

1. Strategic thrust

Well governed city

2. Objective

The purpose of this report is to request approval of the proposed special mid-year deviations for the City Power Business Plan 2020/21.

3. Background

Section 72 of the MFMA, 56 of 2003 requires that the Accounting Officer each year submit a mid-year budget and performance assessment report of the City and its municipal entities, to Council.

MFMA Circular 13 state that:

- The SDBIP and its targets cannot however be revised without notifying the council, and if there are changes in service delivery targets and performance indicators, these must be approved by the council, following approval of an adjustment budget (section 54(1) (c) of MFMA).
- This council approval is necessary to ensure that the mayor or municipal manager do not revise service delivery targets downwards in the event where there is poor performance.
- The revised KPIs and targets are subject to approval of the mid-term budget and such shall be aligned with the approved mid-term budget for reporting purposes.

4. Proposed Deviations and Motivation

Changes requested by City Power are due to change in circumstances related to Shareholder targets, and pressure from various variables (budget constraints, feasibility study outcomes, interdependencies and so forth). It is also to ensure continuous enhancement of key performance indicators (KPIs) to conform to national Treasury Framework for managing performance information to meet the SMART (Specific, Measurable, Achievable, Realistic and time bound) criteria and MFMA circular 88.

Based on an internal review of the City Power 2020/21 Business Plan Key Performance Indicators (KPIs) and Scorecard it is proposed that the following KPIs be submitted to the Shareholder as part of the mid-year deviation.

By way of this mid-year deviation the company aims to ensure uniformity and consistency between the Service Delivery Agreement, SDBIP, the Business Plan, Quarterly and Annual Performance Reports. None of the deviation requests will impact service delivery negatively. However, the addition of the Institutional KPIs may impact on the performance outcomes for quarter three and four.

Below is the detailed breakdown of the Key Performance Indicators, the motivation for deviations and the recommendations.

GDS OUTCOME: A high performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region
STRATEGIC PRIORITY: Sustainable service delivery

STRATEGIC PROGRAMME: Accelerated and visible service delivery and re-introduction of co-production in the delivery of the basic service

Change	KPI No	Key Performance Area	Key Performance Indicator	2019/20 Baseline	2020/21 Target	Q1 target	Q 1 actual	Q2 target	Q2 actual	Q3 Jan-Mar	Q4 Apr-Jun	Estimated budget		Evidence and Means of verification	Proposed deviation	Motivation for deviation
												Capex	Opex			
Existing	1	Sustainability of the Business	Percentage achievement of Service Level Standards (SLS)	33.33%	80%	80%	62.50%	80%	56.25%	80%	80%	-	-	Forcelink and Excel	Update SDA in terms of the number of Core Services, the wording and targets	Deviation submitted of SDA to improve the measurability of the KPI thus making it SMART
Amended KPI as per the proposed Deviation			Percentage achievement of Service Level Standards (SLS)	33.33%	80%	65%	62.50%	70%	56.25%	75%	80%	-	-			

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STRATEGIC PRIORITY: Financial sustainability
STRATEGIC PROGRAMME: Improve and strengthen financial position

Change	KPI No	Key Performance Area	Key Performance Indicator	2019/20 Baseline	2020/21 Target	Q1 target	Q 1 actual	Q2 target	Q2 actual	Q3 Jan-Mar	Q4 Apr-Jun	Estimated budget		Evidence and Means of verification	Proposed deviation	Motivation for deviation
												Capex	Opex			
Existing	15	Improve, stabilise and sustain a positive financial position	Percentage reduction in Non-Technical Losses	19.40%	16.5%	22.40 %	24.68%	15.54%	18.26% *	8.47%	17.39%	-	33.506 .319	Spreadsheet of Purchases and Sales	Change the KPI wording	This will improve the KPI to be measurable and verifiable as per the SMART principle.
Amended KPI as per the proposed Deviation			Percentage Non – Technical Losses	19.40%	16.5%	22.40 %	24.68%	15.54%	18.26% *	8.47%	17.39%	-	33.506 .319			

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Existing	14	Improve, stabilise and sustain a positive financial position	Percentage Increased Revenue recovery from Sales	R 15,904bn	R 16,971bn	R 4,559bn	R 4,536bn	R 4,061bn	R 3,837bn	R 4,142bn*	R 4,209bn*	-	160.60 5.909	Spreadsheet of the Revenue Split	Change the KPI wording	This will improve the KPI to be measurable and verifiable as per the SMART principle.
Amended KPI as per the proposed Deviation			Revenue derived from sale of electricity	R 15,904bn	R 16,971bn	R 4,559bn	R 4,536bn	R 4,061bn	R 3,837bn	R 4,142bn*	R 4,209bn*	-	160.60 5.909	Spreadsheet of the Revenue Split	Revenue derived from sale of electricity	

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Existing	16	Improve, stabilise and sustain a positive financial position	Percentage Gross Margin	24.64%	25.13%	4.79%	3.79%	35.30%	-	39.47%	20.97%	-	-	(Total Service charges-Bulk Purchases)/ Service Charges) and represents the portion of each rand of revenue that the company retains as gross profit.	Align target to budget approval	This will improve the KPI to be measurable and verifiable as per the SMART principle
Amended KPI as per the proposed Deviation	16	Improve, stabilise and sustain a positive financial position	Percentage Gross Margin	24.64%	24.56%	4.79%	3.79%	35.30%	34.61%	39.47%	20.97%	-	-	(Total Service charges-Bulk Purchases)/ Service Charges) and represents the portion of each rand of revenue that the company retains as gross profit.		This will improve the KPI to be measurable and verifiable as per the SMART principle

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												Capex	Opex			
Existing	7	Develop and Maintain a Reliable Network Infrastructure Asset	System Average Interruption Duration Index (SAIDI)	2374 minutes	25 Hours	25 Hours	788 minutes	25 Hours	1358 hours	25 Hours	25 Hours	-	-	Forcelink Generated Report	Change the unit of measure and the quarterly targets	The KPI calculation is currently under implementation and testing stage. The measurement unit is to be changed to Hours from Minutes. This will improve the measurability of the KPI thus making it SMART
Amended KPI as per the proposed Deviation			System Average Interruption Duration Index (SAIDI)	39.57 Minutes	25 Hours	7 Hours	6,27 hours	5,5 hours	5,18 hours YTD	6 hours	6,5 hours	-	-	Generated Report on Forcelink System		

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Existing	10	Develop and Maintain a Reliable Network Infrastructure Asset	System Average Interruption Frequency Index (SAIFI)	6.88 Ratio	5.5 Ratio	5.5 Ratio	1.93 Ratio	5.5 Ratio		5.5 Ratio	5.5 Ratio	-	-	Forcelink Generated Report	Change the unit of measure and the quarterly targets	The KPI calculation is currently under implementation and testing stage. The measurement unit is to be changed to a number of interruptions (outages). This will improve the measurability of the KPI thus making it SMART
Amended KPI as per the proposed Deviation			System Average Interruption Frequency Index (SAIFI)	6.88 Number	5,5 Number	1,55 Number	0,99 Number	1,20 Number	0,92 Number	1,30 Number	1,45 Number	-	-	Generated Report on Forcelink System		

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												Capex	Opex			
Existing	8	Develop and Maintain a Reliable Network Infrastructure Asset	Customer Average Interruption Duration Index (CAIDI)	345 minutes	25 Hours	25 Hours	408 minutes	25 Hours	340 Minutes	25 Hours	25 Hours	-	-	Forcelink Generated Report	Change the unit of measure and the annual and quarterly targets	The KPI calculation is currently under implementation and testing stage. The measurement unit is to be changed to Hours from Minutes. This will improve the measurability of the KPI thus making it SMART
Amended KPI as per the proposed Deviation			Customer Average Interruption Duration Index (CAIDI)	5.75 Hours	6 Hours	6,33 Hours	6 Hours	5,65 Hours	6 Hours	6 Hours	6 Hours	-	-	Generated Report on Forcelink System		

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												Capex	Opeex			
Existing	1	Develop and Maintain a Reliable Network Infrastructure Asset	Customer Average Interruption Frequency Index (CAIFI)	7.27 Ratio	5.5 Ratio	5.5 Ratio	2.91 Ratio	5.5 Ratio	2.48 Ratio	5.5 Ratio	5.5 Ratio	-	-	Forcelink Generated Report	Change the unit of measure and the quarterly targets	The KPI calculation is currently under implementation and testing stage. The measurement unit is to be changed to Number interruptions average. This will improve the measurability of the KPI thus making it SMART
Amended KPI as per the proposed Deviation			Customer Average Interruption Frequency Index (CAIFI)	7.27 Number	2 Interruptions average	2 Interruptions average	1,92 Interruptions average	2 Interruptions average	1,90 Interruptions average	2 Interruptions average	2 Interruptions average	-	-	Generated Report on Forcelink System		

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Existing	9	Develop and Maintain a Reliable Network Infrastructure Asset	Percentage of Planned Maintenance Performed	8 Hours	8 Hours	8 Hours	7.6 Hours	5.1 Hours	8 Hours	8 Hours	8 Hours	-	-	Forcelink Generated Report	Change the measurement unit from Hours to Percentage	The KPI calculation is currently under implementation and testing stage. The measurement unit is to be changed to percentage from Hours The KPI managed at a City Power Group level.
Amended KPI as per the proposed Deviation			Percentage of Planned Maintenance Performed	30%	30%	30%	Report not available	30%	Report not available	30%	30%	-	-	SAP PM Work Orders		

GDS OUTCOME: Provide a resilient, liveable, sustainable urban environment – underpinned by smart infrastructure supportive of a low carbon economy

STRATEGIC PRIORITY: Green and Blue economy

STRATEGIC PROGRAMME: Accelerated and visible service delivery and re-introduction of co-production in the delivery of the basic service

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Existing	22	Strategic collaborations for funding and energy delivery	Tons CO ₂ offset in greenhouse	33163.39	41355,5	10000	5043	11000	5000	10000	10000			Dashboard. Summary and Spreadsheet -PV -Landfill gasses	Approve decreased target of 24 205 Tons	City Power is proposing a target of 24205 tons as achieving 41 000 tons would require over 6 MVA of customer PV per quarter which is not realistic given the current economic circumstances and that COVID-19 has also affected the economy.
Amended KPI as per the proposed Deviation				33163.39	24205	4000	4956	5000	10000	6000	9205					

GDS OUTCOME: Improved quality of life and development-driven resilience for all.

STRATEGIC PRIORITY: Sustainable service delivery

STRATEGIC PROGRAMME: Accelerated and visible service delivery and re-introduction of co-production in the delivery of the basic service

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Existing	4	Sustainability of the Business	Number units (structures) in informal settlements with access to electricity	3688	2500	200	0	550	0	550	1200	R98m		SAP System, work completion certificate and commissioning sheets	Approve decreased target of 1225 units is no longer achievable.	City Power is proposing 1225 units of informal settlements with access to electricity as a target on order to ensure alignment to the budget allocated to this programme. Due to the R102m budget reduction when budgets were being finalized, the target of 2500
Amended KPI as per the proposed Deviation			Number units (structures) in informal settlements with access to electricity	3688	1225	0	0	0	0	300	925	R98m	-			

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Existing	6	Sustainability of the Business (National Treasury KPI)	Number of dwellings provided with connections to mains electricity supply by the municipality	New KPI	2500	200	0	550	0	550	1200	R98m		SAP System, work completion certificate and commissioning sheets	Remove KPI as it is a duplication.	There are no RDP and Mixed Development households to be connected in the current financial year. Connections are for Informal Settlements and these are measured in a separate KPI
Amended KPI as per the proposed Deviation			Number of dwellings provided with connections to mains electricity supply by the municipality	-	-	-	-	-	-	-	-	-	-			
Existing	5	Sustainability of the Business (National Treasury KPI)	Percentage of households with access to electricity	New KPI (92.3% Stats SA)	92.4%	92.3%	92.3%	92.3%	92.3%	92.3%	92.4%	R98m		SAP System, work completion certificate and commissioning sheets	Remove KPI	National Treasury undertook to provide the data elements to ensure that the data required to calculate the performance is correct and recent. This information has not been provided.

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												Capex	Opex			
																Refer to communication from NT
Amended KPI as per the proposed Deviation			Percentage of households with access to electricity	New KPI	-	-	-	-	-	-	-	-				

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STRATEGIC PROGRAMME: Combat corruption; fraud and maladministration

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												Capex	Opex			
Existing	29	Sustainability of the Business	Percentage resolution of Audit findings	New	95%	10%	41%	30%	5%	70%	95%	-	-	Schedule of the audit Finding	Decrease target to 80%	The AGSA audit is normally completed on the 30 th of November which gives the entity 7 months to resolve the findings. The entity will only have 4 months to resolve the findings in the current year which might be a challenge to complete 95% by the end of June. The KPI is a CoJ Institutional KPI, it is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage resolution of Audit findings (AGSA only)	New	80%	10%	41%	10%	5%	20%	40%				Add CoJ Institutional KPI into the City Power Business Plan	

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Existing	18	Sustainability of the Business	Percentage protection against cyber attack	50%	97%	15%	70%	15%	97%	12%	10%	R33M	R9.3M	System Performance Reports.	The quarterly targets to reflect a	The quarterly targets for 2020/21 has

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Amended KPI as per the proposed Deviation		Sustainability of the Business	Percentage protection against cyber attack	50%	97%	97%	70%	70%	70%	70%	70%	R33M	R15m	System Performance Reports.	non-cumulative target. Reduce the annual and quarterly targets to 70% due to budget constraints	been updated to reflect a non-cumulative target. Due to budget constraints the envisaged target of 97% will not be realised

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Existing		Financial Sustainability	Percentage capital budget spent against approved budget	85%	95%	10%	4%	20%	21%	30%	35%	R738m	-		Add CoJ Institutional KPI into the City Power Business Plan	The KPI is a CoJ Institutional KPI, it is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage capital budget spent against approved budget	85%	95%	10%	4%	20%	21%	30%	35%	R738m	-			

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Existing		Financial Sustainability	Percentage operating budget spent against approved budget	93%	95%	95%	84%	95%	80%	95%	95%		3,372,488,284	SAP expenditure report	Add CoJ Institutional KPI into the City Power Business Plan	The KPI is a CoJ Institutional KPI, it is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage operating budget spent against approved budget	93%	95%	95%	84%	95%	80%	95%	95%		3,372,488,284			

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Existing		Financial Sustainability and Good governance	Percentage reduction in unauthorized, irregular, fruitless and wasteful (UIFW) expenditure	New	-	-	-	-	-	-	50%			Number of IFWE cases investigated/ Total outstanding cases x 100	Include the KPI in 2020/21 Business Plan	The KPI is a CoJ Institutional KPI, It is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage reduction in unauthorized, irregular, fruitless and wasteful (UIFW) expenditure	New	-	-	-	-	-	-	50%			Number of IFWE cases investigated/ Total outstanding cases x 100		

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Existing		Economic Development and Growth	Number of SMME's supported	247	120	30	145	30	156	30	30			Count the number of SME's and QSE's that benefited from the spend.	Include the KPI in 2020/21 Business Plan	The KPI is a CoJ Institutional KPI, It is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Number of SMME's supported	247	120	30	145	30	156	30	30			Count the number of EME's and QSE's that benefited from the spend.		

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Existing		Sustainable service delivery	Percentage repairs and maintenance on property, plant and equipment	6.71%	7.0%	1.76%	1.56%	1.76%	1.24%	1.74%	1.75%		1,084,208,575	SAP Cost Centre Reports and Trial Balance	Include the KPI in 2020/21 Business Plan	The KPI is a CoJ Institutional KPI, It is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage repairs and maintenance on property, plant and equipment	6.71%	7.0%	1.76%	1.56%	1.76%	1.24%	1.76%	1.76%		1,084,208,575	SAP Cost Centre Reports and Trial Balance		

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Existing		Good governance	Percentage of the strategic risks' management action plans implemented	90%	90%	25%	79%	25%	60%	25%	15%			Company risk register	Include the KPI in 2020/21 Business Plan	The KPI is a CoJ Institutional KPI, It is measured and reported on at a group and reported at a company level and should reflect in the business plan
Amended KPI as per the proposed Deviation			Percentage of the strategic risks' management action plans implemented	90%	90%	25%	79%	90%	60%	25%	15%			Company risk register		

5. Legislative requirement

As part of the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA) the mid-year review is the only time at which the ME's can make changes to their business plan and budget.

6. Financial implications

The financial implications are covered in the special budget adjustment submission.

7. Communication implication

Communication of Council approved deviations or amendments will be done internally at City Power in order to effect changes on the Institutional SDBIP, Business Plans and Section 56 individual scorecards where applicable.

8. Recommendations

It is recommended that the City Power 2020/21 deviation report be approved by Council.

TEFO KHAMA
GM: STRATEGY & PLANNING
CITY POWER JOHANNESBURG SOC LTD

NANCY MALULEKE
ACTING CHIEF EXECUTIVE
CITY POWER JOHANNESBURG SOC LTD
