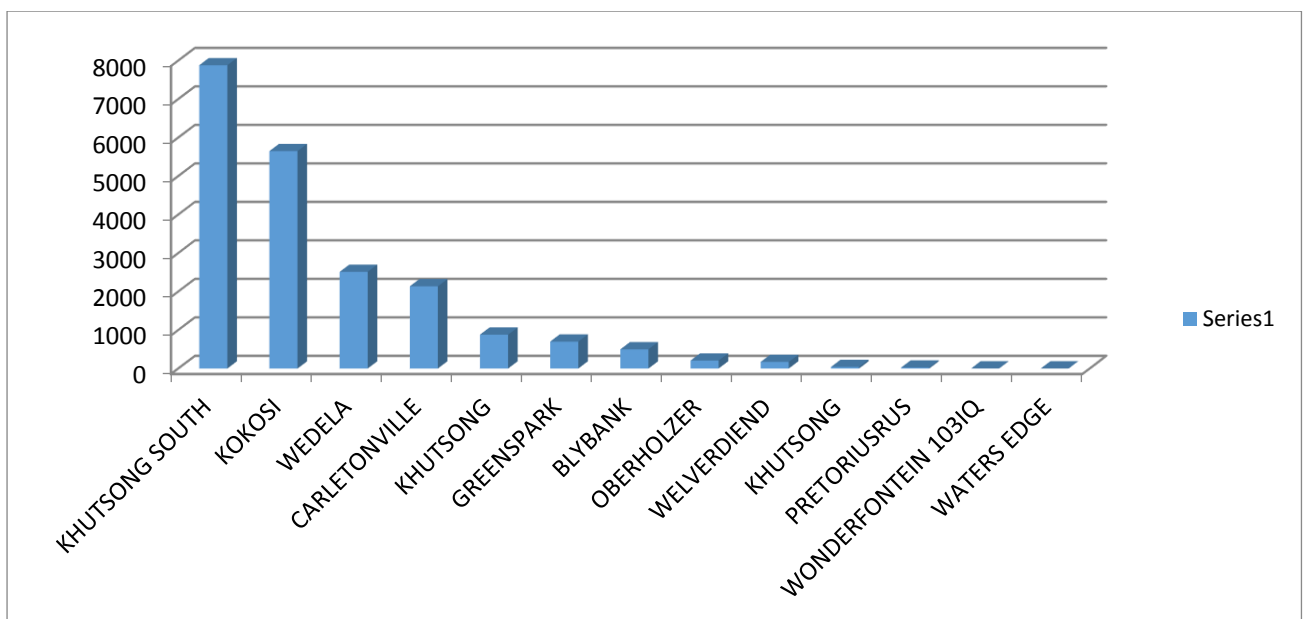
The graph below indicates the total pre-paid meters tampered.

Non purchases : Prepaid Meters



The following number of low consumers have also been identified, that is consumers less than 100KWH per month.

Electricity purchases less than 100 KWH per month.



The total loss per month can be estimated to approximately **R8 984** Million based on the cost of **600** units in town and **350** units at the formal and informal areas or **R107 808** million for the financial year.

The average losses for the six months are **48.26%** as at December 2020 comparing to **38.73%** for the period ending December 2019.

See table below.

ELECTRICITY LOSSESS JULY 2020 TO JUNE 2021					
	100				
	UNITS	UNITS	%	%	Technical
	SOLD	PURCHASED	SOLD	LOSS	LOSS-6%
Jul-20	8 945 463	30 040 443	29.78	70.22	64.22
Aug-20	11 445 954	28 160 152	40.65	59.35	53.35
Sep-20	14 155 806	21 762 689	65.05	34.95	28.95
Oct-20	9 252 978	20 810 698	44.46	55.54	49.54
Nov-20	11 765 844.00	19 498 605.00	60.34	39.66	33.66
Dec-20	8 333 910.00	19 417 530	42.92	57.08	51.08
AVERAGE	63 899 955.63	139 690 117.47	45.74	54.26	48.26

ELECTRICITY LOSSESS JULY 2019 TO JUNE 2020					
	100				
	UNITS	UNITS	%	%	Technical
	SOLD	PURCHASED	SOLD	LOSS	LOSS-6%
Jul-19	12 218 291	27 866 727	43.85	56.15	50.15
Aug-19	12 648 753	23 316 599	54.25	45.75	39.75
Sep-19	10 927 330	19 294 933	56.63	43.37	37.37
Oct-19	10 965 649	19 629 353	55.86	44.14	38.14
Nov-19	9 367 509.10	16 546 656.72	56.61	43.39	37.39
Dec-19	12 590 633.90	17 678 932	71.22	28.78	22.78
AVERAGE	68 718 166.41	124 333 200.22	55.27	44.73	38.73

As can be seen the units sold decreased, the units purchase increased for the past two years and the losses increased.

The loss on the electrical consumption can also be attributed due to the following:

- Overloading of bulk capacity.
- Overloading of network capacity.
- Vandalism of breakers in main sub-stations resulting in blown fuses
- Cable theft – no ring feeds
- Illegal buildings and back rooms – exceeds design capacity
- Overloading of transformers
- Insufficient preventative maintenance

31 Service Charges: Water

Council billed **R180 006** Million for the six months under review comparing to a budget of **R361 231** Million. It is 49.84% of the total budget.

The average losses for the six months are **32.09%** as at December 2020 comparing to **28.02%** for the period ending December 2019. See tables below.

WATER LOSSES 2020/21

	UNITS SOLD	UNITS PURCHASED	% SOLD	% INCLUDED Unmetered Areas Informal Settlement 6KL
Jul-20	688 861,00	1 268 717,00	54,30	45,70
Aug-20	865 275,10	1 112 982,00	77,74	22,26
Sep-20	791 357,80	1 177 559,00	67,20	32,80
Oct-20	859 882,40	1 194 484,00	71,99	28,01
Nov-20	907 785,80	1 167 664,00	77,74	22,26
Dec-20	818 384,60	1 340 782,00	61,04	38,96
AVERAGE	4 931 546,70	7 262 188,00	67,91	32,09

WATER LOSSES 2019/20

	UNITS SOLD	UNITS PURCHASED	% SOLD	% INCLUDED Unmetered Areas Informal Settlement 6KL
Jul-19	779 667,00	1 235 245,00	63,12	36,88
Aug-19	874 527,00	1 330 728,00	65,72	34,28
Sep-19	833 530,00	1 104 610,00	75,46	24,54
Oct-19	810 825,00	1 174 073,00	69,06	30,94
Nov-19	884 197,00	1 090 537,00	81,08	18,92
Dec-19	873 740,00	1 089 396,00	80,20	19,80
AVERAGE	10 112 972,00	14 049 178,00	71,98	28,02

During the two financial years the unmetered consumption in the informal areas were taken into account with the calculation for unaccounted for water losses.

The reason for the **32.09%** water loss is due to the following reasons:

- Impact of sinkholes.
- Aged Infrastructure maintenance Backlogs.
- Illegal Connections
- Broken meters
- Vandalism due to Zama-Zama activities.
- Blyvooruitzicht mine liquidation.

The implementation of the water turn-around strategy is to address historic maintenance challenges, namely

- Overflowing Reservoirs
- Working pressure in residential areas.
- Address small water leakages.
- Replace Bulk water meters.
- Replace internal water meters.
- Normal Maintenance

Service Charges: Sewerage Charges

Council billed **R33 329** Million for the six months under review comparing to a budget of **R66 488** Million. It is **50.13%** of total budget.

Service Charges: Refuse removal

Council billed **R38 776** Million for the six months under review comparing to a budget of **R80 830** Million. It is **47.98%** of total budget.

Rental of Facilities and Equipment

The actual received on Rental of Facilities and Equipment for the period ended 31 December 2020 is **R780 664** against the total budget of **R1 748**. This is **44.63%** of the total budget.

Interest Earned: External Investments

The actual received on Interest Earned: External Investment (Call Account) for the period ended 31 December 2020 is **R3 080** Million against the total budget of **R9 368** Million. It is **32.88%** of the total budget.

Interest Earned: Outstanding Debtors

The low collection rate and the increase of outstanding debtors have resulted in an increased levying on interest on arrear accounts. The amount levied on interest is **R99 659** Million against the budget of **R163 064** Million. It is **61.12%** of the total budget.

Fines

The actual received on Fines, (Traffic and Library) for the period ended 31 December 2020 is **R1 679** Million against the total budget of **R22 878** Million. It is **5.31%** of the total budget. The collection on traffic fines has decreased for the six months under review.

The web based collections through the service provider was not taken into account for the past six months. The reason for that is we could not pay the service provider and the income was used as an offset amount to settle the creditor. This resulted in that this is not a true reflection of fines collected.

Transfers recognized - operational (Government Grants and Subsidies)

National Treasury finalized the roll-over applications of the unspent conditional grants for 2019/2020 financial year. They have not approved the rollovers of the following grants:

- MIG R33 550 821
- WSIG R56 641 752
- INEP R 4 471 639
R94 664 212

Council had to forfeit **R94 664 212** Million. Projects had to be re-aligned to offset the funds lost and certain projects planned had to be postponed to future years.

Merafong received only **R32 439** Million during December instead of **R64 4** Million, because of rollovers not approved.

Total Income

The revenue for the six months under review was **R909 499** Million compare to a budget of **R1 812 755** Billion. This is **50.18%** of the total budget.

2) **OPERATING EXPENDITURE**

Operating Expenditure

Salaries

The total expenditure for salaries is **R168 406** Million for the six months under review comparing to a budget of **R367 438** Million which is **45.84%** of the total budget.

During the first six months under review council had lost **31** employees.

The positions of municipal manager and chief financial officer have been advertised several times without success. Furthermore, Merafong is in the process of identifying urgent positions that need to be advertised during this financial year.

Merafong's organizational structure consists of 1472 posts, of which 746 are filled and 726 are vacant.

Councilor's Remuneration

The expenditure on Councillors remuneration is **R11 255** Million for the six months under review comparing to a budget of **R27 731** Million which is **40.59%** of the total budget.

The savings are due to the non-approval of the upper limits of the remuneration of Councilor's. The budget will be adjusted accordingly.

The reason for the underperformance is no increase was implemented and two Councilors passed away and two Councilors resigned during the six months period ended 31 December 2020.

Bulk Purchases: Electricity

Council spent **R138 063** Million for the first six months under review comparing to a budget of **R324 205** Million which is **42.59%** of the total budget.

Council purchased **18.32%** more electricity for the six months under review and sold **2.17%** less units.

This is as a result of the following:

- Tampering of meters.
 - By Passed pre-paid meters**
 - December 2018 – 10 800
 - December 2019 - 13 488
 - December 2020 - 16 507
- Illegal connections and informal settlements not billed.
- Overloading of bulk capacity.
- Overloading of network capacity.
- Vandalism of breakers in main sub-stations resulting in blown fuses
- Cable theft – no ring feeds
- Illegal buildings and back rooms – exceeds design capacity
- Overloading of transformers
- Insufficient preventative maintenance

By-passed pre-paid meters had increased by **18.29%**. The average meters by-passed stands at **55.18%** of meters installed.

It's a known fact that if a consumer does not pay for a service they tend to abuse it and assuming that an average consumption per household is 600 units of electricity the loss to council is R918 per month per household.

The total loss per month can be estimated to approximately **R8 984** Million based on the cost of **600** units in town and **350** units at the formal and informal areas or **R107 808** million for the financial year.

Stakeholder engagement meetings were held with in all areas regarding the implementation of credit control and the addressing of non - purchasing prepaid electricity meters. Various concerns were raised by stakeholders which are mostly service delivery related. A program was developed to commence with ward based implementation of non-purchasing meters and ward maps depicting the data on purchases were developed to implement the program strategically. The program was planned to commence but it was disrupted by community protest and the unprotected strike of municipal officials.

A decision was taken to implement load shedding in the low payment areas to reduce the bulk account.

The average losses for the six months are **48.26%** as at December 2020 comparing to **38.73%** for the period ending December 2019.

Bulk Purchases: Water

Council spent **R95 848** Million for the first six months under review comparing to a budget of **R184 443** Million which is **46.84%** of the total budget.

Water losses increased from **28.02%** in December 2019 which includes the unmetered consumption in the informal areas to **32.09%** in December 2020.

The water losses for the period ended 31 December 2020 amounted to **R28 562 Million**, the main reason for the water losses is as follows:

- Impact of sinkholes.
- Aged Infrastructure maintenance Backlogs.
- Illegal Connections
- Broken meters
- Vandalism due to Zama-Zama activities.
- Blyvooruitzicht mine liquidation.

Contracted Services

Council spent **R20 383 Million** for the six months under review comparing to a budget of **R92 987 Million** which is **21.92%** of the total budget.

Council had to close off the month on the 31 December and it's possible that various invoices from service providers had not been received or captured. This must be taken into consideration when the adjustment budget is done.

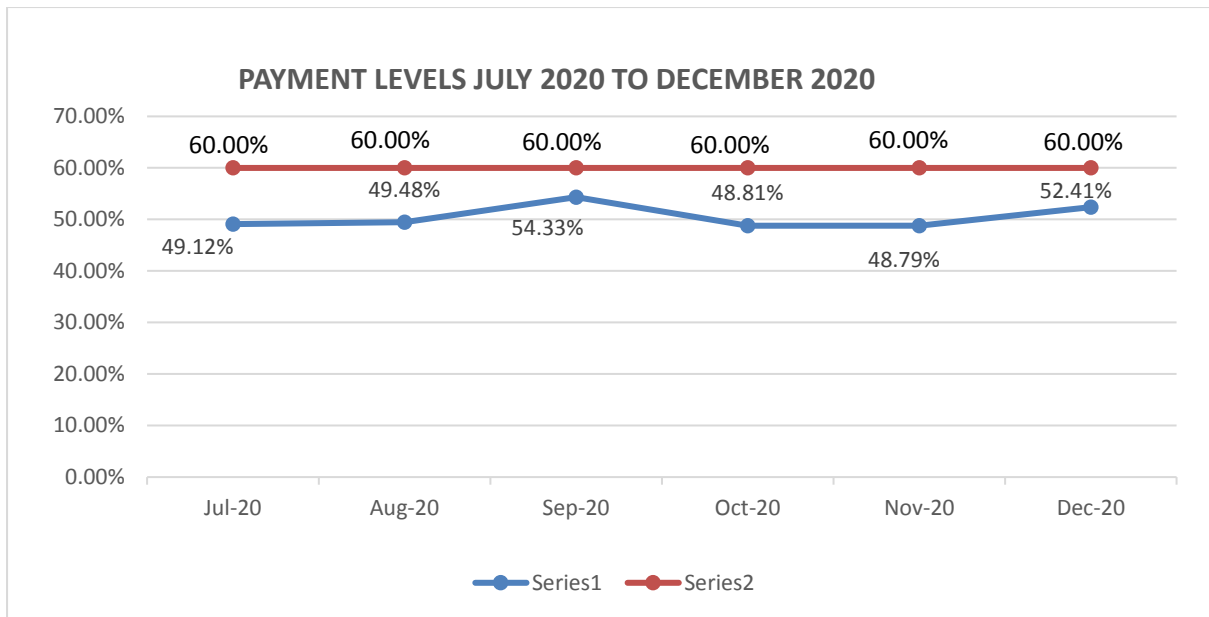
Finance Charges

A serious concern is that presently interest is being paid on the Eskom and Rand Water overdue accounts as well as other creditors. They both levy interest on arrear accounts. This expenditure is deemed fruitless and wasteful and the value of the interest paid on arrear accounts for the six months under review is **R17 549 Million** comparing to a budget of **R56 874 Million**. This is **34.68%** of total budget.

Transfer to Reserves (Provision for Bad Debt)

Council's average payment levels for the past six months were **50.49%** in comparison of **61.35%** of the previous year. Council budgeted for a payment level of 60% for the financial year 2020/2021

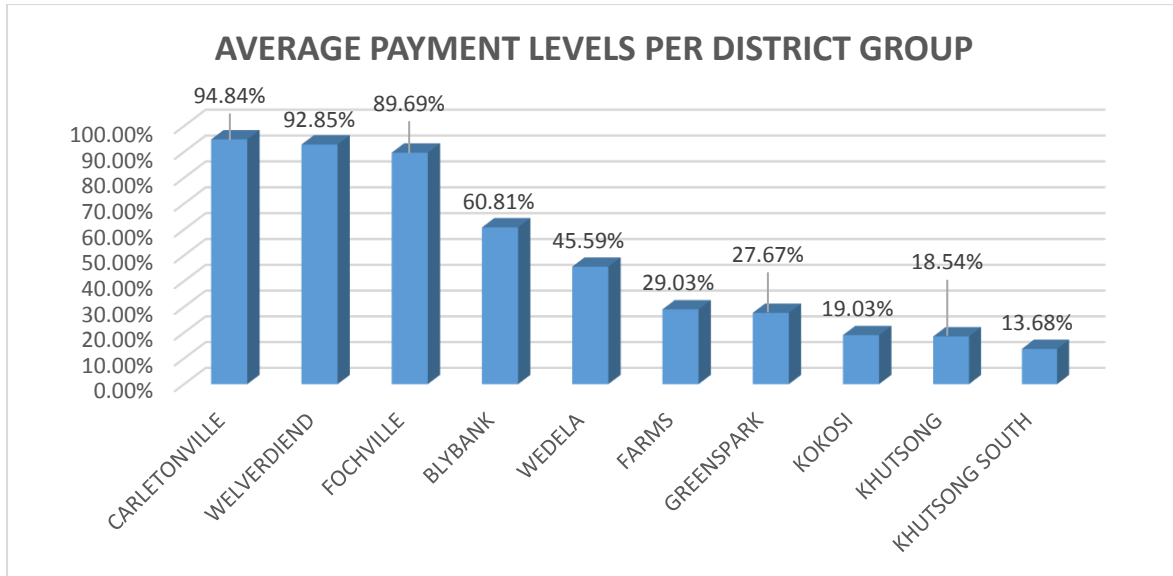
Table below indicates that the payment levels are below the 60% budget figure



PAYMENT LEVELS 01 JULY 2020 TO 31 DECEMBER 2020						
District group	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
CARLETONVILLE	94.39%	94.81%	115.08%	82.25%	84.84%	97.71%
FOCHVILLE	76.36%	86.87%	99.11%	82.16%	91.10%	102.53%
KHUTSONG	12.89%	7.28%	13.38%	9.84%	10.66%	57.20%
GREENSPARK	48.23%	17.32%	20.45%	46.74%	12.99%	20.26%
KOKOSI	38.64%	14.25%	14.07%	18.00%	12.37%	16.82%
KHUTSONG SOUTH	26.75%	8.14%	7.65%	16.73%	10.07%	12.76%
WEDELA	70.67%	36.58%	39.29%	31.55%	36.44%	58.98%
BLYBANK	97.68%	37.36%	43.36%	56.81%	46.55%	83.15%
WELVERDIEND	94.90%	90.36%	99.77%	75.44%	80.39%	116.23%
FARMS	23.07%	32.31%	26.49%	35.68%	32.68%	23.98%
Total	48.17%	49.48%	54.33%	48.81%	48.79%	52.41%

The disturbing culture of non-payment for municipal services prevailing in the municipal township areas is a significant cause for greater concern. This culture is spread to newly developed townships and this placed the financial wellbeing, viability and sustainability of the municipality at a huge risk.

The table below gives an indication of the problem areas with regard to credit control.



Other Expenditure

Council had spent **R37 778** Million of a budget of **R96 471** Million for the six months under review. This is **39.16%** of the total budget.

Council had to close off the month on the 31 December and it's possible that various invoices from service providers had not been received. This must be taken into consideration when the adjustment budget is done.

Cost containment measures were implemented, the focus was mainly on attendance and conference, entertainment, travel and conferences, outsources grass cutting services.

Total Expenditure

The total expenditure for the six months under review was **R639 671** Million comparing to a budget of **R1 791 836** Billion. This is **35.70%** of the total budget.

3 Capital Expenditure

GT484 MERAFFONG CITY - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06
December

Vote Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									

Single Year expenditure appropriation	2									
Municipal Manager		-	-	-	-	-	-	-	-	-
Finance		233	2 460	-	-	258	2 460	(2 202)	-89%	2 460
Economic Development and Planning		-	-	-	-	-	-	-	-	-
Infrastructure Development		5 669	169 222	16 081	3 629	5 852	169 222	(163 370)	-97%	185 303
Electricity		-	-	-	-	-	-	-	-	-
Community Services		-	4 924	2 000	-	1 903	4 924	(3 021)	-61%	6 924
Chief Operating Officer		-	-	-	-	-	-	-	-	-
Shared Services		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	5 902	176 606	18 081	3 629	8 013	176 606	(168 593)	-95%	194 687
Total Capital Expenditure		5 902	176 606	18 081	3 629	8 013	176 606	(168 593)	-95%	194 687
Capital Expenditure - Functional Classification										
Governance and administration		113 414	2 460	-	22 920	39 320	1 235	38 085	3084%	2 460
Executive and council		233	2 460	-	-	258	1 235	(976)	-79%	2 460
Finance and administration		113 181	-	-	22 920	39 061	-	39 061	#DIV/0!	-
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	2 000	2 000	-	1 903	2 000	(97)	-5%	4 000
Community and social services		-	2 000	2 000	-	1 903	2 000	(97)	-5%	4 000
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		275	37 464	-	109	273	20 263	(19 990)	-99%	37 464
Planning and development		-	2 924	-	-	-	2 924	(2 924)	-100%	2 924
Road transport		275	34 540	-	109	273	17 339	(17 066)	-98%	34 540
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		5 394	134 682	16 081	3 520	5 580	68 211	(62 631)	-92%	150 763
Energy sources		-	29 584	-	-	-	14 851	(14 851)	-100%	29 584
Water management		5 394	105 098	16 081	3 520	5 580	53 360	(47 780)	-90%	121 179
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	119 083	176 606	18 081	26 549	47 075	91 709	(44 634)	-49%	194 687
Funded by:										
National Government		49 719	172 146	16 081	18 030	28 725	88 474	(59 749)	-68%	188 227
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		49 719	172 146	16 081	18 030	28 725	88 474	(59 749)	-68%	188 227
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		262	2 000	2 000	-	2 161	2 000	161	8%	4 000
Total Capital Funding		49 980	174 146	18 081	18 030	30 886	90 474	(59 588)	-66%	192 227

CAPITAL BUDGET VERSUS SPENDING UP TO 31 DECEMBER 2020				
	DESCRIPTION	FUNDING	TOTAL ADJUSTMENT BUDGET	EXPENDITUE 31 DECEMBER 2020
ROADS AND STORMWATER				
P/722(4)	Khutsong Roads and Stormwater Phase 4	MIG	6 970 000	0
P/722(5)	Khutsong Roads and Stormwater Phase 5	MIG	1 530 000	0
P/723(4)	Kokosi Roads and Stormwater Phase 4	MIG	4 500 000	2 488 585
P/723(5)	Kokosi Roads and Stormwater Phase 5	MIG	7 500 000	275 757
P/724(4)	Wedela Ext.3 Roads and Stormwater Phase 4	MIG	3 400 000	2 995 027
P/724(5)	Wedela Ext.3 Roads and Stormwater Phase 5	MIG	7 100 000	206 456
P/745	Upgrade of Access road to Carletonville landfill Site	MIG	3 539 938	313 482
TOTAL	ROADS AND STORMWATER		34 539 938	6 279 308
ELECTRICITY (5231)				
P/719	Fochville/Kokosi Bulk Electrical Supply	INEP	26 773 000	9 900 341
P704(3)	Street Lights Merafong Phase 2	MIG	2 811 362	0
TOTAL	ELECTRICITY		29 584 362	9 900 341
WATER AND SANITATION (5211/3221)				
P/729	Replacement of Khutsong Reservoir	WSIG	16 750 000	5 243 490
P/742	Refurbishment of Wedela WWTW	WSIG	15 000 000	1 363 607
P/731(2)	Sludge Drying Beds- Kokosi and Khutsong WWTW	MIG	4 500 000	2 432 638
P/732	Khutsong North Water&Sewer Reticulation (Stage 1)	MIG	6 000 000	2 092 401
P/732(1)	Khutsong North Water&Sewer Reticulation (Stage 2)	MIG	10 067 000	0
P/732(2)	Khutsong North Water&Sewer Reticulation (Stage 3)	MIG	1 700 000	0
TOTAL	WATER AND SANITATION		54 017 000	11 132 137
MINING TOWNS ALLOCATION				
P/744	Khutsong Bulk Water Supply (61/2020)	HSG	23 278 974	9 632 265
P741	Fochville Reservoir (61/2020)	HSG	7 801 815	6 309 606
P/746	KOKOSI EXT.7 Outfall Sewer	HSG	20 000 000	3 932 424
TOTAL	MINING TOWN ALLOCATION		51 080 789	19 874 295
LED				
P518	Informal Trading Area Phase 2	MIG	2 924 000	1 963 091
TOTAL	LED		2 924 000	1 963 091
FURNITURE AND EQUIPMENT				
1106 8903	FURNITURE AND EQUIPMENT	INCOME	1 460 000	0
	NEW CONNECTIONS WATER/ELECTRICITY	INCOME	1 000 000	0
	LIBRARY	LIBRARY	2 000 000	
TOTAL	OWN REVENUE		2 460 000	0
	TOTAL CAPITAL BUDGET		174 606 089	49 149 172

The total capital expenditure for the six months under review was **R49 149** Million comparing to the total budget of **R174 606** Million. This is 28.15% of the total budget.

Factors contributing to the capital under spending were:

- Appointment of Consultants for new projects was delayed by the MM for approximately 1 month in order to have an opportunity to discuss and obtain inputs from the new incoming ED: Infrastructure Development;
- Several projects were subjected to community disruptions, in some instances repetitively so, which negatively impacted on progress and associated rate of expenditure;
- Some contractors experienced cash flow constraints which slowed down the rate of progress and the commensurate rate of expenditure;
- PMU personnel capacity constraints resulted therein that consultants' requests for approval of designs and addressing enquiries were in some instances delayed which caused delays in consultants from being able to move onto the next stage of the planning and design process;
- Tender closing dates for new projects had to take into account the closing of the construction industry over the December/January festive break which contributed to a delay of ± 1 month.
- Impact of Covid -19.

In order to avoid and overcome the delays in the commencement of actual construction associated with the compulsory preceding planning and design processes of the respective projects, it is suggested that consideration be given to the early identification of projects to be implemented for the following financial year. Consultants can then be appointed by February/March so that the planning, design and procurement processes can be concluded by June, allowing for and enabling contractors to already start with construction early in the following financial year thus assisting in expediting and improving the rate of expenditure.

To address any possible delays in the recruitment of labour or project disruptions arising from contestations of labour recruited, the principles of the EPWP Recruitment Guidelines should be applied to plan for the recruitment process in consultation with local community leaders to ensure coordination. The target community should be mobilized to set up committees that will serve as the entry point for community participation and representation in the various phases of the project implementation cycle.

4 DEBTORS

Year End	Month End	Mun	Item	Detail	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
2021	M06	GT484	1100	Debtors Age Analysis By Income Source									
			1200	Trade and Other Receivables from Exchange Transactions - Water	29 669 673	23 507 658	17 529 155	15 117 375	15 018 332	16 756 086	96 203 931	566 319 902	780 122 112
			1300	Trade and Other Receivables from Exchange Transactions - Electricity	17 316 179	9 998 217	4 869 500	6 689 078	3 161 392	2 729 361	13 964 042	55 382 524	114 110 293
			1400	Receivables from Non-exchange Transactions - Property Rates	44 470 858	39 883 442	34 935 168	33 746 263	33 612 947	33 232 630	212 481 464	399 053 493	831 416 285
			1500	Receivables from Exchange Transactions - Waste Water Management	5 965 925	5 031 103	4 704 070	4 083 805	4 002 140	3 848 893	23 453 581	121 175 903	172 265 420
			1600	Receivables from Exchange Transactions - Waste Management	6 787 302	6 050 177	5 211 326	4 874 245	4 785 078	4 499 733	27 001 037	174 867 668	234 076 586
			1700	Receivables from Exchange Transactions - Property Rental Debtors	97 227	82 694	36 760	20 314	18 329	18 627	99 840	606 974	980 765
			1810	Interest on Arrear Debtor Accounts	17 578 822	17 739 719	16 777 258	16 631 493	16 191 382	15 144 079	92 937 571	448 116 986	641 117 310
			1820	Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	0	0	0	0	0	0	0	0	0
			1900	Other	9 250 426	7 378 733	5 308 509	5 049 471	4 249 136	7 333 338	155 022 686	148 005 643	341 597 942
			2000	Total By Income Source	131 136 412	109 671 743	89 371 746	86 212 044	81 038 736	83 562 747	621 164 152	1 913 529 093	3 115 686 673
			2100	Debtors Age Analysis By Customer Group									
			2200	Organs of State	2 973 653	1 590 533	3 993 111	1 320 590	1 237 818	975 959	5 609 917	16 233 079	33 934 660
			2300	Commercial	76 113 848	59 716 345	46 439 355	48 032 586	43 773 097	47 238 417	268 515 643	933 019 893	1 522 849 184
			2400	Households	49 354 480	46 977 517	37 558 445	35 718 785	35 188 677	34 529 531	217 168 774	952 048 315	1 408 544 524
			2500	Other	2 694 431	1 387 348	1 380 835	1 140 083	839 144	818 840	129 869 818	12 227 806	150 358 305
			2600	Total By Customer Group	131 136 412	109 671 743	89 371 746	86 212 044	81 038 736	83 562 747	621 164 152	1 913 529 093	3 115 686 673

Debtor balances as at mid-year were **R3 115 686 673** Million at mid-year. This is an increase of **R431 659 882** Million for the six months under review

The disturbing culture of non-payment for municipal services prevailing in the municipal township areas is a significant cause for greater concern. This culture is spread to newly developed townships and this placed the financial wellbeing, viability and sustainability of the municipality at a huge risk. The average payment levels for these areas range from 19.19% in Khutsong South to 28.64% in Greenspark.

Stakeholder engagement meetings were held with in all areas regarding the implementation of credit control and the addressing of non - purchasing prepaid electricity meters. Various concerns were raised by stakeholders which are mostly service delivery related. A program was developed to commence with ward based implementation of non-purchasing meters and ward maps depicting the data on purchases were developed to implement the program strategically. The program was disrupted by community protest and the unprotected strike of municipal officials.

The credit control program in Greenspark was also disrupted by the community and had to be abandoned due to security and safety concerns. The same situation was experienced in all township areas. The credit control service provider is still not in a position to execute their functions in township areas due to intimidation.

- Disconnection in township areas not successful due to intimidation by communities.
- Ward based consultation process finalised in August 2019
- Despite intensive consultation, Council employees and credit control service provider were prohibited to execute their duties.
- Law enforcement agencies had to escort personnel to safety

- Panel of debt collectors mandated to enforce the full scope of debt collection, including attachment of property
- Targeted internal debt collection done on high owing accounts

Council had commenced with load shedding in these low paying areas.

The debt collectors and credit control programmes were impacted upon by the COVID-19 national lockdown - activities commenced in June 2020.

The average payment level for the six months under review was **50.49%** against a budget of **60%**

CREDIT CONTROL: PAYMENT LEVELS - 2020'21						
MONTH	LEVIED	PAYMENT	PERCENTAGE	BUDGET	UNDER COLLECTED/LOSS ON BUDGETED COLLECTION RATE	% UNDER COLLECTED/LOSS
Jul-20	139 222 531	68 385 656	49.12%	60%	15 147 863	10.88%
Aug-20	133 845 827	66 230 658	49.48%	60%	14 076 838	10.52%
Sep-20	140 808 437	76 497 779	54.33%	60%	22 068 127	15.67%
Quarter 1	413 876 795	211 114 093	51.01%	60%	51 292 828	12.39%
Oct-20	144 078 870	70 329 271	48.81%	60%	30 525 938	21.19%
Nov-20	140 141 500	68 370 670	48.79%	60%	26 925 550	19.21%
Dec-20	140 048 637	73 405 341	52.41%	60%	21 827 732	15.59%
Quarter 2	424 269 007	212 105 282	49.99%	60%	79 279 220	18.69%
TOTAL	838 145 802	423 219 375	50.49%	60%	130 572 048	15.58%

5 CREDITORS

Year End	Month End	Mun	Item	Detail	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
2021	MO6	GT484	0100	Bulk Electricity	24 979 955	58 820 181	64 381 568	40 363 139	182 911 974	48 082 215	239 273 209	0	658 812 241
			0200	Bulk Water	23 858 983	26 519 264	24 430 509	23 999 912	18 840 388	4 929 792	0	0	122 578 848
			0300	PAYE deductions	0	0	0	0	0	0	0	0	0
			0400	VAT (output less input)	0	0	0	0	0	0	0	0	0
			0500	Pensions / Retirement deductions	0	0	0	0	0	0	0	0	0
			0600	Loan repayments	0	0	0	0	0	0	0	0	0
			0700	Trade Creditors	9 609 589	8 016 808	13 684 438	94 703	2 854 251	4 250 308	14 176 711	25 225 171	77 911 979
			0800	Auditor General	477 063	0	0	0	0	0	0	0	477 063
			0900	Other	0	0	0	0	0	0	0	0	0
			1000	Total	58 925 590	93 356 253	102 496 515	64 457 754	204 606 613	57 262 315	253 449 920	25 225 171	859 780 131

Creditors had increased by **R9 430 Million** to **R859 780 Million** at mid-year or **1.09%**.

The following creditors are included in the amount of	<u>R859 780 131</u>
Eskom Holdings –	R658 812 241
Rand Water -	<u>R122 578 848</u>
	R781 391 089

Eskom:

The municipality proposed a **54 months** payment arrangement on the ESKOM debt which included the current account plus an amount on arrears. The arrangement was rejected by Eskom which subsequently resulted in a “PAJA” notice been served on the municipality earlier this year. The municipality successfully interdicted the process to ensure that a credible payment arrangement could be entered into with Eskom. Eskom recently approached the municipality to develop a new arrangement to address the Eskom arrears account.

The municipality proposed a new **84 months** payment arrangement on the Eskom debt which included the current account plus amount in arrears, further suggestions was made by the municipality to Eskom, namely

- Write off 50% of the total interest that was levied, amounted to **R50 335 714.29**. Eskom stated that the PFMA does not allow Eskom to written off any interest or to waive any portion of the debt.
- To be charged at prime rate and not prime rate plus 2% as currently levied.
- To extend the period from 54 months to 84 months, the main reason for that was that Council could not afford the previous arrangement of 54 months.
- To look at debt more than 120 days to be written off. The Eskom amount more than 120 days and more amounted to **R353 287 950** in comparison with the municipalities **R2 293 621 343**.

A letter dated 21 September 2020 was received from Eskom stated that the arrangement that was proposed will not be accepted by Eskom and suggested a maximum period of **60 months**.

Merafong had proposed a 72 months payment plan to Eskom as from the September 2020 account payable end of October 2020. The plan included the current account plus an amount on the arrears. The plan was approved by Eskom.

Merafong paid Eskom according to the arrangement in full.

Rand Water

A meeting was held with Rand Water whereby a presentation on the financial position of the municipality was discussed in detail. With regard to the amount in arrears it is proposed that an arrangement be entered into over a period of 24 months to settle the arrears. Unfortunately Council could not keep to the 24 months arrangement and was forced to enter into a new arrangement over the period of 36 months as from December 2020.

The municipality’s cash flow situation has still necessitated that creditors can only be paid as cash becomes available. Payment of creditors is managed on a weekly basis and prioritization is on bulk payments and service delivery related expenditure.

6 CASH FLOW

GT484 MERAFFONG CITY - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2019/20	Budget Year 2020/21							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		509 752	967 707	967 707	44 601	276 981	967 707	(690 726)	-71%	967 707
Service charges		710 852	1 103 698	1 094 703	57 385	390 175	1 103 698	(713 523)	-65%	1 094 703
Other revenue		39 957	220 917	211 505	4 384	7 483	220 917	(213 434)	-97%	211 505
Government - operating		227 033	261 543	261 543	32 439	132 121	261 543	(129 422)	-49%	261 543
Government - capital		155 920	330 558	362 719	15 176	27 704	330 558	(302 853)	-92%	362 719
Interest		157 049	159 439	172 432	17 984	102 739	159 439	(56 700)	-36%	172 432
Dividends				-				-		
Payments										
Suppliers and employees		999 967	1 677 182	1 655 048	85 794	584 482	1 677 182	1 092 701	65%	1 655 048
Finance charges		52 667	50 602	50 603	3 977	17 549	50 602	33 054	65%	50 603
Transfers and Grants		301	2 860	1 180	-	1 075	2 860	1 785	62%	1 180
NET CASH FROM/(USED) OPERATING ACTIVITIES		747 626	1 313 217	1 363 779	82 199	334 097	1 313 217	979 119	75%	1 363 779
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		(17)	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments										
Payments										
Capital assets		119 074	158 525	18 081	26 549	47 075	158 525	111 451	70%	176 606
NET CASH FROM/(USED) INVESTING ACTIVITIES		119 057	158 525	18 081	26 549	47 075	158 525	111 451	70%	176 606
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits		2 464	2 200	-	66	3 723	2 200	1 523	69%	2 200
Payments										
Repayment of borrowing			5 455				5 455	5 455	100%	5 455
NET CASH FROM/(USED) FINANCING ACTIVITIES		2 464	7 655	-	66	3 723	7 655	3 933	51%	7 655
NET INCREASE/ (DECREASE) IN CASH HELD		869 147	1 479 397	1 381 859	108 814	384 895	1 479 397			1 548 040
Cash/cash equivalents at beginning:		37 648	-	-	1 795	1 795	-			-
Cash/cash equivalents at month/year end:		906 795	1 479 397	1 381 859	110 609	386 690	1 479 397			1 548 040

Council's cashflow remains within the projected cash flow for 2020/2021. Council has a positive cashflow balance of **R110 609** Million comparing to the projected cash flow of **R386 690** as at mid-year.

Covid -19

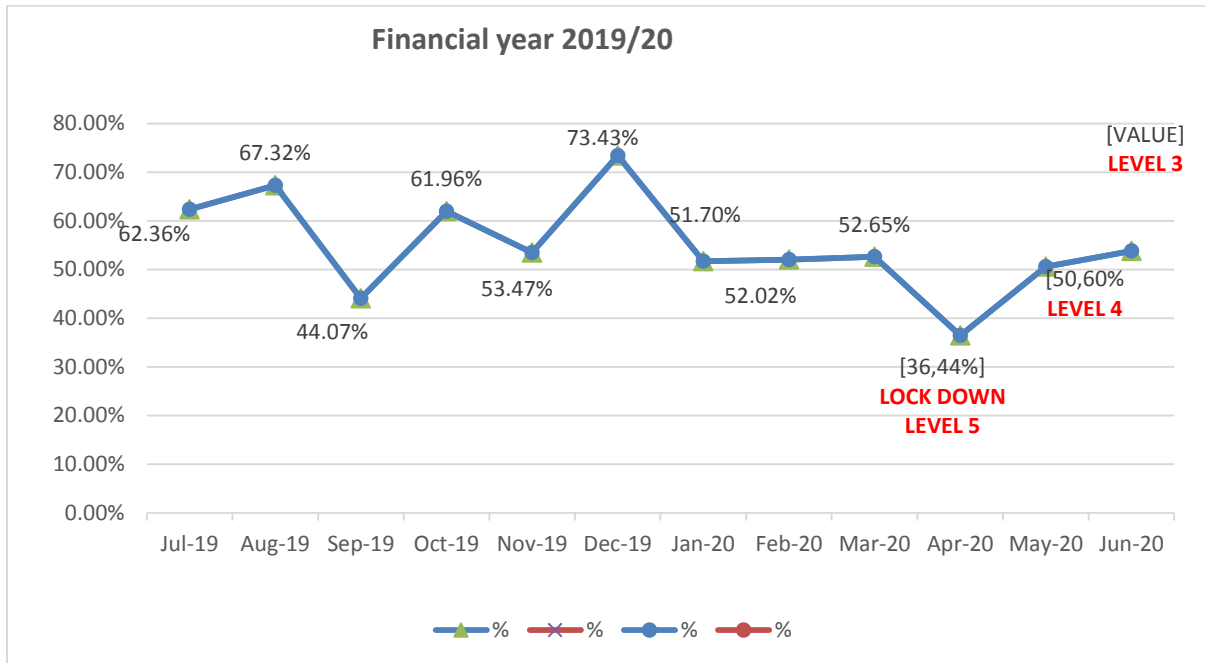
On 26 March 2020 the President declared a national state of disaster in South Africa.

Subsequently on 26 March 2020, the President announced a nationwide lockdown for the initial period of 21 days, which commenced on the 27 March 2020. The lockdown was further extended by two weeks, until 30 April 2020. Government had to act swiftly to minimize the economic impact of the pandemic, this implies a redirection of resources.

The COVID-19 pandemic is simultaneously a health crisis as well as an economic crisis. National Government has made available **R596 000.00** as a disaster grant for Merafong in the previous financial year 2019/20 to provide additional excess to basic services to our poor community.

The impact of Covid-19 was very clear, the community was very uncertain about the future and did not pay the services account. The payment level has dropped from **52.65%** end March 2020 to **36.44%** up to the end April 2020

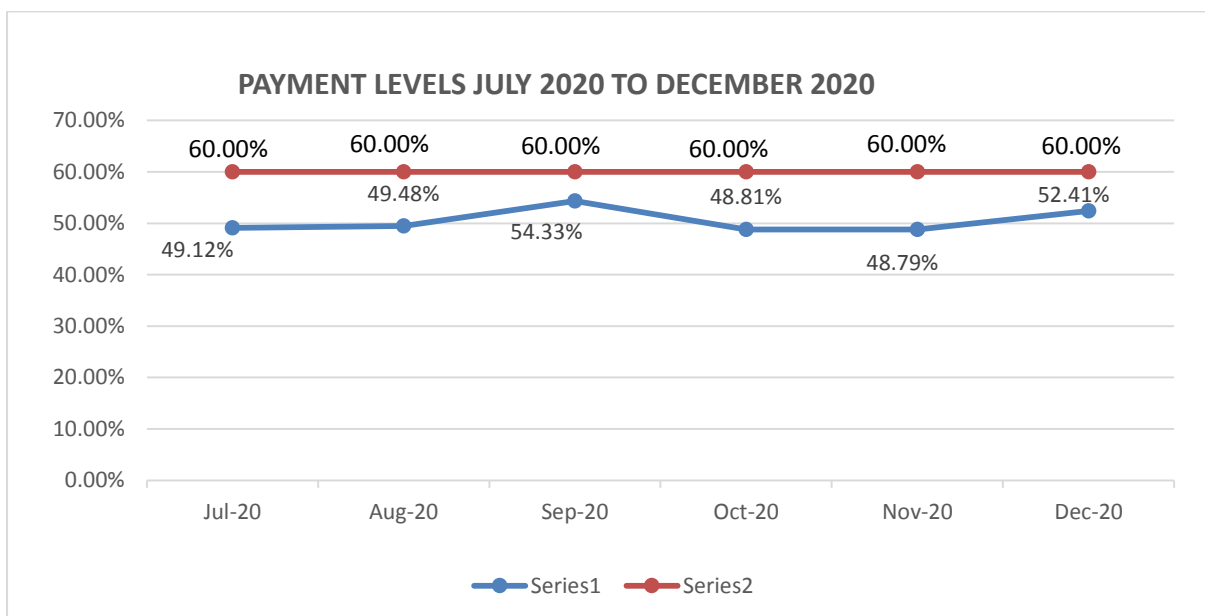
See graph below.



Even with the low payment rates; the municipality continue to provide all essential services, impacting on bulk services creditor's payments.

For the six months ended 31 December 2020 the payment levels never exceed the **60%** that's budget for.

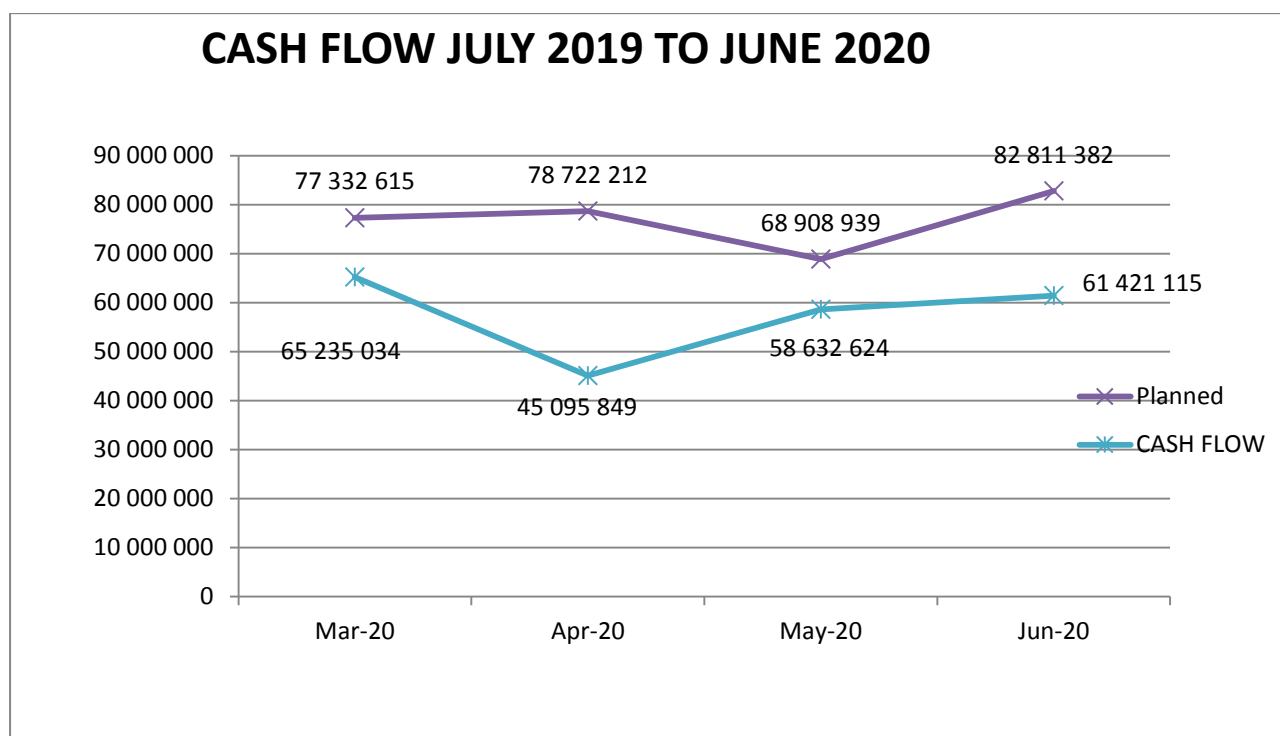
See graph below:



Covid impact on revenue for the period March 2020 to June 2020

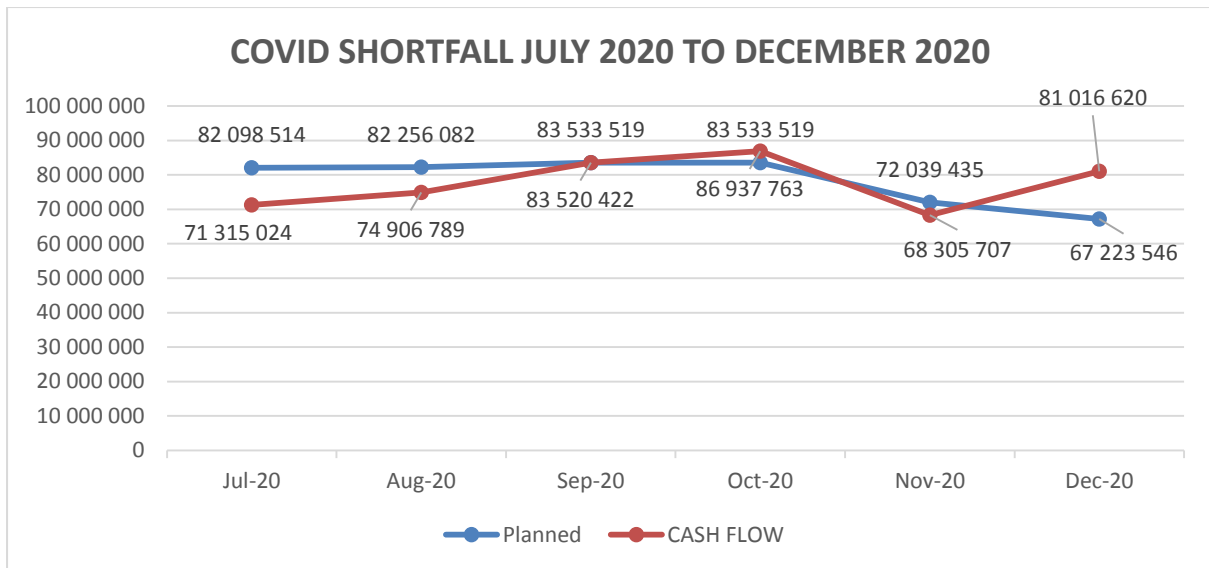
**MERAFONG CITY LOCAL MUNICIPALITY
COVID SHORTFALL**

MONTH	Planned	CASH FLOW	Differents
Mar-20	77 332 615	65 235 034	12 097 581
Apr-20	78 722 212	45 095 849	33 626 363
May-20	68 908 939	58 632 624	10 276 315
Jun-20	82 811 382	61 421 115	21 390 267
	307 775 148	230 384 622	77 390 526



**MERAFONG CITY LOCAL MUNICIPALITY
COVID SHORTFALL**

MONTH	Planned	CASH FLOW	Differents
Jul-20	82 098 514	71 315 024	10 783 490
Aug-20	82 256 082	74 906 789	7 349 293
Sep-20	83 533 519	83 520 422	13 097
Oct-20	83 533 519	86 937 763	-3 404 244
Nov-20	72 039 435	68 305 707	3 733 728
Dec-20	67 223 546	81 016 620	-13 793 074
	470 684 615	466 002 325	4 682 290



7 THE MUNICIPALITY’S SERVICE DELIVERY PERFORMANCE DURING THE FIRST HALF OF THE FINANCIAL YEAR (MID-YEAR REPORT ENDING DECEMBER 2020)

Section 72 of the MFMA (Act of 56 of 2003) requires municipalities to prepare for each financial year and mid-year report on the performance of the municipalities. The following are draft guidelines on the reporting format/template. These are the minimum requirements:

- Relevant priorities for which a municipality is reporting
- The report must cover all agreed priority objectives
- The report must cover all agreed indicators and targets relevant to the period
- The report must cover measurements of current performance over the period for which it is reporting
- The report must specify when the measurements were done and the source of measurements
- The report must reflect on whether agreed targets have been met
- The report must analyze the reasons for the level of performance
- The report must suggest corrective actions
- The report must be simple, accessible and useful to the intended reader and contain only necessary information

Attached as Annexure A and is the Performance Management System: Mid-year reports respectively:

- (i) Performance on Pre-determined Objectives

8. PROBLEMS IDENTIFIED IN ANNUAL REPORT 19/20 – AUDIT REPORT

In terms of Section 72(a) (iii) of the MFMA, the Accounting Officer must also report on:

- “(iii) The past year’s annual report, and progress on resolving problems identified in the annual report.

The financial and the draft annual report were submitted to the Auditor General end November 2020 after exemptions were granted by the Minister. The reports will be ready end February 2021 to be submitted to Council in accordance with the legal requirements for approval. The issues raised in the Annual Report will be dealt with in the item that will serve before council.

9. MUNICIPAL ADJUSTMENT BUDGETS

The MFMA section 29 reads,

“28. (1)A municipality may revise an approved annual budget through an adjustments budget.

- (1) An adjustments budget –
 - (a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - (b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
 - (c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
 - (d) may authorize the utilization of projected savings in one vote towards spending under another vote;
 - (e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
 - (f) may correct any errors in the annual budget; and
 - (g) may provide for any other expenditure within a prescribed framework.
- (2) An adjustments budget must be in a prescribed form.
- (3) Only the mayor may table an adjustments budget in the municipal council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

- (4) When an adjustments budget is tabled, it must be accompanied by –
- (a) an explanation how the adjustments budget affects the annual budget;
 - (b) a motivation of any material changes to the annual budget;
 - (c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
 - (d) any other supporting documentation that may be prescribed.
- (5) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (6) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”

10 **Adjustment budget 2020/2021– Motivations**

10.1 Various votes that over and underperformed necessitated adjustments.

10.2 The adjustment to the revised capital projects.

10.3 New allocation on Disaster Management – Covid-19

The Service Delivery and Budget Implementation plan Mid –Term Performance report document will be circulated separately.

RECOMMENDATIONS

1. That cognizance be taken of the financial performance achievements for the past six months ended 31 December 2020 in accordance with Section 72 of the MFMA.
2. That the revised projection for revenue and expenditure be noted.
3. That it be approved that an adjustment budget be drafted for the 2020/2021 financial year in line with the performance achieved and needs identified by the respective departments as indicated in the mid-year performance report.