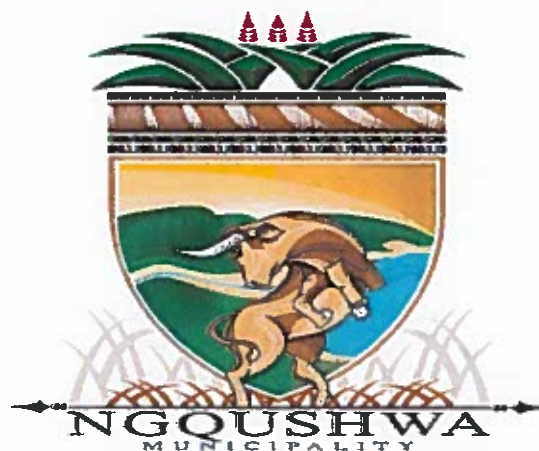


# **NGQUSHWA LOCAL MUNICIPALITY**

## **MID-YEAR BUDGET AND PERFORMANCE REPORT (SEC 72 MFMA) 2017 – 2018**



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## Glossary

**Adjustments budget** – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**Budget** – The financial plan of the Municipality.

**Budget related policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy, credit control and debt collection policy.

**Capital expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

**Cash flow statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable share** – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**MBRR** – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

**MFMA** – Local Government: Municipal Finance Management Act (56/2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act.

**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

**Operating expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**Rates** – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic objectives** – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** – Generally, is spending without, or in excess of, an approved budget.

**Virement** – A transfer of budget.

**Virement policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

**Vote** – one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. . In Ngqushwa Municipality this means votes such as Executive & Council, Financial Services, Corporate Services, Public Safety etc.

## **SECTION 1**

### **1.1 Introduction**

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

The MBRR highlights the format of the mid-year budget and performance assessment. "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."

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act

## **1.2 Legislative framework**

This report has been prepared in terms of the following legislative framework:

- The Municipal Finance Management Act – No. 56 of 2003, Section 72,
- And The Municipal Budget and Reporting Regulations, 35.

In accordance with Section 72 of the Municipal Finance Management Act 56 of 2003(MFMA) The accounting officer of a municipality must by

Assess the performance of the municipality during the first half of the financial taking into account, the monthly statements referred to in section 71 for the first half of the financial year; the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan and the past year's annual report, and progress on resolving problems identified in the annual report

This report is to be submitted to the Mayor and National and Provincial Treasury by 25 January 2017.

## **1.3 Mayors Report**

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The purpose of this report is to account to public on the 2017/2018 mid-year institutional performance of Ngqushwa local Municipality. The report contains information which is based on the SDBIP formulated for the financial year 2017/2018. The information on the report concentrates on the service delivery performance assessment as contained in the municipality's Service delivery and budget Implementation plan. The report was compiled using 1st and 2nd quarter information received for the mid-year assessment.

Description	2016/17	Budget Year 2017/18						
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
<b>R thousands</b>								
<b>Financial Performance</b>								
Property rates	25 753	23 338	-	309	23 730	11 669	12 061	103%
Service charges	653	717	-	65	385	359	27	7%
Investment revenue	1 129	2 566	-	4	570	1 283	(712)	-56%
Transfers and subsidies	79 838	79 014	-	24 538	55 258	39 507	15 751	40%
Other own revenue	18 640	8 413	-	1 579	3 788	4 206	(418)	-10%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>126 014</b>	<b>114 049</b>	<b>-</b>	<b>26 495</b>	<b>83 732</b>	<b>57 024</b>	<b>26 707</b>	<b>47%</b>
Employee costs	51 868	62 784	-	5 362	30 777	31 392	(615)	-2%
Remuneration of Councillors	7 414	8 989	-	609	3 594	4 494	(901)	-20%
Depreciation & asset impairment	16 756	19 898	-	-	-	9 949	(9 949)	-100%
Finance charges	2 176	881	-	-	-	440	(440)	-100%
Materials and bulk purchases	6 012	2 036	-	202	1 228	1 018	210	21%
Transfers and subsidies	-	-	-	-	-	-	-	
Other expenditure	59 255	42 556	-	5 113	26 402	21 278	5 124	24%
<b>Total Expenditure</b>	<b>143 483</b>	<b>137 144</b>	<b>-</b>	<b>11 286</b>	<b>62 000</b>	<b>68 572</b>	<b>(6 572)</b>	<b>-10%</b>
<b>Surplus/(Deficit)</b>	<b>(17 469)</b>	<b>(23 095)</b>	<b>-</b>	<b>15 209</b>	<b>21 732</b>	<b>(11 548)</b>	<b>33 279</b>	<b>-288%</b>

The municipality has prepared a three year budget, during the year the budget has been implemented the summary above show the variances on the implementation of the budget. Highlighting the few own revenue and interest investment shows an under collection. With regards to property rates the raisings are more because of Department of Rural development that was billed for properties not on the general valuation roll. Other expenditure which relates to mainly general expenses and project shows an over expenditure in the first 6 months of the year . This may mean that some of the performance targets may not be met, with low revenue collection and over expenditure, which can result in unauthorized expenditure. Looking at the municipality's performance on a high level, the municipality will have to adjust its budget for 2017-2018 and service delivery Budget and Implementation plan 2017-2018.

### Overview of 2016/17 Annual Reports

The Municipality has submitted its set of financial statements and was audited by Auditor General South Africa, the municipality has obtained an unqualified audit opinion with emphasis of matter issues for the 2016/17 financial year. The audit report contains findings on a matters relating to non-compliance with certain legislation, Internal controls, and annual performance. Below is a table detailing the findings?

No	Financial Issues	Remedial Action
1.	Differences between invoices and general ledger: During the audit, differences were noted between invoices and general ledger.	<p>"Controls to be Implemented to ensure that invoices are recorded correctly in the system.</p> <p>1. Only two officials are delegated, (Mscosa System) to convert the invoices to the system to ensure that no multiple captures with conflicting entries distort the conversion process.</p> <p>2. The BTO- Expenditure unit is scheduled to attend a VAT Refresher workshop, to ensure that VAT is correctly captured in the system.</p> <p>3. A review process ensuring that atleast two reviewers, including the Expenditure Manager has been implemented to identify any errors on conversion of invoices in the General Ledger.</p> <p>"</p>
2.	Difference with payables: The proposed journals to be passed amounted to R 668 642 and the actual journals passed amounted to R 1 464 606, resulting in a difference of R 795 964.	Management will ensure that all the posted journals are properly reviewed prior posting them in the financial system.
<b>Control Issues</b>		
3.	payments not paid within 30 days: During the audit of operating expenditure, it was noted that some of the payments were made after 30 days of the receipt of the invoice:	Centralization of the receipt of Invoices at SCM by suppliers. Suppliers will then submit 2 invoices (electronically/manually) to SCM, and End User, then Expenditure Clerk to record all invoices received by SCM in the Invoice Register to ensure that follow ups are done on Invoices recorded but not yet paid.
8.	Through testing of procurement it was noted that the municipality does not maintain a gift register, furthermore a gift register was requested in RFI 10 and it was not submitted as the municipality does not maintain a gift register to allow Scum officials and other employees to declare only gifts received.	Management will make sure that it keeps and update the gift register.
<b>Compliance Issues</b>		
9.	The contract was not advertised although the Municipality knew that the contract was ending, no procurement steps were followed before the end date of the previous contract with tyekani therefore the municipality deviated due to poor planning.	Management is clamping down on poor planning by various department because they lead to unjustifiable reasoning.



	> Tyekani Protection and clothing - Security Services. (8/2/541/2016-2017)	
10.	During the audit work performed, it was noted that the municipality has not demonstrated the benefits and discounts of participating in the in the following contracts: > Mgunculu Trading > Thubalam Cc > Siya and Aya > Mantella Trading T/A Designer Lighting	Management will comply with the requirements of Regulation 32.
11.	During the audit work performed on contract management it was noted that expenditure to date exceeded the contract amount therefore resulting in variations above 15 percent, the variation was not considered by the adjudication committee, was approved by council and the local community was not given reasonable notice of the intention to amend the contract.	Management will make sure that all variation orders are approved via BAC as the SCM regulation.
12.	The transactions were recorded in the deviation register do not meet the provisions of regulations 36 (2) and should not be recognised as deviations.	Management is already clamping down on deviations, there is a new form that is currently in use. All the deviations are reported to council.
13.	For a number projects the information provided was not sufficient to confirm that the performance of the contractors was effectively monitored on a monthly basis.	Management has developed contract management policy to effectively monitor contracts. The policy will tabled in the council meeting.
14.	During the audit work performed on consultants and contract management it was noted that the municipality does not have adequate controls in place to ensure that it monitors the performance of contractors on a monthly basis.	Management will develop a plan to monitor and manage the performance of the consultants and the evaluation form will be developed to monitor the performance.
15	The municipality procured Siya and Aya from I Ngquza Hill Local municipality, for electrification of 9 villages. This was procured through application of section 32	Management has already started making sure that we comply with Regulation 32

	of SCM regulation; however these contracts were not validly procured by other organs of the state as they have	
	resulted in irregularities. Further Siya and Aya had a valid tax clearance from SARS certifying that the tax affairs of Siya and Aya are not in order.	
	<b>Performance Issues</b>	
16.	During the audit a number of findings were identified where the SMART criteria as required by the Framework for Managing Programme Performance Information (FMPPPI) were not applied.	We will ensure that we adhered to SMART principles
17.	During the audit it was noted that the SDBIP was adjusted not in accordance with the budget adjustment processes as it was approved by council on the 28th of June 2016 6 Months after the adjustment budget was approved. Further changes were made to the nature of the indicators and targets making targets aligned to the actual achievement rather than being predetermined and performance being measured against those predetermined indicators and targets. Refer to the detailed audit findings for the detailed list of changes identified.	As Management we will ensure that we adjust SDBIP as per legislation

## Annual Service delivery Performance

Below is summary performance on the targets and achievements by the municipality for 2016/17

Priority Area	Total Annual Targets	Targets Achieved	Targets Partially Achieved	Targets Not Achieved	% Achievement
Good Governance and Public participation	33	26	6	1	79%
Municipal Transformation and Institutional Development	17	14	2	1	82%
Local Economic Development	33	22	7	4	67%
Infrastructure and Basic Service Delivery	32	27	4	1	84%
Financial Viability and Management	21	20	1	0	95%
<b>Total Targets</b>	<b>136</b>	<b>109</b>	<b>20</b>	<b>7</b>	<b>80%</b>

### 1.4 RESOLUTION

- That Council notes mid –year Budget and Performance Report for 2017/18 financial year and recommend to Council to note the report.

## SECTION 2

### EXECUTIVE SUMMARY

This report provides a summary of the main budget issues arising from the budget monitoring process. It compares the progress of the budget in terms of actual income and expenditure to the Projections contained in the Service Delivery and Budget Implementation Plan. The assessment aims at enhancing managements' decisions and monitoring activities

The following categories provide an outline of the implementation of the budget and Performance of the Municipality.

#### 2.1 Operating Revenue

Description	Ref	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance
R thousands								%
Revenue By Source								
Property rates		25 753	23 338	309	23 730	11 669	12 061	103%
Service charges - electricity revenue			-			-	-	
Service charges - water revenue			-			-	-	
Service charges - sanitation revenue			-			-	-	
Service charges - refuse revenue		653	717	65	385	359	27	7%
Service charges - other						-	-	
Rental of facilities and equipment		147	547	10	362	274	88	32%
Interest earned - external investments		1 129	2 566	4	570	1 283	(712)	-56%
Interest earned - outstanding debtors		3 778	4 125	485	1 405	2 062	(657)	-32%
Dividends received						-	-	
Fines, penalties and forfeits		589	836	-	5	418	(413)	-99%
Licences and permits		1 605	1 773	114	837	887	(49)	-6%
Agency services		344	483	20	167	242	(75)	-31%
Transfers and subsidies		79 838	79 014	24 538	55 258	39 507	15 751	40%
Other revenue		12 178	277	343	406	138	268	193%
Gains on disposal of PPE			372	606	606	186	420	226%
Total Revenue (excluding capital transfers and contributions)		126 014	114 049	26 495	83 732	57 024	26 707	47%

It must also be noted that the billing for property rates and refuse revenue, interest on outstanding debtors includes those properties that are billed annually hence the overbilling compared to projections. The property rates budget for the year is lower compared to the audited figure this is due to the government properties that were later billed and paid in the previous year which were not part of the original general valuation. Service charges shows an increase in amount billed, due to properties that were affected by supplementary valuation 2016-17 financial year, that are now categorized as commercial.

The line item "Other revenue" comprise of Building plan fees, Public toilet fees, Cemetery Fees and Billboards. There is a low collection on other own revenue items like, fines, permits rental. Management should take note. Transfers recognized are as per municipal payment schedule and are spread over three tranches in a year. Grants like Financial Management Grant (FMG), are received once off and others are received in three tranches. In as much as the overall of the total revenue seems higher than the budget to date , municipality continues to be grant dependent , management is however trying to turn the situation by employing revenue enhancement mechanisms . The management is in the process of enhancing the own revenue stream. The municipality has disposed some of its assets during this first half of the financial year.

The following ratio as per MFMA circular 71 is measures the extent of actual operating revenue received in relation to Budgeted operating revenue during the financial year under review

Actual operating revenue/Budgeted operating revenueX100

83 731 700 X100 =146% the norm is 95%, the ratio is greater than 95%

57 024 309

Although this paint a good picture it really does not mean good as the municipality is depending on grants.

Below is a breakdown of the collection percentage on services and other revenue compared to the projected budget:-

Description	Original Budget 000	Projections 6Months 000	Actuals 6Months 000	6Months %
<b>Revenue By Source</b>				
Property rates	R 23 338	R 11 669	R 14 938	128.02
Service charges - refuse revenue	R 717	R 359	R 385	107.24
Rental of facilities and equipment	R 547	R 274	R 44	16.06
Interest earned - external investments	R 2 566	R 1 283	R 671	52.33
Fines	R 836	R 418	R 70	16.82
Licences and permits	R 1 773	R 887	R 452	50.96
Agency services	R 483	R 242	R 198	81.97
Other revenue	R 277	R 138	R 3 204	2 317.03
Gains on disposal of PPE	R 372	R 186	R 606	325.58
<b>Total Revenue</b>	<b>31 036</b>	<b>8 697</b>	<b>11 356</b>	<b>130.58</b>

- Property Rates: actual vs. projected collection 128%, Refuse removal: actual vs. projected collection 107.24% this was due to re-categorization of debtors and Rental of facilities: actual vs. projected collection was 16.06%. Other revenue collection shows an over collection the contributor to such increase is because of SARS refunds that were received which some relate to previous periods but were only paid in the period under review. The improvements on collection relates to government departments only paying their accounts in the second quarter. The overall collection of own revenue as at 31 December is at 130.58% compared to the year to date budget/projections exclusive of government transfers.

## 2.2 Operating Expenditure

EC126 Ngqushwa - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December									
Description	Ref	2016/17	Budget Year 2017/18						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance
R thousands									%
Expenditure By Type									
Employee related costs		51 868	62 784		5 362	30 777	31 392	(615)	-2%
Remuneration of councillors		7 414	8 989		609	3 594	4 494	(901)	-20%
Debt impairment		1 751	3 200				1 600	(1 600)	-100%
Depreciation & asset impairment		16 756	19 898		-	-	9 949	(9 949)	-100%
Finance charges		2 176	881		-	-	440	(440)	-100%
Bulk purchases							-	-	
Other materials		6 012	2 036		202	1 228	1 018	210	21%
Contracted services						-	-	-	
Transfers and subsidies					-		-	-	
Other expenditure		57 505	39 356		5 113	26 402	19 678	6 724	34%
Loss on disposal of PPE							-	-	
Total Expenditure		143 483	137 144	-	11 286	62 000	68 572	(6 572)	-10%

The budgeted operating expenditure amounts to R 137 m. For the period under review the projected budget target is R 68, 5 m and the actual expenditure is R 62m. Even thou the municipality expenditure is still within the projected budget the is a variance of R 6, 7m over

Expenditure on other expenditure this surely explains that some expenditure are sitting with unauthorised expenditure. Management will have to look at this during adjustment budget period and adjust according. Other expenditure includes items such as fleet costs (fuel & oil, tyres, maintenance, admin costs, licences), telephone system rental, Microsoft enterprise licences, and advertising and essential user re-impulsive costs.

There have been no journal entries to account for depreciation and Debt Impairment the municipality is still busy uploading the asset register on the mSCOA system, however the budgeted amount is currently deemed to be sufficient.

Actual Operating Expenditure X 100

Budgeted operating expenditure

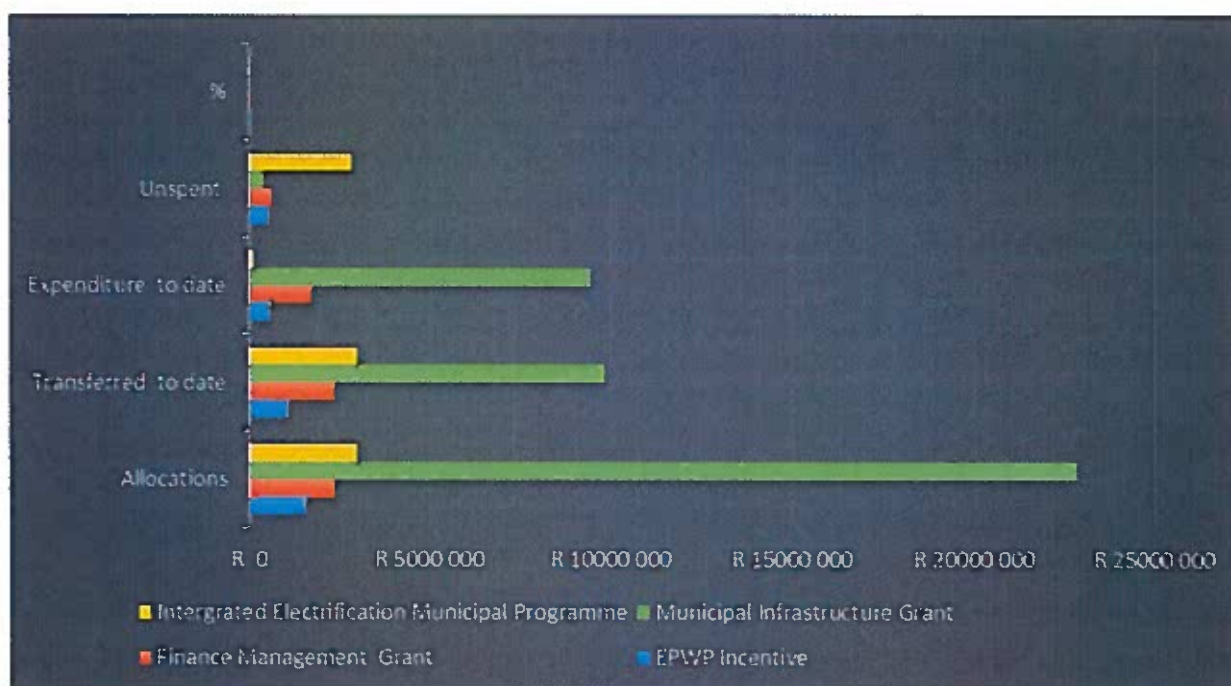
61 999 906 X 100 = 90% the norm is between 95% and 100%

68 571 892 under spending is caused mainly by cash limitation and no provision of depreciation pro- rata actuals.

**Below is the summary of Conditional Grant receipts and expenditure as 31 December 2017**

Conditional Grants Receipts vs Expenditure					
Grants National	Allocations	Transferred to date	Expenditure to date	Unspent	%
EPWP Incentive	R 1 531 000	R 1 071 000	R 545 700	R 525 300	50.95
Finance Management Grant	R 2 345 000	R 2 345 000	R 1 871 417	R 473 583	79.80
Municipal Infrastructure Grant	R 22 833 000	R 9 795 000	R 9 424 790	R 370 210	96.22
Intergrated Electrification Municipal Programme	R 3 000 000	R 3 000 000	R 144 000	R 2 856 000	4.80
<b>Total</b>	<b>R 29 709 000</b>	<b>R 16 211 000</b>	<b>R 11 985 907</b>	<b>R 4 225 093</b>	<b>73.94</b>

**The following Graph shows the grants movement**



It was reported at 31 December 2017 that the National Grants were allocated and spent by Ngqushwa Local Municipality as follows:

- Expended Public Works ((EPWP) Incentive: R1, 531 000 was allocated for this financial year. Transfers made to the Municipality were R 1,071 000. Expenditure reported to date is R 545 700.



- Financial Management Grant (FMG): R 245 000 allocated and all transferred to Ngqushwa Local Municipality. Expenditure reported to be R 1 871 417.
- Municipal Infrastructure Grant (MIG): R 22 833 000 was allocated for this financial year. Transfers made to the Municipality were R 9 795 000. Expenditure reported R 9 424 789.
- Integrated Electrification Municipal Grant (INEG): R3 000 000 is allocated and R 3 000 000 was received. Expenditure reported amounts to R 144 000. INEP is moving very slowly this may result into rollover of funds.
- Looking at the above information, Conditional grants are spent accordingly except for INEP who shows a very slow, this is said to change as the contractors had been appointed, the expectations for the speedily increase on expenditure, to ensure that they are 100% spent by the end of the financial year.

### Expenditure against approved rollovers

EC126 Ngqushwa - Supporting Table SC7(2) Monthly Budget Statement - Expenditure against approved rollovers - M06 Dec

Description	Ref	Budget Year 2017/18				
		Approved	Monthly	YearTD	YTD variance	YTD variance
<b>EXPENDITURE</b>						
<b>Operating expenditure of Approved Roll-overs</b>						
National Government:		-	-	-	-	
Local Government Equitable Share		-	-	-	-	
EPWP Incentive		-	-	-	-	
Finance Management		-	-	-	-	
<b>Capital expenditure of Approved Roll-overs</b>						
National Government:		900	-	900	-	
Municipal Infrastructure Grant (MIG)					-	
INEP		900	-	900	-	
Provincial Government:		-	-	-	-	
<b>TOTAL EXPENDITURE OF APPROVED ROLL-OVERS</b>		900	-	900	-	

- The municipality had a rollover on the Electricity (INEP) grant in the financial year 2016/17. In 2017/2018 the municipality applied to rollover funds to the current year. National Treasury has approved that the municipality retain the rollover amount of R 899 543.73. In

the period under review the municipality has spent all the rollover funds.

## 2.3 Capital Programme and funding

The following table is a summary of the 2017-18 Capital budget classified by standard classification.

Vote Description	#REF1	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
<b>Capital Expenditure - Functional Classification</b>										
<i>Governance and administration</i>		2 141	3 956	-	-	149	1 978	(1 829)	-92%	-
Finance and administration		2 141	3 956	-	-	149	1 978	(1 829)	-92%	-
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		5 713	1 287	-	-	-	644	(644)	-100%	-
Community and social services		5 713	350	-	-	-	175	(175)	-100%	-
Sport and recreation		-	618	-	-	-	309	(309)	-100%	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	319	-	-	-	160	(160)	-100%	-
<i>Economic and environmental services</i>		14 534	22 158	-	3 390	9 013	11 079	(2 066)	-19%	-
Planning and development		-	365	-	-	-	182	(182)	-100%	-
Road transport		14 534	21 793	-	3 390	9 013	10 896	(1 883)	-17%	-
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	3 000	-	-	1 044	1 500	(456)	-30%	-
Energy sources		-	3 000	-	-	1 044	1 500	(456)	-30%	-
Other		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional Classification</b>	3	22 388	30 401	-	3 390	10 206	15 201	(4 995)	-33%	-
<b>Funded by:</b>										
National Government		19 475	24 691	-	3 292	9 959	12 346	(2 387)	-19%	-
Transfers recognised - capital		19 475	24 691	-	3 292	9 959	12 346	(2 387)	-19%	-
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		2 913	5 710	-	98	247	2 855	(2 608)	-91%	-
<b>Total Capital Funding</b>		22 388	30 401	-	3 390	10 206	15 201	(4 995)	-33%	-

The budgeted capital expenditure amounts to R 30, 4 m. For the period under review planned budget target is R 15, 2 m and the actual is expenditure to date is R 10, 2 m with R 4, 9 m variance. The capital funding is mostly from the National Government transfers mainly Municipal Infrastructure Grant (MIG), INEP and the internal generated funds. The Municipality is moving slowly on the capex funded by internal revenue this is due to cash flow limitations. Capital expenditure budgeted under

**Finance and Administration includes :-** ( IT infrastructure, Computer equipment, municipal vehicles and equipment scanners for barcoding

**Community and social services:** - Acquiring of machinery tractor and maintenance equipment

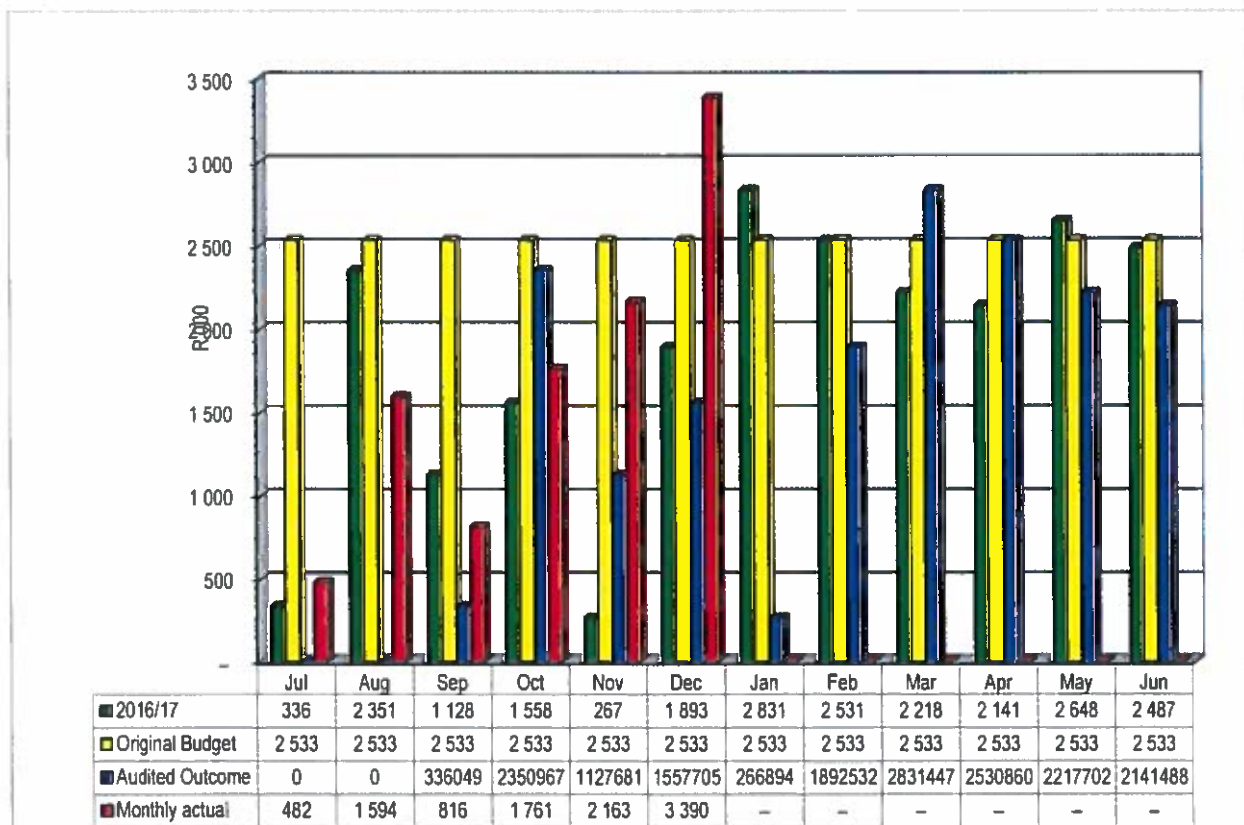
**Planning and Development:** - Establishment of Cemetery and landfill site, signage for street naming

**Road Transport: - Infrastructure projects**  
**Electricity: - Electrification project of Villages**

The following table indicates the spending pattern per month:

Month	Budget Year 2017/18								
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	% spend of Original Budget
R thousands									
<b>Monthly expenditure performance trend</b>									
July	336	2 533		482	482	2 533	2 051	81.0%	2%
August	2 351	2 533		1 594	2 076	5 067	2 991	59.0%	7%
September	1 128	2 533		816	2 892	7 600	4 708	62.0%	10%
October	1 558	2 533		1 761	4 653	10 134	5 480	54.1%	15%
November	267	2 533		2 163	6 816	12 667	5 851	46.2%	22%
December	1 893	2 533		3 390	10 206	15 201	4 995	32.9%	34%
January	2 831	2 533				17 734	-		
February	2 531	2 533				20 267	-		
March	2 218	2 533				22 801	-		
April	2 141	2 533				25 334	-		
May	2 648	2 533				27 868	-		
June	2 487	2 533				30 401	-		
<b>Total Capital expenditure</b>	<b>22 388</b>	<b>30 401</b>	<b>-</b>	<b>10 206</b>					

The following indicates the spending pattern per month:



## 2.5 Cash flow Statement

Description	Ref	2016/17	Budget Year 2017/18						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands	1								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates		33 220	16 337		833	15 046	8 168	6 878	84%
Service charges			430		33	423	215	208	96%
Other revenue		5 533	2 673		2 136	5 054	1 337	3 718	278%
Government - operating		80 738	79 014		24 563	59 006	39 507	19 498	49%
Government - capital		22 575	24 691		1 825	12 305	12 346	(40)	0%
Interest		1 071	20 690		439	671	10 345	(9 674)	-94%
Dividends							-	-	
<b>Payments</b>									
Suppliers and employees		(113 682)	(113 165)		(20 220)	(77 720)	(56 582)	21 137	-37%
Finance charges		1 006	(881)				(440)	(440)	100%
Transfers and Grants			-				-	-	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>30 460</b>	<b>29 791</b>	<b>-</b>	<b>9 609</b>	<b>14 786</b>	<b>14 895</b>	<b>110</b>	<b>1%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE		138	372		606	606	186	420	226%
Decrease (increase) in non-current debtors			-					-	
Decrease (increase) other non-current receivables			-					-	
Decrease (increase) in non-current investments			-					-	
<b>Payments</b>									
Capital assets		23 171	(30 401)		(1 430)	(7 833)	(15 201)	(7 367)	48%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>23 309</b>	<b>(30 029)</b>	<b>-</b>	<b>(823)</b>	<b>(7 227)</b>	<b>(15 014)</b>	<b>(7 787)</b>	<b>52%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans								-	
Borrowing long term/refinancing								-	
Increase (decrease) in consumer deposits								-	
<b>Payments</b>									
Repayment of borrowing		5 348						-	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>5 348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>59 118</b>	<b>(238)</b>	<b>-</b>	<b>8 785</b>	<b>7 559</b>	<b>(119)</b>		
Cash/cash equivalents at beginning:		1 200	1 201			1 201	1 201		
Cash/cash equivalents at month/year end:		60 318	963			8 759	1 082		

This statement reflects the actual cash that was received and utilised by the municipality as at 31 December 2017. Cash on hand has not increase from the previous year to the period under review, this clearly shows that the municipality is not having cash reserved to boost the cash on hand and other special commitments. The municipality is not able to generate sufficient own revenue through its service charges and is grant dependent. It is further indicative that cash flow must be closely monitored to ensure that sufficient cash is available in the bank to effect payments.

The liquidity ratio at the moment provides an indication of the Ngqushwa Municipality's ability to pay its short term debts like suppliers within the

next few months using the cash in the bank as lightly below the norm, this may pose an element of risk as financial commitments of the municipality may be compromised. The municipality is expecting to receive the third last tranche of equitable in March amounting to R 18 403 000. The municipality is in the process of adopting the financial recovery plan which is believed to aid the current financial status.

## 2.6 Financial Position

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	<b>1</b>					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		1 266	5 036		8 610	
Call investment deposits					10	
Consumer debtors		21 660	10 876		42 859	
Other debtors		11 783	99 333		795	
Current portion of long-term receivables		405	474		–	
Inventory		3 346	–		3 346	
<b>Total current assets</b>		<b>38 459</b>	<b>115 719</b>	<b>–</b>	<b>55 620</b>	<b>–</b>
<b>Non current assets</b>						
Long-term receivables						
Investments						
Investment property		24 058	27 135		24 058	
Investments in Associate						
Property, plant and equipment		170 057	171 337		179 091	
Agricultural						
Biological assets						
Intangible assets		1 248	1 248		1 248	
Other non-current assets		0	0		0	
<b>Total non current assets</b>		<b>195 363</b>	<b>199 720</b>	<b>–</b>	<b>204 397</b>	<b>–</b>
<b>TOTAL ASSETS</b>		<b>233 822</b>	<b>315 439</b>	<b>–</b>	<b>260 017</b>	<b>–</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft						
Borrowing		7 342	6 368		7 342	
Consumer deposits					77	
Trade and other payables		24 722	83 300		24 622	
Provisions			–		4 158	
<b>Total current liabilities</b>		<b>32 064</b>	<b>89 668</b>	<b>–</b>	<b>36 200</b>	<b>–</b>
<b>Non current liabilities</b>						
Borrowing		–	561		–	
Provisions		3 191	3 320		3 191	
<b>Total non current liabilities</b>		<b>3 191</b>	<b>3 882</b>	<b>–</b>	<b>3 191</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>35 255</b>	<b>93 550</b>	<b>–</b>	<b>39 391</b>	<b>–</b>
<b>NET ASSETS</b>	<b>2</b>	<b>198 567</b>	<b>221 889</b>	<b>–</b>	<b>220 626</b>	<b>–</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		198 567	221 889		220 626	
Reserves						
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>2</b>	<b>198 567</b>	<b>221 889</b>	<b>–</b>	<b>220 626</b>	<b>–</b>

The current ratio (as per MFMA circular 71) checking Municipality ability to meet its current or short term obligation.

Current Assets/Current Liabilities = 55 620 101/36 199 801 = 1.5

This is between the norm therefore the municipality is still capable to meet its short term obligations.

## SECTION 3

### Supporting Documentation

#### 3.1 Debtors age analysis

The tables below show the outstanding debt owed to the Ngqushwa Municipality as at 31 December 2017 per service and by customer group.

R thousands	NT Code	Over 1Yr	181 Dys-1 Yr	180 Days	150-180 Days	120 Days	90 Days	60 Days	0-30 Days	Total
<b>Debtors Age Analysis By Income Source</b>										
Property Rates	1400	-	-	8 657	234	252	344	471	418	10 377
Interest On Property Rates	1810	-	-	26 771	11 629	72	101	39	861	39 473
Property Rental	1700	-	-	127	-	1	-	-	7	134
Interest On Property Rental	1810	-	-	21	1	1	2	2	3	30
Refuse Removal	1600	-	-	897	24	26	39	47	142	1 176
Interest On Refuse Removal	1810	-	-	775	16	4	17	17	36	865
Other	1900	-	-	-	-	-	-	-	-	-
<b>Total By Income Source</b>	<b>2800</b>	<b>-</b>	<b>-</b>	<b>37 248</b>	<b>11 905</b>	<b>357</b>	<b>503</b>	<b>575</b>	<b>1 468</b>	<b>52 055</b>
<b>2016/17 - totals only</b>										<b>-</b>
<b>Debtors Age Analysis By Customer Group</b>										
Organs of State	2200	-	-	34 109	617	-	-	-	221	34 946
Commercial	2300	-	-	622	2 540	130	277	289	528	4 387
Households	2400	-	-	1 753	5 697	77	100	138	230	7 996
Other	2500	-	-	764	3 050	149	125	149	488	4 726
<b>Total By Customer Group</b>	<b>2600</b>	<b>-</b>	<b>-</b>	<b>37 248</b>	<b>11 905</b>	<b>357</b>	<b>503</b>	<b>575</b>	<b>1 468</b>	<b>52 055</b>

Analyzing debtors per service billed, the largest amount of service billed that is outstanding is property rates followed by refuse removal. The bigger portion of the amount owed to the municipality, is by Department of Rural Development, Provincial and National Public Works followed by Households and Businesses. There have been numerous engagements between Ngqushwa representatives, National Public works is busy verifying the ownership of unknown properties.

The property management section of Rural Development has further investigated more properties that are owned by the Department, total has increased to 742 and for the past years no Department was liable for the payment of these properties, to date the number of properties that have been billed and part paid by the Department is 266.

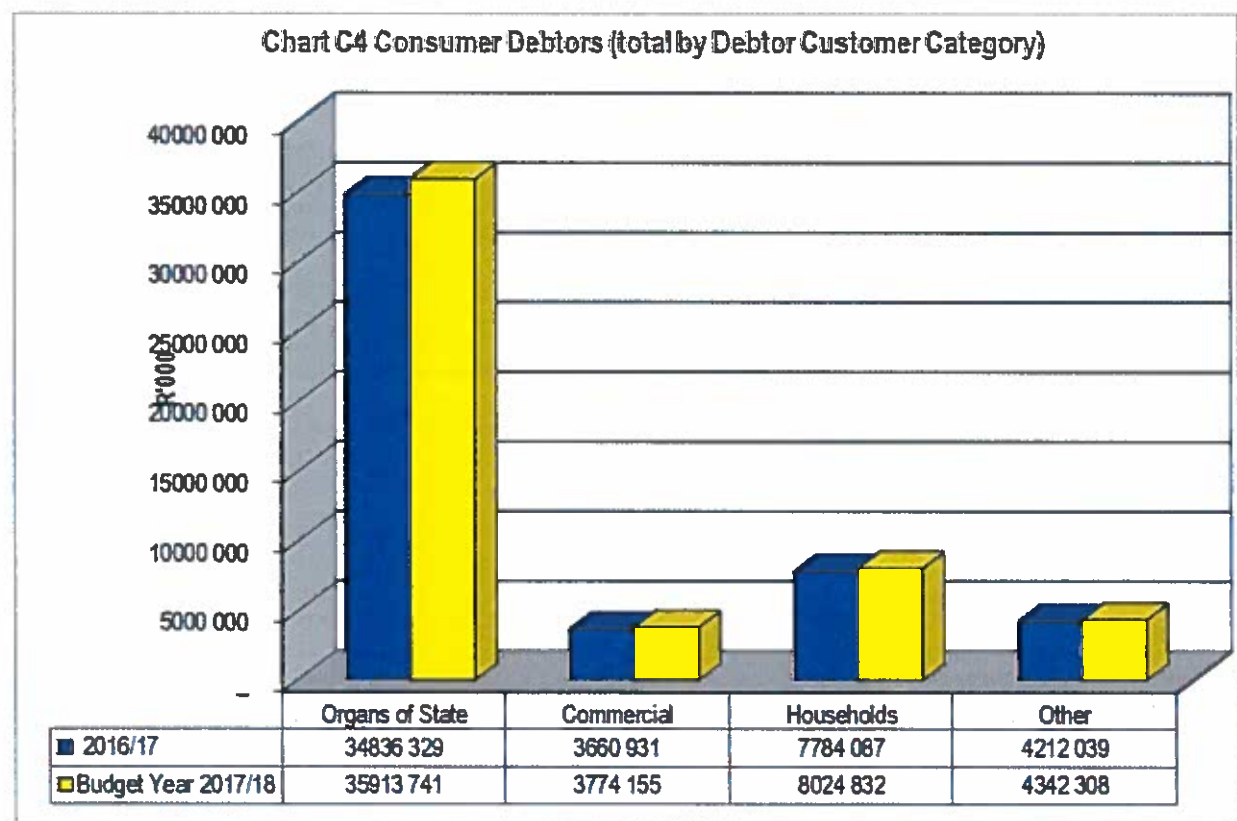
The municipality has collected rates revenue from various Departments in the period under review as follows:

National Public Works	= R 90 921.29
Provincial Public Works	= R 9 512 055.66
Department of Rural & Land Reform	= R 0.00

The Department of Provincial Public Works surveyed 52 rural schools and clinics in August 2015. The municipality started to bill rural schools and clinics in 2015/2016 and 2016/2017 to date. The number of rural schools and clinics has decrease due to the demarcation processes, 5 schools and 3 clinics have been transferred to BCM, revenue has been decreased by those properties, in total the Department of Public Works surveyed 93 rural schools and clinics for Ngqushwa, another 93 is still in pipeline. The total outstanding amount for our debtors is sitting at R 52m at the end of this quarter.

The draft 3 year Financial Recovery Plan, 5 year Financial Plan and 5 year Financial Recovery Implementation Plan have been received from the service provider. The municipality is to give feedback on the plans received.

**The following graph compare the debtor's age analysis by group end of December 2016 and December 2017**



**Outstanding debtors to revenue=**Outstanding debtors/Annual revenue

36.45 %

The outstanding debtors have increase from the previous year 27.22% to 36.45%

### **3.3 Free Basic Services**

The municipality is offering free basic services into two categories:

Refuse removal, the offering of refuse removal on all registered indigent household at tariff of R87.78 per household on monthly basis and The total number of households benefiting from refuse removal is 1993.

Free basic electricity number of household currently registered is 6042 and the total of household benefiting is 5900.The FBS unit has a target according to the SDBIP of developing a credible and updating indigent register for 2017/2018 financial year. In the month of November, December and January 2018 ward committees have done indigent registration in all wards.

The propose date of the Indigent steering Committee meeting is the 21<sup>st</sup> February 2018, this meeting will include COGTA and other relevant stakeholders and the purpose of this meeting is to discuss processes of subsidizing indigent households. OR of the committee, registration and subsidizing indigent households. The number on the indigent register has increase from 5900 to 6042 households.

For 2017/18 financial year free basic services has been budgeted as follows:

#### **Budget breakdown as at December 2017**

<b>Service Description</b>	<b>Amount Budget</b>	<b>Amount Spent</b>
Prepaid electricity	R 880 572.00	R 1 348,446.77
Refuse removal	R 419 320.00	R 699 782.16
<b>Total</b>	<b>R1 299 892.00</b>	<b>R 2 048 228.93</b>



The above table shows an under budgeting on indigent, the excess expenditure was covered through the shifting of funds. The indigent budget is also need to be adjusted.

### 3.4 Creditors Age Analysis

The following table reflects the total outstanding creditors owed by the municipality.

R thousands	NT Code	Budget Year 2017/18								Total
		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	
<b>Creditors Age Analysis By Customer Type</b>		0	0	0	0	0	0	0	0	0
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	81	149	-	-	-	-	1 701	0	1 931
Auditor General	0800	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	6 640	6 640
<b>Total By Customer Type</b>	<b>1000</b>	<b>81</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 701</b>	<b>6 640</b>	<b>8 572</b>

Analysing our creditors per category, the largest amount of creditors are our trade creditors. The table above reflects that the municipality is striving to pay its creditors within 30 days which is in line with section 65 (e) of the MFMA. The line "Other" is Amatole District Municipality (ADM) of which Ngqushwa municipality owes R6 m. The municipality was owing Amathole District Municipality a sum of R 20, m in 2015/16 financial debt back dates from 1 July 2006. This debt relates to fire levy and basic charge for water on municipal vacant land, this includes vacant land that has been earmarked to build low-cost housing serviced and unserviced. Engaging with Amathole District Municipality management and negotiations and it was discovered that the District Municipality was billing Ngqushwa Municipality for unserviced vacant land, through the verification that amount has been reduced to R15 m. The R15m was later revised and reduced to R 6m, explaining The amount was reduced due to the payments made by Ngqushwa Local Municipality, reversal of billing on all the vacant properties earmarked for RDP development in compliance to ADM Credit control & debt collection policy and reversal of billing on all areas where there has been no confirmation that there is no infrastructure such as Alf Dlamini Heights. Creditors over 180 days amounting to R 6.6 m relates mainly to the Amathole District Municipality

## The following is a ration calculation on Creditors

Creditors Efficiency system= % of Creditors Paid within Terms (within MFMA s 65(e))

=95%

## 3.5 Grants Receipts and Expenditure

### 3.5 .1 Grants Receipts

Description	Ref	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance
R thousands								YTD variance %
<b>RECEIPTS:</b>	1 2							
<b>Operating Transfers and Grants</b>								
<b>National Government:</b>		80 812	78 633	-	24 563	59 118	39 316	18 323 46.6%
Local Government Equitable Share		76 828	73 615		24 538	55 212	36 808	18 405 50.0%
EPWP Incentive		1 000	1 531		-	1 071	766	
Finance Management		2 010	2 345		-	2 345	1 173	
PMU		974	1 142		25	490	571	(81) -14.2%
<b>Provincial Government:</b>		-	308	-	-	-	154	(154) -100.0%
Sport and Recreation			308				154	(154) -100.0%
PMU								
<b>District Municipality:</b>		-	-	-	-	-	-	-
<i>[insert description]</i>								
<b>Other grant providers:</b>		-	74	-	-	46	37	9 24.5%
Lg Seta			74		-	46	37	9 24.5%
<b>Total Operating Transfers and Grants</b>	5	80 812	79 014	-	24 563	59 164	39 507	18 178 46.0%
<b>Capital Transfers and Grants</b>								
<b>National Government:</b>		21 602	24 691	-	1 825	12 305	12 346	(40) -0.3%
Municipal Infrastructure Grant (MIG)		18 501	21 691		475	9 305	10 846	(1 540) -14.2%
INEP		3 100	3 000		1 350	3 000	1 500	1 500 100.0%
<b>Provincial Government:</b>		-	-	-	-	-	-	-
<i>[insert description]</i>								
<b>District Municipality:</b>		-	-	-	-	-	-	-
<i>[insert description]</i>								
<b>Other grant providers:</b>		-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	21 602	24 691	-	1 825	12 305	12 346	(40) -0.3%
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	102 413	103 706	-	26 388	71 469	51 853	18 138 35.0%

### 3.5.2 Grant Expenditure

Description	Ref	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance
R thousands								YTD variance %
<b>EXPENDITURE</b>								
<b>Operating expenditure of Transfers and Grants</b>								
National Government:		80 812	78 633	–	20 220	53 863	39 316	14 546 37.0%
Local Government Equitable Share		76 828	73 615		19 821	50 810	36 808	14 003 38.0%
EPWP Incentive		1 000	1 531		78	524	766	(242) -31.6%
Finance Management		2 010	2 345		174	1 871	1 173	699 59.6%
PMU		974	1 142		148	657	571	87 15.2%
Provincial Government:		–	308	–	–	–	154	(154) -100.0%
0								–
Sport and Recreation			308				154	(154) -100.0%
District Municipality:		–	–	–	–	–	–	–
[insert description]								–
Other grant providers:		–	74	–	–	–	37	(37) -100.0%
Lg Seta			74				37	(37) -100.0%
<b>Total operating expenditure of Transfers and Grants:</b>		<b>80 812</b>	<b>79 014</b>	<b>–</b>	<b>20 220</b>	<b>53 863</b>	<b>39 507</b>	<b>14 356 36.3%</b>
<b>Capital expenditure of Transfers and Grants</b>								
National Government:		21 602	24 691	–	3 144	9 811	12 346	(2 535) -20.5%
Municipal Infrastructure Grant (MIG)		18 501	21 691		3 144	8 767	10 846	(2 078) -19.2%
Rural Households Infrastructure			–		–	–	–	–
INEP		3 100	3 000		–	1 044	1 500	(456) -30.4%
<b>Total capital expenditure of Transfers and Grants</b>		<b>21 602</b>	<b>24 691</b>	<b>–</b>	<b>3 144</b>	<b>9 811</b>	<b>12 346</b>	<b>(2 535) -20.5%</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>102 413</b>	<b>103 706</b>	<b>–</b>	<b>23 364</b>	<b>63 674</b>	<b>51 853</b>	<b>11 821 22.8%</b>

### 3.6 Councillors and Staff Benefits

#### 3.6.1 Councillors Remuneration

Summary of Employee and Councillor remuneration	Ref	2016/17	Budget Year 2017/18					
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance
R thousands								YTD variance %
	1	A	B	C				
<b>Councillors (Political Office Bearers plus Other)</b>								
Basic Salaries and Wages		3 749	4 313		518	3 066	2 157	909 42%
Pension and UIF Contributions		877	862		15	91	431	(340) -79%
Medical Aid Contributions		482	684		3	17	342	(325) -95%
Motor Vehicle Allowance		1 652	2 268		25	152	1 134	(982) -87%
Cellphone Allowance		522	605		48	268	303	(35) -11%
Housing Allowances							–	–
Other benefits and allowances		133	181				90	(90) -100%
<b>Sub Total - Councillors</b>		<b>7 414</b>	<b>8 913</b>	<b>–</b>	<b>609</b>	<b>3 594</b>	<b>4 456</b>	<b>(863) -19%</b>

The budgeted increases for councillors allowance is 7.4%, from the previous year budget this increment not yet been effected as the regulating gazette specifying the remuneration packages was not yet issued by the end of November or December 2017.

### 3.6.2 Staff Benefits

Summary of Employee and Councillor remuneration	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
	1	A	B	C						D
Senior Managers of the Municipality	3									
Basic Salaries and Wages		4 575	4 418		333	1 787	2 209	(422)	-19%	
Sub Total - Senior Managers of Municipality		4 575	4 418	-	333	1 787	2 209	(422)	-19%	-
Other Municipal Staff										
Basic Salaries and Wages		34 367	42 765		3 476	21 643	21 383	261	1%	
Pension and UIF Contributions		5 756	6 387		528	3 386	3 193	193	6%	
Medical Aid Contributions		2 149	1 929		188	1 159	964	194	20%	
Overtime		323	161		20	182	81	101	126%	
Performance Bonus			-		-		-	-		
Motor Vehicle Allowance		2 659	2 408		168	1 085	1 204	(120)	-10%	
Cellphone Allowance		326	433		18	141	217	(75)	-35%	
Housing Allowances		196	173		13	86	86	(1)	-1%	
Other benefits and allowances		448	3 018		2	76	1 509	(1 433)	-95%	
Payments in lieu of leave		655	717		585	1 105	359	747	208%	
Long service awards		415	105		32	129	52	76	145%	
Post-retirement benefit obligations	2		-				-	-		
TOTAL MANAGERS AND STAFF		51 888	62 514	-	5 362	30 777	31 257	(480)	-2%	

### 3.7 Repairs and Maintenance

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		1 680	1 444	-	18	678	722	44	6.1%	-
Roads Infrastructure		1 680	957	-	18	678	479	(199)	-41.6%	-
Roads		1 680	957	-	18	678	479	(199)	-41.6%	-
Electrical Infrastructure		-	486	-	-	-	243	243	100.0%	-
Capital Spares		-	486	-	-	-	243	243	100.0%	-
Water Supply Infrastructure		-	-	-	-	-	-	-		-
Dams and Weirs		-	-	-	-	-	-	-		-
<u>Community Assets</u>		-	-	-	-	-	-	-		-
Depots		-	-	-	-	-	-	-		-
Capital Spares		2 234	-	-	-	-	-	-		-
Housing		-	-	-	-	-	-	-		-
<u>Biological or Cultivated Assets</u>		-	-	-	-	-	-	-		-
Biological or Cultivated Assets		-	-	-	-	-	-	-		-
<u>Intangible Assets</u>		-	-	-	-	-	-	-		-
Load Settlement Software Applications		-	-	-	-	-	-	-		-
Unspecified		-	-	-	-	-	-	-		-
<u>Computer Equipment</u>		1 517	107	-	57	57	54	(4)	-7.3%	-
Computer Equipment		1 517	107	-	57	57	54	(4)	-7.3%	-
<u>Furniture and Office Equipment</u>		-	-	-	-	-	-	-		-
Furniture and Office Equipment		-	-	-	-	-	-	-		-
<u>Machinery and Equipment</u>		-	-	-	-	79	-	(79)	#DIV/0!	-
Machinery and Equipment		-	-	-	-	79	-	(79)	#DIV/0!	-
<u>Transport Assets</u>		-	35	-	127	413	18	(395)	-2236.9%	-
Transport Assets		-	35	-	127	413	18	(395)	-2236.9%	-
<u>Libraries</u>		-	-	-	-	-	-	-		-
Libraries		-	-	-	-	-	-	-		-
<u>Zoo's, Marine and Non-biological Animals</u>		-	-	-	-	-	-	-		-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-		-
Total Repairs and Maintenance Expenditure	1	6 012	2 047	-	202	1 228	1 024	(204)	-19.9%	-

### 3.8 Cash and Cash Equivalents

The below spreadsheet are the cash and cash equivalent balances of the municipality as at 31 December 2017.

ACCOUNT NAME	ACCOUNT NUMBER	CLOSING BALANCE R
RESERVE ACCOUNT	62035920596	1 791
MIG ACCOUNT	62270667531	13 377
RATES ACCOUNT	62414349763	1 084 047
EPWP OPERATING ACCOUNT	62414353441	976
FMG OPERATING	62414358912	1 759
BUSINESS CALL ACCOUNT	62606330463	7 077
MAIN BANK ACCOUNT	62022000898	7 650 386
<b>TOTAL</b>		<b>8 759 412.82</b>

Our municipality started this quarter facing financial constraints which hail from the previous financial year, therefore it's no secret that the municipality will experience cash flow shortfalls during the current year.

The institution is operating on a deficit basis, taking into consideration that the outstanding creditors are always exceeding the available cash (Bank balance)

It is recommended that Adjustments budget be done during February 2018. The approach must be reducing cost on operations, approval and implementation of three year financial recovery plan and implementation of Credit Control and Debt Management Policy

### 3.9 Withdrawal Report

In terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003 refers: The Accounting officer must within 30 days after the end of each quarter table to the Council a consolidated report of all withdrawals made during the quarter. The following table shows the amounts of withdrawal made each month for the period under review:

July	R17 522 837.50
August	R25 634 663.15
September	R16 247 325.03
October	R9 744 705.98
November	R12 846 996.73
December	R21 568 042.51

The above table demonstrates that, in August and December month more withdrawals or expenditure was incurred with comparison to other months of the quarter under review. The expenditure (in August) creditors from previous financial year and the current year monthly commitments. In December comprises of staff benefits costs which included 5 days leave encashment of all municipal staff, third party payment other operating expenses, also in December overdraft repayment for an overdraft that was applied for and received in November to meet the current financial obligation that could not be paid due to cash flow limitation.

## SECTION 4

### 4.1 MSCOA IMPLEMENTATION PROJECT STATUS

#### Detailed status report

##### Project Schedule

Deliverables	Completion Date	Status/Comments
Project governance activities	April 2016	Completed
Project management plans	Apr-16	Completed
Project kick-off Presentation	May 2016	Completed
Change management	June 2016	Completed
Assessment of IT	Feb-17	Completed
Installation of the ERP system	February 2017	Completed
Creation of mSCOA database	Mar-17	Completed
Creation of mSCOA Charts of Accounts	May 2017	Completed
Customization and setup of system parameter and data migration	Jun-17	Completed
mSCOA System Training	June 2017	Completed
System Testing	June 2017	Completed
User Acceptance Testing	27 June 2017	Completed
Activate Live mSCOA Database	03 July 2017	Completed
Fixed Assets Testing	18-Oct-17	Completed
TB Opening balance - reconciliation	23 October 2017	In Progress
Post-Live Handholding and Support	Oct-17	In progress
Sign-off by Project Manager October	2017	Not yet started

##### Risks

Risk	Likelihood	Impact	Summary
Service delivery	High	High	Operational (Project Execution): The implementation interruptions of mSCOA project, as part of the business or organization reform, may result in delays in service delivery to municipal clients.
Insufficient project	Media	High	Operational (Project Planning): Municipality may not funding have sufficiently budgeted for the implementation maintenance and support phase of the project
Change Management	High	High	Resistance to Change by system users

##### Project Issues

Issues	Impact	Summary
Adjustment of Trial balance takeono	High	A reconciliation process has taken place to ensure that all opening balances are adjusted on the mSCOA database
Sage CSD Implementation	High	SageCSD implementation has been put on hold waiting fo CSD guys to revert back after acceptance of quote has been sent
VIP seamless integration	High	VIP is currently finalizing the development of an API for the
seamless integrationReports	High	Consultant will be on site between (24-27 October 2017) to ensure that all Caseware and BIC reports are implemented

### 4.2 UPDATE AND STATUS OF MFMA COMPLIANCE AND SYSTEMS OF DELEGATION

The municipality has a System of delegation in place that is reviewed annually.

The municipality is in compliance with all the all the MFMA requirement

#### 4.3 RISK MANAGEMENT- Top 10 Risks

RISK No	Risk Description	Risk Causes	Impact	Current Control	Control effectiveness	Action to improve management of the risk
STR01	Ineffective implementation of OHS act	1) Non adherence to the OHS National act 2) Limited resources	5	1) Health and safety policy 2) OHS reps and Committee in place	Satisfactory	1) OHS issues reported quarterly to MANCO meetings 2) Escalating report of non compliance to the LLF
STR02	Inadequate monitoring of performance of middle management	1) Non implementation of Performance Management System (i.e. cascading of Performance Management to Middle Management)	4	1) PMS Policy	Satisfactory	1) Cascading of PMS to middle management
STR03	Underspending of Conditional Grants	1) Poor communication between the municipality and stakeholders 2) Non alignment of stakeholders (ADM, ESKOM and Public works) masterplan with NLM's implementation plans.	5	1) Stakeholders forum sit on a quarterly basis 2) ADM attends NLM strategic planning 3) Reviewed NLM masterplan are aligned with ADM masterplan 4) Monitoring of conditional grant	Satisfactory	1) Consultation & meeting with ESKOM, ADM & Public Works to ensure that stakeholder (i.e. NLM, ADM, ESKOM & Public Works) plans are aligned and don't overlap
STR04	Inadequate and aging road infrastructure	1) Limited funding for capital projects 2) Poor designed storm water drainage 3) Poor layout planning of the CBD Peddie	5	1) Grant allocation from Treasury 2) Business plans are developed to source funding 3) Approved 3 year Capital Plan 4) Annual implementation of the Capital Plan	Satisfactory	1) Development of a Roads Database 2) Develop business plans to source funds 3) Maintenance of road infrastructure
STR05	Non-compliance with the Waste Management legislation, by-laws and standards (e.g. National Environmental Management: Waste Act, 2008)	1) Limited resources (Financial) 2) Poor planning (inadequate development and positioning of the landfill site)	5	1) Land-fill site operational plan is in place 2) Informal recycling is in place	Weak	1) Conduct feasibility study for the relocation of the landfill site



<b>STR06</b>	Ineffective implementation of LED strategy	1) Financial Constraints 2) Geographic location of the municipality 3) Land ownership	<b>5</b>	1) Development of LED Strategy 2) Business plan being developed for mobilisation of funds 3) Quarterly LED forums	Satisfactory	1) Finalizing development of LED Strategy. 2) Develop business plans to source funding
<b>STR07</b>	Poor financial management	1) Capacity constraints (financial and human) 2) Lack of proper Planning 3) Non Segregation of duties 4) Non compliance to MSCOA requirements 5) Limited Revenue base	<b>5</b>	1) Policies and procedures are in place 2) Fraud and prevention plan is in place 3) MSCOA implementation 4) Filling of key positions	Satisfactory	1) Approval & Implementation of the 3 year financial recovery plan 2) Capacitation of staff 3) Development and Implementation of a 5 year financial plan
<b>STR08</b>	Non-Compliance with laws and regulations	1) Capacity constraints (Financial and human) 2) Poor planning (e.g. procurement plans not aligned to the budget) 3) Lack of a compliance monitoring tool	<b>5</b>	1) Approved Policies are in place	Satisfactory	1) Development of a compliance monitoring tool 2) Staff Capacitation
<b>STR09</b>	Ineffective public participation programmes	1) Lack of ward profiles and plans 2) Inadequate communication with the Municipal task team 3) Inadequate monitoring of feedback from the public	<b>5</b>	1) Approved public participation policy is in place 2) IDP, budget and PMS process plan in place 3) Public Participation Practitioner 4) Communication strategy in place 5) Sitting of IGR meetings & war rooms	Good	1) Develop ward -based profiles and plans 2) Develop public participation Implementation plan 3) Stakeholder consultation programmes
<b>STR10</b>	Ineffective administrative management	1) Change in Management 2) High staff turn over at senior management level 3) Undefined roles and responsibilities	<b>5</b>	1) Policies and bylaws have been approved 2) Code of conduct for Management 3) Performance agreements for senior management 4) Delegation of authority	Satisfactory	1) Appointment of Senior Managers 2) Conducting quarterly performance reviews of senior management

## 5. The PMS Framework outlines as follows:

### 5.1 Departmental Reviews

It is intended that Departments review their performance at least monthly; using their Departments SDBIP's and prepares quarterly performance reports.

### 5.2 Top Management Team Reviews

Directors/Departmental Managers /Divisional managers and Staff reporting directly to MM need to report on their performance in the service scorecard format to the Municipal Manager and other directors/Departmental Managers. The top Management team can delegate task to the IDP and PMS unit in developing and analysis of performance

Prior to Top Management team reviews. Performance Management reviews are conducted on Quarterly bases as per Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly accountable to Municipal Managers.

### **5.3 ANALYSIS OF THE INSTITUTIONAL PERFORMANCE**

- The Municipality's 2017/2018 SDBIP sets the following departments/directorates and Key Performance Indicators that are to be evaluated on; quarterly, mid-term and annual basis:
  - Organizational Development and Design.
  - Quality Basic Service Delivery and Infrastructure development
  - Local Economic Development.
  - Financial Viability and Management.
  - Good Governance and Public Participation.
  - Spatial Development
- In total NLM has adopted 2017/2018 Service Delivery and Budget implementation Plan setting key performance indicators to be realized/achieved in 2017/2018 financial year. All key Performance indicators are in line with the Legislative Framework (Powers and Functions of the municipality) as prescribed in the South African Constitution.
- Departmental performance information for the aforementioned period it illustrates the total overall of targets that are achieved, partially achieved, not achieved and the overall performance for each department and the institution general, where quarter one and quarter two have been combined.
- Ngqushwa Local Municipality overall performance for 2016/17 financial year for the Mid-term ending on the 31<sup>st</sup> December 2016/17 is **80%**. This shows a tangible improvement by **1%** compared to **79%** of 2016/2017 Mid-term performance. Below is the detailed performance per department.

2017/2018 SDBIP MID-TERM INSTITUTIONAL PERFORMANCE REPORT (ANAUDITED) AS AT END DECEMBER 2017.

Key Performance Area	Total Indicators First Quarter	First Quarter Achieved Targets	First Quarter Targets Not Achieved	Targets Partially Achieved	Achieved Results	Rating	Total Indicators Second Quarter	Second Quarter Achieved Targets	Second Quarter Targets Not Achieved	Targets Partially Achieved	Achieved Results	Rating	Overall % for the mid-term
Good Governance and Public Participation	18	15	2	1	83%		19	14	4	1	74%		79%
Institutional Design and Development	N/A	N/A	N/A	N/A	N/A		3	2	1		67%		67%
Quality Basic Services and Infrastructure Development	15	12	0	3	80%		18	15	0	3	83%		82%
Financial Viability and Management	3	2	0	1	67%		2	2	0	0	100%		84%
Local Economic Development	16	11	2	3	69%		15	12	2	1	80%		75%
Spatial Development	7	7	0	0	100%		8	6	2	0	75%		88%
Total Targets	59	48	4	8	81%		65	51	9	5	78%		80%

## 5.4 ANALYSIS OF DEPARTMENTAL/DIRECTORATE PERFORMANCE FOR THE MID-TERM 2017/2018 ENDING 31<sup>st</sup> DECEMBER 2017

Nqushwe Local Municipality Mid-Year Performance 2017/18 Financial Year Report  
KPA1 : Institutional Development and Design Weight :20%

Strategy	Objective	Key Performance Indicator	Annual Target	Budget	Baseline	KPI Code	Quarter One	Actual Target	Reasons For Variance	Corrective Actions	Quarter Two	Actual Target	Reasons For Variance	Corrective Actions	Score	
To improve organizational cohesion and effectiveness	To build and enhance the human resource capacity of the institution	Approval of Human Resource strategy by Council	Development of HR strategy for approval by Council by 30 June 2018	R 121 933	HR strategy expiring in 30 September 2017	ID01	Not Applicable	N/A			Not Applicable					
		Approval of Human Resource Development Strategy by Council	Development of HR Development strategy for approval by Council by 30 June 2018	R 0	No HR Development strategy in place	ID02	Not Applicable	N/A			Not Applicable					
		Procuring and installation of an electronic performance management system	Fully functional electronic performance management system installed within the Municipality by 30 June 2018	R 0	Manual PMS	ID03	Not Applicable	N/A			Inclusion of an advert for the sourcing of an electronic performance management system in the regional media by 31 December 2017					3
To ensure effective and efficient management of records	Procuring and installation of an electronic records management system	Fully functional electronic records management system installed within the Municipality by 30 June 2018	R 629 933	Manual records management system	ID04	Not Applicable	N/A				Inclusion of an advert for the sourcing of an electronic records management system in the regional media by 31 December 2017					3
Striving towards the creation of a stable and capacitated leadership to improve service delivery and good performance in service delivery oversight	Performance reviews conducted by the relevant Heads of Departments on all middle managers within the Municipality	Four (4) performance reviews to be conducted by the relevant Heads of Departments for each middle manager per department within the Municipality by 30 June 2018	R 0	No performance reviews for middle managers had been performed previously	ID05	Not Applicable	N/A				One (1) performance review to be conducted by the relevant Heads of Departments for each middle manager per department within the Municipality by 31 December 2017 for Quarter 1			The process plan has been completed but not fully implemented due to delays in number of reasons that includes the completion of job description	The reviews of the Line Managers will be conducted in the next financial year	1

KPA 2: Quality Basic Service Delivery and Infrastructure Development Weight: 20%

Strategy	Objective	Indicator	Annual Target	Budget	Baseline	KPI Code	Quarter One	Actual Target	Reasons For Variance	Corrective Actions	Quarter Two	Actual Target	Reasons For Variance	Corrective Actions	Score
To manage Quality Basic Services provision in order to ensure the rendering of sustainable and affordable services to the communities of Ngqushwa by 2022 and beyond.	To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Community Hall in Mdlombisa	Construction of Mdlombisa Community Hall by 30 June 2018	R 1 400 000	2 Community halls constructed	QESD 1	Appointment of Contractor				Construction of Mdlombisa Community Hall				3
	To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Community Hall in Gona	Construction of Gona Community Hall by 30 June 2018	R 2 041 100	2 Community halls constructed	QESD 2	Appointment of Contractor				Progress report				3
	To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Crossroads Internal Roads	Construction of Crossroads Internal Roads by 30 June 2018	R 1 941 100	Number of Internal Roads constructed	QESD 3	Appointment of Consultant and Preliminary Design Report				Appointment of Contractor				3

To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Constructions of Ciera Internal Roads	Construction of Ciera Internal Roads by 30 June 2018	R 2 085 000	Number of km Internal Roads constructed	QBSD 4	Appointment of Consultant and Preliminary Design Report			Appointment of Contractor			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Constructions of Ganyanya Internal Roads	Construction of Ganyanya Internal Roads by 30 June 2018	R 2 500 000	Number of km Internal Roads constructed	QBSD 5	Appointment of Consultant and Preliminary Design Report			Appointment of Contractor			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Constructions of Newbndale Internal Roads	Construction of Newbndale Internal Roads by 30 June 2018	R 2 804 150	Number of km Internal Roads constructed	QBSD 6	Appointment of Consultant and Preliminary Design Report			Appointment of Contractor			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Constructions of Mgababab Internal Roads	Construction of Mgababab Internal Roads by 30 June 2018	R 1 400 000	Number of km Internal Roads constructed	QBSD 7	Appointment of Consultant and Preliminary Design Report			Appointment of Contractor			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Surfacing of 1.8 km of Peddie Town Streets	Surfacing of Peddie Town Streets by 30 June 2018	R 6 800 000	Contractor appointed	QBSD 8	Surfacing of Peddie Town			Surfacing of Peddie Town			3

To manage the provisioning and maintenance of electrical services to ensure the rendering of effective, efficient, economical and electrical maintenance services	Number of street lights and maintained in villages	Maintenance of 500 street lights in villages by 30 June 2018	R 214 425	320 street lights maintained	QBSD 9	100 street lights maintained		Due to budget constraints the material needed for the streets lights was not enough as a result 70 out of 100 lights were maintained	This target will be moved to Quarter 4	130 street lights maintained		confirms the material needed for the streets lights was not enough as a result 30 out of 100 lights were maintained	This target will be moved to Quarter 4	2
To manage the provisioning and maintenance of electrical services to ensure the rendering of effective, efficient, economical and electrical maintenance services	Number of High Mast maintained	Maintenance of 22 High Mast by 30 June 2018	R 214 425	22 High Mast maintained		7 High Mast maintained				5 High Mast maintained				3
To provide easily accessible new facilities that accommodate persons with disabilities whilst adapting, upgrading and maintaining existing ones	Number of municipal buildings maintained	Maintenance of 6 Municipal buildings by 30 June 2018	R 461 252	6 municipal buildings maintained	QBSD 10	2 municipal buildings maintained				2 municipal buildings maintained				3
	Number of community halls maintained	Maintenance of 30 Community Halls by 30 June 2018	R 461 252	20 community halls maintained		6 community halls maintained				6 community halls maintained				3



To manage the provisioning and maintenance of electrical services to ensure the rendering of effective, efficient economical and electrical maintenance services.	Number of street lights maintained in Peddie town	Maintenance of 130 street lights in Peddie town by 30 June 2018	R 271 605	130 street lights maintained in Peddie town	QBSD 11	10 street lights maintained in Peddie town			40 street lights maintained in Peddie town			3
	Number of street lights maintained in Hamburg	Maintenance of 70 street lights in Hamburg by 30 June 2018	R 271 605	10 street lights maintained in Hamburg		10 street lights maintained in Hamburg		The Street lights in Hamburg were not maintained due to financial constraints.	They will be maintained 2018/19 financial year	The Street lights in Hamburg were not maintained due to	They will be maintained 2018/19 financial year	2
	Number of households electrified	Electrification of 390 households in rural areas	R 3 000 000	264 households electrified	QBSD 12	Advisement and Appointment of Consultant			Preliminary Design, Advisement for appointment of Contractor and Planning Report			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Number of km of gravel road to be maintained	Maintenance of 165km gravel road by 30 June 2018	R 957 477	119 km gravel road maintained	QBSD 13	41 km gravel road maintained through dry blading			41 km gravel road maintained through dry blading			3
	Pot hole patching in Peddie town, Hamburg and Eira	Pot hole patching of 1200 m <sup>2</sup> in Peddie town, Hamburg and Eira by 30 June 2018	R 957 477	1200 m <sup>2</sup> pot hole patching	QBSD 14	200m <sup>2</sup> pot hole patching in Hamburg			330m <sup>2</sup> pot hole patching in Hamburg and Eira			3
To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Re-gravelling of roads in municipal area and clearing of open drains	Re-gravelling of 4 km in Municipal area and clearing of 120 m open drains by June 2018	R 957 477	4km Re-gravelling of roads and 120 open drains	QBSD 15	1km Re-gravelling of roads and 30 open drains			1km Re-gravelling of roads and 30 open drains			2
								The municipality has no plant equipment to do Re-gravelling due to termination of contract between the municipality & the service provider for the hire purchase of plant. As the department we don't have machines to construct roads as from 02/08/2017	They will be done when the plant machinery is available.	The municipality has no plant equipment to do Re-gravelling due to termination of contract between the municipality & the service provider for the hire purchase of plant. As the department we don't have machines to construct roads as from 02/08/2017	The target will be moved to Quarter 4	



	To ensure effective, efficient and economic management of the environment by 2022 and beyond.	Number of activities done for implementation of environmental management plan	Implementation of environmental management plan by 30 June 2018	R0	Final Environmental management plan	CMS4	Conduct 1 workshop on environmental matters and fee planning			Conduct 1 workshop on environmental matters and fee planning				3
		Development of business plan for sourcing funds for environmental related projects	Source funding for environmental related projects by 30 June 2018	R0	Environmental projects	CMS5	Draft business plan for environmental related projects			Final business plan developed.				3
	To manage the provisioning and maintenance/ operation of parks, sport grounds, commons and public amenities	Maintenance of open spaces, municipal grounds, parks and public amenities	Maintenance of open spaces, municipal grounds, parks and public amenities by 30 June 2018	R0	Maintenance of Puddle Park and Public amenities	CMS6	Submission of 1 quarterly report on the maintenance of open spaces, municipal grounds, parks and public amenities			Submission of 1 quarterly report on the maintenance of open spaces, municipal grounds, parks and public amenities				3
	Integration of sustainability principles in planning and subsequent activities within the coastal zone	Implementation of coastal management plan	Implementation of coastal management plan by 30 June 2018	R 95 300	Coastal management plan	CMS7	Conduct 1 quarterly coastal management workshop			Conduct 1 quarterly coastal management workshop				3

KPA 3: Local Economic Development Weight: 10%

Strategy	Objective	Indicator	Annual Target	Budget	Baseline	KPI Code	Quarter One	Actual Target	Reasons For Variance	Corrective Actions	Quarter Two	Actual Target	Reasons For Variance	Corrective Actions	Score	
Local Economic Development strives to ensure that promotes the development of the local economy and creates job creation thereby promoting sustainable economic growth.	To create an enabling environment that promotes the development of the local economy and fosters job creation	Development and Submission of one (1) Feasibility and (1) Business Plan	Implementation of LED strategy by 30 June 2018	R 474 499	Draft LED Strategy	LED1	Stakeholder Engagement and Appointment letters of two service providers for Feasibility study and Business Plan		Advert to appointment to be done in the second quarter	1 Draft Feasibility study and 1 Business Plan			Financial constraints	The target to be moved to Q4	2	
	To market Ngqushwa Local Municipality as a tourism destination of choice	Number of Tourism projects implemented through the Tourism Sector Plan	Implementation of the Tourism sector plan by 30 June 2018	R 1 000 654	Draft LED Strategy	LED2	1. Attending National Art Festival. 2. Appointment of service provider for development of brochure. 3. Appointment of service provider for Harburg Splash festival 4. Hosting of Tourism Month activities (September)			1 Distribution of Visitor's guide. 2. Attendance of Maudie festival. 3. Hosting of opening of Christmas lights and Splash festival					3	
		Marketing Ngqushwa as Tourism Destination	Marketing Ngqushwa as Tourism Destination by 30 June 2018	R 1 000 654	2016/17 Ngqushwa was marketed as Tourism Destination	LED3	1 Identification of beneficiaries for training 2. Appointment letter for service provider 3. Training of Tour Guides and Homestays 3. Advert for designers and surveyors and hosting of Umphashu memorial		Due to Financial Constraints the target could not be met	Target to be moved to Quarter 4	Not Applicable					
	To enhance equitable access and participation in agricultural opportunities by unlocking agricultural potential	The number of farmers/supported supported with livestock improvement Programme	Implementation of Agricultural Sector Plan by 30 June 2018	R 0	Draft LED Strategy	LED4	Submission of 1 quarterly report with attached formal support request by a farmer and a proof of project led by project manager				Procurement of livestock infrastructure					3

			Revision of 7 Irrigation Schemes Land Mechanization & Agro processing	Implementation of Poverty Alleviation Plan by 30 June 2018	R 235 514	Draft LED Strategy	LED5	Submission of 1 quarterly report with attached formal request by farmers and site visit form				Procurement of Production inputs and processing equipment			3
			Conduct Risk Management Forums for the farmers	Risk management Establish and maintain effective early- warning and mitigation systems (Climate change) by 30 June 2018	R 0	Not Applicable	LED6	Conduct 1 Agricultural Risk Management Forum (Programme and Attendance Register)				Conduct 1 Agricultural Risk Management Forum (Programme and Attendance Register)			3
			To manage the rendering of waste management services in accordance with applicable legislation, by-laws and standards.	Source funding for construction of Recycling facility by 30 June 2018	R 0	Peddle landfill site	CMS1	Draft business plan for construction of recycling facility				Final business plan developed			3
			Developing of business plan for source funding for construction of Landfill site	Source funding for construction of Landfill site by 30 June 2018	R 0	Peddle landfill site	CMS2	Draft business plan for construction of recycling facility				Final business plan developed			3
			Conduct waste data collection for volume of waste collected	Conduct 4 quarterly waste data collection by 30 June 2018	R 0	Data collected for 2016/2017	CMS3	Submission of quarterly reports to HOD depending the volume (in tons) of daily collection of waste within Ngqushwa Municipality				Submission of quarterly reports to HOD depending the volume (in tons) of daily collection of waste within Ngqushwa Municipality			3
			To ensure effective, efficient and economic management of the environment by 2022 and beyond.	Implementation of environmental management plan by 30 June 2018	R 0	Final draft Environmental management plan	CMS4	Conduct 1 workshop on environmental matters and tree planting				Conduct 1 workshop on environmental matters and tree planting			3
			Development of business plan for sourcing funds for environmental related projects	Source funding for environmental related projects by 30 June 2018	R 0	Environmental projects	CMS5	Draft business plan for environmental related projects				Final business plan developed			3
			To manage the provisioning and maintenance of operation of parks, sport grounds, communal and public amenities	Maintenance of open spaces, municipal grounds, parks and public amenities by 30 June 2018	R 0	Maintenance of Peddie Park and Public amenities	CMS6	Submission of 1 quarterly report on the maintenance of open spaces, municipal grounds, parks and public amenities				Submission of 1 quarterly report on the maintenance of open spaces, municipal grounds, parks and public amenities			3
			Integration of sustainability principles in planning and subsequent activities within the coastal zone	Implementation of coastal management plan by 30 June 2018	R 95 300	Coastal management plan	CMS7	Conduct 1 quarterly coastal management workshop				Conduct 1 quarterly coastal management workshop			3

	To provide new cemeteries while maintaining existing cemeteries according to the legislation.	Conduct feasibility study for establishment of a new cemetery site at Hamburg	Conduct feasibility study for establishment of a new cemetery site for Hamburg by 30 June 2018	R 0	One old informal cemetery	CUS8	1. Development and approval of terms of reference for the appointment of a Service Provider for the feasibility study 2. Appointment of Service provider to conduct Feasibility study of the relocation of Landfill site	Due to Financial Constraints the target could not be met	Target to be moved to Quarter 2	Quarterly Report on the feasibility study for the establishment of a new cemetery site in Hamburg	Due to Financial Constraints the target could not be met	This target to be moved to Q4	1
		Develop business plan for sourcing funds for construction of Hamburg cemetery	Sourcing funding for construction of Hamburg cemetery by 30 June 2018	R0	One old informal cemetery	CUS9	Draft business plan for construction of recycling facility	Due to Financial Constraints the target could not be met	Target to be moved to Quarter 2	Final business plan developed			3
	To manage the rendering of efficient and sustainable traffic and law enforcement services to all road users and public.	Number of Roadblocks and Workshops conducted	Three (3) roadblocks to be conducted and one quarterly awareness workshops to be conducted by 30 June 2018	R0	4 Roadblocks were conducted	TRM1	Conduct One (1) roadblock			Conduct One (1) roadblock	Due to staff shortage in Traffic section the target could not be achieved	This target to be moved to Q3	1

KPA 4: Financial Viability and Management Weight :20%

Strategy	Objective	Indicator	Annual Target	Budget	Baseline	KPI Code	Quarter One	Actual Target	Reasons For Variance	Corrective Action	Quarter Two	Actual Target	Reasons For Variance	Corrective Actions	Score
To be a financial viable municipality (self-sustainable)	Ensuring sound financial planning and reporting through budget management best practices and interdepartmental coordination	Approved 5 year Financial Plan adopted by Council at 30 June 2018	Development and approval of 5 year Financial Plan	R 5 422 385	Not applicable	BT01	1 Quarterly Progress Report				1 Quarterly Progress Report				3
		1 Submission of 1 set of signed Annual Financial Statements for 2016/17 with accompanying GRAP compliant Fixed Asset Register for Audit by 31 August 2017	Development of GRAP compliant Financial Statements and Fixed Asset Register	R 5 422 385	2015/16 Annual Financial Statements and Fixed Asset Register	BT02	Submission of signed Annual Financial Statements and Fixed Asset Register to Auditor General				Signing of Audited Annual Financial Statement				3
		2 Submission of Interim Bi-Annual Financial Statement for 2017/18 to Internal to Internal Audit by 28 February 2019			2016/17 Annual Financial Statements and Fixed Asset Register		Not Applicable				Not Applicable				
	Implementing sound revenue and debt management practices through revenue maximization.	Approved Financial Recovery plan adopted by Council by 30 September 2017	Development of a financial recovery plan detailing maximization of current revenue streams and identification of new revenue streams.	R 5 422 385	Draft Financial Recovery Plan	BT03	Submission of final Financial Recovery Plan to Council by 30 September 2017				Take Draft Financial Recovery Plan to council for adoption on the 25th of October 2017				

KPA 5: Good Governance and Public Participation Weight: 20%

Strategy	Objective	Indicator	Annual Target	Budget	Baseline	KPI Code/Quarter One	Actual Target	Reasons For Variance	Corrective Actions	Quarter Two	Actual Target	Reasons For Variance	Corrective Actions	Scores
To promote a culture of participatory and good governance.	To continuously ensure effective, economical and compliant integrated planning	Review of 2017/2022 IDP	Approved/Reviewed 2017/2022 IDP by 30 June 2018	R 220 114	2016/2017 IDP	IDP1	1 IDP/Budget/ PMS Rep Forum 2 Attendance Registers 3 Quarterly Report 4 Submission of Draft 2018/2019 IDP/Budget & PMS Process Plan to Council			Conduct Seasonal Analysis				3
		Development of Ward Based Profiles	Development of Ward Based Profiles by 30 June 2018	R 89 134	Not applicable	IDP2	Development of Template			Data Collection				3
	To create a high-performance culture on on-going basis	Implementation of Manual Performance Management System	4 Quarterly Reports on Implementation of Manual Performance Management System	R0	2015/16 PMS system	PMS1	Quarterly Reports on Implementation of Manual Performance Management System			Quarterly Reports on Implementation of Manual Performance Management System				3
		Number of Audit Committee reports submitted to Council	4 Audit Committee reports to council	R0	One (1) Audit Committee report to council	IAU1	One (1) Audit Committee report to council			One (1) Audit Committee report to council				3
	To ensure effective and compliant systems of assurance on internal controls, service delivery and financial reporting in line with legislation by 2017 and beyond	Number of Audit Committee meetings held	4 Audit committee meetings to be held	R 200 511	Four Audit Committee meetings held	IAU2	One (1) Audit committee meeting to be held			One (1) Audit committee meeting to be held				3
		15% Quarterly reporting on the implementation status of the Audit Action Plans	4 Quarterly Updated AAP Reports	R 0	4 Reports on the implementation status of the Audit Action Plan	IAU3	One (1) Updated AAP and Report on the implementation status of the AAP			One (1) Updated AAP and Report on the implementation status of the AAP				3

	Quarterly Report on the Implementation Status of the Internal Audit Plan	1. Approved Annual Internal Audit Plan and 4 Quarterly Reports on the implementation of the approved Internal Audit Plan	R 0	4 Quarterly reports on the implementation status of the Internal Audit Plan	IAUA	1. Approval of the Annual Internal Audit Plan 2. Implementation and reporting on the approved Internal Audit Plan	The Annual Internal Audit Plan was in draft and could not be finalised as the risk assessment process from which the Plan is to be based had not yet been conducted	To be implemented in Q2 of 2017/18	Report on the implementation of the approved Internal Audit Plan			3
	To continuously ensure that NLM has and maintains an effective process of risk management by 2017 and beyond	Quarterly Report on the Implementation Status of the Risk Action Plans	R 1/6 043	4 Quarterly reports on the implementation status of the Risk Management Plan	IAU6	1. Conduct a biennial Annual Risk assessment workshop	The Annual Risk Assessment was postponed to the following quarter as there had been numerous activities within the institution that demanded the attention of various stakeholders which are necessary to be part of the workshop	To be implemented in Q2 of 2017/18	1. Updating of Strategic and Operational Risk Registers. 2. Quarterly reporting on the implementation status of the Risk Action Plans to improve controls	The risk assessment workshop was delayed and only performed in the current quarter. This thus had a knock on effect on the Q2 target		2
	To strengthen communication with internal and external stakeholders	Reviewed Communication Strategy and Communication action plan submitted to council by 31 July 2017	R 0	2016/17 Communication Strategy and Communication action plan	COM 1	Not Applicable			Not Applicable			
	Market and Brand the municipality through Business Card Development, Newsletters, Radio Interviews and Website	Market and Brand the municipality through the following: 1. Business Card Development 2. Newsletters 3. Radio Interviews 4. Website	R 1/154 449	Market and Brand the municipality through the following: 1. Business Card Development 2. Newsletters 3. Radio Interviews 4. Website update	COM 2	Market and Brand the municipality through the following: 1. Business Cards Development 2. Newsletter 3. Website update 4. Radio Interviews			Market and Brand the municipality through the following: 1. Diaries 2. Website update 3. Radio Interviews			3
	Number of Inter-Governmental Relations forum meetings held	4 inter-governmental relations forum meetings	R 35 738	3 inter-governmental relations forum meetings	COM 3	Quarterly Report agenda of the forum and attendance register			1 Inter-Governmental Relations forum meeting			3
	Conduct Annual Report Roadshows	Conduct Annual Report Roadshows on annual basis by 30 June 2018	R 182 023	2015/16 Annual Report Roadshows	PP1	Not Applicable			Production of Draft Annual Report			3
	To strengthen participatory democracy by ensuring that all stakeholders are involved in decision making and ensure that decisions are made in a democratic and transparent manner	Conduct assessment of Mid-Year Performance Report	R 0	2016/17 Mid-Year Report	PP2	Not Applicable			Not Applicable			46   Page



	To align technology with municipality goals, enabling a contribution to municipality's strategic objectives.	Implementation of ICT governance framework on quarterly basis	Implementation of ICT governance framework by the 30 June 2018	R 107 051	Approved ICT Corporate Governance framework	ICT 1	Development of Process Plan for phase 2 implementation of the ICT governance framework		1 Training conducted for ICT staff	Target not met due to financial constraints	1				
	To provide a secure ICT infrastructure which delivers appropriate level of data integrity and availability.	Implementation of ICT strategy on quarterly basis	Implementation of ICT Strategy by 30 June 2018	R 510 556	Approved strategy	ICT 2	Development of Terms of Reference of Telephone management system and server consolidation and virtualization		Appointment of Service Provider	Target not met due to financial constraints	1				
KPA 6: Spatial Development Weight: 10%															
Strategy	Objective	Indicator	Annual Target	Budget	Baseline	KPI Code	Quarter One	Actual Target	Reasons For Variance	Corrective Actions	Quarter Two	Actual Target	Reasons For Variance	Score	
To ensure that spatial planning responds to Social, economic, environmental and cultural needs to promote sustainable livelihood in accordance with SPLUMA principles	To review and implement with SPLUMA compliant Spatial Development Framework (SDF)	Appointment of Service provider for review of Spatial Development Framework	Development of Terms of Reference and Appointment of Service Providers for review of Spatial Development Framework (SDF) by 30 June 2018	R 190 600	Adopted development Framework	SP1	Development of Terms of Reference Advertisement				Status report on review of Spatial Development Framework		This was due to financial constraints	1	
		Number of awareness campaigns conducted	Conducting 2 annual awareness campaigns on by-laws	R 0	2016/17 Awareness campaigns were conducted	SP2	Not Applicable				1 Awareness campaign		This was due to financial constraints	1	
		Perform land audit so as to be able to engage owners for quick release.	Number of Authorizing Officer appointed	1 Appointment of Authorizing Officer by 30 June 2018	R 0	Not Applicable	SP3	Advertisement			Appointment			3	
		To review and implement with SPLUMA compliant Spatial Development Framework (SDF)	Development and implementation of Grazing Land policy	Development and implementation of grazing land policy by 30 June 2018	R 0	Not Applicable	SP4	Not Applicable			Not Applicable				
		Utilization of existing LRDPs to identify projects for implementation	Review of housing sector plan, facilitation and coordination of housing development plan	Facilitation and coordination of housing development by 30 June 2018	R 15 710	2016/17 Housing Sector Plan	SP5	Stakeholder engagement with Human Settlements (Attendance register)			Status Report Review of housing sector plan, facilitation and coordination of housing development plan				3
		Perform land audit so as to be able to engage owners for quick release.	Number of land parcels identified for unlocking and registration	2 Unlocking and registration of land parcels owned by government departments by 30 June 2018	R 0	1 request submitted to Department of Public Works	SP6	Stakeholder engagement with Public Works			Status Report land parcels identified for unlocking and registration				3
		Development of Housing Needs Register	Number of housing beneficiaries captured in the needs register	500 Constant Updating of housing needs register by June 2018	R 20 966	700 Housing beneficiaries captured in 2016/17	SP7	100 housing beneficiaries captured			100 housing beneficiaries captured				3
			Number of municipal properties identified for registration	Identification and facilitation of registration of municipal properties by June 2018	R 71 952	Not applicable	SP8	Engagement with municipal Legal Advisor			Status Report on registration of municipal properties				3
			Number of building plans, billboards and lease agreements approved	Review enhancement through adjudication of building plans, billboards and lease agreements by 30 June 2018	R 0	12 building plans approved	SP9	Engagement with Legal Advisor pertaining Lease and Billboards			Engagement with Legal Advisor pertaining Lease and Billboards				3

## **SECTION 7**

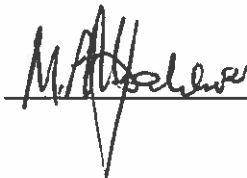
### **7.1 Municipal Manager's Quality Certificate**

#### **NGQUSHWA LOCAL MUNICIPALITY**

#### **MID YEAR BUDGET AND PERFORMANCE REPORT**

##### **QUALITY CERTIFICATE**

I **Misiwe P Mpahlwa** the Municipal Manager of **Ngqushwa Local Municipality** hereby certify that the Mid-year Budget and Performance report period for 2017/18 financial year has been prepared in accordance with the Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act.

  
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**M.P Mpahlwa**

**MUNICIPAL MANAGER**

24/01/2018

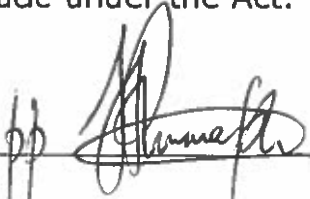
**DATE**



## 7.2 Receipt by Mayor

### RECEIPT BY THE MAYOR

I **Mnikelo T Siwisa** the Mayor of **Ngqushwa Local Municipality**, hereby accept the Mid-year Budget and Performance report period for 2017/18 financial year as presented by the Municipal Manager in terms of the Municipal Finance Management Act 2003 (Act 56 of 2003) and regulations made under the Act.

  
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**CLlr. MT. SIWISA**

**HONOURABLE MAYOR**

24/01/2018

**DATE**