

# UMHLABUYALINGANA

## LOCAL MUNICIPALITY



## MID-YEAR BUDGET & PERFORMANCE ASSESSMENT REPORT FOR 2017/18 FINANCIAL YEAR

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## PART A

### Corporate statement

#### Vision

**To be a people centered premier socio-economic development  
and environmentally service delivery municipality**

#### Mission

**Creating an enabling environment and sustainable development  
which promotes quality life**

#### Core Values

**Integrity  
Quality Service  
Good Governance  
Benchmarking  
Leadership  
Honesty  
Commitment  
Interpersonal Skills  
Responsibility  
Accountability  
Transparency  
Learning  
Dialogue and Diversity  
Partnership  
Professionalism  
Consultation/Participation**

## Strategic Objectives

<ul style="list-style-type: none"> <li>• To attract and retain qualified and experienced staff across the staff establishment</li> <li>• To attract and retain qualified and experienced staff across the staff establishment</li> <li>• To provide the optimal institutional structure to render effective and efficient services</li> </ul>	<b>KPA 1.</b> Municipal Transformation and Institutional Development
<ul style="list-style-type: none"> <li>• To facilitate bulk infrastructure development in support of economic development initiative</li> <li>• To develop long term infrastructure development plans</li> <li>• To facilitate an improvement in access to community/public facilities to minimum standards</li> <li>• To provide access and facilitate vehicular movement in Umhlabuyalingana</li> <li>• To facilitate delivery of basic service to RDP Standard</li> <li>• To comply fully with all municipal legislations</li> <li>• Improved Access to Basic Services</li> </ul>	<b>KPA 2.</b> Basic service delivery and infrastructure development
<ul style="list-style-type: none"> <li>• To create an environment conducive for investment and economic growth</li> <li>• To promote and support ecotourism as a means to increase market share</li> <li>• To create safe, healthy and sustainable living environment</li> </ul>	<b>KPA 3.</b> Social and Economic Development
<ul style="list-style-type: none"> <li>• To develop and maintain systems and procedures for effective and sound management of municipal finances</li> <li>• To improve revenue generation by 5% per annum over the next 5 years</li> <li>• To be 100% compliant with SCM Regulations</li> </ul>	<b>KPA 4.</b> Financial viability and financial management
<ul style="list-style-type: none"> <li>• To run the municipality in an open, transparent and accountable manner</li> <li>• To develop and maintain systems and procedures and sound management of municipal finances</li> <li>• To communicate with stakeholders using print and electronic media</li> <li>• To provide for an effective involvement of the public in municipal affairs</li> <li>• To comply fully with all municipal legislation</li> </ul>	<b>KPA 5.</b> Good Governance, Public Participation
<ul style="list-style-type: none"> <li>• To promote productive, harmonious and sustainable land use</li> <li>• To run the municipality in an open, transparent and accountable manner</li> <li>• To create functional structure for effective development and delivery of services</li> </ul>	<b>KPA 6.</b> Cross Cutting Interventions

## MAYOR'S REPORT

Our duty as political principals of the municipality is to ensure meaningful contribution in the eradication of the three social ills namely: Poverty, unemployment and inequality in our municipal area. This can only be achieved through playing constructive oversight role over administration in their performance in the implementation of council approved service delivery budget and implementation plans.

As the Mayor of the Municipality, I take pride in presenting this mid- year report which reflects on the performance, both service delivery and budget, for the past two quarters of the 2017/2018 financial year. In terms of Local government: municipal performance Regulations 2001 and 2006, it is a legislative requirement that we report on the institutional performance in terms of Regulation 2001. In accordance with the Council approved organizational scorecard mid- year targets, the municipality had set itself 121 targets. The overall performance as at 31 December 2017 depicts a good picture which indicates 69% overall achievement of targets. This could not be achieved without cooperation between the current political leadership and dedicated administration. I am hopeful that as we approach the end of our financial year we will maintain this performance or even improve it for the better for the benefit of the current and future generations of uMhlabuyalingana.

Finally, I would like to take this opportunity to thank the members of the public who are continuously supportive and understanding in all aspects with one intention, to have a better future for all.

Councillor NS Mthethwa

Mayor: uMhlabuyalingana Municipality



## Council Resolution (Annexure A)



UMHLABUYALINGANA  
MUNICIPALITY

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Reference: UMHC 101 OF 2017/18

Date: 22/01/2018

TRUE EXTRACT OF MINUTES

This is a true extract from the minutes of the Special Council Meeting meeting of uMhlaluyalingana Municipality held on the 22<sup>nd</sup> January 2018 (14h00) at uMhlaluyalingana municipality whereby the resolutions as stated below was taken by uMhlaluyalingana Municipality Council.

UMHC 99: 2017-2018 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT

Councillor M.Z. Mhlongo thereafter moved, seconded by Councillor M.I Mthembu the recommendation following, which it was;

RESOLVED

1. The Council resolved that the Mid-Year Performance Assessment submitted in terms of section 72 of Municipal Finance Management Act (Act 56 of 2003) be noted for onward submission to National and Provincial Treasury;
2. The Council resolved that Departments must re-align the Mid-Year Review to Monthly Projections of expenditure on the Operational and Capital Budget based on the Mid-Year assessed SDBIP's;
3. The Council resolved that the Mid-Year Budget Review (as presented by the Mayor/Manager) and the Mid-year performance assessment, and the recommendation contained therein be approved for preparation of an Adjustment budget for the 2017/18 and the review of the SDBIP's accordingly;
4. The Council resolved that revision on the SDBIP's forming part of the Mid-Year Assessments (where applicable) be approved, and Performance Agreements of section 54/56 employees be amended accordingly.

THIS EXTRACT OF THE COUNCIL RESOLUTION IS CERTIFIED AS CORRECT

Signed by: Mrs NP GAMEDE

Signature: [Signature]

Print Name

Designation: Acting Municipal Manager

Date: 23 / 01 / 2018

- MISSION : "Creating an enabling environment and sustainable development which promotes quality of life"
- VISION : To be a people centered premier socio-economic development and environmentally friendly service delivery municipality.



## Legislative Background

Section 72 of the MFMA requires the accounting officer to prepare and submit a report on the performance of the municipality during the first half of the financial year. The report must be submitted to the Mayor, National Treasury as well as the relevant Provincial Treasury. As with all other reports this is a crucial report for the Council to consider Mid-Year Performance and what adjustments should be made, if necessary.

This report is part of the requisite statutory and governance compliance. Regulation 13 of Municipal Planning and Performance Management Regulations, 2001 read together with Regulations 33 and 34 of Municipal Budget and Reporting Regulations regulate specifically in-year reporting and Mid-Year Review Report. The report must cover both financial information (budget & expenditure) and core-delivery programmes (service delivery) information; and present such information in an integrated fashion. What was planned at the start of the financial year (July 2017) what has been achieved at the close of December 2017? What can we learn from the experience of the last six months? Any challenges that were not contemplated at the time of the compilation of SDBIP!

Municipal Performance Regulations of 2006 also requires that there must be processes of performance planning, review of the municipality's performance.

Sections 41 and 44 of Municipal Systems ACT, 2000 (MSA) read together with section 72 of Municipal Finance Management Act, 2003 (MFMA) lay the statutory framework for the Municipal Performance Management System (PMS) and performance reporting in general and Mid-Year reporting in particular. This report is part of the requisite statutory and governance compliance. Regulation 13 Of Municipal Planning and Performance Management Regulations, 2001 read together with Regulations 33 and 34 of Municipal Budget and Reporting Regulations regulate specifically in-year reporting and Mid-Year Review Report. The report must cover both financial information (budget & expenditure) and core-delivery programmes (service delivery) information; and present such information in an integrated fashion. What was planned at the start of the financial year (July 2017) what has been achieved at the close of December 2017?

## Executive Summary

The Local Government: Municipal Performance Regulations 2006 requires that all Section 54 and 56 Managers performance must be monitored on regular basis. This monitoring process provides early warning signs on issues pertaining to performance for the purposes of establishing adequate and responsive corrective measures. This regulation has however been extended, through the council adopted performance management policy and procedure manual, to managers below section 56 and all other staff to ensure a cohesive and collaborative front in the achievement of the council set targets. It must further be noted that the institutional performance is influenced by three key aspects, namely; Leadership, Service and budget performance and governance, as they appear in the Dash board report.

Taking into cognizance the above I am pleased to report that the municipality through its different departments has performed enormously as at 31 December 2017.

Integrated Development Planning: The municipality has prepared and adopted 2018/2019 IDP Process Plan that is also approved by COGTA while at the same time the municipality is also implementing 2017/2018 IDP. During the month of October 2017, we conducted 4 IDP Public Participation Meetings which involved all wards. The municipality is engaging various stakeholders through IDP Structures such as the IDP Steering Committee and IDP Representative Forum in the preparation of the IDP Review. Furthermore, in December, the municipality conducted a Strategic Planning Session to:

- Review of the Vision, Mission, Core Values and Long Term Development Goals
- Conducted an environmental analysis (SWOT Analysis) and developing initiatives to address environmental challenges

## Finance Department

Our first priority as the department of financial services is to ensure that funds are spent within the approved budget; reasonability of value for money is our second priority. We always emphasize the importance of compliance with the applicable legislation to avoid irregular, fruitless & wasteful expenditure in the process of implementing our budget. In 2017-18 financial year we are working hard as the department of financial services to ensure the maintenance of clean administration.

### • **Revenue Management**

The revenue based of the municipality is mainly carried by Grants and 20% of the own revenue to implement service delivery services and projects within the area of Umhlabuyalinga municipality. The municipality intends to increase its revenue based through property rate revenue, refuse collection revenue and other revenues to be able to sustain provision of municipal services. The department commits in providing accurate information which will improve the financial reporting and proper cash flow projection which will give the sustainability of the municipality in future.

### ▪ **Revenue Projected on Refuse Removal**

Waste revenue we have collected 55% of the total budget which is acceptable at mid-year because we should be above 50% of the total budget, however it must be noted that this collection or budget amount only consider hospitals within uMhlabuyalingana municipality. The department of community service is currently busy finalizing service level agreement with local business people so that the municipal can collect the refuse for local business.

The above should be attended immediately since the expenditure for refuse collection is way above the amount that is budgeted for revenue meaning the expenditure is above the revenue that relate to waste management.

The tariff is also the issue that management is currently working on it, it must be noted that management have develop the revenue management committee that meet on a monthly basis to discuss issue that relate to revenue.

### ***Traffic income***

There is lower collection of traffic income based on projected budget. The collection currently is sitting at 23%. The reason for low collection rate is because the offenders don't pay the traffic fines and the warrant of arrests issued by the courts. The warrants of arrest are currently served using the manual procedure. The municipality will introduce the technology to track the offenders. The municipality to use technology of National Contravention Register (NCR) on the patrol vehicle to assist in identifying the vehicles/drivers with outstanding warrant of arrests. The budget will be from the prior year municipal savings.

### ***Business Licensing***

The basis of the expected income through business licensing is dependent on both the Supplementary Valuation Roll (SVR); including both the new and existing businesses that do not currently appear on the Supplementary Valuation Roll (SVR). Technically, the council is highly generating low revenue through business licensing. Non-compliance with the business licensing requirements as set on the Business Act is the main challenge since from a few number of applications received, it's a meager number of them that get approved as they fail meet critical requirement, especially planning and disaster. Interventions are being initiated since the development of the business licensing by-laws, of which, public participations have been conducted to all three key economic nodes as part of the gazette process which was finalized in the in 2016-17 financial year. Above that, notices have been served to business to operators advising them to apply for business licenses with the requirements checklist attached for ease of reference.

### ***Market Stalls (Manguzi Town)***

This is one of the municipal revenue enhancement structures whereby rental is specifically used as a revenue collection to the municipality. At essence, it accommodates a total number of seventy eight (78) informal traders who have a rental agreement with the municipality that clearly stipulates R250, 00 as a monthly rental fee. Most of the tenants are not honoring the said agreement which causes a highly low income that the council receives through such rentals despite a number of notices and meetings advising them of the consequences Capacity Building specifically, Business Management, Financial Management, and Legal have been identified as the main lacking skills which will be addresses in the next quarter through the assistance of the relevant departments, specifically, the provincial Department of Economic Development. Moreover, notices will be served to the tenants for them to make payment arrangements with the Department of Finance within a set duration which will be monitored. Failure to cooperate on the proposed initiatives by the tenants would lead to such rental agreements' termination.

### ***• Cash Flow Projections***

The below cash flow projections reflects a positive cash position of the municipality, the cash balance at mid-year is R 77 million, the average monthly expenditure calculated from the first six months is R 8 million each month. The available cash reflect that the municipality can operate for the next 9 months considering the current cash position

### ***• Debtors***

*Age Debtors analysis as December 2017 (See Annexure A)*

▪ **Gross Debtors Days Ratio (Remove And Paste To Age Analysis)**

Current year mid-year 43.2 million last year was 32.7 million, although the municipality has implemented ways to improve collection, the municipality is still struggling with the issue of long outstanding debtors. We believe that implementation of the revenue committee will assist the municipality in identifying other strategies such as site visit to property owner and have meetings for the purposes of getting reason for non-payment of debt.

• **Creditors**

The municipality is adhering to section 65 of the municipality finance management act, where it is stated that creditors should be paid within 30 day of receipt of the invoice. The municipality have two payment run on the 15th and 30th of the month to settle the liability of submitted invoice. The municipality ensures that payment are made within 30 days since most of our suppliers are within the category of SMME's this is done to assist them sustain their cash position since they are still small entities.

• **Investment Portfolio**

Investments made with the various financial institutions are strictly in compliance with municipal Financial Management Act and the investment Regulations

The balance on investment at mid-year was R 11, 9 million. The amount is invested to generate investment revenue on the amount not immediately needed to provide basic services and in addition the surplus funds at year-end are also invested. The amount on investment reflects a decrease of R 53 million since the prior year investment at mid-year were R 64.9 million. This reflect that the municipality have decrease it investment which requires more attention from management.

▪ **Borrowings**

- The municipality does not have borrowings in 2017-2018 financial year

▪ **Fruitless and Wasteful Expenditure**

As at 31 December 2017 there is no amount disclosed as fruitless and wasteful in the books of the municipality, normal this amount is usual around Telkom and ESKOM invoices. Normal reason for the fruitless and wasteful expenditure is in accordance with the provisions of the section 32 of the MFMA.

Management is exploring the possibility of electronic statements to curb the ongoing situation.

▪ **Irregular Expenditure**

No irregular expenditure has been reported as incurred as at 31 December 2017.

**Allocation of grant received and expenditure on grants.**

- The revenue based of the municipality is mainly carried by Grants and 20% of the own revenue to implement service delivery services and projects within the area of Umhlabyalingana municipality. (See Annexure D)

• **Asset Management**

- The municipality have asset management policy, asset disposal policy, maintenance policy and asset register to manage the municipal asset. Currently the municipality have spent 54% of the budget for 2017-2018 financial year.

***Supply Chain Management***

An annual procurement plan for the 2017/18 financial year has been approved to ensure an effective system of acquisition for goods and services supporting the strategic goals and operations of the municipality. The plans has improved timely planning, effective management of processes to ensure that commodities and services required by various user departments are quantified, budgeted for and effectively delivered at the right locations within critical delivery schedules in appropriate quantities.

***Deviations***

Deviations to the total rand value of R 126 218.39 were incurred in terms of section 36 of the supply chain management regulation for the period under review. Most deviations are as a result of public notices in newspapers.

***Competitive bidding***

Goods and service above the transaction value of R 200,000.00 including vat are only procured through a competitive bidding process as outlined in the municipal supply chain management policy. In an effort to enhance operational efficiency the bid committee system for competitive bidding was established. The committees comprise the bid specification, evaluation and adjudication to effectively manage the competitive bidding process. Competitive bids awarded for the period under review totals to R 19 910 836.62.

***Objections***

There were no objections received in all tenders awarded

***MSCOA Implementation***

The municipality managed to go live by the 1<sup>st</sup> of July 2017 meeting the compliance date for the implementation of MSCOA. IDP, BUDGET and SDBIP all of them are MSCOA compliant, the implementation is monitor on a monthly basis since it's the new reform which affects all accounting process.

***Challenges:***

- Misallocation of votes during the requisition process by departments
- Network is also a challenge which require attention from management
-

## COMMUNITY SERVICES DEPARTMENT

### ***Waste Management Section***

In line with Constitution of the Republic of South Africa, 1996 read with Waste Management Act 59 of 2008 the municipality has three waste management sites in three towns (Manguzi, Mbazwana and Skhemelele) Only one site has been registered as a landfillsite and the remaining two sites are in the process of being registered through the competent authority.

In our endeavors as the municipality we had initially planned to collect waste from 51 businesses given their potential capacity to pay and accessibility as well. To date service level agreements have developed as part of the implementation of the Integrated Waste Management plan. 31 business have since signed the agreements and the department is the process of achieving 100% target in this area as part of offsetting the cost incurred during the provision of the service.

### ***Waste Management By-Laws***

The Waste Management By-Laws have been promulgated and the fine list has been submitted to both Ubombo and Manguzi Magistrates for approval by respective Chief Magistrates.

### ***Waste Disposal***

The disposal of waste in all three landfill sites is in progress.

### ***Library***

There are two library access points across uMhlabaulyalinga municipality, which are Manguzi and Mseleni, which provides a range of services to the community. The main aim of both libraries is to enhance the lives of individuals and communities through uMhlabuyalingana municipality and promote a range of high quality library services and to provide equal access to information and resources and to support community discussions and lifelong learning.

The services are library promotions (outreach programmeSS), Internet access, free basic computer training, book exchange to have updated books and the circulation of books and audio.

Our target is that all schools that are at uMhlabuyalingana should have access to the library and so far we have managed to have 60% of schools that have access to both libraries. Through the services that we promote the membership has increased in both libraries.

There is also library income which is based on library tariffs i.e. copies, printing, scanning, laminating, bookings and overdue items (fines).

### ***Traffic Section***

This section encompasses traffic law enforcement and licensing. Law enforcement section enforces law in terms of NRTA 93 of 1996 and other legislation related to traffic matters. Licensing section offers the services of licensing as stipulated in NRTA 93 of 1996.

### ***Disaster Management /Fire Services Section***

According to the DM Act 57 of 2002 as amended, the local authority has to provide for an integrated and coordinated disaster management policy that focuses on preventing or reducing the risk of disasters mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery. Fire services and Occupational Health and Safety fall under this Disaster management.

***Youth Programs and Special Programs***

UMhlabuyalingana also provides skills development programs, giving a special attention to young people. Three main programs that are budgeted which also appears in the Municipality SDBIP.

The youth programs falls under the Department of Community services, the unity has a now appointed dedicated person for all youth programs. The following services are rendered: Career Expo, June 16 Youth Commemoration and Youth Awareness program (Jabula uzibheke).

Especial Programs render services as follows, HIV&AIDS, Women, Disability, Gender, Arts & Culture and Sport; all these programs are budgeted for.

***OHS Capital Budget***

This was budgeted for the third quarter; the requisition has been made for the installation of fire hose reels in all municipal centers.

***Ward Committee***

The establishment of ward committees started in quarter 2. UMhlabuyalingana has 18 wards, however, we have so far managed to establish ward committees in 17 wards because ward 11 has a dispute, therefore, the establishment of the ward committee in ward 11 has been put on hold until the matter has been resolved. We have established 170 ward committee members in 17 wards. Each ward consists of 10 members who form a ward committee. Out of 18 wards, there is one ward that is outstanding. The ward committees are not functional until the dispute in ward 11 has been resolved.



## TECHNICAL SERVICES

Our priority as the technical services department is to deliver basic services to the community.

Our responsibilities are:

- a) Municipal Buildings
- b) Municipal access road
- c) Municipal sport fields
- d) Electrification Projects

The detailed information regarding the above mentioned projects is on the approved 2016/2017 SDBIPs.

### ***Fleet Management***

uMhlabuyalingana Local Municipality has a medium diversified fleet of about 21 vehicles, ranging from light vehicles to construction equipment; in operation to provide essential services to the community it serves. Departments within uMhlabuyalingana municipality are very dependent on the maximum availability of vehicles in order to efficiently execute their services. Fleet Management has its own committee that oversees the proper management of vehicles within the municipality and major strategic decisions are recommended by that committee using the existing policy, ranging from curbing of accidents and fuel management among other things in the municipality.

### ***Repairs and maintenance***

The annual target for maintenance of municipal access roads is 57 access roads. As at mid-year we have managed to maintain 25 access roads. We also respond to ad hoc requests from the community.

## LOCAL ECONOMIC SECTION

### ***LED Mid-Year Performance***

Local Economic Development (LED) section is the main municipal component that is under the Department of Technical Services. This section is responsible for stimulating local economic development of uMhlabuyalingana area through job creation, domestic tourism marketing, and SMME support. These are the main competencies of this section as set by the National Development Plan, Provincial Growth and Development Plan and Strategy, District Growth and Development Plan, and Delivery Agreement for Outcome 9. In line with the mentioned legislative framework, the council has developed responsive programs through its LED Strategy in order to simplify implementation of the LED competencies.

A summary below provides some indication of the unit's achievements in regards to the 2017/18 financial cycle mid-term as follows:

**Tourism Development and Promotion:** The municipality has developed a tourist attraction and safety brochure in support of its Community Tourism Organization-CTO. The main purpose of the said brochure is to ensure efficient marketing of its local tourism destinations. This is in response to the national 'Shot' Left tourism campaign. Technically, uMhlabuyalingana Municipality will localize the campaign in the fourth quarter during the Tourism month (September) and Easter (March) holidays. Furthermore, the municipality is planning towards rehabilitating the Tourism Information office that has been recently handed over by uMkhanyakude District Municipality where Tourism services within the area will be marketed. Also,



**SMME Support:** Through this programme the municipality supports its local business structure called UMhlabuyalingana Business Forum- UBC. Potential but struggling entrepreneurs including cooperatives and informal traders was identified to undergo incubation. Trainings have been conducted with 43 beneficiaries to benefit, further to that; the municipality will procure starter kit material to all 43 beneficiaries to help them start their businesses which will be monitored by the municipality for period of 18 months to ensure growth and stimulation in order to ensure business sustainability.

**Community Workers Programme-CWP:** Within this programme a total number of 800 community work job opportunities have been created between July and December 2017). This programme is completely funded by the Department of Cooperative Governance and Traditional Affairs. 1600 job opportunities will be created by the 30 June 2018.

**Extended Public Works Programme:** This is the main job creation platform for UMhlabuyalingana municipality as it provides a twelve months duration employment. This programme is implemented both through the Public Works grant and the equitable share. As at essence, a total number of 205 job opportunities have been created, excluding CWP. Amongst 500 job opportunities which should be created by 30 June 2018, the municipality has nearly tripled the 200 set Full Time Equivalents-FTE's by the Department of Public Works- Programme Co-Funder by reaching 220 FTE's.

## DEVELOPMENT PLANNING

To date the municipality is focusing on the ongoing process of formalization of towns, to fast track this process the municipality has prepared the Spatial Development Framework (SDF) and Land Use Management System (LUMS) and as part of the formalization of towns Cogta has funded the municipality to undertake a single land use scheme for the whole of Umhlabuyalingana.

### *Singe land use scheme (Wall to Wall scheme)*

In terms of section 24 (1) of the Spatial Planning and Land Use Management Act No. 16 of 2013 (hereinafter refer to as the SPLUMA), a municipality, after public consultation, adopt and approve a single land use scheme for its entire area within five years from the commencement of this act. Schemes are understood to be tools used by Municipalities to guide and manage development rights and giving effect to the visions, objectives and broad strategic focus of IDPS and SDFS. The scheme is required to be legally compliant, sustainable, and provide clear and appropriate management guidance for Umhlabuyalingana Municipal area.

The project is funded by COGTA to assist the uMhlabuyalingana Municipality in developing a wall to wall land use scheme that gives effect to the development principles contained in the section 2(7) for its municipal area of jurisdiction. To date the 1<sup>st</sup> draft has been submitted however the steering committee will sit in February to discuss the milestones that have been met.

The planning scheme focuses on detailed management controls (clauses and maps) for the entire municipality. Noting that areas subject to the Subdivision of Agricultural Land Act 70 of 1970 needs to be managed with the necessary wisdom and will also have management controls which needs the necessary approval from the National Department.

***Spatial Development framework***

The SDF serves as a strategic framework that directs the implementation of the IDP and guides the overall spatial distribution of current and desirable land uses within a Municipality in order to give effect to the vision, goals and objectives of the municipal IDP. The Municipality's SDF represents a long term (+20 years) plan, and is revised in line with the IDP 5 year cycles. It is also a primary spatial response to the development context, needs and development vision of the municipality. It is a key land use management tool of the Municipality as it has an important role to play in guiding and managing municipal decisions relating to the use, development and planning of land. In terms of Section 20 of SPLUMA, the SDF is still recognized as part of the IDP, which in terms of the MSA has a varied set of criteria for what an SDF should entail.

Responding to the MEC comments with regards to SDF compliance the municipality has appointed a service provider to undertake the SDF however due to budget constraints the inception report has been the only milestone reached.

***Spatial Planning and Land Use Management Act no. 16 of 2013 (SPLUMA)***

SPLUMA aims to develop a new framework to govern planning permissions and approvals, sets parameters for new developments and provides for different lawful land uses in South Africa. SPLUMA is a framework law, which means that the law provides broad principles for a set of provincial laws that will regulate planning. SPLUMA also provides clarity on how planning law interacts with other laws and policies.

***Umhlabuyalingana has Gazetted their By-Laws and the Umkhanyakude District has agreed on a joint MPT, however the MPT has not been established but to be established by February 2018 therefore some development applications received are still prepared in terms of*** chapter 3 and 4 of Planning and development Act no. 8 of 2008 inconsistent with Spatial Planning and Land Use Management Act no. 16 of 2013 and some are prepared in terms of Spatial Planning and Land Use Management Act No. 16 of 2013. As from March 2018 only development applications done in terms of Spatial Planning and Land Use Management Act no. 16 of 2013 will be acknowledged in Umhlabuyalingana Local Municipality.

To date the municipality has received six development applications done in terms of chapter 3 and 4 of Planning and development Act no. 8 of 2008 inconsistent with Spatial Planning and Land Use Management Act no. 16 of 2013 which includes Petrol filling station, convenience shop, restaurant and related facilities in Hangaza area, **Ntshongwe Police station, Total Petrol filling station, mixed use development on the farm Tembe North (Ferazela), and Ingutshana petrol filling station.** Subsequently hangaza has been approved and is due to be completed by 2018.

### ***Inspection of Buildings***

Umhlabuyalingana municipality follows the **National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977)** when inspecting erected structures within their jurisdiction and accessing building plans. The Act states that Local authorities are responsible for the administration of the National Building Regulations, and control the on-site activities on construction projects.

As from July 2017 to January 2018, ten building plans have been submitted, ten site inspections have been conducted and six have been approved, with regards to serving notices to the non-complying sites, five as-built buildings have been served and four new buildings have been served. Chapter 7 of the Spatial Planning and Land Use Management Act No.16 of 2013 (**enforcement By-Law**) makes it obligatory for the municipality to enforce should a person uses the land without the approval from the municipality or any who doesn't comply even after 3 notices have been served, therefore the municipality is in the process of applying the Law of enforcement.

### **Challenges encountered**

When assessing the building plans the municipality follows the Building Plan Regulation Act 103 of 1977 and the challenge has been that applicants don't submit engineering drawings and commonly the local people have no knowledge about this Act therefore they do not comply with it and which makes it difficult to even issue them with a notices and to even apply the Law of enforcement.

### ***Joint ExCo between 4 Traditional Councils***

Terms of reference have been compiled and submitted to all ExCo members and traditional leaders within Umhlabuyalingana municipality therefore the first meeting will sit in February 2018.

## MANAGEMENT

### ***Communication Strategy***

In terms of chapter 4 of the Municipal Systems Act, the Municipalities are encouraged to strive for maximum participation of its citizens to its various programmes. Again the Promotion of Access to Information Act of 2000 further asserts the need for accessibility of the municipal information based on certain conditions as stipulated by the municipality. Furthermore the white paper on local government defines developmental local government as government that is committed in working with its citizens. Undoubtedly the central focus of the abovementioned legislation evolves around the effective communication between the municipality and its constituencies. In June 2013, the Council of uMhlabuyalingana adopted this communication strategy which is reviewed annually. The purpose of the strategy is to present mechanisms and guidelines for communication between internal and external environment of the municipality. It is further in the interest of the strategy that could be used in formulating the municipal policy on communication. In order to ensure that the community is informed, we use national and local radio station and municipal newsletter to disseminate the information.

## GOOD GOVERNANCE

### ***Internal Audit***

The role of internal audit is to provide independent assurance that a municipality's risk management, governance and internal control processes are operating effectively. We have a professional duty to provide an unbiased and objective view. The municipality has appointed Ntshidi and Associates for the period of three (3) years. Internal Auditors have a coverage plan for 2017/2018 financial year and was approved by the Audit Committee and adopted by council. Internal audit function is currently on site and underway with the implementation of the plan.

### ***Audit Committee***

The role of Audit Committee is to assist the municipality through playing an oversight role in ensuring full compliance with laws and regulations governing local government. They play an oversight role in terms of financial reporting, internal controls systems and the risk management of the municipality. The Audit Committee has the Audit Committee Charter that has been approved by Council. As per the approved Audit Committee Charter, the Audit Committee has to meet quarterly, during 2017/2018 mid-year the Audit Committee met three times. It should be noted that there is a new Audit committee in place which was appointed in October 2017.

### ***MPAC***

Municipal Public Accounts Committee was established on the 19<sup>th</sup> of August 2016 during the new council inauguration. A municipal public accounts committee then becomes an equivalent municipal structure to deal with financial and related management aspects of municipalities. The intention of MPAC is to provide guidance or committee that assist to enhance executive accountability and council oversight responsibilities at Local Government level as recommended by section 129 of the MFMA. During 2017/2018 mid-year, the committee had three meetings.

### ***IDP/Budget Process Plan***

The council adopted the 2017/2018 IDP process plan in August 2016. The IDP/Budget process plan sets out the process for the planning formulation, review the IDP and budget. In terms of the process plan we are in phase 3 which includes prioritisation of projects and implementation strategy.

***Risk Management***

The municipality has established a risk management unit; through which strategic risk management documents have been developed in order to ensure a systematic process of risk management within the municipality. It is imperative to mention that the Municipality has established Risk Management Committee and its Terms of Reference. The main aim of this report is to provide a progress on the risks identified by Provincial Treasury and day to day operational risks. The municipality has recently appointed the external and independent Chairperson of the Risk management Committee.

***AG ACTION PLAN***

Following the receipt of the Final Management letter, findings raised by Auditor General were thoroughly scrutinised. The Auditor General Action plan was then developed based on the 9 findings raised. *Annexure H* depicts the nature of these findings, Roots causes and proposed time bound remedial actions. It must further be noted that the municipality obtained clean audit opinion.

**MSCOA Risk Register**

The minister of Finance promulgated Government Gazette No. 37577, Municipal Regulations on Standard Chart of Accounts (MSCOA), on 22 April 2014

The objective of the Regulations is to provide a national standard for uniform recording and classification of municipal budget and financial information at a transaction level by providing Standard chart of accounts.

After careful consideration and assessment of the portfolio of evidence received, out of 10 identified the municipality 5 had been resolved and in progress, 4 are in progress and 1 being not resolved.

**AG ACTION PLAN**

Following the receipt of the Final Management letter, findings raised by Auditor General were thoroughly scrutinised. The Auditor General Action plan was then developed based on the 9 findings raised. *Annexure H* depicts the nature of these findings, Roots causes and proposed time bound remedial actions. It must further be noted that the municipality obtained clean audit opinion.

**CORPORATE SERVICES DEPARTMENT**

The Department has given full support in ensuring that vacant positions in different departments are filled as planned in the recruitment plan and departmental SDBIP, thus enhancing human capital capacity internally. The shift has also been realized where employment equity targets in terms of gender are starting to be significant in three highest levels of management as it is regulated as a national key performance indicator in the Local Government Municipal Planning and Performance Regulations. The department intends taking a direction where employment equity will be implemented holistically throughout the organization.

The first six months saw Corporate Services implementing capacity building initiatives aimed at improving different performance areas of the municipality, there is however a need to review Human Resources Strategy during the IDP/PMS review to ensure that what is entailed in the strategy finds its way to tangible capacity building initiatives. There is a huge opportunity of improvement which can be realized in proper implementation of Performance Management System and proper cascading thereof. The period in review reflect enhanced Organizational Performance Management implementation and a need to strengthen Individual Performance Management to achieve better results in aligning service delivery and performance throughout the organization.

In the next six months the department will focus on Staffing Strategies, A staffing Strategy is the technique used by an organization to place the right person in the right position. In their purest form, these strategies are categorised as either internal or external. A modification of an internal strategy is the work force pool.

**Staff Complement:**

The Umhlabuyalingana Local Municipality has 5 Departments namely Management, Department of Corporate Services, Department of Finance, Department of Community Services and

Department of Technical Services. Each Department is headed by the Senior Manager (Director). Each Department has Section Manager/s (Each Section is headed by Section Manager). The Umhlabuyalingana Local Municipality has 145 positions and it has 4 vacant positions, 4 in Department of Technical Services, 1 in Finance Department and 2 in Department of Community Services, 1 in Management Department which will be filled in Quarter 3 and 4 respectively. The municipality has introduced Deputy Director to all Departments, however only two Deputy Directors have been appointed so far i.e. in Corporate Services Department and Community of Services Department.

***Minimum Treasury Requirements:***

The Umhlabuyalingana Local Municipality has 4 Senior Managers, The position of the Municipal Manager is vacant. The following positions are filled namely, Director Corporate Services, Chief Financial Officer, Director Community Services and Director Technical Services. All Senior Managers have Minimum Treasury Requirements. There are 16 Section Managers. Only 3 Section Managers have Minimum Treasury Requirements. The Department of Corporate Services is planning the Training for Section Managers/ will arrange Training for Section Managers which will (address) deal with the issue of Minimum Treasury Requirements.

***Challenges:***

There is shortage of Funds for Training of which will be addressed during the Budget Adjustment.

*(See Annexure I)*

## ORGANISATIONAL SCORECARD-ANNEXURE

KPA	Total Number of KPI's for Q1 and Q 2	Targets achieved	Targets Not achieved	%
<b>Municipal Transformation and Institutional Development</b>	31	21	10	68%
<b>Basic service delivery and infrastructure development</b>	39	29	10	74%
<b>Social and Economic Development</b>	9	8	1	89%
<b>Financial viability and financial management</b>	7	7	0	100%
<b>Good Governance, Public Participation</b>	24	12	12	50%
<b>Cross Cutting Interventions</b>	11	7	4	64%
<b>Total</b>	121	84	37	69%



Notwithstanding the challenges of the structure of the SDBIP including reports from the departments, the above table reflects the performance level of 84 targets achieved against the Midyear total targets of 121 which translates to 69%.

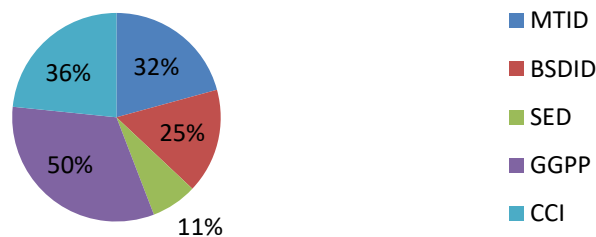
### Acronyms

<b>MTID</b>	<b>Municipal Transformation &amp; Institutional Development</b>
<b>BSDID</b>	<b>Basic Service Delivery and Infrastructure Development</b>
<b>LED</b>	<b>Local Economic Development</b>
<b>GGPP</b>	<b>Good Governance and Public Participation (ward committee system)</b>
<b>FVFM</b>	<b>Financial Viability and Financial Management</b>
<b>CCI</b>	<b>Cross-Cutting Interventions</b>

Targ



### Targets not achieved



## RECOMMENDATIONS BY THE ACCOUNTING OFFICER

1. That the Mid-Year Performance Assessment submitted in terms of section 72 of Municipal Finance Management Act (Act 56 of 2003) be noted for onward submission to National and Provincial Treasury;
2. That Departments to re-align the Mid-Year Review to Monthly Projections of expenditure on the Operational and Capital Budget based on the Mid-Year assessed SDBIP's;
3. That the Mid-Year Budget Review (as presented by the Mayor/Manager) and the Mid-year performance assessment, and the recommendation contained therein be approved for preparation of an Adjustment budget for the 2017/18 and the review of the SDBIP's accordingly;
4. That revision on the SDBIP's forming part of the Mid-Year Assessments (where applicable) be approved, and Performance Agreements of section 54/56 employees be amended accordingly.

## **In-year budget statement tables (Annexure B)**

The statement of financial performance shown on table C1 to C 7 including supporting schedules SC1 to SC13e is prepared on similar basis to the prescribed budget format, detailing revenue by source type and expenditure input as follows (See Annexure B)

## T B

## Monthly Budget Statement Analysis

### Debtor's analysis

Current year mid-year debtors balance is sitting at 43.2 million when compared to last year balance which was 32.7 million, although the municipality has implemented ways to improve collection, the municipality is still struggling with the issue of long outstanding debtors. We believe that implementation of the revenue committee will assist the municipality in identifying other strategies such as site visit to property owner and have meetings for the purposes of getting reason for non-payment of debt as well as offering incentives like discounts on settlement of accounts in order to encourage debtors to pay their accounts.

KZN271 Umhlabuyalingana - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

LCR27 / Ombudabuyingana-supporting table 303 monthly budget statement - aged debtors - mid december													
Description	NT Code	Budget Year 2017/18									Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy	
		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			Total over 90 days
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200									-	-		
Trade and Other Receivables from Exchange Transactions - Electricity	1300									-	-		
Receivables from Non-exchange Transactions - Property Rates	1400	1,630	977	(529)	(930)	919	1,003	39,989		43,063	40,981	196	
Receivables from Exchange Transactions - Waste Water Management	1500									-	-		
Receivables from Exchange Transactions - Waste Management	1600	19	14	2				11		46	11		
Receivables from Exchange Transactions - Property Rental Debtors	1700	17	16	14	13	11	8	48		127	80		
Interest on Arrear Debtor Accounts	1810									-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820									-	-		
Other	1900									-	-		
Total By Income Source	2000	1,666	1,007	(509)	(916)	930	1,011	40,047	-	43,236	41,072	196	-
2016/17 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	1,082	417	(1,022)	(1,415)	548	548	7,554		7,712	7,235		
Commercial	2300	467	473	397	382	265	346	12,852		15,182	13,845	196	
Households	2400									-	-		
Other	2500	117	117	117	117	117	117	19,641		20,343	19,992		
Total By Customer Group	2600	1,666	1,007	(509)	(916)	930	1,011	40,047	-	43,236	41,072	196	

# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

## Creditors analysis

The municipality is adhering to section 65 of the municipality finance management act, where it is stated that creditors should be paid within 30 day of receipt of the invoice. The municipality have two payment run on the 15th and 30th of the month to settle the liability of submitted invoice. The municipality ensures that payment are made within 30 days since most of our suppliers are within the category of SMME's this is done to assist them sustain their cash position since they are still small entities.

KZN271 Umhlabuyalingana - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description	NT Code	Budget Year 2017/18									Prior year totals for chart (same period)
		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	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100									-	
Bulk Water	0200									-	
PAYE deductions	0300									-	
VAT (output less input)	0400									-	
Pensions / Retirement deductions	0500							4		4	
Loan repayments	0600									-	
Trade Creditors	0700	632	156	49	(19)	(49)	(851)	4		(78)	111
Auditor General	0800	110	-	-	-	-	-	-	-	110	
Other	0900									-	
Total By Customer Type	1000	742	156	49	(19)	(49)	(851)	8	-	36	111

## Investment Portfolio analysis

Investments made with the various financial institutions are strictly in compliance with municipal Financial Management Act and the investment Regulations

The balance on investment at mid-year was R 11, 9 million. The amount is invested to generate investment revenue on the amount not immediately needed to provide basic services and in addition the surplus funds at year-end are also invested. The amount on investment reflects a decrease of R 53 million since the prior year investment at mid-year were R 64.9 million. This reflect that the municipality have decrease it investment which requires more attention from management.

KZN271 Umhlabuyalingana - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M06 December

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Expiry date of investment	Accrued interest for the month	Yield for the month 1 (%)	Market value at beginning of the month	Change in market value	Market value at end of the month
R thousands		Yrs/Months							
<b>Municipality</b>									
First National Bank -62424086785		12 months	Call Account	30 June 2018	3		497		500
First National Bank -74275256516		12 months	Money Market	30 June 2018	52		4 235		4 287
First National Bank -62055161146		12 months	32 days notice	30 June 2018	0		1		1
Nedbank -28702097		12 months	32 days notice	30 June 2018	0		32		32
First National Bank -74622621601		12 months	Money Market	30 June 2018	36		6 223		6 259
STD Bank -068824491		12 months	Money Market	30 June 2018	0		18		18
First National Bank -62217154351		12 months	Fised Deposit	30 June 2018	(0)		2		2
First National Bank -62266899825		12 months	Call Account	30 June 2018	3		814		817
<b>Municipality sub-total</b>					94		11 824	-	11 918
<b>Entities</b>									
<b>Entities sub-total</b>					-		-	-	-
<b>TOTAL INVESTMENTS AND INTEREST</b>	2				94		11 824	-	11 918

## Allocation and grant receipts and expenditure

The municipality has received a total of R107 124 500 for operational grants including the equitable share by 31 December 2017. This total include 1 900 000 for Financial Management Grant, R2 916 000 for Expanded Public Works Programme Grant, R100 386 000 for Equitable Share and R1 922 000 for Provincialisation of Libraries Grant. Expenditure for FMG is sitting at 11% as a result of 2 Interns assuming their duties in September 2017 and 1 intern still not yet appointed, as well as other projects not yet implemented like trainings for finance officials for minimum competency levels. Expenditure for EPWP is sitting on 41% and Library Grant expenditure is 95% of R922 500 received by 31 December 2017

R55 500 000 has been received by 31 December 2017 for Capital grants funded by National Government. The municipality received R30 500 000 for Municipal Infrastructure Grant and R25 000 000 for Integrated National Electrification Programme Grant. Expenditure for MIG is 60% and 57% for INEP as at 31 December 2017.

The municipality also received R1 000 000 for Wall to Wall Scheme Support grant from KZN Provincial COGTA in June 2017. The municipality then got a roll over approval from the Department since the funds were transferred by the department earlier instead of transferring the funds to the municipality in July 2018. Expenditure on this grant is sitting on 24% as at 31 December 2017

# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

KZN271 Umhlabuyalingana - Supp

Description
R thousands
<b>RECEIPTS:</b>
<b>Operating Transfers and Grants</b>
<b>National Government:</b>
Local Government Equitable Share
Finance Management
EPWP Incentiv e
Integrated National Electrification Progra
Other transfers and grants [insert descr
<b>Provincial Government:</b>
Provincialisation of Libraries
Community Library Services Grant
Small Town n Rehabilitation Programme
Other transfers and grants [insert descr
<b>District Municipality:</b>
[insert description]
<b>Other grant providers:</b>
[insert description]
<b>Total Operating Transfers and Grants</b>
<b>Capital Transfers and Grants</b>
<b>National Government:</b>
Municipal Infrastructure Grant (MIG)
Integrated National Electrification Grant
Other capital transfers [insert descriptio
<b>Provincial Government:</b>
[insert description]
<b>District Municipality:</b>
[insert description]
<b>Other grant providers:</b>
Scheme Support Grant
<b>Total Capital Transfers and Grants</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRA</b>



# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

KZN271 Umhlabuyalingana - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - M06 December

Description		Ref	2016/17 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands											
EXPENDITURE											
Operating expenditure of Transfers and Grants											
National Government:			128,773	139,913	-	-	4,816	3,033	1,784	58.8%	139,913
Local Government Equitable Share			121,121	133,848			-	-	-		133,848
Finance Management			1,825	1,900		-	1,900	950	950	100.0%	1,900
EPWP Incentive			2,277	4,165		-	2,916	2,083	834	40.0%	4,165
Integrated National Electrification Programme			3,550						-		
									-		
Other transfers and grants [insert description]									-		
Provincial Government:			5,004	1,657	-	-	923	829	94	11.3%	1,657
Provincialisation of Libraries			1,413	1,469		-	735	735	-		1,469
Community Library Services Grant			179	188		-	188	94	94	100.0%	188
Small Town Rehabilitation Grant			3,412						-		
									-		
Other transfers and grants [insert description]									-		
District Municipality:			-	-	-	-	-	-	-		-
[insert description]									-		
Other grant providers:			-	1,000	-	-	242	500	(258)	-51.6%	1,000
Wall to Wall Support Scheme Grant			-	1,000		-	242	500	(258)	-51.6%	1,000
[insert description]									-		
Total operating expenditure of Transfers and Grants:			133,777	142,570	-	-	5,981	4,361	1,620	37.1%	142,570
Capital expenditure of Transfers and Grants											
National Government:			36,825	60,481	-	4,409	32,582	30,241	2,341	7.7%	60,481
Municipal Infrastructure Grant (MIG)			36,825	35,481		1,482	18,387	17,741	647	3.6%	35,481
Intergrated National Electrification Grant				25,000		2,927	14,195	12,500	1,695	13.6%	25,000
									-		
Other capital transfers [insert description]									-		
Provincial Government:			-	-	-	-	-	-	-		-
									-		
District Municipality:			-	-	-	-	-	-	-		-
									-		
Other grant providers:			-	-	-	-	-	-	-		-
									-		
Total capital expenditure of Transfers and Grants			36,825	60,481	-	4,409	32,582	30,241	2,341	7.7%	60,481
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS			170,602	203,051	-	4,409	38,563	34,602	3,961	11.4%	203,051

# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

KZN271 Umhlabuyalingana - S

Description
R thousands
<b>EXPENDITURE</b>
<b>Operating expenditure of Approved Roll-over</b>
<b>National Government:</b>
Local Government Equitable Share
Finance Management
EPWP Incentive
Integrated National Electrification Prog
Other transfers and grants [insert des
<b>Provincial Government:</b>
Provincialisation of Libraries
Small Town Rehabilitation Program
Other transfers and grants [insert des
<b>District Municipality:</b>
[insert description]
<b>Other grant providers:</b>
Wall to Wall Support Scheme Grant
Small Town Rehabilitation Grant
<b>Total operating expenditure of Approved Roll-over</b>
<b>Capital expenditure of Approved Roll-over</b>
<b>National Government:</b>
Municipal Infrastructure Grant (MIG)
Integrated National Electrification Gra
Other capital transfers [insert descripti
<b>Provincial Government:</b>
<b>District Municipality:</b>
<b>Other grant providers:</b>
<b>Total capital expenditure of Approved Roll-over</b>
<b>TOTAL EXPENDITURE OF APPROVED ROLL-OVER</b>

# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

## Councillor allowances and employee benefits

Councillor's remuneration/ allowances expenditure is 45% as at 31 December 2017 because upper limits for councillors have not yet been implemented. Upper limits are expected to be implemented in February or March 2018 after the approval of the MEC for local government.

Expenditure for employee costs is also 45% as a result of other vacant positions not yet filled and others positions filled in during 2<sup>nd</sup> quarter of the 2017/2018 financial year.

KZN271 Umhlaluyalingana - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	Ref	2016/17	Budget Year 2017/18							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands		A	B	C						D
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		7,035	8,582		626	3,756	4,291	(535)	-12%	8,582
Pension and UIF Contributions								-		
Medical Aid Contributions								-		
Motor Vehicle Allowance		2,333	2,566		209	1,252	1,283	(31)	-2%	2,566
Cellphone Allowance		794	821		77	462	410	52	13%	821
Housing Allowances								-		
Other benefits and allowances		223	242		9	51	121	(69)	-57%	242
<b>Sub Total - Councillors</b>		<b>10,386</b>	<b>12,210</b>	<b>-</b>	<b>920</b>	<b>5,521</b>	<b>6,105</b>	<b>(584)</b>	<b>-10%</b>	<b>12,210</b>
<b>% increase</b>	4		<b>17.6%</b>							<b>17.6%</b>
<b>Senior Managers of the Municipality</b>										
Basic Salaries and Wages		4,331	5,071		384	2,305	2,536	(231)	-9%	5,071
Pension and UIF Contributions		254	214		5	28	107	(79)	-74%	214
Medical Aid Contributions			69		5	27	35	(7)	-21%	69
Overtime								-		
Performance Bonus		461	454		-	-	227	(227)	-100%	454
Motor Vehicle Allowance		826	789		69	414	394	20	5%	789
Cellphone Allowance		131	131		11	65	65	-		131
Housing Allowances								-		
Other benefits and allowances		1,191	776		63	373	388	(15)	-4%	776
Payments in lieu of leave			937		-	-	183	(183)	-100%	937
Long service awards			-		-	-	-	-		-
Post-retirement benefit obligations			-		-	-	-	-		-
<b>Sub Total - Senior Managers of Municipality</b>		<b>7,194</b>	<b>8,439</b>	<b>-</b>	<b>536</b>	<b>3,213</b>	<b>3,934</b>	<b>(722)</b>	<b>-18%</b>	<b>8,439</b>
<b>% increase</b>	4		<b>17.3%</b>							<b>17.3%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		29,422	30,963		2,833	15,892	15,481	411	3%	30,963
Pension and UIF Contributions		2,432	4,019		274	1,599	2,009	(411)	-20%	4,019
Medical Aid Contributions		1,311	1,992		126	784	996	(213)	-21%	1,992
Overtime		964	639		90	560	319	241	75%	639
Performance Bonus		1,900	2,488		2,058	2,063	1,244	819	66%	2,488
Motor Vehicle Allowance		3,993	2,136		168	917	1,068	(151)	-14%	2,136
Cellphone Allowance		361	450		35	214	225	(11)	-5%	450
Housing Allowances			-					-		-
Other benefits and allowances		1,677	1,631		108	819	816	4	0%	1,631
Payments in lieu of leave			5,548				2,774	(2,774)	-100%	5,548
Long service awards			71				35	(35)	-100%	71
Post-retirement benefit obligations								-		
<b>Sub Total - Other Municipal Staff</b>		<b>42,059</b>	<b>49,936</b>	<b>-</b>	<b>5,692</b>	<b>22,848</b>	<b>24,968</b>	<b>(2,120)</b>	<b>-8%</b>	<b>49,936</b>
<b>% increase</b>	4		<b>18.7%</b>							<b>18.7%</b>
<b>Total Parent Municipality</b>		<b>59,640</b>	<b>70,586</b>	<b>-</b>	<b>7,148</b>	<b>31,582</b>	<b>35,007</b>	<b>(3,426)</b>	<b>-10%</b>	<b>70,586</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>59,640</b>	<b>70,586</b>	<b>-</b>	<b>7,148</b>	<b>31,582</b>	<b>35,007</b>	<b>(3,426)</b>	<b>-10%</b>	<b>70,586</b>
<b>% increase</b>	4		<b>18.4%</b>							<b>18.4%</b>
<b>TOTAL MANAGERS AND STAFF</b>		<b>49,254</b>	<b>58,376</b>	<b>-</b>	<b>6,228</b>	<b>26,061</b>	<b>28,902</b>	<b>(2,842)</b>	<b>-10%</b>	<b>58,376</b>

### **Municipal financial performance**

Municipal financial performance as at 31 December 2017 is good as revenue generated is sitting at 38% above the 6 months budget projections, although other revenue items are still a concern where revenue generated against them is below 40% like interest on investment. Interest recognized from long outstanding debtors is 36% indicating that there is still a challenge in collection of debts in the municipality and it needs to be attended by management in order to maximize its revenue for the purposes of providing more services to the community.

Total operating expenditure is very low as it is 16% below the 6 months budget projections, this indicates that there is under spending in the municipality especially on contracted services, debt impairment and depreciation. Management will have to consider adjusting these items

# UMHLABUYALINGANA MUNICIPALITY

2017-2018 MID-YEAR REPORT AS AT 31 DECEMBER 2017

KZN271 Umhlabuyalingana - Table

Description
<b>R thousands</b>
<b>Revenue By Source</b>
Property rates
Service charges - electricity revenue
Service charges - water revenue
Service charges - sanitation revenue
Service charges - refuse revenue
Service charges - other
Rental of facilities and equipment
Interest earned - external investments
Interest earned - outstanding debtors
Dividends received
Fines, penalties and forfeits
Licences and permits
Agency services
Transfers and subsidies
Other revenue
Gains on disposal of PPE
<b>Total Revenue (excluding capital transfers and contributions)</b>
<b>Expenditure By Type</b>
Employee related costs
Remuneration of councillors
Debt impairment
Depreciation & asset impairment
Finance charges
Bulk purchases
Other materials
Contracted services
Transfers and subsidies
Other expenditure
Loss on disposal of PPE
<b>Total Expenditure</b>
<b>Surplus/(Deficit)</b>
Transfers and subsidies - capital (from National / Provincial and District)
(National / Provincial Departmental Agencies)
Households, Non-profit Institutions, Private Public Corporations, Higher Educational Institutions
Transfers and subsidies - capital (in-kind)
<b>Surplus/(Deficit) after capital transfers and contributions</b>
Taxation
<b>Surplus/(Deficit) after taxation</b>
Attributable to minorities
<b>Surplus/(Deficit) attributable to municipalities</b>
Share of surplus/ (deficit) of associate municipalities
<b>Surplus/ (Deficit) for the year</b>

## Capital Programme Performance

Total capital expenditure is 8% above the 6 months budget projections, as disclosed in table C5. Sports and recreation projects expenditure is only 14% as at 31 December 2017 as it was targeted to be implemented in quarter 2, the project will be monitored closely to ensure it is finalized on time and before the end of the financial year.

KZN271 Umhlabuyalingana - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	2016/17	Budget Year 2017/18							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands	1									

<b>Single Year expenditure appropriation</b>
Vote 1 - EXECUTIVE AND COUNCIL
Vote 2 - MUNICIPAL MANAGER
Vote 3 - BUDGET AND TREASURY
Vote 4 - CORPORATE SERVICES
Vote 5 - COMMUNITY SERVICES
Vote 6 - TRAFFIC SERVICES
Vote 7 - LIBRARY SERVICES
Vote 8 - TECHNICAL SERVICES
Vote 9 - LOCAL ECONOMIC AND DEV
Vote 10 - WASTE MANAGEMENT
Vote 11 - [NAME OF VOTE 11]
Vote 12 - [NAME OF VOTE 12]
Vote 13 - [NAME OF VOTE 13]
Vote 14 - [NAME OF VOTE 14]
Vote 15 - [NAME OF VOTE 15]
<b>Total Capital single-year expenditure</b>
<b>Total Capital Expenditure</b>
<b>Capital Expenditure - Functional Class</b>
<b>Governance and administration</b>
Executive and council
Finance and administration
Internal audit
<b>Community and public safety</b>
Community and social services
Sport and recreation
Public safety
Housing
Health
<b>Economic and environmental services</b>
Planning and development
Road transport
Environmental protection
<b>Trading services</b>
Energy sources
Water management
Waste water management
Waste management
<b>Other</b>
<b>Total Capital Expenditure - Functional</b>
<b>Funded by:</b>
National Government
Provincial Government
District Municipality
Other transfers and grants
<b>Transfers recognised - capital</b>
<b>Public contributions &amp; donations</b>
<b>Borrowing</b>
<b>Internally generated funds</b>
<b>Total Capital Funding</b>

## Material Variances On Service Delivery And Budget Implementation Plan

### COMMUNITY SERVICES DEPARTMENT

#### *Reasons for non-spending in the Ward Committee Expense vote*

The

saving have occurred because the local government elections took place in the second month of the first quarter and ward committees were then composed in October ending on 02 November 2016.

The Ward Committees had not started to perform their function so that they may be compensated.

#### ***Reasons for not spending on the Indigent Register/Support***

The service provider has not yet been appointed; the process is currently underway as of the third quarter and will be finalized in June 2017.

#### ***Reasons for not spending on Free Basic Service***

Community services department has to offer free basic service in as far as collection of refuse, the geographical location of the indigents and nature of our access roads makes it impossible to render the service. Our two trucks cannot reach the homestead of the indigent communities.

#### ***Traffic Section***

Training and accommodation- KZN COGTA postponed the training which was schedule for 2nd quarter to 3rd quarter.

#### ***Awareness campaign***

Goods (promotional material procured in the 1st quarter but delivered in the 3rd quarter

#### ***Disaster management***

Review of 5 year plan disaster management to be advertised in the 3rd quarter the balance is the provision for it.

#### ***Rental expenses***

Services provider delayed the installation of communication system i.e. Telephone, car phones and emergency lines

#### ***Disaster relief***

Provision for goods to be procured on the 3rd quarter term in preparation for fire season

### **Library Services**

#### ***Reasons for under-spending on running costs***

1. Office machine rental
2. Contracted services
3. Postage and telephone
4. Water and electricity

There is a delay of submission of invoices from service providers.

#### ***Reasons for under-spending on Library Promotions***

As per budget implementation plan, the target is planned for third quarter, hence the under-spending.

#### ***Reasons for under-spending on Cleaning services and Uniform***

The spending was planned for third quarter and is already in process; requisitions have been signed and approved.

#### ***Reasons for under-spending on Conferences***

The

cost for conferences usually escalates if they are held outside the province wherein the municipality would have to pay air transport and other costs. This year the conference took in KZN in the second quarter therefore the cost was low but another one is yet to take place in the third quarter.

#### ***Reasons for non-spending on Periodicals***

This vote stand to assist when the need arise for purchasing new books that our clients would require from time to time.

#### ***Reasons for under spending on Repairs and Maintenance***

This vote is spent as and when the need for repairs and maintenance arises.

#### ***Capex projects for community services***

Library furniture: the furniture will be purchased in the 4th quarter

#### ***OHS equipment***

The procurement process is already under way, the requisition have been done and the service will be delivered in the 3rd quarter

#### ***Boreholes***

The municipality had planned to install boreholes in all dumping sites but AG has raised a finding on this issue since water provision is not a local municipality function. This money will be allocated during the budget adjustment process.

#### ***Skips***

Will be purchased in the 3rd quarter

#### ***Dumpsite project***

Spending will take place in the 4th quarter

## **LED SECTION-BUDGET EXPENDITURE STATUS-QUO**

#### ***SMME support***

Under this vote, expenditure of R280, 000 has been made through procurement of SMME, Informal traders and Coops incubator material. The Trainings have been successfully conducted which has been followed by technical assistance as planned. This is expected to be finalized towards the end of January as the adjusted budget implementation plan.

#### ***Tourism Development***

The Tourism Marketing campaign was held in 21-22 September 2017, budget was spent through procurement of promotional items i.e T/shirts, backpacks, water bottles, refreshment, care hire and marketing brochures, the next one is planned to be held on 29 March 2018 although the there is only R15,000 left whilst two marketing campaign were planned for the 17/18 financial year. Moreover, as part of the LED unit plan is the Tourism Information Office Rehabilitation. The process has once more been delayed as the district handed it without evaluating it to precisely project its value as part of the process. Therefore, as soon as the asset value has been officially presented its rehabilitation process will commence on the next financial year 18/19.

## **MANAGEMENT**



**Fees – External Audit Fees – Reason for overspending**

Internal Audit invoices were included in the external fees vote. Mis-allocations will be addressed accordingly.

**Audit Fees – Non Employees – Reason for not spending**

There's a mis-allocations and will be addressed accordingly

**Audit Committee – Accommodation – Reason for overspending**

All HODs and senior managers accommodation were allocated in this vote. Mis – Allocations will be addressed accordingly

**Marketing and Publicity (Photographer) – Reason for not spending**

Activities will be performed in quarter three (3)

**Newsletter – Reason for not spending**

Programme will be implemented in quarter three (3) as planned

**Community Participation (Photographer) – Reason for not spending**

Programme will be implemented in quarter three (3)

**Strategic Planning (Accommodation) – Reason for overspending**

Programme took longer than planned (it took three (3) instead of two (2) days)

**Strategic Planning (Administration and Support staff) – Reason for overspending**

Programme took longer than planned (it took three (3) instead of two (2) days)

**Accommodation**

Had ad-hoc workshops and external meetings

**Community Participation (Artist and Performers) – Reason for overspending**

Invite community to attend public participation, hence inviting national performers to perform during public participation meetings

**IDP Review – Reason for not spending**

Activities to be implemented in quarter three (3)

**PMS Support – (Printing, publications and books, municipal activities) Reason for not spending**

Some activities in Q3 such as Review of Mid-Year Assessment, Performance Evaluation Assessment for Senior Managers and Review of final Annual Report.

**Community Participation (Hire charges) – Reason for spending**

The wards are geographically expansion and we had planned for three (3) meetings but we ended up having four (4) meetings.

**Support (Administrative and support staff) - Reason for overspending**

Extension of scope due to MSCOA requirements

**COUNCIL**

**Accommodation – Reason for overspending**

Had ad-hoc workshops and external meetings

**Wellness (Catering services) – Reason for overspending**

We had unfortunate circumstances such as road accidents, fire incidents and lightning incidents

**Wellness (Artists and performers) – Reason for overspending**

Mis-allocation, as there has been no activities performed

**Subsistence and Travelling – Reason for overspending**

Had ad-hoc workshops and external meetings

**Indigent Support (Catering) – Reason for overspending**

Ward 01 – Increase number of deaths and the highest demand is the groceries

Ward 02– Increase number of deaths and the highest demand is the groceries

Ward 05– Increase number of deaths and the highest demand is the groceries

Ward 08– Increase number of deaths and the highest demand is the groceries

Ward 09– Increase number of deaths and the highest demand is the groceries

Ward 10– Increase number of deaths and the highest demand is the groceries

Ward 11– Increase number of deaths and the highest demand is the groceries

Ward 13– Increase number of deaths and the highest demand is the groceries

Ward 17– Increase number of deaths and the highest demand is the groceries

**Indigent Support (Burial Services) – Reason for overspending**

Ward 02 – increase number of deaths

Ward 04 – Catering was also allocated to burial services – mis-allocation will be addressed accordingly

Ward 05 – increase number of deaths

Ward 06 – increase number of deaths

Ward 09 – increase number of deaths

Ward 11 – increase number of deaths

Ward 12 – increase number of deaths

13 – increase number of deaths

Ward 17 – increase number of deaths

**Indigent Support (Transport services) – Reason for overspending**

Ward 01- The wards are geographically expansion

Ward 06 -The wards are geographically expansion

Ward 07 -The wards are geographically expansion

Ward 10 -The wards are geographically expansion

**Indigent Support (Catering, Burial and transport services) -Reason for underspending**

Ward 01 (Burial) – low fatalities reported

Ward 03 (Burial) – low fatalities reported

Ward 04 (Transport) – low number of request

Ward 05 (Transport) – low number of requests

Ward 07 (Catering) – low fatalities reported

Ward 08 (Burial, transport) – low number of requests

Ward 09 (Catering and transport) – low number of requests

Ward 10 (Burial) – low fatalities reported

Ward 11 (Transport) – low number of requests

Ward 14 (Catering, Transport) – low fatalities reported

Ward 15 (Catering, burial, transport) – low fatalities reported

Ward 16 (Catering, burial, transport) – low fatalities reported

## FINANCIAL SERVICES

- Debt impairment expenditure is 1% as at 31 December 2017, Management will also review budget for debt impairment in the adjustment budget because it was overstated.
- Bank charges expenditure is 16%, looking at the previous year total expenditure of R200 552 this line item budget will not be adjusted but management will investigate possible misallocation of expenditure on this line item.

- Minimum Competency Level trainings expenditure is 0% this project will be implemented in quarter 3 and the budget will not be adjusted in the adjustment budget.
- Mscoa support project expenditure is 127% as a result of the extension of the hand holding contract by 3 months for the system vendor in the implementation of Mscoa project. This line item will be adjusted in the adjustment budget.
- Interest expense is 0% as a result of not having finance lease contracts yet. This line item will be adjusted in the adjustment budget.
- Financial support project expenditure is 187% due to many hours worked and claimed by the consultant when supporting finance staff in the implementation of mscoa and preparation of AFS and handling audit queries. This line item will be adjusted in the adjustment budget.
- Depreciation of PPE is 37% as at 31 December 2017. This line item will be adjusted in the adjustment budget.

## TECHNICAL SERVICES DEPARTMENT

**Our priority as the technical services department is to deliver basic services to the community.**

**Our responsibilities are:**

- a) Municipal Buildings
- b) Municipal access road
- c) Municipal sport fields
- d) Electrification Projects

### Repairs and maintenance

The annual target for maintenance of municipal access roads is 10km. As at mid-year we have managed to maintain 33km's of access roads. We also respond to ad hoc requests from the community.

### Reason for under and over expenditure

	PROJECT NAME	REASON FOR UNDERSPENDING	REASON FOR OVERSPENDING	Comments
1.	Masakeni access road		There was a variation on the project because all the responsive tenders were above the budget and the project is in the completion stage	
2.	Othungwini access road		The project is in the completion stage and the project is ahead of planned targets	
3.	Manguzi Multi-Purpose Centre			

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4.	Mahlungulu Community Hall		There was a variation on the project because all the responsive tenders were above the budget and the project is in the completion stage	
5.	Kwambila Multi-purpose Centre			The project is spending well
6.	Manzibomvu Community Hall	As the SDBIP the expenditure will occur on the third quarter and the project will be completed by June 2018		
7.	Ngutshana Sport field	As the SDBIP the expenditure will occur on the third quarter and the project will be completed by June 2018		
8.	Mqobela access road	As the SDBIP the expenditure will occur on the third quarter and the project will be completed by June 2018		
9.	Posini causeway	As the SDBIP the expenditure will occur on the third quarter and the project will be completed by June 2018		
10.	Manaba Electrification			The project is spending well
11.	Mkhindini electrification			
12.	Ward 4 Electrification			The project is spending well
13.	Mahlungulu Electrification			The project is spending well
14.	Repairs and maintenance –Civil		The vote is overspending because of the as and when unplanned maintenance	
15.	Repairs and maintenance –Building		The vote is overspending because of the as and when unplanned maintenance	
16.	Municipal access roads			The project is spending well

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17	Contracted services			The project is spending well

## MSCOA IMPLEMENTATION

### Umhlabuyalingana Municipality– Milestones

## mSCOA - Status-Quo

#### Highlights:

- REVENUE
  - Billing Runs
  - Receipting
  - Grants realization module works
- SCM
  - Requisitions
  - Purchase orders
  - CSD registration & integration
  - Petty cash Recons
- BUDGET
  - BIC Setup done
  - VIP Integration
  - AC, AD & Actuals M01, M02 & M03
  - Reporting to Treasury has been successfully uploaded
- EXPENDITURE
  - Automatic Payments Run
  - Electronic Payment Vouchers
  - Bank Recons

#### Focus areas on mSCOA Project:

- Ensuring completeness of CSD and Banking details updating
- Finalizing CSD integration on server
- Cleansing of Chart of Accounts including MIG & FMG payroll accounts

#### Lowlights:

- SCM
  - CSD (Some suppliers are not updated/registered on CSD and not all banking details has been updated on the system)
- BUDGET
  - CaseWare Automatic download of S71 Reports
  - Cleansing of Chart of Accounts
  - Payroll – VIP seamless integration
- REVENUE
  - Grant realization shows lot of accounts linked to certain grant (this need to be removed and add relevant ones only)

#### Issues for Escalation:

- IT
  - Network connection is very poor, working through it takes for ever
  - Upgrade speed capacity on Server



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	Milestone
1	Project File and Admin
2	ICT Assessment
3	System Upgrade (7.20.2000)
4	Creation of mSCOA Database
5	Conversion of TB Take-on Balances and chart
6	Data Migration
7	Data Migration Signoff
8	Data Cleansing
9	Change Management Workshop
10	Database Review

## Milestone S

	Milestone
11	3 <sup>rd</sup> Party Integrations
12	Creation of mSCOA Budget Chart
13	mSCOA System Training
14	User Acceptance Testin
15	Site Visits for QA
16	Take-on Balances and chart - Sign off
17	System Go Live

## Quality Certificate

I Nonhlanhla P. Gamede the Acting Municipal Manager of uMhlabuyalingana Municipality, hereby certify that the Mid-year budget and Performance Assessment report for 2017/2018 financial year and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the supporting documents are consistent with the Acts and Regulations.

Print Name \_\_\_\_\_  
Municipal Manager of Local Municipality (KZ2271)

Signature \_\_\_\_\_

Date \_\_\_\_\_