

# Umzinyathi District Municipality

## Mid-Year Budget and Performance Assessment 2013/14

### 1. Purpose

1.1 The Purpose of this report is to present the 2013/14 Mid-Year Budget and Performance Assessment in compliance with section 72 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and Section 33 of the Municipal Budget and Reporting Regulations (MBRR).

### 2. Background

2.1 Section 72 (1) of the MFMA reads that *“The accounting officer of a municipality must by 25 January of each year –*

*(a) Assess the performance of the municipality during the first half of the financial year,*

2.2 Section 33 of the MBRR reads that *“A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.<sup>19</sup>*

2.3 In compliance with the MFMA and the MBRR herewith please find the 2013/14 Mid-Year Budget and Performance Assessment in the prescribed format:

## Part 1 – In Year Report

### 3. Mayor’s report

The municipality prepared the 2013/14 Service Delivery and Budget Implementation Plan (SDBIP) as required by the Municipal Finance Management Act (MFMA), and in line with Circular No 13 of National Treasury. The 2013/14 Service Delivery and Budget Implementation Plan was approved by the Mayor on the 20 June 2013. The SDBIP serves as a contract between the Administration, Council and Community expressing the goals and objectives set and to ensure effective service delivery.

- The municipal budget was implemented in accordance with the service delivery and budget implementation plan, and most of the targets which were projected to be achieved by the end of December 2013 relating to the provision of water, sanitation, local economic development, social / community development have been achieved.

Some of the targets that have been achieved relate to water provision to 1281 households (target for the year is 3470 households) - 72 % of water delivered.

- Provision of sanitation facilities to 2954 households (target for the annual year is 1 800 households) - 78 % sanitation delivered , undertaking of profiling of land farms, small enterprise development and poverty alleviation, identification and assessment of LED Catalytic Project, implementation of programmes for the Special Groups, HIV/Aids, Sport and Culture.

### **A summary of any financial problems or risks facing the municipality**

#### **REVENUE ANALYSIS**

Umzinyathi District Municipality has limited revenue streams. The municipality relies heavily on Grants. Management has implemented various measures to ensure that the municipality has a sound financial position. With this information, it must be noted that there are still challenges relating to revenue.

For the period under review, service charges were budgeted at R47.3m (R23 mil for 6 months) and The Actual amount collected was R12.1m. Below are challenges and risks relating to revenue.

#### **Challenges and risks in relation to Revenue**

The amounts billed in the financial year ended were below what was anticipated due to the following reasons;

- Culture of non-payment gave rise to under collection;
- Umzinyathi District consists, mainly of rural areas;
- The unemployment rate is high;
- High number of Indigent consumers;
- Due to topography of the Region, there is a huge scarcity of water. This has put excessive pressure on Umzinyathi District to deliver water Services
- High costs of delivering water to the consumers have required the Umzinyathi District Municipality to procure services of water tankers.

#### **Measures implemented to address these challenges**

The municipality has developed and implemented Revenue policies. Included in these policies are strategies which are not limited to;

- Entering into arrangements with consumers.

In addition to that, a debt collection service provider was appointed to assist the municipality with enhancing its revenue collection.

#### **SALARIES AND ALLOWANCES**

Umzinyathi has had challenges relating to its recruitment processes. The Corporate Department was without an Executive Manager for a number of months. The position of the

Chief Financial Officer was accounted for under Consulting and Professional fees. There was also a vacancy for the Manager Planning.

Umzinyathi took over the water provision function from Uthukela Water (Pty) Ltd in July 2013. This has given rise to the fact that certain water provision functions had to be outsourced resulting to various vacancies within the Water Provision services.

### **Measures implemented to address these challenges**

Umzinyathi DM has appointed an Acting Executive Manager: Corporate Services and is in the process of appointing the Executive Manager: Planning and also a full time Chief Financial Officer. There are plans in place to appoint management in the Water Services Unit and to terminate the contract of the Service Provider. currently assisting the municipality in the provision of water services.

### **GENERAL EXPENDITURE**

Challenges with the General Expenditure were due to additional costs which were not budgeted for adequately. The Municipality had to incur additional costs for Drought Relief costs (water tankers). The taking over of function from Uthukela Water (Pty) Ltd brought about teething challenges. As a result, the water operational expenditure also increased due to the fact that a number abandoned and malfunctioning water schemes had to be resuscitated resulting in electricity costs and other maintenance costs increasing.

This section deals with the operational expenses that amongst them are having bigger spenders being the water tanker services under the drought relief vote. The high utilization of water tanker services was due to the fact that, there was an outcry of water supply that led to numerous public demonstrations. Subsequently the water tankers were increased to 21 trucks in order to try and cover areas that were not serviced at all.

An increase in electricity was under budgeted. The number of schemes increased after the taking over of functions from UThukela Water (Pty) Ltd.

The other element of general expenses is the water services provision, a service that is being provided by an appointed service provider. Considering taking over the procuring of consumables from the company thus avoiding payment of mark-up fee. Furthermore the municipality will build up the relevant Human resource that will be able to run the service.

### **OPERATIONAL BUDGET**

<b>Description</b>	<b>Budgeted Amount (Rm)</b>	<b>Actual Amount (Rm)</b>	<b>Percentage spent to date</b>
1. Water operational costs	R6.014	R17.3	287%
2. Drought relief	R7.5	R9.7	129%
3. Electricity budget	R800 000	R5.4m	677%
4. Subsistence and Travel *	R1.7	R1.6	97%

\*Subsistence and Travel are faced with challenges. It is not feasible to develop an itinerary for the Councillors and officials.

#### **CAPITAL BUDGET**

<b>Description</b>	<b>Budgeted Amount (Rm)</b>	<b>Actual Amount (Rm)</b>	<b>Percentage spent to date</b>
1. Capital Projects	R253m	R98.4	40%
2. Internal Funded Project	R6.3	<b>R0</b>	<b>0%</b>

#### **MIG Expenditure**

- The expenditure on MIG was R74 666 826.28 as at end of December 2013 which exceeded the Cogta set target of 43 709 400 by 170%
- The expenditure of the rest of the budget is ahead of schedule but aligned to the accelerated programme that the municipality has embarked on.

#### **RBIG Expenditure**

- The expenditure on RBIG programme of R17 259 869.50 was behind the target of 23, 859, 750 because of a) poor performance by contractors and b) delayed payments by the Department of Water Affairs.
- The expenditure of the rest of the budget will be achieved by end of March 2014 as per the original plan.

#### **MWIG Expenditure**

- The MWIG budget is R16, 500 000
- The MWIG programme spent R2, 149,500 from July 2013 to December 2013.
- There was a delay in the finalisation of the agreement between UDM and DWA
- The rest of the budget will be spent by June 2014

#### **NATIONAL TRANSFERS Expenditure**

- R1 200 000 has been spent

#### **MASSIFICATION Expenditure**

- R 2 074 593.04 has been spent on the Massification programme.
- The expenditure on ACIP is on target.

#### **ACIP Expenditure**

- R 415 000.85 has been spent on the ACIP programme.
- The expenditure on ACIP is on target.

#### **WATER CONSERVATION Expenditure**

- All the R4,600,000 has been spent

#### **ROAD ASSET MANAGEMENT Expenditure**

- R 778 641.67 has been spent
- The target for the mid-year was R800 000

#### **PROVISION OF WATER AND SANITATION SERVICES**

- 2 954 households have been provided with VIP toilets from July 2013 to December 2013. The target for the annual year is **3470 households**.
- 1281 households have been provided with water from July 2013 to December 2013. The target for the annual year is **1 800 households**.

#### **Measures implemented to address these challenges**

The management has resolved to terminate the contract between the municipality and the Service provider that renders the water provision function. The review of the contract is at an advance stage.

The action to be embarked upon is to increase the expenditure for the rudimentary programme within the approved budget with the intention to accelerate the delivery of the short term measures for water supply.

The Drought Relief project is serviced by about twenty one (21) trunks. The cost relating to this project has exerted pressure on management to review the relationship. Focus is, now on developing a Specialised Division that will ensure implementation of Rudimentary Schemes.

These measures include the delivery of water in the form of boreholes, springs development, the extension of the existing water scheme and upgrading of borehole water schemes.

#### **5. Resolutions**

- Resolutions on monthly budget statements tabled to the Council for noting are attached.

#### **6. Executive summary**

- Improve revenue collection – debt collection company has been appointed;
- Effectively implement credit control policies;
- Realistic budget for water operational costs;
- Reduce non-priority spending items;
- Effectively implement the action plan on capital projects acceleration.

**7. In-year budget statement tables**

**The following budget statement schedules are attached:**

- (a) Table C1 s71 Monthly Budget Statement Summary
- (b) Table C2 Monthly Budget Statement – Financial Performance (standard classification)
- (c) Table C3 Monthly Budget Statement – Financial Performance (revenue and expenditure by municipal vote)
- (d) Table C4 Monthly Budget Statement – Financial Performance (revenue and expenditure)
- (e) Table C5 Monthly Budget Statement – Capital Expenditure (municipal vote, standard classification and funding)
- (f) Table C6 Monthly Budget Statement – Financial Position
- (g)
- (h) Table C7 Monthly Budget Statement – Cash Flow

**PART 2 – SUPPORTING DOCUMENTATION**



	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	452 989	309 409	<b>542 774</b>	<b>34 799</b>	22 393
<b>31 - 60 Days</b>	332 817	60 777	<b>223 798</b>	<b>22 239</b>	55
<b>61 - 90 Days</b>	315 460	66 369	<b>200 064</b>	<b>13 489</b>	57
<b>91 - 120 Days</b>	295 802	69 693	<b>214 971</b>	<b>15 619</b>	56
<b>Greater than 120 days</b>	15 325 378	1 789 452	<b>11 297 507</b>	<b>1 765 917</b>	1 780
<b>Total</b>	16 722 447	2 295 699	<b>12 479 114</b>	<b>1 852 062</b>	24 340
<b>5.4.6. Water : Ageing 2013</b>					
	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	5 161 964	1 992 129	<b>2 777 382</b>	<b>72 269</b>	20 565
<b>31 - 60 Days</b>	1 712 755	360 815	<b>1 162 041</b>	<b>65 189</b>	306
<b>61 - 90 Days</b>	1 557 595	370 719	<b>1 020 948</b>	<b>62 089</b>	319
<b>91 - 120 Days</b>	1 710 781	409 219	<b>1 140 015</b>	<b>74 006</b>	306
<b>Greater than 120 days</b>	90 384 720	9 914 373	<b>65 333 766</b>	<b>13 635 565</b>	16 257
<b>Total</b>	100 527 816	13 047 254	<b>71 434 152</b>	<b>13 909 118</b>	37 753
<b>5.4.8. Sewerage: Ageing 2013</b>					
	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	1 822 092	288 848	<b>1 095 652</b>	<b>177 479</b>	139 386
<b>31 - 60 Days</b>	638 870	72 075	<b>445 796</b>	<b>95 099</b>	85
<b>61 - 90 Days</b>	591 283	88 539	<b>408 672</b>	<b>34 257</b>	85
<b>91 - 120 Days</b>	565 994	80 804	<b>423 247</b>	<b>37 694</b>	91
<b>Greater than 120 days</b>	32 245 990	2 944 328	<b>24 573 890</b>	<b>4 290 028</b>	2 680
<b>Total</b>	35 864 229	3 474 594	<b>26 947 256</b>	<b>4 634 557</b>	142 327
<b>5.4.10. Sundry Adjustments: Ageing 2013</b>					
	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	0	0	-	-	-
<b>31 - 60 Days</b>	0	0	-	-	-
<b>61 - 90 Days</b>	0	0	-	-	-
<b>91 - 120 Days</b>	0	0	-	-	-
<b>Greater than 120 days</b>	0	0	-	-	-
<b>Total</b>	0	0	-	-	-
<b>5.4.12. Interest: Ageing 2013</b>					
	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	1 107 383	151 947	<b>926 488</b>	-	202
<b>31 - 60 Days</b>	1 154 722	149 461	<b>913 279</b>	<b>67 810</b>	198
<b>61 - 90 Days</b>	1 132 631	146 648	<b>896 251</b>	<b>66 658</b>	194
<b>91 - 120 Days</b>	1 114 962	142 683	<b>882 470</b>	<b>67 481</b>	190
<b>Greater than 120 days</b>	17 074 963	2 121 563	<b>13 636 103</b>	<b>976 910</b>	2 316
<b>Total</b>	21 584 661	2 712 301	<b>17 254 591</b>	<b>1 178 859</b>	3 101
<b>5.4.14. Add back credits included above: Ageing 2013</b>					
	<b>TOTAL</b>	<b>BUSINESS</b>	<b>DOMESTIC</b>	<b>INDIGENT</b>	<b>INDUSTRIAL</b>
<b>Current (0 – 30 days)</b>	-222 640	-58 266	<b>-160 852</b>	<b>-217</b>	0
<b>31 - 60 Days</b>	-122 833	-17 823	<b>-39 347</b>	<b>-170</b>	0
<b>61 - 90 Days</b>	-89 613	-53 668	<b>-28 178</b>	<b>-133</b>	0
<b>91 - 120 Days</b>	-36 411	-2 282	<b>-31 890</b>	<b>-72</b>	0
<b>Greater than 120 days</b>	-932 235	-357 213	<b>-482 427</b>	<b>3 034</b>	-246
<b>Total</b>	<b>-1 403 731</b>	<b>-489 252</b>	<b>-742 694</b>	<b>2 442</b>	<b>-246</b>



## 8. Creditors' analysis

<b>Creditors Ageing Report as at 31 Decemebr 2013- Sundry Creditors</b>					
	30Days	60Days	90Days	120Days	Total
Creditors	1 611 482.00	69 781.00	14 536.00	9 966 018.00	11 661 817.00
<b>Creditors Ageing Report as at 31 Decemebr 2013- Uthukela Water</b>					
	30Days	60Days	90Days	120Days	Total
Creditors	4 445 967.00	0.00	0.00	61 070 427.00	65 516 394.00

## 9. Investment portfolio analysis

INSTITUTION	BALANCE	INVESTED	Withdrawal/	INTEREST	BALANCE	INTEREST	INTEREST
	2013/07/01		Transfers		2014/06/30	Earned	ACCRUED
ABSA	104 390.32	-	19.50	1 845.15	106 215.97	1 845.15	-
ABSA		33 722 222.22	-	-	33 722 222.22		
ABSA	-	101 166 666.67	58 117 884.41	317 318.72	43 366 100.98		
					-	-	
FIRST NATIONAL BANK	21 243 249.35	139 868 413.66	143 781 237.85	1 034 949.28	18 365 374.44	1 034 949.28	-
FIRST NATIONAL BANK	7 564 827.66	-	-	204 031.40	7 768 859.06		
FIRST NATIONAL BANK	86 534.47	-	-	2 059.26	88 593.73		
RMB 1	10 585.98	109 684 198.83	39 109 416.43	368 233.35	70 953 601.73	368 233.35	-
					-	-	
INVESTEC	673 376.50	-	674 732.48	1 355.98	0.00	1 355.98	-
INVESTEC	-	33 722 222.22	-	85 137.06	33 807 359.28		
INVESTEC	-	53 295 402.48	32 836 031.31	423 847.47	20 883 218.64		
INVESTEC	7 585 530.07	-	-	213 935.21	7 799 465.28		
					-	-	
NEDBANK	354 948.72	111 871 525.66	51 728 855.66	195 034.05	60 692 652.77	195 034.05	-
					-	-	-
<b>TOTAL</b>	<b>37 623 443.07</b>	<b>583 330 651.74</b>	<b>326 248 177.64</b>	<b>2 847 746.93</b>	<b>297 553 664.10</b>	<b>1 601 417.81</b>	<b>-</b>

## 10. Allocation and grant receipts and expenditure

The disclosure on allocation grant and receipts expenditure must reflect particulars of –

31 DECEMBER 2013	18 979 709.23	194 573 347.00	100 112 137.84	1 271 246.91	112 169 671.48
Unspent Conditional Grants and Receipts	Opening		Conditions met	Conditions met	Conditions still
	Balance at	Current year	Transferred to	Transferred to	to be met- Remain
	01/07/2013	Receipts	Revenue - Capital	Revenue - Operat	Liabilities
	R				
MIG Grant	-	152 314 000.00	74 112 836.21	-	78 201 163.79
DWAF: M&E Grant	-	-	-	-	-
DWAF: Water loss management	-	-	-	-	-
Shared Services	-	-	-	-	-
Grant: Intergrated Transport Plan	-	-	-	-	-
Grant: Growth Development summit	-	-	-	-	-
Grant: Finance Management Grant	-	1 250 000.00	-	576 494.38	673 505.62
Grant: Tourism	-	-	-	-	-
Grant: Gijima - Led Strategy	-	-	-	-	-
Grant: Municipal Support	-	-	-	-177 361.75	177 361.75
LGTA Municipal (ICS) Grant;	-	-	-	-	-
NLDTF : Dundee Arts & Craft	-	-	-	-	-
Grant: GIS System	64 336.78	-	-	-	64 336.78
Grant: Municipal Systems Improvement	-	890 000.00	-	-	890 000.00
Rural Settlement;	269 339.48	1 966 000.00	778 194.77	-	1 457 144.71
LED Msinga Agriculture Packhouse Project	-	-	-	-	-
LED Msinga Stone Crushing Pan	-	-	-	-	-
LED Msinga Bee&Mushroom Farming	-	-	-	-	-
Disaster Management Grant	-	-	-	-	-
DTLGA;S78 06/07	-	-	-	-	-
Greytown Bulk Water	-	16 909 749.21	15 185 395.23	-	1 724 353.98
RBIG CREDITORS	-	-	-	-	-
Msinga Asisukume Maize Massification	1 390 376.88	-	-	-	1 390 376.88
Massifikation of Bulk Water	12 318 325.73	-	3 930 390.78	-	8 387 934.95
EPWP Incentives	870 527.57	700 000.00	-	-	1 570 527.57
District Growth Summit	-	-	-	-	-
Road Assessment Mngt Systems	-	-	-	-	-
KZN ACIP WWTW	1 423 587.57	-	750 404.81	-	673 182.76
KZN COGTA - Government Support	73 416.56	-	-21 514.14	-	94 930.70
Mntshongweni Veg Project	1 800 000.00	-	-	-	1 800 000.00
Cogta Rural Development	569 798.66	-	-	-	569 798.66
Lottery Grant - Primary Health	-	4 390 597.79	-	-	4 390 597.79
LGSETA: TRAINING GRANT;	200 000.00	-	-	70 112.28	129 887.72
Development of 2 Landfill Sites	-	-	-	-	-
Pomeroy Complex Phasel	-	-	-	-	-
MUNICIPAL FUNDED PROJECTS (MIG)	-	-	-	-	-
(MIG Debtor)	-	-	-	-	-
Water Service Operational Grant	-	5 250 000.00	3 254 566.51	-	1 995 433.49
Municipal Water Infrastructure Grant	-	10 903 000.00	2 121 863.67	-	8 781 136.33
<b>GOVERNMENT GRANTS CREDITORS</b>	<b>18 979 709.23</b>	<b>194 573 347.00</b>	<b>100 112 137.84</b>	<b>1 271 246.91</b>	<b>112 169 671.48</b>

## 11. EXPENDITURE ON COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

	BUDGET	EXPENDITURE	% SPENT
COUNCILLORS ALLOWANCES	2 928 117	1 746 479	60%
EMPLOYEES RELATED COSTS	101 813 496	41 515 054	41%

## 12. RECOMMENDATIONS

12.1 That an adjustment budget be drafted and be tabled to Council by end of February 2014;  
and

12.2 That revised projections of revenue and expenditure be included in the adjustment budget.

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**REVEREND DR JM MTHETHWA**

**MAYOR**

