

FINANCIAL REPORTING AS AT 30 APRIL 2014

PURPOSE

To submit the financial position of the uMhlathuze Municipality as at 30 April 2014, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

DEVELOPMENT STRATEGY 5: SOUND FINANCIAL MANAGEMENT	
Goal	Objective
1. Compliance with financial legislation and policies	<ul style="list-style-type: none"> • Ensure GRAP compliance • Ongoing review of SCM policies and procedures • Ongoing internal and external capacity building in Supply Chain Management and Budgeting Models
2. Sustainable Financial Management	<ul style="list-style-type: none"> • Improve internal communication on budget matters • Maintenance of fixed asset register • Credit control and debt collection • Compliant internal controls • Compliant grant reporting • Obtain targeted cash-backed statutory reserves • Development and appropriate training and assistance to employees • Identify and redress water and electricity tampering

BACKGROUND

Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with in terms of the mentioned Act.

The Accounting Officer of the Municipality must report, by no later than 10 working days after the end of each month, to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act on a monthly basis, to coincide with the reporting requirements of Section 71(1) of the Act.

As mentioned above, the MFMA Section 71 (1) refers to a prescribed format according to which the annual budget is required to be prepared in terms of the Municipal Budget and Reporting Regulations (Government Gazette Number 32141 dated 17 April 2009).

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

Section 1 of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

“A detailed plan approved by the Mayor of a municipality in terms of section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

(a) Projections for each month of-

(i) Revenue to be collected, by source; and

(ii) Operational and capital expenditure, by vote.”

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month April 2014 is included under **Annexures Z and AA (DMS 963084)**.

DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 71 and Section 74 of the MFMA in both printed and electronic formats.

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1. **MAYOR'S REPORT**

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

- “(a) a summary of whether the Municipality’s budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;*
- (b) a summary of any financial problems or risks facing the municipality or any such entity; and*
- (c) any other information considered relevant by the Mayor.”*

Monthly Report - April 2014

The monthly budget statement summary (Table C1) for the month of April 2014 (year to date actual), shows a surplus of R180,5 million. This implies that the municipality has been able to raise its budgeted income and has successfully collected such billed income as well.

It is important to note that Council is at the end of the fourth quarter of the financial year and capital expenditure is only R135,4million (29%). At the end of April 2014 an amount of R69,0 million for orders that have been placed, but payment will only be made in the following month (as indicated in the table under 3.3 below). Therefore, the revised capital spent as at 30 April 2014 is R204,4 million (44%).

The report is noted with appreciation and it is requested that administration continues to report progress on Council's finances.

2. **RESOLUTIONS**

Refer to the recommendations contained in this report.

3. **EXECUTIVE SUMMARY**

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 30 April 2014:

	ADJUSTED BUDGET 2013/2014	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL (YTD) FIGURES TO 30/04/2014	TARGET ACHIEVED
	R '000	R '000	R '000	%
Revenue (excluding capital grants)	2 178 852	1 815 710	1 862 832	103
Expenditure	2 173 801	1 811 501	1 682 333	93
Surplus	5 051	4 209	180 499	

As can be seen from the table above, Actual Surplus for the month ended 30 April 2014 is higher than the Budgeted Surplus. Actual revenue to Budgeted revenue has exceeded the budget. Actual expenditure to Budgeted expenditure is within budgetary limits.

3.2 Cash Flow Situation

Details of Bank Balances

	CASH ON HAND AT 30 APRIL 2014	CASH OBLIGATIONS	POLICY TARGET	(SHORTFALL) / SURPLUS AT 30 APRIL 2014
	R' 000	R' 000	R' 000	R' 000
Conditional Grants and unspent loans	160 113	160 113	160 113	0
Working Capital	322 524	162 774	325 548	(3 024)
Total	482 637	322 887	485 661	(3 024)

In terms of Council's Adopted Working Capital policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio sits currently at 1,981:1 (322 524/162 774).

It bears noting that the Chief Financial Officer does not include Grants and Unspent Loans in the above equation in order to ensure that Council's Actual Working Capital is accurately recorded.

Should the calculation be based on total cash on hand the ratio will be 2,965:1 (482 637/162 774). The Chief Financial Officer does not, however, see this as a prudent analysis of liquidity.

The table below reflects the grants gazetted and received as at 30 April 2014 from National and Provincial Treasury.

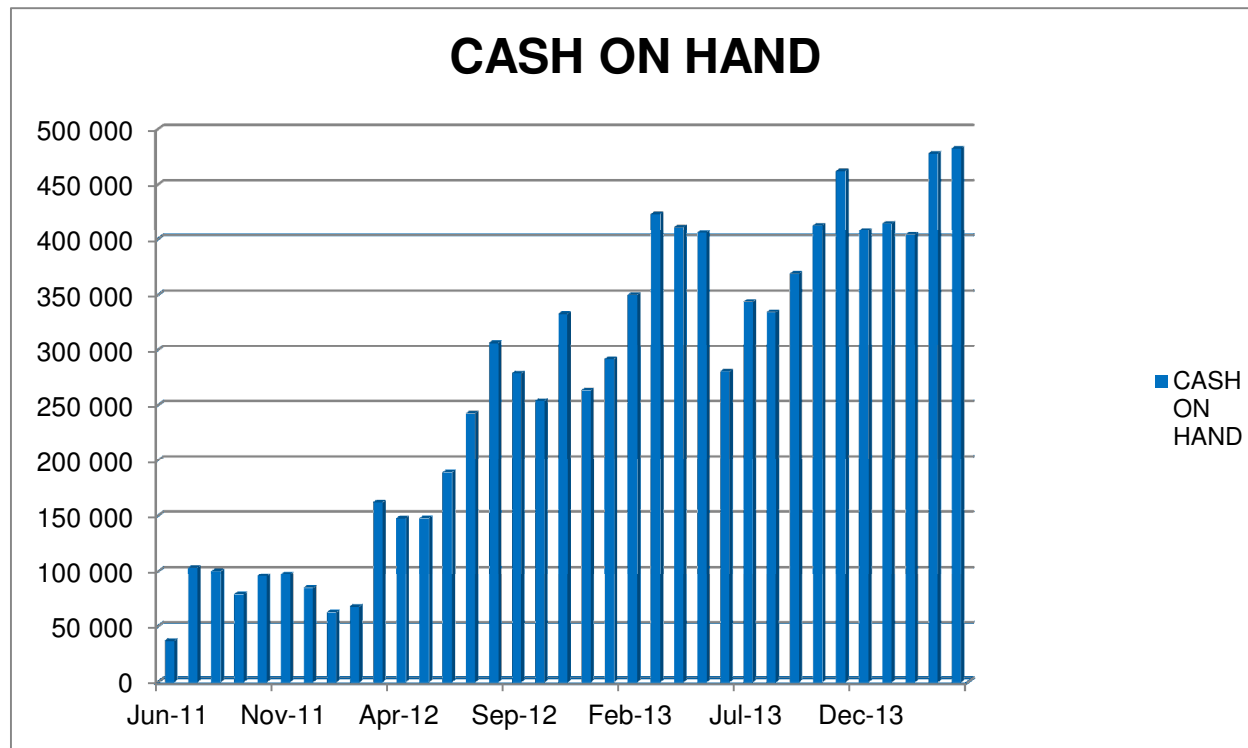
DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED UP TO 31 MARCH 2014	AMOUNT GAZETTED FOR APRIL 2014	TOTAL TO BE RECEIVED AS AT 30 APRIL 2014	AMOUNT RECEIVED IN APRIL 2014	TOTAL AMOUNT RECEIVED AS AT 30 APRIL 2014	DIFFERENCE	TOTAL ACTUAL EXPENDITURE AS AT 30 APRIL 2014	% SPENT	COMMENTS
NATIONAL TREASURY									
Equitable Share	142 788 000	0	190 384 000	0	190 384 000	0	158 623 000	83%	The grant has been transferred in full
Water Services Operating subsidy	7 210 000	0	7 210 000	0	7 210 000	0	5 259 688	73%	The grant has been transferred in full
Financial Management Grant	1 550 000	0	1 550 000	0	1 550 000	0	1 780 887	115%	Additional expenditure incurred against prior years grant that has been rolled-over.
Municipal Systems Improvement grant	890 000	0	890 000	0	890 000	0	600 790	68%	The grant has been transferred in full
Infrastructure Skills Development Grant	7 000 000	0	7 000 000	0	7 000 000	0	5 933 290	85%	Gazetted an additional R3 million on the 2014 Appropriation Act for this grant. Funds have been received in March 2014.
Extended Public Works programme	1 000 000	0	1 000 000	0	1 000 000	0	953 082	95%	The grant has been transferred in full.
Municipal Infrastructure Grant	86 733 000	0	86 733 000	0	86 733 000	0	0	0%	MIG expenditure is shown on the First In First out principle and thus is reflected against the roll-over grant.
Rural Households Grant	1 609 000	0	1 609 000	0	4 000 000	2 391 000	0	0%	An amount of R1 609 000 was gazetted to be received. However A total of R4 million has been received to date
Municipal Water Infrastructure Grant	0	0	17 547 000	0	17 547 000	0	4 782 372	27%	The grant has been transferred in full
Total National Treasury	248 780 000	0	313 923 000	0	316 314 000	2 391 000	171 933 108	56%	

DESCRIPTION OF GRANT	TOTAL AMOUNT GAZETTED UP TO 30 MARCH 2014	AMOUNT GAZETTED FOR APRIL 2014	TOTAL TO BE RECEIVED AS AT 30 APRIL 2014	AMOUNT RECEIVED IN APRIL 2014	TOTAL AMOUNT RECEIVED AS AT 30 APRIL 2014	DIFFERENCE	TOTAL ACTUAL EXPENDITURE AS AT 30 APRIL 2014	% SPENT	COMMENTS
PROVINCIAL TREASURY									
Housing Operating account	0	0	0	0	7 779 080	7 779 080	9 099 027	117%	This amount was not included in the Provincial Budget statements 2013/2014. However, Council has received these funds. Expenditure shown is the total operating cost of the Human Settlement section.
Library Subsidy	5 846 000	0	5 846 000	0	5 846 000	0	13 555 793	232%	Expenditure shown is the total operating cost of the Libraries.
Library Subsidy – Cyber Cadets	720 000	0	720 000	0	720 000	0	446 763	62%	The grant has been transferred in full
Museum Subsidy	143 000	0	143 000	0	284 000	141 000	1 125 166	396%	Expenditure shown is the total operating cost of the Museum. An additional amount of R141 000 has been received.
Clinic Services	0	0	0	0	5 158 200	0	17 530 522	340%	Council signed an SLA with the Department of Health for the provision of clinic services for the 2013/14 financial year (DMS 913386). In terms of this SLA the clinic hours need to be extended. The Richards Bay clinic in terms of Council Resolution 9026 dated 3 December 2013 has appointed nursing staff on a temporary basis. This expenditure has been claimed from Province from the quarter ended March 2014.
Upgrade of Alkandstrand Beach – KZN: Economic	0	0	0	0	400 000	400 000	0	0%	This amount was not included in the Provincial Budget statements 2013/2014. However, Council has received these funds.
Total Provincial Grants	6 709 000	0	6 709 000	0	20 187 280	8 320 080	41 757 271	207%	
Total Grants	255 489 000	0	320 632 000	0	336 501 280	10 711 080	219 690 380	65%	

Bank Balance Trend since June 2011

Table:

	Jun-11	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	July-13	Aug-13	Sept13	Oct13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
CASH ON HAND	37 142	291 714	350 132	423 311	411 345	405 663	280 396	343 845	334 581	368 944	412 940	462 070	408 143	414 642	404 080	478 000	482 637



The cash flow situation is still a critical aspect for the municipality and is being constantly monitored. As mentioned previously the situation is gradually improving. However, the liquidity ratios have almost reached the acceptable standard norms but still need to be monitored on a continuous basis.

3.3 Capital Budget Summary

	DRAFT ADJUSTED BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS AT 30 APRIL 2014	ORDERS PLACED - PAYMENTS PENDING	% SPENT / ADJ BUDGET
	R '000	R'000	R'000	%
Executive and Council	450	300	27	67
Budget and Treasury Office	104	56	14	54
Corporate Services	45 325	20 696	9 102	46
Community and Social services	19 444	8 987	368	46
Sport and Recreation	27 369	3 268	3 564	12
Public Safety	14 742	1 643	793	11
Housing	26 244	3 802	1 296	14
Health	5 838	819	66	14
Planning and Development	112	33	0	30
Road Transport	29 005	16 232	4 214	56
Electricity	81 306	19 659	34 474	24
Water	153 668	38 734	10 493	25
Waste Water Management (Sanitation)	58 079	20 846	3 607	36
Waste Management (Solid Waste)	6 204	302	991	5
Total	467 890	135 378	69 007	29

The above table represents Capital Expenditure incurred as at 30 April 2014 (29%). However, with the inclusion of pending payments of R69,0 million the expenditure stands at 44%.

The total adopted capital budget funding structure is as follows:

TYPE OF FUNDING	DRAFT ADJUSTED BUDGET 2013/2014	TOTAL ACTUAL EXPENDITURE AS 30 APRIL 2014	ORDERS PLACED - PAYMENTS PENDING	% SPENT / ADJ BUDGET
	R '000	R '000	R'000	
External loans	122 772	36 959	35 220	30
Capital replacement Reserve	81 388	27 056	13 362	33
MIG	83 697	0	0	0
MIG – Roll over	64 764	44 115	10 211	68
Other Government Grants	49 586	9 194	215	19
Other Government Grants – Roll over	44 605	10 154	1 296	23
Public Contributions	16 237	7 485	7 813	46
Reserves	4 841	415	889	9
Total	467 890	135 377	69 006	29%

The table below reflects a list of all tenders awarded in April 2014:

Tender Number	RPT Number	Project Description	Date Awarded	Amount (excl VAT)	Vote Number	Budget
				R		R
8/2/1/962 Part A	155736	Appointment Of Electrical Contractor For The Electrification Of 559 Households In Dumisane Makhaye	02/04/2014	3 298 919,84	255/872/12	6 750 000
8/2/1/962 Part B	155737	Appointment Of Electrical Contractor For The Electrification Of 564 Households In Mandlazini	02/04/2014	3 086 552,85	255/872/13 255/872/14	3 000 000 10 680 000
8/2/1/962 Part B	155738	Appointment Of Electrical Contractor For The Electrification Of 564 Households In Mzingazi	02/04/2014	2 603 181.65	255/872/14	10 680 000
8/2/1/952	155796	Supply And Delivery Of Various Sewer Submersible Pumps	02/04/2014	959 550.00	243/536/03	1 048 200
8/2/1/923	155611	Extension To Esikhaleni Library	02/04/2014	2 235 980,07	204/632/04	1 490 000
8/2/1/956	155706	Supply And Delivery Of Various Vehicles And Plant	02/04/2014	3 148 870,80 2 120 600,04 564 723,00	271/500/332 271/500/335	7 307 600 565 000
8/2/1/914	155655	Manufacture And Construction Of Mobile Offices, Erection Of Roof Walkway And Construction Of Foundations, Brickwork And Concrete Slab, For The Human Settlement Section Under City Development Department	02/04/2014	2 493 802,29	Housing/1/0	7 779 080
8/2/1/935	155740	Rehabilitation Of North Central Arterial (Nca) With Associated Work In Umhlathuze	02/04/2014	16 383 680,06	022/241/A4	9 012 900
8/2/1/858	155349	Vulindlela Sewer Improvements Phase 1: Main Outfall Sewer Emergency Replacement	02/04/2014	3 342 760,81	234/632/29	2 800 000
8/2/1/442	155812	Esikhaleni Mall Road Safety Improvements – Phase 3	16/04/2014	2 445 873,05	222/672/55 222/672/72 222/572/78	1 000 000 381 100 57 200

3.4 Expenditure per Category

EXPENDITURE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	% OF PRO-RATA ADJ BUDGET
	R'000	R'000	R'000	%
Employee Related Costs	499 490	416 242	399 852	96%
Remuneration of Councillors	21 529	17 941	17 826	99%
Debt Impairment	2 075	1 729	4 746	274%
Depreciation and Offsetting of depreciation	145 218	121 015	121 015	100%
Finance Charges	73 038	60 865	62 949	103%
Bulk Purchases - Water	98 782	82 318	62 806	76%
Bulk Purchases - Electricity	959 186	799 322	746 880	93%
Other Materials	26 943	22 453	18 732	83%
Contracted Services	147 463	122 886	106 649	87%
Transfers and Grants	10 216	8 513	8 055	95%
Other Expenditure	189 861	158 218	132 823	84%
TOTAL	2 173 801	1 811 501	1 682 333	93%

The above table represents operating expenditure per category incurred as at 30 April 2014.

3.5 Revenue per Category

The source of funding for the above comprises the following revenue categories:

REVENUE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	% OF PRO- RATA ADJ BUDGET
	R'000	R'000	R'000	%
Rates	280 000	233 333	231 918	99%
Service Charges - Electricity revenue	1 288 622	1 073 852	1 119 926	104%
Service Charges - Water revenue	174 681	145 568	156 517	108%
Service Charges - Sanitation revenue	72 841	60 701	61 660	102%
Service Charges - Refuse revenue	58 390	48 658	48 781	100%
Service Charges - Other revenue	12 934	10 778	12 295	114%
Rental of Facilities and Equipment	9 086	7 572	11 144	147%
Interest earned - External Investments	10 100	8 417	7 263	86%

REVENUE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	% OF PRO- RATA ADJ BUDGET
	R'000	R'000	R'000	%
Interest earned - Outstanding Debtors	1 673	1 394	1 101	79%
Fines	9 302	7 752	7284	94%
Licenses and Permits	1 846	1 538	1 458	95%
Agency services	6 200	5 167	5 452	106%
Operating Grants and Subsidies	236 994	197 495	183 440	93%
Other Revenue	16 183	13 486	14 593	108%
TOTAL	2 178 852	1 815 710	1 862 832	103%

The above table represents operating revenue per category as at 30 April 2014.

The revenue illustrated in the above table is performing well when compared with the pro rata budget.

Service Charges – Other revenue: Increased revenue earned from reconnection water and electricity fees.

3.6 Surplus and Deficit by Service Category

FUNCTION	ADJUSTED BUDGET 2013/2014			ACTUAL AS AT 30 APRIL 2014		
	Revenue	Expenditure	Surplus/ (Deficit)	Revenue	Expenditure	Surplus/ (Deficit)
	R'000	R'000	R'000	R'000	R'000	R'000
Rates and General Services						
Executive and Council	565	1 266	(701)	605	2 521	(1 916)
Budget and Treasury Office	302 370	7 056	295 313	247 394	1 278	246 115 983
Corporate Services	8 645	62 854	(54 210)	6 252	47 954	(41 703)
Community and Social services	9 285	47 599	(38 314)	8 445	40 391	(31 946)
Sport and Recreation	2 474	102 965	(100 491)	5 153	79 783	(74 631)
Public Safety	10 644	102 733	(92 088)	8 207	80 988	(72 781)
Housing	6 886	10 281	(3 396)	747	7 375	(6 628)
Health	11 753	30 668	(18 915)	7 322	23 523	(16 201)
Planning and Development	1 563	32 781	(31 217)	1 386	25 345	(23 959)
Road Transport	10 535	154 661	(144 126)	8 545	109 658	(101 114)
Environmental Protection	0	4 555	(4 555)	0	10 262	(10 262)
Other	4 787	12 389	(7 602)	0	7 729	(7 729)
Total Rates and General	369 506	569 807	(200 301)	294 056	436 807	(142 751)

FUNCTION	ADJUSTED BUDGET 2013/2014			ACTUAL AS AT 30 APRIL 2014		
	Revenue	Expenditure	Surplus/ (Deficit)	Revenue	Expenditure	Surplus/ (Deficit)
	R'000	R'000	R'000	R'000	R'000	R'000
Airport	450	344	106	481	72	410
Trading Services						
Electricity	1 296 082	1 064 134	231 947	1 136 926	837 129	299 797
Water	307 685	311 780	(4 095)	257 382	232 192	25 190
Clarified Water	13 840	16 003	(2 163)	13 719	12 482	1 237
Sewerage	103 446	118 260	(14 814)	86 952	88 931	(1 979)
Refuse Removal	87 843	93 470	(5 627)	73 316	74 718	(1 402)
Total Trading Services	1 808 896	1 603 648	205 249	1 568 295	1 245 453	322 842
Grand Total	2 178 852	2 173 799	5 054	1 862 832	1 682 332	180 500

The table above sets out the surplus and deficit for each service category. It is important to note that although the trading services namely Electricity, Water, Sewerage and Refuse Removal are supposed to be profitable, only Electricity and Water service is making surpluses.

As part of Council's revenue enhancement policy approved in July 2013, a considerable effort needs to be made to improve the surplus for the remaining trading services by reducing expenditure or increasing revenue.

The main aim of this table is to provide information to departments in order for them to manage their respective services and ensure that revenue and expenditure is in line with budget expectations.

3.7 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0 - 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	OVER 90 DAYS	TOTAL
	R	R	R	R	R
Government	5 327 963	128 116	-37 647	2 016 750	7 435 182
Business	157 406 761	5 008 807	231 859	26 448 372	189 095 799
Households	43 485 445	1 743 578	1 225 473	34 194 827	80 649 323
Other	3 227 660	5 297 304	222 597	6 924 971	15 672 532
Total	209 447	12 177 805	1 642 282	69 584 920	292 852 836
%	71	4	1	24	100

➤ Indicator Results

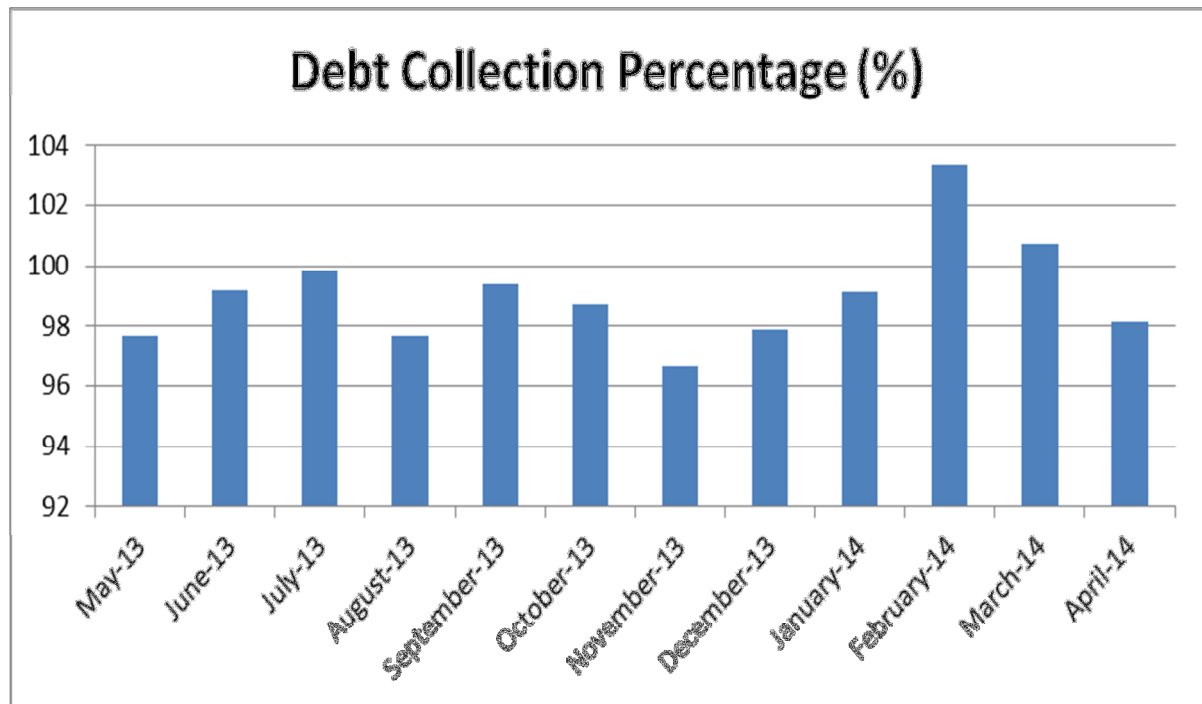
INDICATOR	PERFORMANCE TARGET	RESULT
Collection Rate in days	Below 60 days	42,00
Debtor's Turnover Rate	Below 20 %	11,51%
Average Payment %	Above 98%	98.14%

➤ **DEBT COLLECTION RATE**

The debt collection rate for the previous 12 months is as follows:

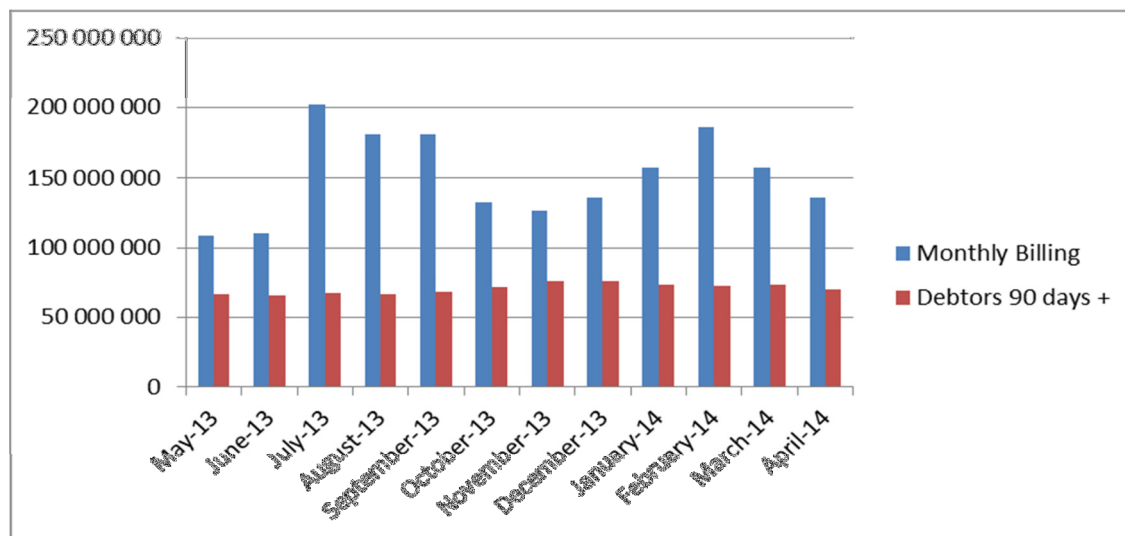
Month	Percentage (%)
May-13	97.66
June-13	99.17
July-13	99.85
August-13	97.65
September-13	99.40
October-13	98.69
November-13	96.64
December-13	97.89

Month	Percentage (%)
January-14	99.14
February-14	103.38
March-14	100.72
April-14	98.14



MONTHLY BILLING COMPARED TO TOTAL DEBTORS 90 days +

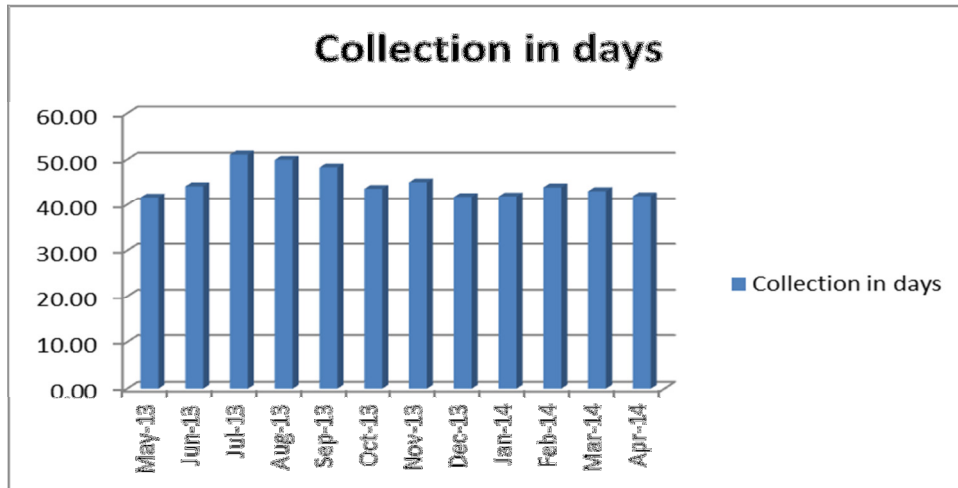
Month	Monthly Billing	Debtors 90 days +	Percentage
April-13	126 359 896	64 748 417	51.24%
May-13	108 875 377	66 283 493	60.88%
June-13	110 266 739	65 503 910	59.40%
July-13	202 033 127	67 355 365	33.33%
August-13	180 768 531	66 033 333	36.52%
September-13	181 395 385	68 031 843	37.50%
October-13	132 113 815	71 455 602	54.08%
November-13	125 825 942	75 809 769	60.24%
December-13	135 287 435	75 500 566	55.80%
January-14	157 178 445	73 297 807	46.33%
February-14	186 009 773	72 603 303	39.03%
March-14	157 793 152	73 400 699	46.51%



DEBT COLLECTION RATIO – in days

The debt collection ratio in days should be below 60 days. If the ratio is at 60 days it means that your debt older than 30 days is equal to your monthly billing. There is no other municipality in the country with a debt collection ratio in days, below 60 days.

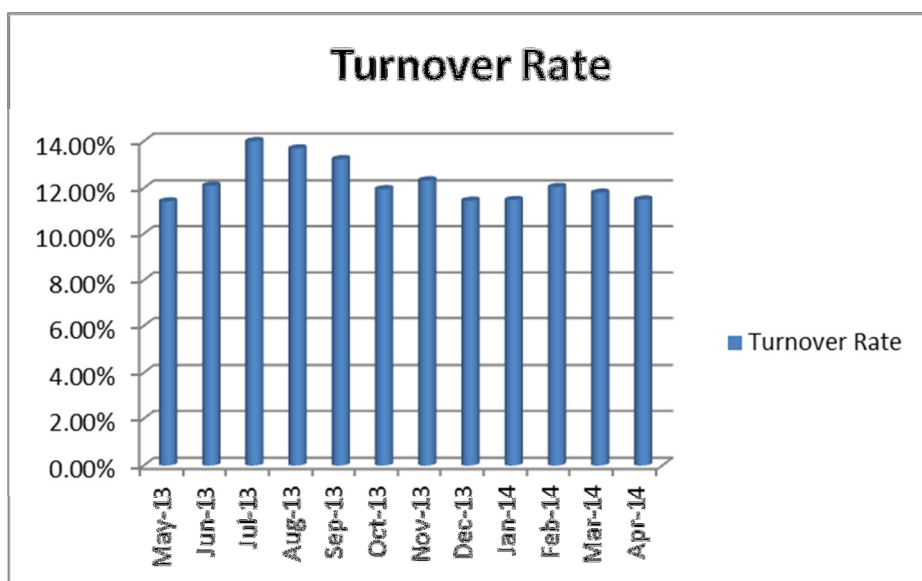
Date	Collection in days
April-14	42.00
Mar-14	43.09
Feb-14	43.94
Jan-14	41.93
Dec-13	41.83
Nov-13	45.01
Oct-13	43.61
Sep-13	48.30
Aug-13	49.96
Jul-13	51.10
Jun-13	44.15
May-13	41.71



TURNOVER RATE OF DEBTORS (%)

In terms of the key performance indicators, the turnover rate should be below 20%. If everybody in town pays their debt fully, the turnover rate will be 8.33%. Council's turnover rate is listed below and it shows a very healthy figure(s).

Date	Turnover Rate
Apr-14	11.51%
Mar-14	11.80%
Feb-14	12.04%
Jan-14	11.49%
Dec-13	11.46%
Nov-13	12.33%
Oct-13	11.95%
Sep-13	13.23%
Aug-13	13.69%
Jul-13	14.00%
Jun-13	12.10%
May-13	11.43%



SUMMARY OF CREDIT CONTROL TECHNICAL ACTIONS PERFORMED

Description	February 2014	March 2014	April 2014
SMS Notification	4302	4853	7257
Final Request - Residential	1830	3532	2855
Final Request - Business	140	353	251
Electricity Disconnection Level 1 (Switch off supply)	132	102	119
Electricity Disconnection Level 2 (Remove circuit breaker)	11	22	12
Illegal Consumption Inspection Electricity Level 1 (Normal inspection)	55	40	35
Illegal Consumption Inspection Electricity Level 2 (Follow up Inspection)	13	10	9
Water Restriction Level 1 (Restrict supply with a flow restriction device)	455	391	561
Water Restriction Level 2 (Install water pressure reducing valve)	10	21	26
Illegal Consumption Inspection Water Level 1 (Normal inspection)	602	493	636
Illegal Consumption Inspection Water Level 2 (Follow up inspection)	39	37	44
Water Disconnection (WD)	51	63	21
Illegal Consumption Inspection Water Level 1 (WD)	4	3	2

3.8 Employee Debt / Councillor Debt

At a previous Financial Services Portfolio Committee meeting, Councillors requested that Official's and Councillor's debt be submitted to Council.

Employee debt amounts to R205 602,80 as per **Annexure AK - DMS 963084**.

Councillor's debt amounts to R548,87 as per **Annexure AL - DMS 963084**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES – FOR ENTIRE MUNICIPALITY

The Chief Financial Officer will highlight what he deems are important observations on the operating expenditure in this Section, where after Departments will provide specific comment on their own sections.

It is very important for Council and the Administration to understand that although the liquidity situation is improving and there is a surplus on the current figures, expenditure has to take place in accordance with the approved budget. **If not, the objective of attempting to create internal reserves for future Capital Expenditure from accumulated cash reserves is not going to materialise.**

4.1 Employee related costs

Although total employee related expenditure is within budgetary limits, overtime expenditure has exceeded its budgetary limits. Below is a table indicating overtime expenditure at the request of Council, which allows this expenditure to be monitored and managed on a monthly basis.

EXPENDITURE PER CATEGORY	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	(OVER) EXPENDITURE	% OF PRO-RATA ADJUSTED BUDGET OVER SPENT
	R'000	R'000	R'000	R'000	%
Overtime	28 251	23 542	24 537	(995)	104

The table below indicates the total number of overtime hours worked and the total number of temporary and permanent employees.

EMPLOYEES	JULY 2013		AUGUST 2013		SEPTEMBER 2013	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	22 582,75	700	24 412,50	645	24 060,50	666
Temporary	80,00	10	58,50	1	50,00	1

EMPLOYEES	OCTOBER 2013		NOVEMBER 2013		DECEMBER 2013	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	25 678	690	26 377	702	21 576	677
Temporary	320	36	8	1	0	0

EMPLOYEES	JANUARY 2014		FEBRUARY 2014		MARCH 2014		APRIL 2014	
	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES	TOTAL HOURS	TOTAL EMPLOYEES
Permanent	19 664	650	47 247	754	24 754	717	26 633	737
Temporary	780	50	864	46	582	31	1 137	33

Planned Repairs and Maintenance programmes should be standard practice for both infrastructure and movable assets such as Plant and Vehicles.

The table below represents the expenditure incurred on overtime for each department for the month April 2014. The relevant departments have supplied the comments for the over-expenditures incurred on overtime.

DEPARTMENT	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER/ (OVER) EXPENDITURE	% OF PRO- RATA BUDGET SPENT
	R	R	R	R	%
City Development		0	0	0	0
Community Services	14 993 700	12 444 750	13 534 993	(1 090 243)	109
Corporate Services	301 100	250 917	244 009	6 907	97
Financial Services	106 400	88 667	78 429	10 237	88
Infrastructure and Technical Services	12 909 300	10 757 750	10 679 706	78 044	99
Office of the Municipal Manager	0	0	0	0	0
TOTAL	28 250 500	23 542 083	24 537 138	(995 054)	104

Detailed explanations that have been provided by the departments on the over-expenditure reflected in the table above have been included below (5. Exception Reporting - Departmental).

5. EXCEPTION REPORTING - DEPARTMENTAL

5.1 COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY

5.1.1 OVERTIME

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER/ (OVER) EXPENDITURE
			R	R	R
COMMUNITY SERVICES AND HEALTH					
005	Fire Brigade	1 819 800	1 516 500	1 688 039	(171 539)
006	Traffic	2 922 000	2 435 000	2 459 435	(24 435)
009	Clinic	82 000	68 333	8 867	59 466
029	Commuter Facilities	115 000	95 833	100 587	(4 754)
032	Street Cleaning	4 329 000	3 607 500	3 745 756	(138 256)
033	Refuse Removal	3 785 400	3 154 500	3 667 118	(512 618)
037	Public Conveniences	132 300	110 250	122 031	(11 781)
Sub - total		13 185 500	10 987 917	11 791 834	(803 917)

□ Vote 005 – Fire Brigade

The firefighting services at Vulindlela, eNseleni and surrounding areas has been insourced as from 1 January 2014. Nineteen fire fighters were appointed and twenty EPWP staff. The EPWP staffs were placed on learnership programmes. This entailed the EPWP staff had to undergo intensive fire fighting training which resulted in fire fighters working overtime.

□ Vote 006 – Traffic

During April 2014, a number of Government events were held within the uMhlathuze Municipality jurisdiction. This resulted in a number of Ministers of different departments including the State President visiting the area. The traffic section had to ensure the safety and security of all the dignitaries. This has contributed to increased overtime-expenditure. Furthermore various accidents during late hours also contributed to the increased expenditure.

□ Vote 029 - Commuter facilities, Vote 032 - Street Cleaning and Vote 037 - Public Conveniences

April had four weekends and three holidays. During holidays the section operates with full staff compliment and gets paid over time in compliance with relevant legislations, including EPWP, in order to ensure that service is not affected. This meant that there would be more expenditure on votes stated this particular month.

COMMUNITY SERVICES, HEALTH AND PUBLIC SAFETY					
OVERTIME					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER/ (OVER) EXPENDITURE
			R	R	R
RECREATION AND ENVIRONMENTAL SERVICES					
002	Cemetery	681 700	568 083	577 701	(9 618)
024	Sport Development and Sports Field	191 000	159 167	176 153	(16 987)
027	Beach Facilities	381 800	318 167	371 219	(53 053)
042	Swimming Pools	427 800	356 500	590 639	(234 139)
073	Parks Distribution Account	65 900	54 917	27 446	27 470
Sub - total		1 748 200	1 456 833	1 743 159	(286 325)
TOTAL		14 933 700	12 444 750	13 534 993	(1 090 243)

Vote 24 – Sport Development and sports field

breakdowns in our tractors were experienced thus forcing staff to work overtime to service all communities as required. Public holidays also had their own impact since our weekly programmes could not be adhered to thus requiring staff to work overtime.

Vote 27 – Beach Facilities

The warm weather experienced during this period resulted in public flocking to the beaches. Facilities being available 7 days a week, including the recent public holidays, resulted in the increased overtime expenditure. The Blue Flag Status awarded to the City also requires that staff be present at all times to ensure that the facility is kept to the required standard at all times and thus contributing to the over-expenditure. Also during this month there several public holidays that demanded staff to work overtime.

Vote 42 – Swimming Pools

The swimming pools being open 7 days a week for 8 months and the influx of public using the facilities did demand staff to work throughout the weekends and also several swimming galas held at certain pool did stress on staff presence during the weekends for general up-keep of the facility. Meeting all these requirement in order to prevent poor service delivery lead to over expenditure in the overtime budget. Also during this month there several public holidays that demanded staff to work overtime.

5.2 CORPORATE SERVICES

5.2.1 OVERTIME

	CORPORATE SERVICES				
	OVERTIME - ADMINISTRATION				
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
001	Administration	82 000	68 333	96 134	(27 801)
016	Municipal Halls	66 900	55 750	47 731	8 019
030	Council general expenditure	83 100	69 250	55 255	13 995
078	Printing and photocopy	69 100	57 583	44 890	12 693
TOTAL		301 100	250 917	244 009	6 907

□ Vote 001 – Administration

Increased expenditure on overtime has been incurred as a result of the following:

- after-hours printing and delivery of agendas;
- preparation for Council meetings; and
- items from departments being submitted late to the Committee Section.

5.3 FINANCIAL SERVICES

5.3.1 OVERTIME

	FINANCIAL SERVICES				
	OVERTIME				
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO- RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
040	Financial Services	32 300	26 917	19 099	7 817
066	Supply Chain Management Unit	74 100	61 750	59 330	2 420
TOTAL		106 400	88 667	78 429	10 237

No comments required.

5.5 INFRASTRUCTURE AND TECHNICAL SERVICES

5.5.1 OVERTIME

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - ELECTRICAL SUPPLY SERVICES					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
072	Electricity Distribution	3 432 900	2 860 750	2 820 205	40 545
83	Electricity	41 600	34 667	0	34 667
Subtotal		3 474 500	2 895 417	2 820 205	75 212

No comments required.

OVERTIME - ENGINEERING SUPPORT SERVICES					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
		R	R	R	R
067	Mechanical services	649 900	541 583	505 052	36 532
Sub-total		649 900	541 583	505 052	36 532

No comments required.

INFRASTRUCTURE AND TECHNICAL SERVICES					
OVERTIME - TRANSPORT, ROADS AND STORMWATER					
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
068	Roads and Stormwater Distribution	26 800	22 333	55 246	(32 913)
Sub-total		26 800	22 333	55 246	(32 913)

□ Vote 068 – Roads and Stormwater

Due to breakdown of plant, only one grader is operating. Weekends were worked to cover up backlogs.

	INFRASTRUCTURE AND TECHNICAL SERVICES				
	OVERTIME - WATER AND SANITATION SERVICES				
VOTE	DESCRIPTION	ADJUSTED BUDGET 2013/2014	PRO-RATA BUDGET (YTD)	ACTUAL APRIL 2014 (YTD)	UNDER / (OVER) EXPENDITURE
			R	R	R
062	Scientific Services	22 200	18 500	1 420	17 080
074	Water and sewerage distribution	8 210 300	6 841 917	6 874 668	(32 752)
087	Sewerage pump station distribution	525 600	438 000	423 115	14 885
Sub-total		8 758 100	7 298 417	7 299 204	(787)
Total		12 909 300	10 757 750	10 679 706	78 044

□ **Vote 074 - Water and Sewerage Distribution**

Overtime has been incurred due to ageing infrastructure for both drinking water and wastewater. Most of the City's urban reticulation has surpassed its design life capacity and is due for large-scale replacement

6. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 964642**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEX
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M

TABLE NUMBER	DESCRIPTION	ANNEX
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y

PART 2 - SUPPORTING DOCUMENTATION

7. DEBTORS ANALYSIS

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 30 April 2014.

8. CREDITORS ANALYSIS

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 30 April 2014.

9. INVESTMENT PORTFOLIO ANALYSIS

Refer to supporting table SC5 - Investment portfolio (**Annexure O**) for the month ended 30 April 2014.

10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 30 April 2014.

11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 30 April 2014.

13. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 30 April 2014:

- Table C5 - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure G**)

- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding (**Annexure H**)
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**)
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**)
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**)
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**)
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**)

Actual capital expenditure which represents payments made during the reporting period, constitutes only 29% (R135,4 million) of the adjusted budget of R467,9 million. However, at the end of April 2014 an amount of R69,0 million for orders that payment will only be made in the following months is shown. Therefore, the revised capital spending at 30 April 2014 is R204,4 million (44%). Refer to 3.3 above for capital budget summary.

14. MUNICIPAL MANAGER'S QUALITY CERTIFICATION

Refer to **DMS 964619 (Annexure AD)**.

PART 3 - OTHER LEGISLATION REQUIREMENTS

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in detail throughout the report.

LEGAL IMPLICATIONS

The monthly financial report is prepared in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive summary contained in this report for comments.

RECOMMENDED THAT:

1. the financial position of the uMhlathuze Municipality as at 30 April 2014, as required in terms of Section 71 and Section 66 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), and as set out in the monthly budget statement tables (**DMS 964642**) be noted;

ON CONCLUSION OF THE REPORT THE FOLLOWING MUST BE COMPLETED BEFORE SUBMITTING TO THE COMMITTEE SECTION:

I REPORT WRITER declare that the information contained in this report is to the best of my knowledge properly researched with the information at my disposal and is correct and credible.

Report writer's signature	Head of Section's signature	Deputy Municipal Manager's signature
S MNGOMEZULU	H RENALD	M KUNENE
Name In Block Letters	Name In Block Letters	Name In Block Letters
Contact number:5315.....	Contact number:5091.....	Contact number:5090.....
Date :	Date :	Date :

Stop!!!! Committee
section will get MM's
signature

<p>.....</p> <p>Municipal Manager's signature</p> <p>DR N J SIBEKO</p> <p>Contact number: X 5023</p> <p>Date :</p>
