
SERVICE DELIVERY AGREEMENT

Position: Member of the Mayoral Committee for Finance
Administration: Setsoto Local Municipality
Mayoral Term: 2025/2026



June 30, 2025
SETSOTO LOCAL MUNICIPALITY
27 Voortrekker Street Ficksburg 9730

Parties:

- **The Executive Mayor:** Councillor Seipati Mbiwe (Mrs)
- **The Member of the Mayoral Committee for Finance:** Councillor Motsamai Selasi

1. Preamble and Purpose

This Service Delivery Agreement between the Executive Mayor and the Member Mayoral Committee for Finance outlines the key responsibilities, outputs, and performance indicators expected of the Member Mayoral Committee for the current term of office. The purpose of this agreement is to:

- Ensure clear alignment between the Executive Mayor's Integrated Development Plan priorities and the work of the Finance Portfolio.
- Provide a framework for the Member Mayoral Committee to exercise effective strategic oversight of the Municipality's financial health and sustainability.
- Enhance accountability and transparency in the management of public funds.
- Serve as a basis for regular performance monitoring and evaluation between the Executive Mayor and the Member Mayoral Committee.

2. Legislative and Strategic Framework

The Member of the Mayoral Committee 's performance will be guided by, but not limited to, the following:

- Constitution
- Local Government: Municipal Finance Management Act, 56 of 2003
- Local Government: Municipal Structures Act, 117 of 1998
- Local Government: Municipal Systems Act, 32 of 2000

There are also other plans that are part of municipality's governance framework that have a direct or indirect bearing on the functioning and structure of the corporate services currently. More importantly, these regulations, policies and plans have a bearing on how some of the proposals indicated above can be undertaken more immediately. These include, but are not limited to:

- Municipal Staff Regulations of 2021
- Human Resources Policy Manual
- Regulation of Minimum Competency Levels of 2007
- Regulations on the Appointment of Municipal Manager and Managers directly Accountable to the Municipal Manager of 2014
- Free State Growth and Development Strategies
- Local Economic Development Strategies
- Spatial Development Perspective
- Spatial Development Framework
- Local Economic Precinct Plan
- Integrated Transport Plan

2. Key Functional Responsibilities of the Member of the Mayoral Committee for Finance

The Member Mayoral Committee for Finance provides strategic political leadership and oversight to the following divisions:

- Budget and Reporting
- Asset Management
- Supply Chain Management
- Expenditure Management
- Revenue Management

3. Overarching Goals and Strategic Objectives

The Member Mayoral Committee for Finance will be deemed successful if they achieve the following overarching goals:

1. **Fiscal Sustainability:** Ensure the long-term financial viability of the municipality.
2. **Good Governance and Transparency:** Champion clean, transparent, and accountable financial practices.
3. **Service Delivery Enablement:** Ensure the optimal allocation of financial resources to enable other departments to deliver on their mandates.
4. **Economic Enablement:** Implement financial policies that stimulate local economic development and attract investment.

4. Key Performance Areas and Realistic Targets

Here are realistic targets structured by key performance areas. These should be reviewed and adjusted based on the municipality's specific starting point (baseline) and the Integrated Development Plan.

KPA 1: Budget Management and Fiscal Discipline

No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1.1	Timely tabling of a credible, funded, and IDP-aligned Medium-Term Revenue and Expenditure Framework (MTREF) budget.	Number	Draft Funded Budget tabled by 31 March Final Funded Budget approved by Council before start of new financial year (31 May).	Met Met	Met Met	N/A N/A	N/A N/A	1 N/A	N/A 1
1.2	Achieve an unqualified audit from 6 matters of emphasis to 3	Audit Outcome	Maintain Unqualified with reduced matters of emphasis.	An unqualified audit with 6 matters of emphasis	An unqualified audit from 6 matters of emphasis to 3	N/A	An unqualified audit from 6 matters of emphasis to 3	N/A	N/A
1.3	Maintain a positive year-end cash balance (operating bank account).	Rand Value	Positive balance throughout the financial year, with a minimum reserve of R 42 million to cover creditor payments.	New	R 504 million	R 126 million	R 252 million	R 378 million	R 504 million
1.4	Ensure expenditure is within council-approved budget (violation and adjustments within legislated limits).	% Variance	Total actual expenditure within 97% - 100% of the adjusted approved budget.	100%	100%	100%	100%	100%	100%

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KPA 2: Revenue Management and Enhancement

No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2.1	Improve the collection rate for own revenue (rates, taxes, service charges).	Percentage	Increase collection rate from 53% to 60%.	53%	60%	43%	50%	53%	60%
2.2	Reduce the value of outstanding debtors (aged debt > 90 days).	Rand Value	Reduce debt older than 90 days by 10% from R 627 million to R 565 million.	R 627 million	N/A	N/A	N/A	N/A	R 565 million
2.3	Implement and enhance targeted debt relief and payment arrangement programs for indigent and struggling households.	Number of Accounts	9 500 eligible accounts into structured payment plans.	8 055	9 500	5 000	6 500	8 000	9 500
2.4	Conduct a review of property valuations to ensure the rates base is accurate and equitable.	Number	Implement a process for regular objections and reviews; commence data collection for the next General Valuation Roll.	1	1	N/A	N/A	N/A	1
2.5	Reduction of electricity losses form 8% to 7%	Percentage	7%	8%	7%	7%	7%	7%	7%
2.5	Reduction of water losses from 24% to 20%	Percentage	20%	24%	20%	20%	20%	20%	20%

KPA 3: Financial Governance and Supply Chain Management

No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
3.1	Reduce the number of irregular expenditure incidents as identified by the AG.	Percentage Reduction	Achieve a 20% reduction in the value of irregular expenditure year-on-year.	R 1 395 000	R 200 000	N/A	N/A	N/A	R 200 000
3.2	Ensure 100% of SCM awards above [e.g., R 300 000] are published on the municipal website within 10 days of award.	Percentage Published	Achieve 100% compliance.	100%	100%	100%	100%	100%	100%
3.3	Reduce the average payment period to creditors.	Days	Reduce from 111 days to 100 days.	111 days	100 days	N/A	N/A	N/A	100 days
3.4	Implement an anti-fraud and corruption strategy with a dedicated hotline and report on investigations quarterly to Council.	Achievement	Strategy approved by Council; Quarterly reports tabled without fail.	Not Met	Met	Met	Met	Met	Met
3.5	Ensure 80% implementation of audit action plans (from AG, internal audit) related to the Finance Services portfolio within stipulated timeframes	Percentage	80%	80%	80%	80%	80%	80%	80%

KPA 4: Capital Investment and Asset Management

No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
4.1	Improve the conditional grant capital budget (Capex) expenditure rate.	Percentage Spent	Achieve 100% of the approved conditional grant capital budget.	100%	100%	25%	50%	80%	100%
4.2	Ensure major capital projects are funded in the budget before commencement.	Percentage	100% of active major projects have confirmed funding in the MITREF.	Met	100%	100%	100%	100%	100%
4.3	Asset Register Accuracy Rate	Percentage	100%	100%	100%	100%	100%	100%	100%
4.4	Percentage of assets valued and correctly categorized	Percentage	100%	100%	100%	100%	100%	100%	100%
4.5	Asset Maintenance and Condition	Ratio	< 0.5. A lower ratio indicates a proactive maintenance culture. The goal is to spend more on prevention than cure	New	0.5	0.5	0.5	0.5	0.5
4.6	Asset Condition Index	Ratio	A standardized score (e.g., 1-5, with 5 being excellent) of the physical condition of key asset classes (e.g., roads, buildings).	New	5	5	5	5	5

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No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
4.7	Average Age of Key Asset Classes vs. Expected Useful Life	Ratio	Ratio of < 1.0. A ratio approaching or exceeding 1.0 signals a high-risk, aging asset portfolio requiring a capital replacement plan	New	0	0	0	0	0
4.8	Inventory Accuracy	Percentage	>98% for A-class items (high value), >95% for all items.	New	98%	98%	98%	98%	98%
4.9	Percentage of Obsolete/Slow-Moving Stock	Percentage	< 2%. The MMC should require a plan for the disposal of any stock above this threshold	New	2%	2%	2%	2%	2%
4.10	Stock-Out Frequency	Number	0 for critical items (e.g., essential spare parts, water chemicals). For non-critical items, target a reduction year-on-year.	New	0	0	0	0	0

KPA 5: Oversight and Reporting-The Core Member of the Mayoral Committee Role

No	Performance Indicator	Unit	Realistic Target	Baseline	Annual Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
5.1	Conduct quarterly performance review meetings with the Chief Financial Officer and senior finance team to assess progress against this SDA and departmental targets.	Number	4 formal minuted meetings per year.	0	4	1	1	1	1
5.2	Table comprehensive quarterly financial performance reports in Council, providing clear explanations for variances and corrective action plans.	Achievement	4 quarterly reports tabled on schedule.- Section 80 Reports	4	4	1	1	1	1
5.3	Provide monthly updates to the Executive Mayor on the municipality's financial status, including key risks and mitigation strategies.	Achievement	Monthly briefing provided.	New	6	2	1	2	1
5.4	Ensure public participation in the budget process through at 16 well-advertised ward-based budget consultation meetings.	Number	16 meetings held and feedback report compiled.	12	12	N/A	N/A	6	6

5. Reporting and Review Mechanisms

- **Monthly:** The Member of the Mayoral Committee will provide a verbal update to the Executive Mayor.
- **Quarterly:** The Member of the Mayoral Committee will submit a written report against this SDA to the Executive Mayor and present a summary to the Mayoral Committee.
- **Bi-Annually:** A formal performance review meeting between the Executive Mayor and the Member of the Mayoral Committee will be held to discuss progress, challenges, and support required.
- **Annually:** This Service Delivery Agreement will be formally reviewed and updated for the following financial year.

6. Stakeholder Engagement

The Member of the Mayoral Committee for Finance is expected to maintain constructive engagement with:

- The National and Provincial Treasuries
- The Auditor-General of South Africa (AGSA)
- Councillors, especially the Chairperson of the Municipal Public Accounts Committee
- Organized Business and Labour
- Credit Rating Agencies
- The Public-through structured communication on financial matters

7. Review and Amendment

This agreement may be amended at any time by mutual written agreement between the Executive Mayor and the Member of the Mayoral Committee. It will be formally reviewed on an annual basis.

8. Signatures

This agreement signifies a commitment to the people of Setsoto Local Municipality to pursue the highest standards of financial management and accountability.



CLLR SEIPATI MBIWE (MRS.)
EXECUTIVE MAYOR

Date: 26/09/2025



CLLR MOTSAMAI SELASI (MR.)
MEMBER OF THE MAYORAL COMMITTEE FOR FINANCE

DATE: 26/09/2025

How this Service Delivery Agreement assists the Member of the Mayoral Committee in their oversight role?

This document transforms the Member of the Mayoral Committee's role from a passive approver of documents to an active executive leader. It provides:

1. **Clarity and focus:** The Member of the Mayoral Committee knows exactly what is expected, preventing them from being bogged down in operational minutiae.
2. **a tool for holding officials accountable:** The Member of the Mayoral Committee can use the targets in this Service Delivery Agreement (which should cascade down to the Municipal Manager and Chief Financial Officer) to ask tough, specific questions.

("Chief Financial Officer, our target is to reduce creditor days to 30. What is your plan to achieve this, and what are the weekly milestones?")

3. **A defence mechanism:** It provides a documented basis for the Member of the Mayoral Committee's decisions and priorities, shielding them from unfounded political pressure.
4. **A measure of success:** It moves the conversation from "are you busy?" to "are you effective?" based on pre-agreed, measurable outcomes.

Recommendation

This framework should be adopted and then socialized with the Municipal Manager and the Chief Financial Officer to ensure their full buy-in and understanding, as they are responsible for the operational achievement of these targets