

# ***SECTION C***

# ***DEVELOPMENT STRATEGIES***

## **CHAPTER 3**

### **3.1 BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT**

#### **3.1.1 INTRODUCTION**

This chapter seeks to address the 2006 local government manifesto by accelerating service delivery so that:

- No community will still be using the bucket system for sanitation by 2007
- All communities will have access to clean water by 2008
- All houses will have access to electricity by 2012
- Formalization of all informal settlements by 2014
- There is a universal provision of free basic services
- Improvement of housing provision so that better quality houses closer to economic opportunities is developed.

Hence, all the detailed service delivery targets are clearly elaborated on the Sector Plan.

#### **3.1.2 ENERGY AND ELECTRICITY**

The Umtshezi Municipality is divided into Eskom Licensed Area of Supply and the Umtshezi Municipality licensed area of supply. Currently all households within the Umtshezi Municipality Licensed area of supply are all electrified. The Municipality is currently doing in fills as well as electrifying the low income housing schemes that are being built. Therefore there are no electrification backlogs within Umtshezi Municipality Licensed area of supply.

Within Eskom Licensed Area of Supply but within Umtshezi Jurisdiction, there are households without electricity. The table below indicates the backlogs as well the progress to-date in addressing those backlogs.

PROJECT NAME	FUNDER	VALUE	STATUS
<b>Rensbergdrift</b>	Dept of Human Settlements	R77 868 000.00	Awaiting Tranche 1 approval
<b>Mimosadale</b>	Dept of Human Settlements	R77 868 000.00	Tranche 1 approved. Busy with Tranche 2 – end June 2013
<b>Owl and Elephant</b>	Dept of Human settlements	R41 114 000,00	Implementing agent appointed – Tranche 1 end April 2013
<b>Msobetsheni</b>	Dept of Human settlements	R41 114 000,00	Implementing agent appointed – Tranche 1 April 2013
<b>Cornfields</b>	Dept of Human settlements	No budget yet	IA appointed – Conditional approval – end March 2013
<b>Paapkuilsfontein</b>	Dept of Human settlements	No budget yet	Awaiting for acquisition of land to be sorted out by DoHS
<b>Mshayazafe</b>	Dept of Human settlements	No budget yet	Waiting for authority to advertise project
<b>Wembezi A Section</b>	Dept of Human settlements	R75m	Project enrolled for rectification – proposed budget R75m
<b>Kwanobamba 1&amp;2</b>	Dept of Human settlements	No budget yet	Project enrolled for rectification – waiting for NHBRC report
<b>Nhlawe</b>	Dept of Human settlements	No budget yet	

All households that reside within the Municipal Boundary are within the electricity national grid; therefore it will be cost effective to provide the grid energy than the use of the renewable energy sources. The current plan is to connect all the people to the national grid as soon as the funds are made available. However, whilst plans are being made to connect everyone to the grid, there are areas that will have to be identified to be provided with the renewable energy i.e. Solar System.

The Municipality has signed the cooperative agreement with EDI Holdings and currently awaiting funding from the EDI Holdings to Ring Fence the Electricity Department as well as to establish the Separated Operated Entity (SOE). Also the Municipality in partnership with EDI Holdings will need to conduct workshops to ensure that the decision makers are refreshed on the matter. The Municipality signed the cooperative agreement with EDI Holdings and applied for funds to conduct the ring fencing as well as the MSA Section 78 Assessment. The EDI Holdings has programmes that

Umtshezi Municipality will have their ring fencing as well as MSA Section 78 will be done in due course.

The Municipality conducted an assessment into its tariffs and it was found to be above the NERSA benchmarks, however financial shortfalls still exists. IBT's is currently being modeled and is being prepared as per NERSA regulations and will be ready for submission shortly. Budgeted maintenance has grossly affected the functioning of the Electricity Department, and this has resulted in the Municipality being strained financially in terms of resources to keep the electricity department going.

The Municipality is currently doing Skills assessment on its electricity staff to identify the skills gap as well capacity. This will inform the organizational structure review, the skills development as well as the optimum capacity required.

The Municipality does have an Electricity Master Plan, but it is has not been updated. This Master Plan also deals with the electricity issues within the Umtshezi Municipality licensed area of supply. The Municipality will endeavor to review its Master Plan during the 2012/2017 Financial year.

The municipality tried unsuccessfully to fill the more technical vacant positions due to shortage of skills, technical pool available around Umtshezi. Those residing far could not accept the salary package noting that it is too low. Consultants were used to build internal capacity and to handle work, currently these employees are being empowered to take over the responsibilities.

### **3.1.3 ROADS AND TRANSPORT**

The Municipality relies heavily on MIG funding for infrastructure development. The Municipality is working closely with the Department of Transport, through the Rural Transport Forums, in identifying roads that need funding and upgrading within the Municipality. A Transport Plan has also been developed which stipulates clearly their plans for the building of new roads and maintaining in the next five years. The O&M of old roads is funded to a total of R1.2 million budgeted for the next financial year; these projects are included in the Project Schedule: Infrastructure and Services.

Due to high Eskom tariff increases that will be passed on to Municipalities and the limit that NERSA has set on Municipal tariff increases, which is far below Eskom tariff increases, aggravated by the fact that the Municipal tariffs are far below NERSA bench marks, it is making it very difficult for the

municipality to efficiently operate the electrical network and to find adequate finances, to maintain and upgrade the electrical infrastructure.

#### **3.1.4. FREE BASIC SERVICES**

The Municipality is also focusing on the provision of free basic services to the indigent. The indigent policy is in place and the register is updated regularly for this purpose. However, there are still some challenges that are experienced in this area due to lack of human resources that could focus entirely on this function. Regarding free basic electricity, the Municipality has signed a service level agreement with ESKOM to provide free basic electricity to those areas listed in the agreement. At the moment there are backlogs reported in those areas that need to be addressed by ESKOM. The Municipality is also providing alternative sources of energy in those communities where there is no electricity. On Free Basic Water, Uthukela District Municipality has also entered into an agreement with the Local Municipality on this function. Regarding Free waste removal, there are no programmes in place for this service. There is a funding, which is provided by National Treasury to manage the Indigent policy.

#### **3.1.5. REFUSE REMOVAL AND WASTE MANAGEMENT**

There is no municipal wide waste disposal site with the result that dumping is uncontrolled and litter bears testimony to this. Only Estcourt, Weenen and Wembezi experience some measure of waste management although there is a need for the identification of a new waste disposal site. The majority of people, especially in the farming areas, dispose of their waste on-site and diseases emerge because they do not have information on how to manage the situation. As a result, diseases are spread and animals are also exposed to hazardous conditions because of plastics. Awareness campaigns on the importance of proper waste management in attracting investment. Currently, funds are inadequate to provide formal waste disposal sites, hence, a Waste Management Plan is underway

#### **3.1.6. HOUSING PROVISION**

The majority of the population resides in urban settlements of Weenen, Estcourt and Wembezi. This is informed by the historic growth pattern of the municipality. The two main nodes of Weenen and Estcourt evolved as agricultural service centres. While Wembezi complex on the other hand served

the residential area of Wembezi, The municipal population of 83 153 residents distributed across seven municipal wards represents a range of predominantly urban, farming communities and rural settlements. Development intensity and housing need particularly is in the urban areas of Estcourt and Weenen and Wembezi with a population of 29 934 residents (49%) of municipal population. These settlements are located on the major activity routes.

The second largest population density with a population of 19 950 (33%) of municipal residents is located on privately owned commercial farmlands. The tribal areas make up 10 038 (16%) of the residents of the municipality (*please refer to Chapter 2.5 – other relevant statistics by percentage*) Taking into account the composition of settlements, that is, urban population (49.9%), farmlands and tribal settlements that comprise 33% and 16 % respectively, it is evident that the 35% of traditional huts are in farmlands and communal areas. The municipal IDP (2008/2009) states that the houses in these areas are in a bad state of repair. They are subjected to periodic collapse during the rainy season or windy times. In terms of Section 9 (1) of the National Housing Act the municipality through its planning takes all reasonable and necessary steps to ensure that, conditions that are not conducive to health and safety of its residents are prevented and removed.

It is therefore without doubt that the greatest areas of housing need in the Umtshezi Municipality are the farmlands and tribal areas. This correlates to the housing development projects planned by the municipality as the majority of them are in rural settlements (see Table 5). The lack of housing development in the rural areas and farm areas can be ascribed to a number of factors, the most important of these being security of tenure on Ingonyama Land and lack of land ownership by farm dwellers.

The project linked subsidy which requires beneficiaries to have outright ownership of the site to which the subsidy relates has been until recently the preferred Housing subsidy Scheme. As a result thereof, housing development has taken place in urban areas as all the current housing developments are in urban settlements. The foreseen challenge in the housing development in farmlands is access to tenure, as this land is privately owned.

Consequently, there has been no development on Ingonyama Land and farmlands resulting in less than adequate housing standards. Almost half of the municipal population resides in these areas. The introduction of the Institutional subsidy now provides a mechanism for development on Ingonyama Land, which provides the beneficiary with a long term-lease. For farm dwellers access to housing opportunities is reliant on tenure reform.

We have adopted our housing Sector Plan, which has been reviewed accordingly. We have incorporated our Reviewed Housing Sector Plan within our IDP with proper integration of housing programmes and projects.

### **3.1.7. WATER AND SANITATION**

Access to water within 200m of one's home is an acceptable minimum standard irrespective of whether the water comes from a hand pump, borehole and a reticulation system supplied from a high yielding borehole or a reticulation system from a bulk line or reservoir. In the Umtshezi Municipality the water services backlog is at 7% (UTDM IDP 2009/2010) while the sanitation backlog is estimated at 8%. The planned housing projects are guaranteed access to water through CMIP funding. Thus housing development provides opportunities for households to access water and sanitation. This is a district competency and therefore housing projects have to be aligned to the district infrastructure plan to ensure that they the bulk infrastructure component of the development is supplied employment, housing and land, with people able to exercise control over their society, community and personal lives, and to invest in the future.

#### **- CHALLENGES**

large amount of funding required for the eradication of backlogs (water, sanitation and electricity.)

Vandalism of infrastructure (breakages and theft)

Ageing Infrastructure e.g. Landfill sites, water pipes etc reaching designed capacity

Non payment of services, largely by indigents or very low debt collection rate due to unemployment

insufficient funding of Operation and maintenance

A large percentage of the employable population is unemployed resulting in indigents

#### **- KEY INTERVENTIONS**

An effective road system exists in the urban areas

A solid waste disposal facility is already in place but needs improvement

Household, industrial and business refuse removal services available in urban areas

Housing Chapter and Housing sector Plans – These plans have been developed and are in place in order to address the housing backlogs and are aligned with other infrastructure development programmes of the respective Local Municipalities.

Series of Sector Plans, drafted reviewed

Indigent Register in place

Free Basic services is provided for water, sanitation and electricity

Turnaround Strategy is being implemented

Implementing Extended Public Works Programme guidelines in trying to reduce unemployment

Tarring of roads in townships

Exploring alternative sources of energy (gel and solar panels)

Implementation of Spatial Development Framework

## **3.2 MUNICIPAL SOCIAL SERVICES AND DEVELOPMENT**

### **3.2.1 INTRODUCTION**

The municipality aims to improve access to social development services and information with this chapter. Core to this chapter is the need for social needs analysis and programmes to facilitate interfaces between different spheres of government charged with social development role.

### **3.2.2. ACCESS TO SOCIAL SERVICES**

- **EDUCATION**

There is great concern over the distribution of crèche's, primary and secondary school facilities in the municipality. The quality of education in schools is also not satisfactory because of the shortage of teachers and location of schooling facilities in private land (farms). In some clusters high school learners have to travel long distances because of uneven distribution of schools. The planning of education facilities is complicated by the fact that some parents may choose to support schools in other areas because they are perceived as offering a better service.

	Pre-school	Primary	Sec-School	College	University/ Univ. of Technology	Adult basic Edu.	Other	Not App.	Total
<b>Blk</b>	1.462.8	5.916.87	5.314.09	311.363	377.430	377.430	101.954	24.768.931	38.255.167
<b>Col.</b>	112.34	561.299	410.765	28.564	34.739	34.739	8.530	3.219.235	4.375.527
<b>Indian</b>	26.380	125.597	105.351	12.564	45.007	45.007	3.957	925.777	1.244.634
<b>White</b>	108.54	349.659	339.155	45.423	155.283	155.283	11.853	3.616.820	4.626.733
<b>Total</b>	1.710.066	6.953.426	6.169.361	397.914	612.459	612.459	126.294	32.530.764	48.502.06

**Static's South Africa  
Descriptive 2011  
Table 2 Population group by Educational Institution  
For person weighted, KZN234: Umtshezi Local Municipality**

- **HEALTH FACILITIES**

Furthermore, the distribution of clinics and other primary health care facilities within the municipality is uneven with the result that some clusters are left out. There is one hospital in the municipality, which provides for emergency services and hospital care. The Primary Health Care facilities vary in size and they cater for prams and wheelchairs, i.e. the facilities are user friendly. The impact of HIV / AIDS enhances the need for hospitals and clinics.

- **HIV/AIDS**

There is still a great deal of ignorance about the spread of HIV/AIDS. The HIV Prevalence in Umtshezi Municipality for the Period April 2009 to October 2009 is 36.4%. The District is at 30.9%. Access to social welfare services still poses another challenge on the access to social services. The Department of Welfare and population Development is working together with the Municipality in ensuring that such services are rendered to the local communities. This is one of the priority areas for the Municipality.

The scourge of AIDS affects all the citizens of this country, mostly the youth. Umtshezi Local Municipality has realized that HIV/AIDS pandemic will have a devastating impact on its socio-economic development programs and formulated the HIV/AIDS council that was launched in 2007. This has led to the formation of HIV/AIDS development plan, which seeks to ensure that HIV/AIDS infection rates are lowered and that those who are affected and infected with the pandemic are given a necessary support. The Municipality will embark on HIV/Aids programmes during the 2012/17 financial years that would contribute to the mitigation of this pandemic.

- **SPORTS COUNCIL**

The absence of sport and recreation facilities in the municipality has a direct relationship with crime and prevalence of HIV/AIDS among the youth. The facilities that exist are located only in urban settlements making them unreachable for the rural communities. There is a huge bias towards soccer and other sporting codes are not catered for. The provision of facilities is a matter of urgency so as to keep the youth engaged and thus reduce crime incidents. The youth need extra mural activities to keep them busy. The youth can develop their talent and get to professional level. The

Departments of Education and Sports and Recreation are part of the IDP Forum as well as the service provider's forum where these priority areas are debated at length and addressed to a certain extent by the relevant sector department.

- **CEMETERIES**

Some communities within the Municipality are still practicing on site burials as a cultural phenomenon and there is a general shortage of burial sites in the municipal area. There are negative environmental implications because of contamination of ground water. The land that has been used for cemetery purposes and it cannot be used for any other purposes. There needs to be intensive awareness campaigns so as to sensitize people about the importance of using clearly demarcated cemeteries as per National Water Act, Act No.36 of 1998 and KwaZulu – Natal Cemeteries and Crematoria Act, Act No.12 of 1996 require that suitable buffers be put in place as determined by a qualified professional. Uthukela District Municipality conducted the Cemetery Crematorium Identification Study and the findings are yet to be implemented.

### **3.3 LOCAL ECONOMIC DEVELOPMENT**

#### **3.3.1 INTRODUCTION**

The economic analysis undertaken in Umtshezi indicates that the poverty and unemployment rates have increased, with employment opportunities not being created quickly enough for the number of people entering the labor force age group. The Development Bank (2005) has clearly indicated that employment (a job or an income generating activity) is the best protection against poverty. This means that any strategy must protect and build formal employment and assist the poor and second economy participants to access opportunities. The balance between the two approaches and the use of available resources is also important. The formal economy experienced a negative growth rate until 1999 – 2000, and even since then has exhibited a fluctuating growth rate in spite of the national positive growth.

#### **3.3.2 TOURISM PARTICIPATION**

Strategy to be developed.

### **3.3.3 LED STRATEGY & PLAN (REFER TO APPENDIX 2 FOR COMPREHENSIVE PLAN)**

The Umtshezi Mission and Vision provides the context for the LED Plan. The LED Plan supports the municipality in achieving the goals as set out in the IDP. The Umtshezi Strategy and Plan is aligned to the Provincial Spatial Economic Development Strategy (PSEDS) and the Accelerated Growth Initiative of South Africa (ASGI-SA). An LED Manager and the Tourism officer have been appointed to implement the LED Plan and are assisted by an LED Consultant. A fully functional LED forum has been constituted which supports the Council's sub-committee on LED. The Umtshezi LED plan is driven by the following strategies:

- **Strategy 1: Municipal – Multi Stakeholder**

The previous LED policies have emphasized the need for partnerships and forums for interaction and communication. The Umtshezi Municipality and the business community have an inconsistent relationship to date. The municipality and the business community also need an environment where issues relate to Municipal functions and programme focus areas – land use management, economic infrastructure provision, business service provision, etc. The relationship among the broader economic community (including trade unions, the informal traders, and youth groups) can meet the municipality's need to be established. These types of forums are essential as they enable broader platforms for integration between these stakeholders, is not usually shared.

- **Strategy 2: Municipal Functions**

The LED policy reflects on the 'Market and Public Confidence', which emphasizes the role that the municipality has in creating the environment that promotes business development.

These areas include local policies and by-laws, which reflect on: -

- 2.1. Municipal by-laws (including enforcement).
- 2.2. Land Use Management Systems or Land Use Schemes.
- 2.3. Rates and levies.
- 2.4. Budget preparation and reporting.

2.5. Integrated Development Plan.

2.6. Procurement policies.

2.7. Policies dealing with the indigent, youth, woman, disabled, etc

2.8. Business support institutions (Community Tourism Organization, Business Support Centers, etc).

In terms of service delivery, municipalities are urged to review the level of integration of their systems. Referring to the policy document reflects, "Infrastructure development, service delivery, municipal financial viability and local economic development are not mutually exclusive concepts.

- **Strategy 3: Sector Support and Strategy**

The sector support approach is based on the assumption that economic growth can be driven by interventions in specific markets and sectors. The analysis typically makes use of an analysis of sector stakeholders, product development and selection, supply and value chains, market areas and international trends. The strategy should begin by making use of the resources available to undertake sector interventions. A sector strategy would provide the basis for short and medium interventions. The strategy should begin by making use of the resources available to undertake sector specific interventions. A sector strategy would provide the basis for short and medium term interventions.

The Provincial Spatial Economic Development Strategy is the key development strategy which drives economic development thinking at present and identifies four key sectors as drivers of economic growth in the province.

The following sectors were identified: -

1. The Agricultural Sector (inclusion of agri-processing) and land reform
2. The Industrial Sector
3. The Tourism Sector
4. The Service Sector (inclusion of government services)

- **Strategy 4: Enterprise Support**

This strategy emphasizes enterprise support to co-operatives and other small businesses. The instruments to implement the strategy include the establishment of enterprise Information Centers, skills development and a Mentoring Programme Center is a central intervention being intervened

within the ASGISA Initiative, The National LED strategy and within Provincial Interventions. The need is to assist those “who are presently economically trapped in the non – functioning Local Township and rural marginalized economies of the Second Economy”. The ASGISA documentation refers to the notion of “eliminating the second economy”. That will probably not to be possible and in some middle-income countries the informal sector provides more than 50% of the employment and income generating opportunities. The enterprise support strategy aims at assisting in the establishment of a centre (Enterprise Information Centre) but also in ensuring that the center is effective, relevant and targeted.

- **Strategy 5: Support to Land Reform Beneficiaries**

As it is suggested in Strategy 3 an Agricultural Plan needs to be prepared. It is important that such a sector plan makes clear provision for the inclusion of land reform as transformative process. The experience of land reform in the municipal area has included a high level of competition and conflict. It is important that the strategy makes resources available for mediation and stakeholder support.

The following table summarizes the current extent of the land reform programmes in Umtshezi.

Programme	Extent
Restitution	72 claims
Redistribution	23 projects
Land Redistribution for Agricultural Development (LRAD)	3 projects
Labour Tenant	14 projects

The LED aspects of the land reform projects are generally poorly developed. The Framework for Land Reform in KwaZulu Natal (2005) notes that: “Very few land reform projects, except those initiated by the private sector or in partnership with the private sector, facilitate the integration of beneficiary groups into commercial agricultural markets or provide opportunities for rural households to generate small amounts of income from their agricultural produce or natural resource products” (71). Land reform projects require not only the same kinds of support that other emerging farmers do; but additional support in the enterprise transformation process and resettlement process. This is termed ‘post- transfer support’ and requires enterprise, livelihood, infrastructure and social support interventions.

- **Strategy 6: Municipal and State Procurement**

The national LED strategy noted that state expenditure (at all levels) is having a limited impact on development goals. This strategy intervention is based on the use of the municipal procurement system to undertake targeted and preferential procurement. This should be undertaken as a specific study within the corporate services section. The intervention should not end at this point – but also the Municipality should monitor that any other state agencies are ensuring that maximum benefits are accruing to local enterprises and local labour. This would include infrastructure development such as water systems and road construction.

LED has been now well institutionalised within KZN234. All staff, councillors and residences of this municipality are fully aware of the importance of LED and are indeed aware of our LED Strategy. We have reviewed and reflected more details of our LED strategy and associated projects within our reviewed IDP. We have placed more emphasis on the implementation actions and progress with regard to the LED in our current IDP. Proper alignment has been ensured of our LED Strategy and realistically practicability inline with the PSEDS and ASGI-SA. Further, our LED Plan is fully aligned to our SDF and are all spatial reflected.

## **3.4 GOOD GOVERNANCE AND COMMUNITY PARTICIPATION**

### **3.4.1 INTRODUCTION**

The Municipality believes in good governance, transparency and community participation. There are functional structures within the Municipality that ensure that communities are constantly informed of the development processes by the Municipality.

### **3.4.2 WARD COMMITTEES**

Ward Committees have been established in all nine wards, however these committees have been dysfunctional. Attempts have been made to train these committees, but this was not very successful. A budget has been allocated to revive and reconstitute these ward committees, inclusive of the two newly established wards.

### **3.4.3 MAYORAL IZIMBIZO / ROADSHOWS AND STAKEHOLDER FORUMS**

The Mayor participates actively in Road Shows and Izimbizo to discuss and approve the IDP and the allocated budgets with the communities. The Representatives Forum also includes external stakeholders to ensure that there is contribution made by all stakeholders before the Municipality adopts the final IDP.

The area of focus for the 2012/2017 financial years will be to ensure that all relevant sector Departments attend the planned forums and participate effectively. The Municipality hosts the Service Providers Forum which is aimed at bringing together all service providers within the Municipality to share with other stakeholders and input on the IDP. Attempts were made in the previous years but there are those Departments that never attended the scheduled meetings. However, there is support from the Departments such as the Department of Agriculture, Social Welfare and Transport.

#### **- CHALLENGES**

Ward committees need training.

Financial Constraints

Establishment of help desk

#### **KEY INTERVENTIONS**

Plans in place to train Ward committees

Strengthening Communication

Schedule of meetings are in place to facilitate the functioning of the IGR structures, COGTA will assist financially

Well structured programmes to assist Special Focus Groups

Improved public participation

financial support

Capacity building for both Councillors and Officials (Team building exercises)

### **3.4.4 INTERGOVERNMENTAL RELATIONS**

The municipality participates in some of the District IGR forums, which are functional. The Umtshezi Municipality also participates and fully co-operates in the activities of other spheres of Government.

## **3.5. FINANCIAL VIABILITY AND MANAGEMENT**

### **3.5.1 INTRODUCTION**

Umtshezi Municipality has recognized that to be successful, the IDP must be linked to a workable financial plan. The purpose of the five-year financial plan is to create the medium and long-term strategic financial framework for allocating resources through the municipal budgeting process and to ensure the financial viability and sustainability of the Umtshezi Municipality's investments and operations. Other important reasons for developing the financial plan are:

### **3.5.2 AUDITOR GENERAL AND AUDIT COMMITTEE REPORTS**

On receiving the audit opinion, annually, from the Auditor General, uMtshezi municipality council deliberates on the auditor's report and provides the response to the Auditor General. Over and above this, mechanisms are put in place to prevent the same incidents recurring within the municipality.

The municipality has a functional Audit Committee, which also functions as a Performance Audit Committee. The Audit Committee deliberates on annual performance of the municipality and reports to Council. Thereafter Umtshezi full Council adopts the annual report.

The Umtshezi Municipality received an unqualified report for the Financial Year 2009/2010. The following is the full report of the auditor general together with the Umtshezi Manager's responses.





## ACTION PLAN FOR AUDIT QUERIES UMTSHEZI MUNICIPALITY- 2011/2012

<b>Finding</b>	<b>Action plan</b>	<b>Implementation Date</b>	<b>Accountable Executive</b>	<b>Status</b>
1. Property, Plant and Equipment – operating leases incorrectly classified as finance lease	The Municipality will remove the operating leased assets from the assets register and correct the annual financial statements	1 November 2012	Asset Manager	Completed
2. Individual development priorities/objectives do not include budget allocations	The IDP Manager will ensure that the IDP includes the budget allocations for each development priority/objective.	1 December 2012	IDP Manager	Completed
3. Key Performance indicators do not include input, output and outcome indicators	The scorecard will be amended to include the budget allocations.	1 November 2012	Municipal Manager	Completed
4. <b>Vacancies not filled</b>	Vacancies will be prioritized and filled in the financial year.	1 December 2012	Director: Corporate Services	Some posts have been advertised

## REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMTSHEZI MUNICIPALITY

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Umtshezi Municipality set out on pages 1 to 10, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit conducted in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umtshezi Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

#### Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

**Restatement of corresponding figures**

8. As disclosed in note 39 to the financial statements, opening balances in respect of property, plant and equipment, consumer debtors, long term liabilities, trade and other payables and accumulated surplus were restated as a result of valuation roll adjustments as well as errors that were discovered during the 2012 financial year in the financial statements of the Umtshezi Municipality at, and for the year ended, 30 June 2012.

**Material losses**

9. As disclosed in note 47 to the financial statements, the municipality incurred material electricity distribution losses of R5,830 million (10,920 million kilowatt hours) during the year.

**Material impairments**

10. As disclosed in note 10 to the financial statements, the municipality provided for an impairment allowance of R30,378 million on consumer debtors as the recoverability of these amounts were considered doubtful.

**Additional matter**

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

**Unaudited supplementary schedules**

12. The supplementary information set out on pages XX to XX do not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report, as set out on pages ... to ... of the annual report.
15. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

16. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

**Compliance with laws and regulations**

17. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

**Internal control**

18. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

*Auditor General*

Pietermaritzburg

30 November 2012



AUDITOR GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### **3.5.3 FINANCIAL PLAN**

The municipality has put together a financial plan, (Refer to **Section H**) in order to:

- To ensure a close planning and budgeting link;
- To inform municipal budgeting over tier;
- To facilitate inter-governmental alignment with regard to capital requirements and sources of funding;
- Assess financial management arrangement and financial strategy; and
- To outline revenue and expenditure forecast.

The financial plan is an integral component of the IDP and addresses:

- Establishing financial management systems and efficient, effective internal audit systems.
- Funding availability over a 3- 5year planning period
- The balancing of this limiting factor relating to income with objectives established in terms of the IDP.

### **3.5.4 FINANCIAL MANAGEMENT ARRANGEMENTS**

The following financial management arrangements in the municipality are in place:

- **ADMINISTRATION**

Umtshezi Municipality has got a reasonable capable finance department although there are some challenges that need to be addressed, also has an internal audit function responsible for monitoring financial and other controls. In addition, council is committed to sound financial management and the maintenance of a sound economic base. Financial management policies and procedures for the entire municipality have been developed to address the cash forecasts and cash flow monitoring against forecasts, budgeting methods, management reporting, asset policy, investment policy, credit risk management and procurement policies.

- **FINANCIAL PROCEDURES AND POLICIES**

To-date some policies are properly documented and in place. These policies include Supply Chain management policy, Tariff policy, By-laws (including credit control), Debt collection strategy, Transport policy, Risk Management policy, Cash management, Banking and Investment Policy and the IT Disaster Recovery Plan.

- **COUNCIL REPRESENTATION**

A portfolio councilor for finance serves on the executive committee and advises the mayor on matters in the executive committee agenda. The council is responsible for approving the IDP, the operating and capital budgets that are prepared on recommendations of the executive committee.

The council adopted financial strategy that encompasses the following fundamental issues, a financial resource mobilization (capital and operational), asset management, revenue base expansion, and operational cost effectiveness methods. All aspects of matters relating to the financial matters will take into account council's social responsibilities and these include council's indigent policy and recognizing that certain sections of the community do not have the ability to pay for services. A further aspect of social responsibility will focus on transformation and empowerment as called for in council's preferential procurement policy.

### **3.5.5 INCOME/ FINANCIAL RESOURCES**

- **RATES AND GENERAL SERVICES**

The municipality has a reasonable good property valuation roll but with a challenge of general revaluation. With the introduction of new Municipal Property Rates Act of 2004, the municipality has an increasing potential income from the property rates. Also, the municipality needs to strengthen controls in the implementation of credit control and revenue collection by- laws. This should be closely coupled with good customer care and community education around area of billing of rates and services. This will improve the collection rate and ultimately the picture of revenue generation.

- **GRANTS AND SUBSIDIES**

The Municipality derives most of its income from internal sources to fund its capital and operational budget. For the next three years (2012/2013, 13/14, 14/15) the total grants and subsidies will average at 19% of the total budget. This means that the municipality is mostly dependent on the internal revenue sources. This is a serious challenge that the municipality has taken into consideration, high levels of unemployment versus very high infrastructure backlogs in vast rural areas of the municipality. More serious attention should be given to the Statistics SA census processes as figures currently do not show the correct picture to inform the national government equitable share allocation.

<b>GRANT ALOCATIONS (R)</b>			
	<b>MEDIUM TERM ESTIMATES</b>		
	2013/14	2014/15	2015/16
<b>National Government Allocations</b>			
<b>Operating Grants</b>			
Local Government Financial Management Grant	1.550.000,00	1 600 000,00	1 650 000,00
Municipal System Improvement Grants	890 000,00	934 000,00	967 000,00
Equitable Share	30 845 000,00	36 441 000,00	47 171 000,00
Equitable Share (Councillors Remunerations)	2 351 000,00	2 962 000,00	3 074 000,00
<b>Capital Grants</b>			
Integrated National Electrification Programme Grant	14 820 000,00	13 071 000,00	13 835 000,00
Municipal Infrastructure Grants	15 161 000,00	17 299 000,00	18 420 000,00
Neighbourhood Development Partnership Grant			
<b>Allocation in Kind</b>			
Neighbourhood Development Partnership Grant	2 000.000,00	2 000 000,00	0
<b>TOTALS</b>	<b>67 617 000,00</b>	<b>71 308 000,00</b>	<b>85 117 000,00</b>
<b>PROVINCIAL GRANTS</b>			
<b>OPERATING GRANTS</b>			
Museum	286 000,00	302 000,00	317 000,00
Provincialisation of Libraries	1 878 000,00	1 981 000,00	2 072 000,00
Community Library Service Grants	240 000,00	252 000,00	265 000,00
Councillor & Ward Committee Allowance	2 351 000,00	2 962 000,00	3 074 000,00
EPWP	1 000 000,00	0	0
<b>CAPITAL GRANTS</b>			
Community Residential Unity Programme			
<b>TOTALS</b>	<b>5 755 000,00</b>	<b>5 497 000,00</b>	<b>5 728 000,00</b>

### 3.5.6 EXPENDITURE

#### 1. INTRODUCTION

Expenditure is closely monitored and controlled by the finance department. Expenditure is strictly linked to the approved budget and where it is necessarily urgent adjustments within the budget and also adjustments in between votes they are done after six months of the financial year. Departmental directors are held responsible and accountability for any over expenditure. The finance department is responsible for the analysis of monthly expenditure reports. The municipality has had slow spending on capital expenditure due to the cash flow problems. Only grants and subsidies funded capital projects were done, specifically electricity and housing projects. The 2012 / 2013 capital expenditure is as follows:

#### 2. CAPITAL EXPENDITURE BY VOTE

DESCRIPTION	2012/013 Medium Term Revenue & Expenditure Framework		
	Budget Year 2013/2014	Budget Year 2014/015	Budget Year 2015/016
Municipal Manager			
Corporate Services	526000,00	2283000,00	2389000,00
Council (Special Projects)	2351000,00	2962000,00	3074000,00
Finance	1550000,00	1600000,00	1650000,00
Civil Services	15161000,00	17299000,00	18420000,00
Social Services	1000000,00	1000000,00	1000000,00
Electrical Services	14820000	13071000	13835000
<b>TOTAL CAPITAL EXPENDITURE</b>			

### 3. CAPITAL BUDGET FUNDED AS FOLLOWS:

DESCRIPTION	2013/14	2014/15	2015/2016
INEP	14820000,00	13071000,00	13835000,00
CRU			
NDPG	2000000,00	2000000,00	2000000,00
DBSA Council Funded			
MIG	15161000,00	17299000,00	18420000,00
<b>TOTAL</b>	<b>27161000,00</b>	<b>19299000,00</b>	<b>18420000,00</b>

#### 3.5.7 FINANCE POLICIES

The municipality embarked on a process of reviewing the financial environment with a view to determining which areas required enhancement to ensure overall financial stability. This has been done by reviewing financial policies on the following areas but not limited to:

- The IDP and Budgeting process;
- Financial procedures and manuals;
- Financial accounting and reporting;
- Debt Collection and Revenue Management
- Resource mobilization;
- Management of grants and subsidies;
- Raising of other income; and
- Supply Chain Management and Asset Management
- Free basic Services

### **3.5.8. FIVE-YEAR CAPITAL INVESTMENT PLAN**

Umtshezi municipality is composed of various rural areas where serious challenges of infrastructure backlog and a high rate of unemployment are evident. Also statistics show high figures of illiterate people in most of the rural areas of the municipality. As an integral component of the IDP the municipality has developed a five-year capital investment plan. This five year capital invest plan is aimed in addressing the challenges faced by the communities in the entire municipality as well as to ensure a close planning and budgeting link, inform municipal budgeting over tier and as a sphere, facilitate inter-governmental alignment with regard to capital requirements and sources of funding, assess financial management arrangements and financial strategy; and outline revenue and expenditure forecast.

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